



مصرف الإمارات العربية المتحدة المركزي  
CENTRAL BANK OF THE U.A.E.

## United Arab Emirates Monetary, Banking & Financial Markets Developments

4<sup>th</sup> Quarter 2014

March 2015

## **Introduction**

As part of its commitment to promote economic and financial stability and growth in the UAE, the Central Bank of the UAE actively fosters a stable and efficient financial system by providing effective central banking services. The *Quarterly Review of the Developments in the Monetary, Banking and Financial Markets in the UAE* is one of the many avenues through which the Central Bank seeks to keep its stakeholders informed.

This report discusses the monetary and banking activities and developments in the UAE financial markets during the fourth quarter of 2014, in comparison to the same period of the previous year. This report also reviews ratios of annual change over the period from December 2013 to December 2014.

## **Monetary Developments**

Money Supply  $M_0$  (currency in circulation plus total cash held at banks, i.e., total money issued by the Central Bank), increased by 5.2% during the fourth quarter of 2014, compared to an increase by 5.6% during the same period last year. On an annual basis, Money Supply  $M_0$  increased by 16.6% reaching AED 74.5 billion.

Money Supply  $M_1$  (currency in circulation plus balances of current and call accounts of commercial banks at the Central Bank) increased by 1.2% during the fourth quarter of 2014, compared to an increase by 7.1% during the same period last year. On an annual basis, Money Supply  $M_1$  increased by 14.9%, reaching at AED 436.1 billion.

Money Supply  $M_2$  ( $M_1$  plus quasi monetary deposits (saving accounts, time deposits, and all deposits in foreign currencies)) increased by 0.4% during the fourth quarter of 2014, compared to an increase by 10.7% during the same period last year, increasing on an annual basis by 8%, reaching AED 1,141.1 billion.

Money Supply  $M_3$  ( $M_2$  plus government deposits at banks and at the Central Bank), decreased by 0.9% during the fourth quarter of 2014, as compared to an increase by 1.7% during the same period of last year. However, on an annual basis Money Supply  $M_3$  increased by 9.2% and reached AED 1,332 billion.

Generally, the median money supply  $M_2$  is considered the best indicator for the availability of liquidity in the economy, as it comprises currency in circulation outside banks, in addition to various deposits of the resident private sector in the UAE. Statistical data show that this indicator increased by 8% during 2014, brought about by an increase of AED 103.4 billion in residents' quasi deposits with the banking sector in the UAE, during the same period.

**Table-1 Monetary Developments in the UAE***(In Billion Dirhams- End of Period)*

	2013					2014								
	Third Quarter		Fourth Quarter			First Quarter		Second Quarter		Third Quarter		Fourth Quarter		
	Amount	Change (%)	Amount	Change (%)		Amount	Change (%)	Amount	Change (%)	Amount	Change (%)	Amount	Change (%)	
				Quarterly	Annual								Quarterly	Annual
Money Supply (M <sub>0</sub> )	60.5	1.9%	63.9	5.6%	10.6%	65.3	2.2%	67.8	3.8%	70.8	4.4%	74.5	5.2%	16.6%
Money Supply (M <sub>1</sub> )	354.4	2.2%	379.6	7.1%	26.9%	412.0	8.5%	434.3	5.4%	431.1	-0.7%	436.1*	1.2%*	14.9%*
Money Supply (M <sub>2</sub> )	955.0	2.7%	1,056.8	10.7%	22.5%	1,124.3	6.4%	1,142.6	1.6%	1,136.1	-0.6%	1,141.1*	0.4%	8.0%
Money Supply (M <sub>3</sub> )	1,199.6	1.4%	1,219.9	1.7%	12.6%	1,280.2	4.9%	1,328.4	3.8%	1,344.2	1.2%	1,332.0	-0.9%	9.2%

*Source- Data received from banks operating in the UAE*

\* Revised figures

## **Banking Sector Development**

### **1- Banks Operating in the UAE**

The number of locally incorporated banks remained consistent at 23 banks by the end of the fourth quarter of 2014, while their branches increased from 841 at the end of the fourth quarter of 2013 to 869 at the end of the same period of 2014. The number of electronic services units and cash offices of these banks rose from 29 and 89 in the last quarter of 2013 to 34 and 90 during the same period of 2014, respectively.

The number of GCC banks continued to remain constant during the fourth quarter of 2014 at 6 banks, with 4 branches. However, the number of foreign banks fell to 20 banks with a total of 82 branches. The number of electronic services units of these banks also decreased from 52 units at the end of December 2013 to 48 units at the end of December 2014.

At the end of the last quarter of 2014, the number of financial institutions licensed by the Central Bank, i.e., financial investment companies and offices for intermediation in currency trading and money market operations remained unchanged at 25 and 12, respectively. Whereas, from the fourth quarter of 2013 to the fourth quarter of 2014, the number of wholesale banks went from 4 to 7, representative offices rose from 120 to 121, finance companies increased from 25 to 26 and money changers rose from 134 to 140.

The total number of ATMs of banks operating in the UAE reached 4847 by the end of December 2014, compared to 4664 at the end of December 2013 (see table 2 for more details).

**Table-2 Banks, Other Financial Institutions & ATMs**  
**2013 - 2014**

	2013				2014			
	March	June	Sept.	Dec.	March	June	Sept.	Dec
<b>Locally Incorporated Banks</b>								
Main Branches	23	23	23	23	23	23	23	23
Additional Branches	810	824	832	841	843	858	866	869
Electronic Banking Service Units	28	28	29	29	29	33	33	34
Cash Offices	89	89	89	89	89	89	89	90
<b>GCC Banks</b>								
Main Branches	6	6	6	6	6	6	6	6
Additional Branches	3	3	3	4	4	4	4	4
<b>Foreign Banks</b>								
Main Branches	22	22	22	22	22	22	22	20
Additional Branches	83	83	83	83	83	83	83	82
Electronic Banking Service Units	54	54	54	52	53	53	54	48*
Cash Offices	1	1	1	1	1	1	1	1
<b>Wholesale Banks</b>	4	4	4	4	4	5	5	7
Representative Offices	120	120	117	120	120	122	121	121
Finance Companies	25	25	25	25	25	26	26	26
Financial Investment companies	23	23	23	25	25	25	25	25
Moneychangers	124	128	131	134	134	137	138	140
Offices for Intermediating in Currency Trading & Money Market Operations	12	12	12	12	12	12	12	12
ATMs	4,555	4,582	4,642	4,664	4,642	4,674	4,740	4847

*Source: Banking Supervision Department and UAESWITCH*

\* Revised figures

## 2- Bank Assets and Loans

Total assets of banks operating in the UAE increased by 9.7% between the end of the fourth quarter of 2013 and the end of the fourth quarter of 2014, reaching AED 2.31 trillion by the end of December 2014.

This hike was brought about by 8% increase in credit, reaching AED 1.38 trillion.

## 3- Customer Deposits

By the last quarter of 2014, total deposits of resident and non-resident customers with banks operating in the UAE also increased by 11.1%, reaching AED 1.42 trillion, compared to the AED 1.28 trillion at the end of the fourth quarter of 2013. Resident deposits increased by 8.9 percent, reaching AED 1.27 trillion, compared to the AED 1.16 trillion at the end of 2013. Non-resident deposits increased by 33.9 percent, reaching AED 154 billion, compared to the AED 115 billion at the end of 2013.

## 4- Capital and Reserves

Aggregate capital and reserves of banks operating in the UAE increased from AED 268.4 billion at the end of the fourth quarter of 2013 to 282.7 billion at the end of the same period of 2014. Capital reserves increased by 5.3% during 2014. This was due to the continued trend of profit distributions by banks during the same period. Although, the total capital adequacy ratio decreased to 18.2%, with Tier 1 Ratio at 16.2%, at the end of December 2014, as compared to 19.3% and 16.9% at the end of the fourth quarter of 2013 respectively, they continue to remain above the 12% Capital Adequacy and 8% Tier1 ratios prescribed by the Central Bank regulations.

Capital adequacy ratios are a measure of the amount of a bank's capital expressed as a percentage of its weighted credit exposures. A high capital adequacy ratio provides protection to depositors and promotes the stability and efficiency of the financial system of an economy.

**Table- 3: Banking Indicators**

(End of Month, Figures in billions of Dirhams unless otherwise indicated)

	2013		2014						% Change During The Year	
	December	March	Quarterly Change (%)	June	Quarterly Change (%)	September	Quarterly Change (%)	December		Quarterly Change (%)
<b>Total Assets<sup>(1)</sup></b>	2,100.3	2,180.4	3.8%	2,236.9	2.6%	2,311.3	3.3%	2,304.9*	-0.3%*	9.7%*
Banks' Investments in Central Bank CDs	107.9	119.1	10.4%	125.8	5.6%	118.3	-6.0%	99.5	-15.9%	-7.8%
Shariah Compliant Certificates of Deposits	34.1	33.5	-1.8%	32.9	-1.8%	26.2	-20.4%	19.8	-24.4%	-41.9%
Gross Credit <sup>(1)</sup>	1,275.5	1,303.4	2.2%	1,329.7	2.0%	1,381.9	3.9%	1,378.1*	-0.3%*	8.0%*
Personal Loans to Residents	279.5	285.7	2.2%	295.9	3.6%	307.5	3.9%	299.9*	-2.5%*	7.3%*
Total Deposits <sup>(2)</sup>	1,278.9	1,331.7	4.1%	1,400.2	5.1%	1,414.5	1.0%	1,421.3	0.5%	11.1%
Capital & Reserves	268.4	288.4	7.5%	287.2	-0.4%	283.8	-1.2%	282.7*	-0.4%*	5.3%*
Capital Adequacy Ratio	19.3%	18.5%	-4.1%	18.2%	-1.6%	18.3%	0.5%	18.2%	-0.5%	-5.7%
Tier-1 Ratio	16.9%	16.2%	-	16.0%	-1.2%	16.3%	1.9%	16.2%	-0.6%	-4.1%

<sup>(1)</sup>Includes gross credit to residents and non-residents: loans to non-banking financial institutions, Trade Bills Discounted and Loans and Advances to the Government and Public Sector, Private sector (corporate and individuals) in local and foreign currencies.

<sup>(2)</sup>Net of inter-bank deposits and bank drafts, but includes commercial prepayments.

\* Revised Figures

## 5- Central Bank Assets in Foreign Currencies

Central Bank's assets in foreign currencies increased by 13.3%, from AED 282.91 billion at the end of the fourth quarter of 2013 to AED 320.64 billion at the end of the fourth quarter of 2014. This was mainly attributed to an increase by AED 10.99 billion in foreign bonds held to maturity.

## 6- Values in UAE Financial Markets

The UAE financial markets general index fell by 14.8% during the fourth quarter of 2014. However, market capitalization of companies listed on financial markets increased from AED 646.3 billion at the end of December 2013 to AED 728.4 billion at the end of December of 2014. Monthly trading value also fell from AED 38.1 billion at the end of the fourth quarter of 2013 to AED 31.8 billion at the end of the corresponding quarter of 2014.



**Table 4: UAE Financial Markets Indicators**

	2012				2013				2014			
	March	June	Sept.	Dec.	March	June	Sept.	Dec.	March	June	Sept.	Dec.
Number of listed Companies	127	127	125	123	123	121	120	120	120	120	121	125
General Share Price Index	2,541.9	2,370.3	2,529.3	2,561.2	2,925.6	3,402.8	3,817.0	4,313.6	5,083.6	4,657.8	5,378.0	4,580.1
Quarterly Variation (%)	--	- 6.8%	6.7%	1.3%	14.2%	16.3%	12.2%	13.0%	17.9%	- 8.4%	15.5%	-14.8%
Market Capitalization (Billion AED)	375.8	350.8	374.3	379.1	434.8	509.9	571.9	646.3	763.1	699.2	808.3	728.4
Monthly trading Value (Billion AED)	12.5	3.1	4.7	4.6	8.4	22.6	30.5	38.1	44.3	48.3	32.2	31.8

*Source: UAE Securities & Commodities Authority*