



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

United Arab Emirates Monetary, Banking & Financial Markets Developments

1ST Quarter 2015

April 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 *United Arab Emirates Monetary, Banking and Financial Markets Developments Report* 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 as well as developments in the UAE financial markets during the first quarter of 2015, in comparison to the first quarter of the previous year. The report also reviews ratios of annual change over the period from March 2014 to March 2015.

Monetary Developments

Money Supply M_1 , which comprises Currency Issued (Currency in Circulation and Cash at banks) plus Monetary Deposits, increased by 4.1% during the first quarter of 2015, compared to an increase by 7.8% during the same period last year. On an annual basis, the monetary aggregate M_1 increased by 10.9%, reaching AED 470 billion.

Money Supply M_2 (M_1 plus Quasi Monetary Deposits (saving accounts, time deposits, and all deposits in foreign currencies), increased by 3.1% during the first quarter of 2015, compared to a quarterly increase by 6.2% during the same period last year, which was brought about by an increase of AED 85.3 billion in residents' quasi deposits with the banking sector in the UAE, during the same period. On an annual basis M_2 increased by 4.9%, reaching AED 1,191.9 billion.

Money Supply M_3 (M_2 plus government deposits at banks and at the Central Bank), also increased by 2.2% during the first quarter of 2015 as compared to a quarterly increase by 4.8% during the first quarter of 2014. On an annual basis, Money Supply M_3 increased by 6.6% to reach 1,377.2 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 issued, in addition to various deposits of the resident private sector in the UAE. However, statistical data show that, during the first quarter of 2015, this indicator and other monetary aggregates grew at a slower pace compared to the first quarter of 2014. On an annual basis, the growth of M_1 , M_2 and M_3 ranged from 4.9% to 10.9% compared to March of 2014.

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

	2014								2015**		
	First Quarter		Second Quarter		Third Quarter		Fourth Quarter		First Quarter		
	Amount	Quarterly Change (%)	Amount	Quarterly Change (%)	Amount	Quarterly Change (%)	Amount	Quarterly Change (%)	Amount	Change (%)	
										Quarterly	Annual
Money Supply (M₁)*	423.9	7.8%	447.2	5.5%	444.6	-0.6%	451.6	1.6%	470	4.1%	10.9%
Money Supply (M₂)*	1,136.2	6.2%	1,155.5	1.7%	1,149.6	-0.5%	1,156.6	0.6%	1,191.9	3.1%	4.9%
Money Supply (M₃)*	1,292.1	4.8%	1,341.3	3.8%	1,357.7	1.2%	1,347.5	-0.8%	1,377.2	2.2%	6.6%

Source- Data received from banks operating in the UAE

*Revised to include cash at banks

M₁ = Currency issued (Currency in Circulation and Cash at banks) + Monetary Deposits

M₂ = M₁ + Quasi-Monetary Deposits

M₃ = M₂ + Government Deposits

**Estimates, subject to revision

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 first quarter of 2015, while their branches increased from 843 at the end of the first quarter of 2014 to 871 at the end of the same period of 2015. The number of electronic services units and cash offices of these banks rose from 29 and 89 in the first quarter of 2014 to 31 and 90 during the same period of 2015, respectively.

The number of GCC banks continued to remain constant during the first quarter of 2015 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 53 units at the end of March 2014 to 48 units at the end of March 2015.

At the end of the first quarter of 2015, 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 constant at 25 and 12, respectively. Whereas, from the first quarter of 2014 to the first quarter of 2015, the number of wholesale banks doubled from 4 to 8, representative offices rose from 120 to 122, finance companies increased from 25 to 26 and money changers jumped from 134 to 140.

The total number of ATMs of banks operating in the UAE reached 4,879 by the end of March 2015, compared to 4,642 at the end of March 2014 (see table 2 for more details).

Table-2 Banks, Other Financial Institutions & ATMs									
2013 - 2015									
	2013				2014				2015*
	March	June	Sept.	Dec.	March	June	Sept.	Dec.	March
Locally Incorporated Banks									
Main Branches	23	23	23	23	23	23	23	23	23
Additional Branches	810	824	832	841	843	858	866	869	871
Electronic Banking Service Units	28	28	29	29	29	33	33	34	31
Cash Offices	89	89	89	89	89	89	89	90	90
GCC Banks									
Main Branches	6	6	6	6	6	6	6	6	6
Additional Branches	3	3	3	4	4	4	4	4	4
Foreign Banks									
Main Branches	22	22	22	22	22	22	22	20	20
Additional Branches	83	83	83	83	83	83	83	82	82
Electronic Banking Service Units	54	54	54	52	53	53	54	48	48
Cash Offices	1	1	1	1	1	1	1	1	1
Wholesale Banks	4	4	4	4	4	5	5	7	8
Representative Offices	120	120	117	120	120	122	121	121	122
Finance Companies	25	25	25	25	25	26	26	26	26
Financial Investment companies	23	23	23	25	25	25	25	25	25
Moneychangers	124	128	131	134	134	137	138	140	140
Offices for Intermediating in Currency Trading & Money Market Operations	12	12	12	12	12	12	12	12	12
ATMs	4,555	4,582	4,642	4,664	4,642	4,674	4,740	4,847	4,879

Source: Banking Supervision Department and UAESWITCH

*Estimates, subject to revision

2- Bank Assets and Loans

Total assets of banks operating in the UAE increased by 9.1% between the end of the first quarter of 2014 and the end of the first quarter of 2015, reaching AED 2.38 trillion by the end of March 2015.

This hike was brought about by 8.2% increase in credit, reaching AED 1.41 trillion.

3- Customer Deposits

By the first quarter of 2015, total deposits of resident and non-resident customers with banks operating in the UAE also increased by 8.8%, reaching AED 1.45 trillion, compared to the AED 1.33 trillion at the end of the first quarter of 2014. Resident deposits increased by 7 percent, reaching AED 1.30 trillion, compared to the AED 1.22 trillion at the end of the first quarter of 2014. Non-resident deposits increased by 27.9 percent, reaching AED 148 billion, compared to the AED 115.7 billion at the end of the first quarter of 2014.

4- Capital and Reserves

Aggregate capital and reserves of banks operating in the UAE increased from AED 288.4 billion at the end of the first quarter of 2014 to 311.1 billion at the end of the same period of 2015. Capital and reserves increased by 7.9% during 2015. The total capital adequacy ratios remained well above the 12% Capital Adequacy and 8% Tier1 ratios prescribed by the Central Bank regulations.

Capital adequacy ratios 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)

	2014								2015*		% Annual Change
	March	Quarterly Change (%)	June	Quarterly Change (%)	September	Quarterly Change (%)	December	Quarterly Change (%)	March	Quarterly Change (%)	
Total Assets⁽¹⁾	2,180.4	3.8%	2,236.9	2.6%	2,311.3	3.3%	2,304.9	-0.3%	2,379.9	3.3%	9.1%
Banks' Investments in Central Bank CDs	119.1	10.4%	125.8	5.6%	118.3	-6.0%	99.5	-15.9%	111.7	12.3%	-6.2%
Shariah Compliant Certificates of Deposits	33.5	-1.8%	32.9	-1.8%	26.2	-20.4%	19.8	-24.4%	22.1	11.6%	-34.0%
Gross Credit ⁽¹⁾	1,303.4	2.2%	1,329.7	2.0%	1,381.9	3.9%	1,378.1	-0.3%	1,410.2	2.3%	8.2%
Personal Loans to Residents	285.7	2.2%	295.9	3.6%	307.5	3.9%	299.9	-2.5%	309.9	3.3%	8.5%
Total Deposits ⁽²⁾	1,331.7	4.1%	1,400.2	5.1%	1,414.5	1.0%	1,421.3	0.5%	1,449.3	2.0%	8.8%
Capital & Reserves ⁽³⁾	288.4	7.5%	287.2	-0.4%	283.8	-1.2%	282.7	-0.4%	311.1	10.0%	7.9%
Capital Adequacy Ratio	18.5%	-4.1%	18.2%	-1.6%	18.3%	0.5%	18.2%	-0.5%	18.2%	0.0%	-1.6%
Tier-1 Ratio	16.2%		16.0%	-1.2%	16.3%	1.9%	16.2%	-0.6%	16.2%	0.0%	0.0%

⁽¹⁾Includes 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.

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

⁽³⁾Excluding current year profit & including subordinated borrowings/deposits

*Estimates, subject to revision

5- Central Bank Assets in Foreign Currencies

Central Bank's assets in foreign currencies increased by 3.1%, from AED 296.90 billion at the end of the first quarter of 2014 to AED 306.05 billion at the end of the first quarter of 2015. This was mainly attributed to an increase by AED 7.52 billion in foreign bonds held to maturity.

6- Values in UAE Financial Markets

The UAE financial markets general index fell by 11.9% during the first quarter of 2015. Market capitalization of companies listed on financial markets also fell from AED 763.1 billion at the end of March 2014 to AED 726.2 billion at the end of March of 2015. Continuing with the same trend, quarterly trading value too fell from AED 162.1 billion at the end of the first quarter of 2014 to AED 51.8 billion at the end of the corresponding quarter of 2015.

Table 4: UAE Financial Markets Indicators

	2012				2013				2014				2015
	March	June	Sept.	Dec.	March	June	Sept.	Dec.	March	June	Sept.	Dec.	March
Number of listed Companies	127	127	125	123	123	121	120	120	120	120	121	125	126
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	4,476.9
Quarterly Variation (%)*	--	-6.8%	6.7%	1.3%	14.2%	16.3%	12.2%	13.0%	17.9%	-8.4%	15.5%	-14.8%	-11.9%
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	726.2
Quarterly Traded Values (Billion AED)*	12.5	3.1	12.7	13.4	33.4	59.9	70.7	80.4	162.1	180.0	97.0	86.7	51.8

Source: UAE Securities & Commodities Authority

*Revised Figures