



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

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

**2018 – 1<sup>st</sup> Quarter Report**

**May 2018**

## **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 2018, in comparison to the first quarter of the previous year. The report also reviews ratios of annual change over the period from March 2017 to March 2018.

## **Monetary Developments**

Money Supply  $M_1$ , which comprises Currency in Circulation outside Banks (Currency Issued - Cash at banks) plus Monetary Deposits, increased by 3.7% during the first quarter of 2018, compared to a 6.4% quarterly increase during the same period last year. On an annual basis, there was a 1.2% increase in the monetary aggregate  $M_1$ , reaching AED 510.6 billion.

Money Supply  $M_2$  ( $M_1$  plus Quasi Monetary Deposits (Resident Time and Savings Deposits in Dirham plus Resident Deposits in Foreign Currencies)), increased by 1.4% during the first quarter of 2018, compared to a 3.8% quarterly increase during the same period last year. On an annual basis, there was a 1.7% increase in Money Supply  $M_2$ , reaching AED 1293.8 billion.

Consequently, Money Supply  $M_3$  ( $M_2$  plus government deposits at banks and at the Central Bank) also increased by 2.7% during the first quarter of 2018 as compared to a 3.9% increase during the first quarter of 2017. On an annual basis, there was a 4.2% increase in Money Supply  $M_3$ , reaching AED 1526.7 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 all the resident sectors except the government sector in the UAE. Statistical data show that at the end of the first quarter of 2018,  $M_2$  increased relatively less than the increase during the same period of 2017. The smaller increase in  $M_2$  during the first quarter of 2018 was mainly due to a lesser rise in non-government resident deposits by 1.3% reaching 1223.9 billion, compared to a bigger increase of 3.7% (AED 1206.8 billion) during the same period of the previous year.

**Table 1 - Monetary Developments in the UAE**

(In Billions Dirhams - End of Period)

	2016		2017								2018		
	Fourth Quarter		First Quarter		Second Quarter		Third Quarter		Fourth Quarter		First Quarter*		
	Amount	Quarterly Change (%)	Amount	Quarterly Change (%)	Amount	Quarterly Change (%)	Amount	Quarterly Change (%)	Amount	Quarterly Change (%)	Amount	Change (%)	
												Quarterly	Annual
<b>Money Supply (M<sub>1</sub>)</b>	474.1	0.3%	504.4	6.4%	507.1	0.5%	488.9	-3.6%	492.4	0.7%	510.6	3.7%	1.2%
<b>Money Supply (M<sub>2</sub>)</b>	1225.5	2.1%	1272.2	3.8%	1267.1	-0.4%	1257.2	-0.8%	1276.2	1.5%	1293.8	1.4%	1.7%
<b>Money Supply (M<sub>3</sub>)</b>	1411.4	3.1%	1465.8	3.9%	1463.1	-0.2%	1458.0	-0.3%	1487.1	2.0%	1526.7	2.7%	4.2%

*Source- Data received from banks operating in the UAE***M<sub>1</sub>** = Currency in Circulation Outside Banks (Currency Issued - Cash at banks) + Monetary Deposits**M<sub>2</sub>** = M<sub>1</sub> + Quasi-Monetary Deposits**M<sub>3</sub>** = M<sub>2</sub> + Government Deposits

\*Estimates, subject to revision

## Banking Sector Development

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

The number of locally incorporated banks decreased from 23 banks at the end of the first quarter of 2017 to 22 banks at the end of the first quarter of 2018, while their branches decreased from 834 at the end of the first quarter of 2017 to 761 at the end of the same period of 2018. The number of electronic services units of these banks decreased at the end of first quarter of 2018 to 32 from 35 at the end of March 2017. The number of Cash Offices decreased from 72 offices at the end of March 2017 to 48 offices at the end of March 2018.

The number of GCC banks remains constant during the first quarter of 2018 at 6 banks, with 4 branches. The number of other foreign banks increased from 20 banks at the end of the first quarter of 2017 to 21 banks and their branches decreased from 81 branches to 77 branches at the same period at the end of the first quarter of 2018. The number of electronic services units of these banks also decreased from 29 units at the end of March 2017 to 21 units at the end of March 2018. The number of cash offices remains constant at 1 cash office during the first quarter of 2018.

At the end of the first quarter of 2018, the number of financial institutions licensed by the Central Bank i.e., Wholesale Banks, Representative Offices, Finance Companies, Financial Investment Companies, Moneychangers and Offices for Intermediating in Currency Trading & Money Market Operations reached 12, 102, 27, 20, 130 and 11, respectively.

The total number of ATM of banks operating in the UAE reached 5,274 by the end of March 2018, compared to 5,211 at the end of March 2017.

<b>Table-2 Banks, Other Financial Institutions &amp; ATMs 2013 - 2018</b>									
	2013	2014	2015	2016	2017				2018
	Dec	Dec	Dec	Dec	Mar	Jun	Sep *	Dec *	Mar**
<b>Locally Incorporated Banks</b>									
Main Branches	23	23	23	23	23	23	23	22	22
Additional Branches	841	869	874	846	834	816	810	771	761
Electronic Banking Service Units	29	34	37	33	35	36	36	36	32
Cash Offices	89	90	90	76	72	61	58	51	48
<b>GCC Banks</b>									
Main Branches	6	6	6	6	6	6	6	6	6
Additional Branches	4	4	4	4	4	4	4	4	4
<b>Foreign Banks</b>									
Main Branches	22	20	20	20	20	20	20	21	21
Additional Branches	83	82	82	81	81	81	81	78	77
Electronic Banking Service Units	52	48	40	31	29	29	29	25	21
Cash Offices	1	1	1	1	1	1	1	1	1
Wholesale Banks	4	7	8	11	11	11	12	12	12
Representative Offices	120	121	115	114	107	108	107	103	102
Finance Companies	25	26	27	27	28	28	28	27	27
Financial Investment companies	25	25	25	25	22	21	25	20	20
Moneychangers	134	140	140	140	141	141	141	132	130
Offices for Intermediating in Currency Trading & Money Market Operations	12	12	12	11	11	11	11	11	11
<b>ATMs</b>	4,664	4,847	5,119	5,243	5,211	5,219	5,243	5,302	5,274

*Source: Banking Supervision Department and UAESWITCH*

\* Revised to account for Year End Amendments

\*\* Estimates, subject to revision

## 2- Bank Assets and Loans

At the end of the first quarter of 2018 total assets of banks operating in the UAE increased by 0.9%, reaching AED 2718.3 billion, compared to an increase of 1.3% at the end of the first quarter of 2017. During the period between March 2017 and March 2018, the total assets of banks operating in the UAE increased by 3.5%.

Gross credit also increased by 1.8% at the end of March 2018, reaching 1608.1 billion. On an annual basis, gross credit increased by 2.1%.

## 3- Customer Deposits

By the end of the first quarter of 2018, total deposits of resident and non-resident customers with banks operating in the UAE increased by 2.2%, reaching AED 1662.4 billion, compared to an increase of 2.5% (AED 1602 billion) at the end of the first quarter of 2017. Resident deposits increased by 2.6%, reaching AED 1472.9 billion at the end of the first quarter of 2018, compared to an increase of 3.6% at the end of the first quarter of 2017 reaching AED 1413 billion. Non-resident deposits decreased by 1.1%, reaching AED 189.5 billion by the end of March 2018, compared to a 5% reduction at the end of the same period of 2017. On an annual basis, Resident deposits increased by 4.2% and Non-resident deposits increased by 0.3%.

## 4- Capital and Reserves

Aggregate Capital and Reserves of banks operating in the UAE decreased by 6.2%, reaching to AED 316.3 billion at the end of the first quarter of 2018 compared to a 3.1% quarterly reduction at the end of the same period of 2017. Although the total Capital Adequacy Ratios showed reductions during the first quarter of 2018, compared to the reductions during the first quarter of 2017, they remain well above the 12.375% Capital Adequacy ratio, which includes the 1.875% Capital Conservation Buffer requirement, and 8.5% Tier1 ratio as prescribed by the Central Bank regulations in compliance to Basel III guidelines. Banks are following Basel III principles for calculating the Capital Adequacy Ratios effective December 2017 in line with the Guidelines issued by the Central Bank.

Capital adequacy ratios measure the amount of a bank's capital expressed as a percentage of its risk 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)

	2016		2017						2018		% Annual Change		
	Dec	Quarterly Change (%)	Mar	Quarterly Change (%)	Jun	Quarterly Change (%)	Sep	Quarterly Change (%)	Dec	Quarterly Change (%)		Mar *	Quarterly Change (%)
<b>Total Assets</b> <sup>(1)</sup>	2592.5	2.5%	2626.5	1.3%	2632.0	0.2%	2643.2	0.4%	2693.8	1.9%	2718.3	0.9%	3.5%
Banks' Investments in Central Bank CDs	108.2	4.2%	115.3	6.6%	102.8	-10.8%	126.6	23.2%	135.1	6.7%	134.3	-0.6%	16.5%
Shariah Compliant Certificates of Deposits	20.1	20.4%	26.3	30.8%	20.4	-22.4%	30.4	49.0%	38.3	26.0%	43.0	12.3%	63.5%
Gross Credit <sup>(1)</sup>	1553.7	0.5%	1575.4	1.4%	1569.0	-0.4%	1580.0	0.7%	1580.3	0.0%	1608.1	1.8%	2.1%
Personal Loans to Residents	326.1	0.3%	327.5	0.4%	329.6	0.6%	335.1	1.7%	337.5	0.7%	336.5	-0.3%	2.7%
Total Deposits <sup>(2)</sup>	1562.9	3.6%	1602.0	2.5%	1589.1	-0.8%	1595.8	0.4%	1627.3	2.0%	1662.4	2.2%	3.8%
Capital & Reserves <sup>(3)</sup>	307.8	2.9%	298.3	-3.1%	302.7	1.5%	327.1	8.1%	337.3	3.1%	316.3	-6.2%	6.0%
Capital Adequacy Ratio <sup>(4)</sup>	18.9%	1.6%	18.6%	-1.6%	18.5%	-0.5%	18.7%	1.1%	18.1%	-3.2%	17.5%	-3.3%	-5.9%
Tier-1 Ratio	17.3%	2.4%	16.9%	-2.3%	16.9%	0.0%	17.1%	1.2%	16.6%	-2.9%	16.0%	-3.6%	-5.3%
Common Equity Tier1(CET 1) Capital Ratio									14.6%		13.9%	-4.8%	

<sup>(1)</sup> 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 (corporates and individuals) in local and foreign currencies.

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

<sup>(3)</sup> Excluding subordinated borrowings/deposits, but including current year profit.

<sup>(4)</sup> Starting from Dec 17, Basel III guidelines are followed. Prior to Dec 17, Basel II guidelines are followed.

\*Estimates, subject to revision

## 5- Foreign Assets of the Central Bank

At the end of the first quarter of 2018, the Central Bank's foreign assets decreased by 3.3%, reaching AED 336.3 billion, compared to a 4.5% increase at the end of the first quarter of 2017. This fall was mainly attributed to a reduction in Held-to-Maturity Foreign Securities by 34.7% (a reduction of AED 29.3 billion), overshadowing increases in Current Account Balances & Deposits with banks abroad by 5.7% (an increase of AED 14.6 billion) and Other Foreign Assets by 51.3% (an increase of AED 3.4 billion).

## 6- Abu Dhabi and Dubai Financial Markets Values

Abu Dhabi's quarterly average Financial Market Index rose by 6.4% during the first quarter of 2018 compared to a 3% increase in the first quarter of 2017. The quarterly average Market Capitalization of companies listed at the Abu Dhabi Securities Exchange (ADX) increased by AED 42.2 billion reaching AED 503.1 billion at the end of the first quarter of 2018 compared to AED 6.3 billion increase at the end of the first quarter of 2017. Quarterly Trading Value decreased from AED 17.4 billion (54% quarterly increase) during the first quarter of 2017 to AED 9 billion (9.1% quarterly reduction) during the first quarter of 2018.

Dubai's quarterly average Financial Market Index decreased by 6.5% during the first quarter of 2018, compared to a 5.2% increase during the same period in 2017. The quarterly average Market Capitalization of companies listed at the Dubai Financial Market (DFM) increased by AED 7.5 billion reaching AED 393.7 billion at the end of the first quarter of 2018 compared to AED 61.2 billion increase at the end of the first quarter of 2017. Quarterly Trading Value decreased from AED 48.2 billion (14.8% quarterly increase) during the first quarter of 2017 to AED 20.4 billion (27.7% quarterly decrease) during the first quarter of 2018.



**Table 4: Abu Dhabi Securities Exchange (ADX) Indicators**

	2015				2016				2017				2018
	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar
<b>Number of listed Companies</b>	69	69	69	70	69	69	69	69	67	67	67	69	69
<b>General Share Price Index**</b>	4537.0	4632.7	4610.3	4288.6	4265.4	4430.5	4507.6	4385.1	4514.8	4458.4	4477.3	4318.4	4595.1
<b>Quarterly Variation (%)</b>	-3.2%	2.1%	-0.5%	-7.0%	-0.5%	3.9%	1.7%	-2.7%	3.0%	-1.2%	0.4%	-3.5%	6.4%
<b>Market Capitalization (Billion AED)**</b>	423.7	433.2	443.0	436.9	441.1	449.4	475.5	461.1	467.4	460.7	459.2	460.9	503.1
<b>Quarterly Traded Values (Billion AED)</b>	13.4	16.3	13.3	13.7	14.8	10.7	8.5	11.3	17.4	10.9	9.9	9.9	9.0

*Source: Abu Dhabi Securities Exchange (ADX)*

**Table 5: Dubai Financial Markets (DFM) Indicators**

	2015				2016				2017				2018
	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar
<b>Number of listed Companies*</b>	59	59	59	60	60	60	60	61	62	62	62	65	67
<b>General Share Price Index**</b>	3684.5	4079.7	3799.7	3286.3	3197.7	3372.2	3487.7	3408.1	3584.5	3382.1	3611.6	3475.4	3249.0
<b>Quarterly Variation (%)</b>	-12.3%	10.7%	-6.9%	-13.5%	-2.7%	5.5%	3.4%	-2.3%	5.2%	-5.6%	6.8%	-3.8%	-6.5%
<b>Market Capitalization (Billion AED)**</b>	331.7	366.2	360.4	323.3	312.4	332.4	337.0	325.8	387.0	356.9	377.3	386.2	393.7
<b>Quarterly Traded Values (Billion AED)</b>	38.2	65.2	28.9	19.1	40.6	28.9	21.7	42.0	48.2	21.6	16.7	28.2	20.4

*\*includes foreign companies*

*Source: Dubai Financial Markets (DFM)*

**\*\***The Quarterly share Price Index and the Quarterly Market Capitalization are measured as the quarterly average of monthly observations.