



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

United Arab Emirates
Monetary, Banking & Financial Markets Developments

2019 – 4th Quarter Report
February 2020

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 fourth quarter of 2019, in comparison to the fourth quarter of the previous year. The report also reviews ratios of annual change over the period from December 2018 to December 2019.

Monetary Developments

Money Supply **M₁**, which comprises Currency in Circulation outside Banks (Currency Issued - Cash at banks) plus Monetary Deposits, increased by 0.6% during the fourth quarter of 2019, compared to a 0.3% quarterly rise during the same period last year. On an annual basis, there was a 6% climb in the monetary aggregate **M₁**, reaching AED 514.8 billion.

Money Supply **M₂** (**M₁** plus Quasi Monetary Deposits (Resident Time and Savings Deposits in Dirham plus Resident Deposits in Foreign Currencies)), also increased by 3.7% during the fourth quarter of 2019, compared to a 1.3% quarterly increase during the same period last year. On an annual basis, there was a 7.9% increase in Money Supply **M₂**, reaching AED 1411.5 billion.

Money Supply **M₃** (**M₂** plus government deposits at banks and at the Central Bank) escalated by 2.2% during the fourth quarter of 2019 as compared to a 1.4% rise during the fourth quarter of 2018. On an annual basis, there was a 7.2% growth in Money Supply **M₃**, reaching AED 1717.4 billion.

Typically, the money supply **M₂**, 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 fourth quarter of 2019, there was a larger increase in **M₂**, compared to a lesser increase during the same period of 2018. The rise in **M₂** during the fourth quarter of 2019 was mainly due to the quarterly increase in non-government resident deposits by 3.8% expanding to 1333.3 billion, compared to a smaller increase of 1.3% (reaching AED 1238 billion) during the same period of the previous year.

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

	2018				2019				
	Third Quarter		Fourth Quarter		Third Quarter		Fourth Quarter*		
	Amount	Quarterly Change (%)	Amount	Quarterly Change (%)	Amount	Quarterly Change (%)	Amount	Change (%)	
								Quarterly	Annual
Money Supply (M₁)	484.2	-2.3%	485.7	0.3%	511.9	0.8%	514.8	0.6%	6.0%
Money Supply (M₂)	1291.1	-0.7%	1308.5	1.3%	1361.3	0.8%	1411.5	3.7%	7.9%
Money Supply (M₃)	1579.8	1.7%	1602.4	1.4%	1679.9	2.1%	1717.4	2.2%	7.2%

Source-** Data received from banks operating in the UAEM₁** = Currency in Circulation Outside Banks (Currency Issued - 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 are at 21 banks as of the end of the fourth quarter of 2019 compared to 22 banks at the end of the fourth quarter of 2018. This reduction in the number of locally incorporated banks is due to the merger of Union National Bank and Abu Dhabi Commercial Bank, forming the new larger Abu Dhabi Commercial Bank. The branches of these locally incorporated banks decreased from 743 at the end of the fourth quarter of 2018 to 656 at the end of the same period of 2019. The number of electronic service units of these banks remained constant at 33 units, at the end of the fourth quarters of 2018 and 2019. The number of Cash Offices fell from 34 offices at the end of December 2018 to 31 offices at the end of December 2019.

The number of GCC banks remains steady during the fourth quarter of 2019 at 6 banks, with 4 branches. The number of other foreign banks also remains unchanged at 21 banks at the end of the fourth quarters of 2018 and 2019. However, their branches decreased from 76 branches, at the end of December 2018, to 75 branches during the same period of 2019. The number of electronic service units of these banks increased from 21 units at the end of the fourth quarter of 2018 to 22 units at the end of the fourth quarter of 2019. The number of cash offices remains invariable at one cash office during the fourth quarters of 2018 and 2019.

The changes in banks' branches, electronic banking service units and cash offices reflect technological and structural advancements in the UAE financial sector and the increasing trend of mobile banking applications, online banking and ease in the use of automated teller machines (ATM).

At the end of the fourth quarter of 2019, the number of financial institutions licensed by the Central Bank, i.e., Wholesale Banks, Representative Offices, Finance Companies, Moneychangers and Offices for Intermediating in Currency Trading & Money Market Operations reached 11, 87, 23, 104 and 11, respectively.

The total number of ATM of banks operating in the UAE reached 5,076 by the end of December 2019, compared to 5,303 at the end of December 2018.

4th Quarter 2019

[UNITED ARAB EMIRATES MONETARY, BANKING & FINANCIAL MARKETS DEVELOPMENTS]

Table-2 Banks, Other Financial Institutions & ATM										
2016 - 2019										
	2016	2017	2018				2019			
	Dec	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec*
Locally Incorporated Banks										
Main Branches	23	22	22	22	22	22	22	22	21	21
Additional Branches	846	771	761	755	751	743	733	713	664	656
Electronic Banking Service Units	33	36	32	32	32	33	33	34	33	33
Cash Offices	76	51	48	48	36	34	34	33	31	31
GCC Banks										
Main Branches	6	6	6	6	6	6	6	6	6	6
Additional Branches	4	4	4	4	4	4	4	4	4	4
Foreign Banks										
Main Branches	20	21	21	21	21	21	21	21	21	21
Additional Branches	81	78	77	77	77	76	75	75	75	75
Electronic Banking Service Units	31	25	21	21	21	21	21	21	21	22
Cash Offices	1	1	1	1	1	1	1	1	1	1
Wholesale Banks	11	12	12	12	12	11	11	11	11	11
Representative Offices	114	103	102	99	99	99	97	98	87	87
Finance Companies	27	27	27	26	26	26	24	23	23	23
Moneychangers	140	132	130	128	128	123	123	123	123	104
Offices for Intermediating in Currency Trading & Money Market Operations	11	11	11	11	11	11	9	9	9	11
ATM	5,243	5,302	5,274	5,261	5,293	5,303	5,279	5,229	5,187	5,076

Source: Banking Supervision Department and UAESWITCH

*Estimates, subject to revision

2- Bank Assets and Loans

At the end of the fourth quarter of 2019 total assets of banks operating in the UAE increased by 2.1%, reaching AED 3085.8 billion, compared to the 1.1% quarterly increase at the end of the fourth quarter of 2018. During the period between December 2018 and December 2019, the total assets of banks operating in the UAE increased by 7.6%.

Gross credit also increased by 2.2% at the end of December 2019, reaching 1759.2 billion. On an annual basis, gross credit increased by 6.2%.

3- Customer Deposits

At the end of the fourth quarter of 2019, total deposits of resident and non-resident customers with banks operating in the UAE grew by 3.8%, reaching AED 1870.2 billion, compared to an increase of 1.6% (AED 1755.6 billion) at the end of the fourth quarter of 2018. Resident deposits increased by 2.3%, reaching AED 1648.8 billion at the end of the fourth quarter of 2019, compared to an increase of 1.3% at the end of the fourth quarter of 2018 reaching AED 1542.2 billion. Non-resident deposits also increased by 16.6%, reaching AED 221.4 billion by the end of December 2019, compared to a rise of 3.9% at the end of the same period of 2018. On an annual basis, Resident deposits increased by 6.9% and Non-resident deposits increased by 3.7%.

4- Capital and Reserves

Aggregate Capital and Reserves of banks operating in the UAE increased by 4.2%, reaching AED 393.3 billion at the end of the fourth quarter of 2019 compared to a 3.6% quarterly increase at the end of the same period of 2018. During the fourth quarter of 2019, Total Capital Adequacy Ratio stood at 17.6%, remaining well above the 13% Capital Adequacy Ratio, including the 2.5% Capital Conservation Buffer requirement and the 8.5% Tier1 Ratio, prescribed by the Central Bank regulations in compliance with the Basel III guidelines. The Total Capital Adequacy Ratio during the fourth quarter of 2018, settled at 17.5%.

Capital adequacy ratios measure the amount of a bank's capital expressed as a percentage of its risk weighted exposures. A high capital adequacy ratio provides protection to depositors and promotes the stability and efficiency of the financial system of an economy. Effective December 2017, banks in the UAE follow Basel III principles for calculating the Capital Adequacy Ratios in line with the Guidelines issued by the Central Bank.

Table- 3: Banking Indicators									
(End of Month, Figures in billions of Dirhams unless otherwise indicated)									
	2018				2019				% Annual Change
	Sep	Quarterly Change (%)	Dec	Quarterly Change (%)	Sep	Quarterly Change (%)	Dec*	Quarterly Change (%)	
Total Assets	2838.2	3.2%	2868.5	1.1%	3022.7	2.2%	3085.8	2.1%	7.6%
Banks' Investments in Central Bank CDs	121.4	-3.0%	138.2	13.8%	153.8	-1.3%	160.2	4.2%	15.9%
Shariah Compliant Certificates of Deposits	32.4	-5.8%	36.3	12.0%	36.1	10.7%	37.5	3.9%	3.3%
Gross Credit ⁽¹⁾	1638.3	1.0%	1656.2	1.1%	1720.8	1.7%	1759.2	2.2%	6.2%
Personal Loans to Residents	338.4	0.3%	337.4	-0.3%	333.6	0.4%	332.8	-0.2%	-1.4%
Total Deposits ⁽²⁾	1728.2	2.6%	1755.6	1.6%	1802.0	1.6%	1870.2	3.8%	6.5%
Capital & Reserves ⁽³⁾	342.9	3.8%	355.2	3.6%	377.3	3.4%	393.3	4.2%	10.7%
Capital Adequacy Ratio ⁽⁴⁾	18.2%	0.6%	17.5%	-3.8%	17.7%	-1.1%	17.6%	-0.6%	0.6%
Tier-1 Ratio	16.8%	1.2%	16.2%	-3.6%	16.5%	-1.2%	16.4%	-0.6%	1.2%
Common Equity Tier 1 (CET 1) Capital Ratio	14.9%	2.1%	14.3%	-4.0%	14.7%	-1.3%	14.6%	-0.7%	2.1%

⁽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 (corporates and individuals) in local and foreign currencies.

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

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

⁽⁴⁾ Total Capital Ratio , Tier 1 Ratio and CET 1 Ratio for the period starting from Dec 2017 are calculated according to the Basel III Guidelines issued by CBUAE vide Circular 52/2017 .Whereas CAR for period prior to Dec 2017 are according to Basel II Guidelines.

*Estimates, subject to revision

5- Foreign Assets of the Central Bank

At the end of the fourth quarter of 2019, the Central Bank's foreign assets rose by 5.4%, reaching AED 394.7 billion, compared to a 10.8% increase at the end of the fourth quarter of 2018. This increase was mainly ascribed to increases in Current Account Balances & Deposits with banks abroad by 4.2% (an increase of AED 14.7 billion), in Foreign Securities by 55.1% (an increase of AED 3.3 billion), and in Other Foreign Assets by 13.7% (an increase of AED 2.4 billion).

From December 2018 to December 2019, Central Bank Foreign Assets increased by 8.9%.

6- Abu Dhabi and Dubai Financial Markets Values

Abu Dhabi's quarterly average Financial Market Index fell by 2.1% during the fourth quarter of 2019 compared to a fall of 1.3% in the fourth quarter of 2018. The quarterly average Market Capitalization of companies listed at the Abu Dhabi Securities Exchange (ADX) decreased by AED 10 billion reaching AED 528.6 billion at the end of the fourth quarter of 2019 compared to AED 2.7 billion reduction at the end of the fourth quarter of 2018, reaching AED 512.3 billion. The Quarterly Trading Value decreased by 11.6% during the fourth quarter of 2019 reaching AED 9.9 billion compared to AED 13.7 billion during the fourth quarter of 2018 (67.1% quarterly increase). On an annual basis, the Abu Dhabi Financial Market Index rose by 7.5%.

Dubai's quarterly average Financial Market Index showed a decrease by 3.2% during the fourth quarter of 2019, compared to a 7.5% reduction during the same period in 2018. The quarterly average Market Capitalization of companies listed on the Dubai Financial Market (DFM) increased by AED 3.1 billion reaching AED 371.3 billion at the end of the fourth quarter of 2019 compared to AED 20.4 billion fall at the end of the fourth quarter of 2018. Quarterly Trading Value fell by 2.9% during the fourth quarter of 2019 reaching AED 13.5 billion compared to AED 11.8 billion during the fourth quarter of 2018 (7.3% quarterly increase). On an annual basis, the Dubai Financial Market Index fell by 7.6%.

4th Quarter 2019

[UNITED ARAB EMIRATES MONETARY, BANKING & FINANCIAL MARKETS DEVELOPMENTS]

Table 4: Abu Dhabi Securities Exchange (ADX) Indicators

	2017				2018				2019			
	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec
Number of listed Companies	67	67	67	69	69	68	70	70	70	70	70	70
General Share Price Index**	4514.8	4458.4	4477.3	4318.4	4595.1	4611.5	4927.2	4862.3	5085.8	5080.5	5180.3	5071.4
<i>Quarterly Variation (%)</i>	3.0%	-1.2%	0.4%	-3.5%	6.4%	0.4%	6.8%	-1.3%	4.6%	-0.1%	2.0%	-2.1%
<i>Annual Variation Y-o-Y (%)</i>	0.2%	1.5%	2.0%	1.0%	0.1%	0.8%	3.5%	6.9%	9.2%	10.9%	9.5%	7.5%
Market Capitalization (Billion AED)**	467.4	460.7	459.2	460.9	503.1	492.4	515.0	512.3	520.0	527.9	538.6	528.6
Quarterly Traded Values (Billion AED)	17.4	10.9	9.9	9.9	9.0	8.6	8.2	13.7	10.9	12.7	11.1	9.9

Source: Abu Dhabi Securities Exchange (ADX)

Table 5: Dubai Financial Markets (DFM) Indicators

	2017				2018				2019			
	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec
Number of listed Companies*	62	62	62	65	67	67	67	67	67	67	67	66
General Share Price Index**	3584.5	3382.1	3611.6	3475.4	3249.0	2950.4	2877.0	2661.0	2612.7	2682.0	2819.4	2730.2
<i>Quarterly Variation (%)</i>	5.2%	-5.6%	6.8%	-3.8%	-6.5%	-9.2%	-2.5%	-7.5%	-1.8%	2.7%	5.1%	-3.2%
<i>Annual Variation Y-o-Y (%)</i>	-3.6%	1.5%	4.8%	4.4%	-1.0%	-4.2%	-10.3%	-16.5%	-19.1%	-18.5%	-14.2%	-7.6%
Market Capitalization (Billion AED)**	387.0	356.9	377.3	386.2	393.7	379.4	375.0	354.6	347.4	355.2	368.2	371.3
Quarterly Traded Values (Billion AED)	48.2	21.6	16.7	28.2	20.4	15.8	11.0	11.8	11.3	12.8	13.9	13.5

includes foreign companiesSource: Dubai Financial Markets (DFM)*

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

***The annual variation of the Share Price Indices are measured as the yearly averages of monthly observations.