



## **The CBUAE Releases Financial Stability Report 2023: UAE Banking Sector Showcases Resilience with Strong Capital Buffers and Favourable Liquidity Conditions**

**Abu Dhabi (26 September 2024):** The Central Bank of the United Arab Emirates (CBUAE) issues its Financial Stability Report for 2023. The report provides a comprehensive assessment of the stability of the UAE financial system and its developments. The report showcases the resilience of the UAE banking sector in 2023, which was evidenced by robust capital buffers, favourable liquidity conditions, improved asset quality ratios and increased profitability.

The report highlights global and local macroeconomic trends, money market developments, domestic asset markets, and provides a detailed assessment and evaluation of the UAE banking system, as well as non-bank financial institutions and the broader financial infrastructure. The report underscores the continued resilience of the UAE financial system, demonstrating the effectiveness of the CBUAE's policy interventions. It highlights the variety of measures deployed by the CBUAE under its macroprudential mandate and covers significant developments in digitalisation and sustainability, reflecting the banking sector's vital role in bolstering the UAE's economic resilience and competitiveness.

The report indicates that the UAE benefitted from favourable domestic conditions in 2023, which shielded the financial system from adverse global economic trends. The UAE's real GDP grew by 3.6% in 2023, driven by a robust 6.2% expansion in the non-oil sector, particularly in tourism, real estate, and finance.

The report highlighted the stress test conducted by the CBUAE in 2023, which confirmed the banking system's ability to withstand challenges including inflation and market uncertainty. Additionally, the CBUAE reaffirmed its commitment to sustainability and piloted a climate risk scenario analysis, which highlighted the required proactive mitigation measures.

The UAE insurance sector remained resilient, with an adequate solvency position, continued growth in gross written premiums, and improved profitability. Finance companies remained adequately capitalised, with further improvements in liquidity levels and overall profitability. The UAE exchange business continued to demonstrate resilience growth with a steady rise in business activities.

Significant progress was made in enhancing financial stability within the UAE's payments infrastructure in 2023 through key initiatives under the National Payment Systems Strategy. Al Etihad Payments, a new CBUAE subsidiary, was established to manage the everyday operations of the UAE's critical payment systems with appropriate ongoing oversight. Additionally, the Instant Payment Platform "Aani" was



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launched with the participation of notable financial institutions to simplify payment functionality. Progress was also made on the Central Bank Digital Currency programme, with an initial launch of the Digital Dirham scheduled for 2024.

Additionally, the UAE's completion of the Financial Action Task Force (FATF) Action Plan requirements and exit from the enhanced monitoring process in March 2024 recognised the CBUAE's efforts in combating money laundering and terrorist financing, thereby strengthening the integrity of the UAE's financial system and preventing financial crime.

To strengthen continued coordination, the UAE established the Financial Stability Council in 2023. This council aims to promote and protect financial stability, ensuring the financial system contributes effectively to sustainable economic development. The council's collaborative approach will be critical in navigating future challenges and maintaining the UAE's financial strength.

**His Excellency Khaled Mohamed Balama, Governor of the CBUAE, commented:** "The 2023 Financial Stability Report underscores the strength and resilience of the UAE's financial system amid global challenges. Our ongoing efforts to enhance financial infrastructure and implement robust regulatory measures are pivotal in supporting sustainable economic growth and maintaining the UAE's position as a leading financial hub. We remain committed to proactive risk management and innovation to ensure the continued stability and competitiveness of our financial sector."

To view and download the full Financial Stability Report, please [click here](#).

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