



## **CBUAE Financial Stability Report highlights resiliency of UAE's financial system amid COVID-19 pandemic**

**Abu Dhabi (17 June 2021):** The Central Bank of the UAE (CBUAE) has published its Financial Stability Report (FSR) for the year 2020, featuring key solvency and liquidity indicators that demonstrate the resiliency of the UAE's financial system amid the COVID-19 pandemic.

The report gives a comprehensive overview of the development of the UAE economy and financial system in 2020. CBUAE projects that the UAE economy is expected to gradually recover during 2021 and 2022 from the repercussions of the COVID-19 pandemic. CBUAE expects the UAE GDP to grow by 2.4% in 2021 and 3.8% in 2022 and the non-oil GDP to expand by around 4% in both years. As per CBUAE's findings, the Targeted Economic Support Scheme has been effective in mitigating the risks posed by the pandemic by ensuring a continued flow of credit and helping affected individuals and companies by the repercussion of COVID-19 to overcome temporary debt repayment difficulties.

During 2020, the CBUAE closely monitored the developments in the banking sector, especially asset quality and the growth of lending. CBUAE's Financial Stability Report demonstrates that the UAE banking sector remains resilient, with sustained lending capacity. The effects of the pandemic resulted in banks' higher impairment charges, lower operating income and reduced profitability. The aggregate capital and liquidity buffers remain well above the regulatory requirements.

In addition, CBUAE conducted frequent top-down solvency and liquidity stress tests by using a number of hypothetical adverse scenarios at different stages of the COVID-19 crisis. The stress testing results indicated that the UAE banking system has solid capital and liquidity buffers to withstand the significant hypothetical shocks. A separate section of the report is devoted to climate risk, which is at the forefront of regulatory focus both globally and in the UAE. The Financial Stability Report underlines that it is important for the UAE banks to consider integrating climate change risk into their lending and operational processes.

Detailed information about payment systems operated by the CBUAE is also featured in the report, as well as the benefits and risks posed by new technologies and cybersecurity. The report highlights the importance of adequate management of risks associated with new technologies and increased competition from innovative market



entrants. Continued focus on those risks is important as the UAE strengthens its role as the largest FinTech hub in the Middle East.

The Financial Stability Report also covers the other key sectors of the UAE financial market, such as the insurance sector, finance companies, exchange houses and capital markets.

Commenting on the findings of the report, **His Excellency Khaled Mohamed Balama, Governor of the Central Bank of the UAE**, said: “In line with the UAE’s robust mitigation measures, including a swift rollout of COVID-19 vaccines, CBUAE has worked tirelessly to ensure that vital sectors of the nation’s economy are able to withstand this crisis. CBUAE’s introduction of the Targeted Economic Support Scheme came at the right time, ensuring that banks could mitigate funding and liquidity pressures and maintain their lending capacity, resulting in the provision of necessary aid to individuals and corporates alike. Our support is ongoing as most support measures provided by CBUAE will remain in place through 2021. Together with the UAE financial sector, we pave the way for gradual economic recovery and remain vigilant towards the challenges ahead, as we continue to uphold the UAE’s financial and monetary stability.”

To view the full Financial Stability Report, please click on the following link:

<https://centralbank.ae/sites/default/files/2021-06/2020%20FSR%20Report%20EN.pdf>

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