



During its meeting with the chief executive officers of banks
**CBUAE committed to supporting continued economic recovery
and confirms withdrawal of support measures will be gradual
and well-timed**

Abu Dhabi (23 September 2021): His Excellency Khaled Mohamed Balama, Governor of the Central Bank of the UAE (CBUAE), held a meeting with the Chief Executive Officers (CEOs) of selected national and foreign banks operating in the UAE on Tuesday 21 September, in the presence of H.E Abdulaziz Al-Ghurair, Chairman of the UAE Banks Federation. The discussion focused on the CBUAE's assessment of financial stability in the UAE, and the CBUAE's plans regarding the gradual withdrawal of its extraordinary support measures.

Supported by the ongoing economic recovery, the CBUAE assessed the UAE's financial system as stable. Liquidity in the banking system and banks' capital buffers remained adequate. The Governor informed that the CBUAE will continue to closely supervise banks' asset quality and the adequacy of provisioning.

In view of the gradual increase in economic activity, the CBUAE is starting a gradual and well-calibrated withdrawal of its Targeted Economic Support Scheme (TESS) to avoid restricting credit supply and economic growth. The participants agreed that the TESS programme had been effective in meeting its objective of mitigating the adverse effects of the COVID-19 pandemic on the UAE's economy. Fifteen percent of the UAE banks' loan portfolio had benefitted from the TESS deferral programme.

The CBUAE also confirmed, that in the short term, it will leave unchanged the temporarily lowered reserve requirements for banks, and the level of the loan-to-value ratio applicable to mortgage loans for first-time home-buyers.

The CBUAE has already announced that the loan deferral component of the TESS programme will expire by the end of the 2021, but the CBUAE's zero cost lending facility may be used to grant new loans until mid-2022.

The CBUAE announced previously that its regulatory relief measures that allowed banks to maintain lower capital and liquidity buffers will expire by the end of 2021. The CBUAE is closely monitoring economic recovery and loan demand, however, and is looking at extending these measures for a limited period to facilitate a smooth economic recovery.

H.E. Khaled Mohamed Balama, Governor of the CBUAE, said: "Our assessment, confirmed by recent economic data, affirms the UAE economy's gradual recovery. As we enter the next phase of the post-COVID recovery, there will be less need for extraordinary relief measures. We expect that banks will do their part in supporting our economic recovery and ensure the continued flow of funds to creditworthy retail and corporate borrowers."

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