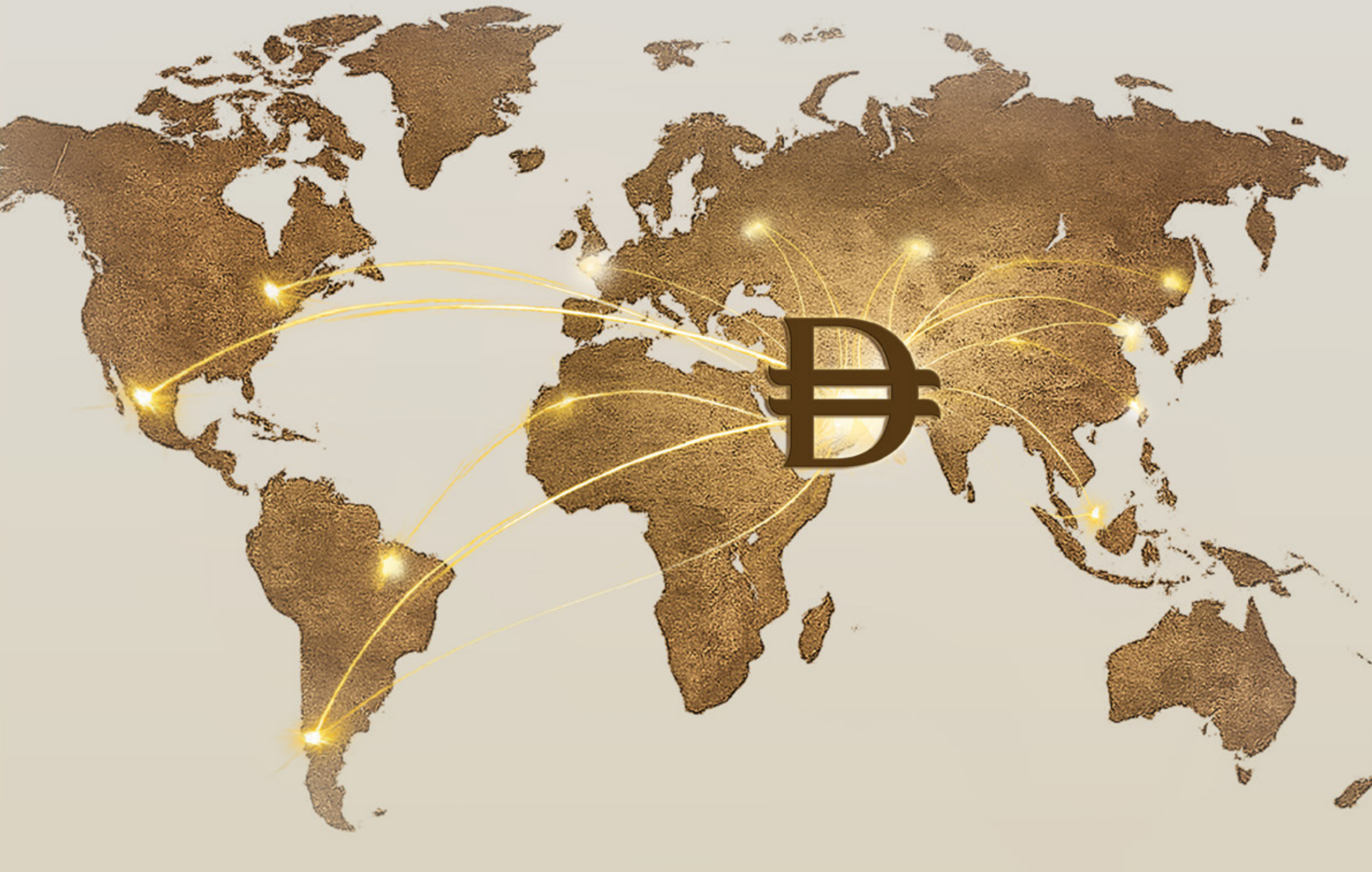
مصرف الإمارات العربية المتحدة المركزي
CENTRAL BANK OF THE U.A.E.

FINANCIAL STABILITY REPORT

2025



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PROMOTING FINANCIAL HEALTH AND INCLUSION

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Governor's Statement

H.E. KHALED MOHAMED BALAMA

GOVERNOR

The UAE financial system demonstrated strong performance in 2025, supported by resilient domestic economic activity, under the prudent vision of the wise leadership, a highly resilient national economy, and a banking sector with robust liquidity levels. The CBUAE continued to fulfil its mandate of maintaining monetary and financial stability while further strengthening the legislative, regulatory and supervisory frameworks in line with international best practices, thereby enhancing the soundness and resilience of the financial sector.

The UAE economy demonstrated its resilience and ability to adapt to external developments, even through global geopolitical tensions, volatility in financial markets and uneven growth trajectories across economies. This performance was underpinned by strong economic fundamentals and prudent economic and monetary policies.

A defining institutional development of 2025 was the issuance of Federal Decree-Law No. (6) of 2025, regarding the Central Bank, the regulation of financial institutions and activities, and insurance business. The Decree-Law consolidated the regulatory framework, reinforced the operational independence of the Central Bank of the UAE (CBUAE), and formally designated the CBUAE as the Resolution Authority.

Guided by a comprehensive forward-looking vision, the Financial Stability Council plays a pivotal role in reinforcing the UAE's financial stability framework by carrying out its mandates and responsibilities in a manner that ensures continuous monitoring of domestic and global economic and financial developments, and the assessment of their potential implications for financial stability in the State.

Together, these institutional developments and the Council's ongoing oversight have deepened the UAE's macroprudential architecture and strengthened our capacity to identify, monitor and assess systemic risks.

The UAE banking sector continued to demonstrate significant scale of resilience, with total assets in 2025 exceeding **Ð5.3 trillion**, supported by robust growth in lending and deposits, which underpinned a stable funding profile. The sector's Capital Adequacy Ratio **(CAR) remained strong at 17%, while the Loan-to-Deposit ratio of 77.7%,** reflected the sector's capacity to support economic activity.

Capital and liquidity buffers remained comfortably above regulatory requirements, reinforcing the sector's ability to absorb shocks and preserve its resilience. Asset quality improved further and non-performing loans declining. Furthermore, the results of the stress testing exercise conducted by the CBUAE during 2025 confirmed the banking sector's resilience under adverse economic and financial scenarios, while maintaining its capacity to continue supporting economic activity.

Meanwhile, the continued development of the UAE's financial infrastructure, the adoption of the UAE Strategy for Islamic Finance and the Halal Industry, and the launch of the National Financial Inclusion Strategy have broadened the foundations of the financial system, while further enhancing its inclusiveness and competitiveness.

This report reaffirms the CBUAE's commitment to continuing to strengthen financial stability, enhance the resilience of the financial sector, and ensure its readiness to adapt to future developments. The CBUAE will continue to work closely with its partners, including regulatory authorities and financial institutions, to further develop supervisory frameworks and financial infrastructure, supporting sustainable economic growth and reinforcing the UAE's position as a leading global financial centre.

Executive Summary

The CBUAE presents the Financial Stability Report 2025, providing a comprehensive assessment of the UAE financial system during a year of strong domestic economic performance, continued institutional development and material progress in the regulatory and supervisory framework. The Report reviews macroeconomic and asset market conditions, capital market developments, banking sector performance, the regulatory stress testing exercise, the non-bank financial sector and the architecture underpinning the system. The Report also addresses the system's resilience to regional developments in early 2026.

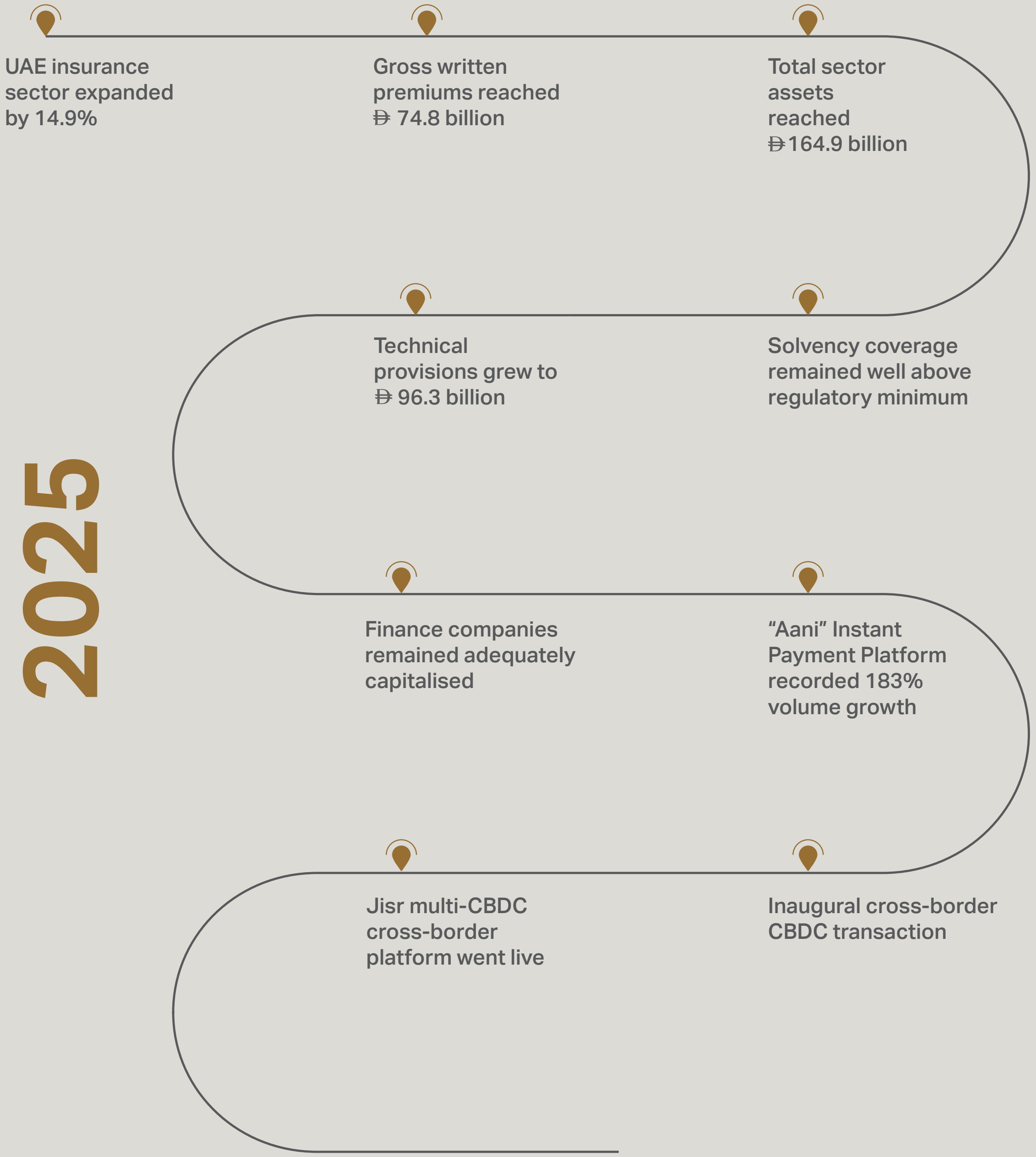
The **global economy expanded by 3.5%** in 2025, with accommodative financial conditions partly offsetting persistent geopolitical tensions and trade uncertainty. Global headline inflation continued to ease, prompting several major central banks to extend monetary policy easing. **The UAE economy grew by 6.2%**, supported by non-hydrocarbon expansion of 6.8% and a hydrocarbon-sector recovery of 4.3%. Headline inflation moderated to 1.3%, the fiscal surplus was sustained, and non-hydrocarbon foreign trade expanded, supported by an expanding network of Comprehensive Economic Partnership Agreements.

The UAE banking sector maintained its robust trajectory in 2025. Total assets rose to Đ5.3 trillion with the lending portfolio growing by 17.8% while deposits grew by 16.1%. Asset quality improved further, with the non-performing loan ratio declining to 3.3%. Net profit reached Đ90.8 billion, up 11.7%. Capital adequacy stood at 17.0% and the CET1 ratio at 14.4%, both comfortably above regulatory minima. The aggregate loan-to-deposit ratio reached a robust 77.7%.

The 2025 regulatory stress testing exercise demonstrated the resilience of the banking sector to severe but plausible adverse scenarios. Under the adverse scenario, the aggregate CET1 ratio reached a trough of 11.1%, a peak-to-trough decline of 297 basis points (bps), yet remained comfortably above the regulatory minimum throughout. The exercise was strengthened in 2025 through the introduction of a bottom-up physical climate risk assessment covering more than 142,000 properties, significantly expanding the framework's climate-risk dimension.

UAE capital markets grew in 2025, with ADX and DFM market capitalisation exceeding Đ4.1 trillion, supported by new listings, higher trading activity, robust debt issuance, and rising volumes of green bonds and sukuk. The investment funds sector also deepened, as the number of local funds rose and foreign funds registered for promotion or recognition surpassed 200. New regulations overhauled the capital markets framework and strengthened systemic risk oversight. They introduced special treatment for systemically important entities, enhanced investor protection and market abuse controls and expanded the licensing perimeter. The rules were also extended to cover virtual assets and AI-driven robo-advisory services.

The UAE insurance sector expanded in 2025, with gross written premiums rising by 14.9% to Đ74.8 billion and total sector assets reaching Đ164.9 billion. Solvency coverage remained well above the regulatory minimum. Among non-bank financial institutions, finance companies remained adequately capitalised, while the exchange business segment consolidated. The "Aani" Instant Payment Platform recorded volume growth of approximately 183%. The JISR multi-CBDC cross-border platform went live, facilitating the inaugural cross-border CBDC transaction.



The regulatory and supervisory framework was strengthened in 2025. Federal Decree-Law No. (6) of 2025 consolidated the legislative framework, reinforced the CBUAE's independence, and formally designated the CBUAE as the Resolution Authority. The launch of the UAE Islamic Finance and Halal Industry Strategy, alongside the National Financial Inclusion Strategy 2026–2030, broadened the structural foundation of the sector. Climate-related financial risk management was further integrated into governance, strategy, and capital planning expectations for banks and insurers. The Financial Stability Council also continued its operational development.

The introduction of the Countercyclical Capital Buffer at 0.5% during 2025 was designed to be released during periods of stress, allowing banks to maintain the flow of credit to the real economy. In response to extraordinary circumstances in early 2026, the CBUAE Board of Directors approved the Financial Institution Resilience Package on 17 March 2026, structured across five pillars covering monetary policy operations, liquidity and funding relief, capital buffer relief, credit risk management flexibility and the affirmation that banks should continue to provide financing services to the national economy. The resilience built-up throughout 2025 has supported the continued normal functioning of the UAE financial sector through this period.

Looking ahead, the outlook for the UAE financial system remains positive, underpinned by strong economic fundamentals, high banking sector capitalisation and liquidity, robust insurance sector solvency and a deepening financial market infrastructure. The CBUAE reaffirms its commitment to proactive risk monitoring, regulatory innovation and transparency. Through ongoing collaboration with domestic and international partners, the CBUAE will continue to strengthen resilience and support the UAE's vision towards building the country as a leading global financial centre.

1. MACRO – FINANCIAL ENVIRONMENT

1.1 MACRO-FINANCIAL DEVELOPMENTS

The UAE economy exhibited solid growth in 2025, driven by the expansion of hydrocarbon activity and more diversified non-hydrocarbon activities led by tourism, air transport, foreign trade, finance and insurance, construction, manufacturing and real estate. Despite the regional crisis that led to the closure of the Strait of Hormuz in the first half of 2026, the economy is built on strong macroeconomic fundamentals and ample fiscal buffers to absorb the shock. Economic performance is expected to moderate in 2026 and strongly rebound in 2027, supported by policy actions and rising oil production.

UAE Economic timeline

2025
Solid Growth
Hydrocarbon & Non-Hydrocarbon Expansion.

2026
Moderation
Strait of Hormuz Closure – Fiscal Buffers Activated.

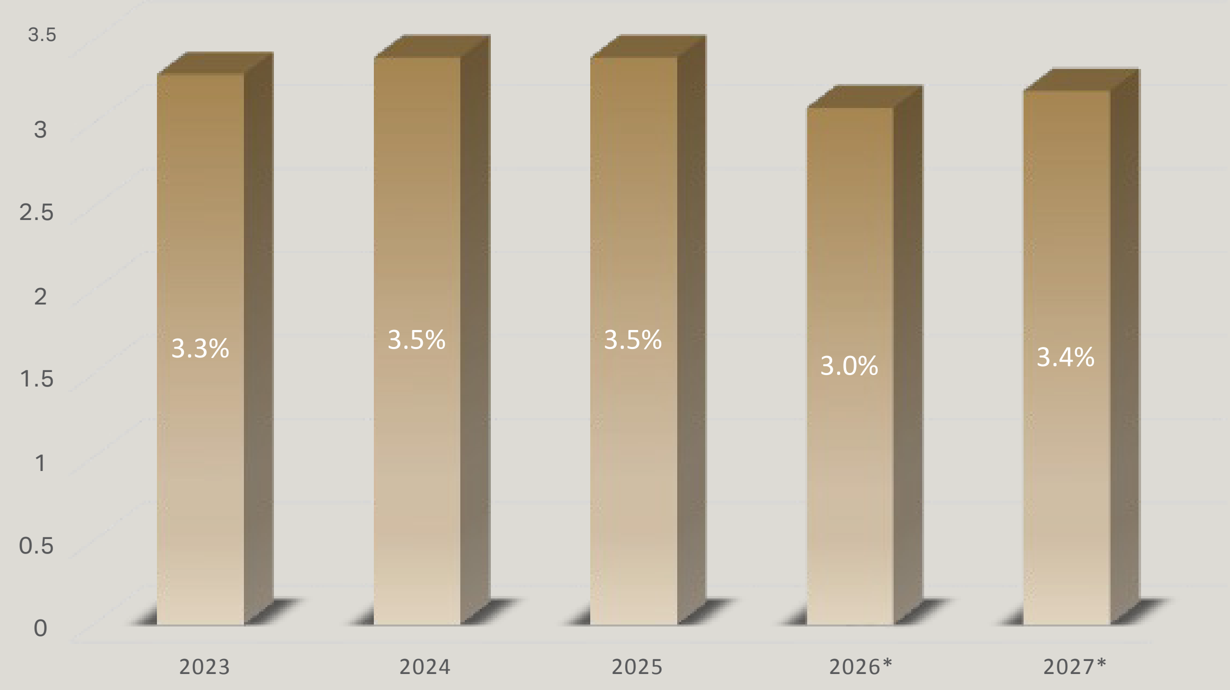
2027
Strong Rebound
Policy Support & Rising Oil Production.

1.1.1 Global Economy

In 2025, the global economy maintained steady growth, while inflation continued to moderate despite heightened geopolitical tensions and persistent trade policy uncertainty. Economic activity was stronger than expected in several major economies, supported by policy measures, generally accommodative financial conditions and continued investment in technology, although performance remained uneven across countries and sectors. Most major central banks, except the Bank of Japan, continued their interest rate-cutting cycles in response to easing inflationary pressures. The International Monetary Fund (IMF) estimates global GDP growth at 3.5% for 2025. Global inflation eased to 4.1%, supported by the unwinding of earlier supply and commodity price shocks, the lagged effects of restrictive monetary policy and anchored inflation expectations.

The global economic outlook for 2026 has become more uncertain following the escalation in geopolitical tensions, particularly the conflict in the Middle East. This has introduced a negative supply shock through higher energy and commodity prices and tighter financial conditions. Under the IMF's baseline assumption of a relatively short-lived conflict, global GDP growth is projected at 3.0% in 2026 and 3.4% in 2027. However, risks remain firmly tilted to the downside. A more prolonged or intensified conflict could result in significantly higher inflation, weaker growth and tighter financial conditions. Additional risks stem from trade fragmentation, the ongoing reconfiguration of global supply chains and persistent policy uncertainty. Elevated public and private debt levels further constrain fiscal space, limiting governments' ability to respond to shocks and support economic activity.

Chart 1.1.1: Global Real GDP Growth Rates (%)



Source: IMF, World Economic Outlook, June 2026
Note: *= forecast

1.1.2 UAE Economy

The UAE economy remained robust in 2025 despite global uncertainty, regional conflicts and lower, volatile oil prices, with overall GDP growing by 6.2%. The strong economic performance was driven by both the non-hydrocarbon and hydrocarbon activities. In 2025, non-hydrocarbon GDP grew by 6.8%, led by broad-based expansion across key sectors. Construction, financial and insurance activities, and wholesale and retail trade were the largest contributors, together with real estate, transportation and storage and manufacturing, accounting for most of the non-hydrocarbon growth. These six sectors led the diversification push, while the remaining ten sectors collectively added 1.3 percentage points to growth.

Growth was further bolstered by a 4.3% growth in hydrocarbon GDP (oil and gas production and related activities) following OPEC+ quota adjustments, particularly in the last quarters of the year. Oil production averaged 3.12 million barrels per day in 2025, a 6.9% increase from 2024. As a result, actual production surged by 13.6% Y-o-Y in the second half of 2025. Meanwhile, domestic gas production continued its expansion, with an annual growth rate of 2.7%, supported by solid demand, as gas sales grew by 3.9% during the year.

The growth outlook for 2026 has been undermined by the regional crisis, including GCC airspace disruptions and the closure of the Strait of Hormuz, which have directly affected air transport, tourism and trade. Oil production shrank by 34.3% Y-o-Y and 30.4% Y-o-Y in March and April 2026, respectively. Hence, the hydrocarbon sector is expected to decelerate in 2026 to 0.8% growth from a pre-conflict estimate of 7.3%.

Business demand softened, with the UAE PMI reading at 52.1 in April 2026, down from 55.0 in February, though it remained above the 50-neutral level, indicating an overall expansionary momentum. Therefore, the non-hydrocarbon sector is projected to slow to 1.9%. The overall growth projections for 2026 have been revised downward from an initial pre-crisis estimate of 5.6% to 1.7%.

Despite significant downside risks to the 2026 economic outlook for the UAE from prolonged conflict and elevated logistics costs, upside potential remains through rapid de-escalation, domestic demand substitution and more targeted fiscal support.

In 2027, overall GDP is projected to rebound strongly by 9.8%, driven mainly by a 25.7% surge in hydrocarbon GDP, while non-hydrocarbon growth remains solid at 4.5%. The rebound in oil and gas reflects a low 2026 base and higher production following the UAE's withdrawal from OPEC/OPEC+, targeting a capacity of about 5 million barrels per day by 2027. ADNOC's existing Habshan-Fujairah pipeline, together with a planned parallel line that is expected to double this capacity by 2027, will significantly reduce exposure to Strait of Hormuz disruptions and support uninterrupted hydrocarbon exports.

Table 1. Real GDP Growth and Inflation in the UAE (%)

	2023	2024	2025	2026f	2027f
Overall GDP	4.3	6.6	6.2	1.7	9.8
Hydrocarbon GDP	-3.0	0.6	4.3	0.8	25.7
Non-hydrocarbon GDP	7.0	8.6	6.8	1.9	4.5
Headline CPI inflation	1.6	1.7	1.3	2.3	1.9

Note: f: forecast.
Source: Federal Competitiveness and Statistics Centre (2023-2025) and CBUAE (2026-2027)

Inflation in the UAE averaged 1.3% in 2025, driven primarily by deflation in transport costs and easing in food prices. At the emirate level, Abu Dhabi recorded an average rate of 0.3%, and Dubai's inflation averaged 2.8% in 2025. Following the recent regional conflict, the supply shock from the Strait of Hormuz closure is expected to push 2026 inflation to 2.3%, driven by rising food and transport costs, though it will remain well below the global average. Inflation is expected to remain moderate in the medium term, as housing rents stabilise and demand-push inflation moderates.

1.1.3 Capital Market Developments

The CBUAE progressively lowered its Base Rate from its August level of 4.40% down to 3.65% by December 2025, in line with the U.S. Federal Reserve's Interest on Reserve Balances. The policy rate pass-through was effective, with key UAE short-term interest rate benchmarks closely following the Base Rate.

The gap between the Base Rate and overnight interbank rates narrowed. The Dirham Overnight Interest Average (DONIA) rate averaged four bps below the Base Rate in 2025, compared to 20 bps in 2024. This spread compression reflected the introduction of the Overnight Murabaha Facility, which reduced the incentive for banks to place overnight funds in the interbank market at rates below the Base Rate.

In line with expectations of continued monetary easing, yields on Monetary Bills (M-Bills) decreased accordingly. The average yield on the 28-day M-Bills dropped from 4.55% at the first auction of 2025 to 3.85% at the final auction. Average secondary market spreads to U.S. Treasury Bills for tenors of one, three, and six months ranged between 24 and 32 bps.

The Ministry of Finance further deepened the sukuk market with new issues and tranches of existing securities worth Ð9.9 billion through its T-Sukuk auctions, which are conducted by the CBUAE. Investor demand was robust, with bid-to-cover ratios ranging from 4.14 to 7.19. This strong demand resulted in tight spreads over the U.S. Treasury curve, up to 10 bps. This reflected a significant domestic and global appetite for UAE sovereign AED-denominated assets.

The UAE's debt market registered robust activity in 2025. Listed bonds and sukuk amounted to Ð27.6 billion, alongside approximately Ð638 billion in private placements of bonds and Islamic sukuk. Within the sustainable finance segment, the value of green bonds and sukuk registered for listing reached Ð8.6 billion in 2025, an increase of Ð3.1 billion compared to 2024, corresponding to a growth rate of 56.4%. This underscores the growing role of sustainable finance in the UAE's capital markets.

The cost of insuring against sovereign default for the emirates of Abu Dhabi and Dubai decreased steadily in 2025. Abu Dhabi's sovereign credit default swap (CDS) spreads narrowed by approximately nine bps on average across the term structure, reaching historic lows. This decline reaffirmed the UAE's fiscal resilience and the market's confidence in its sovereign credit profile.

1.1.4 Macro-Financial Conditions and Macroprudential Policy Response

Strong private sector credit growth continued in 2025, with total private credit expanding by 13.5% year-on-year. Growth was mainly driven by bank private credit that registered almost 18% Y-o-Y on the back of an increasing contribution from lending to non-residents. Private bond issuance and syndicated loans also supported the expansion, although bank credit remained the dominant channel, accounting for around 70% of total private financing.

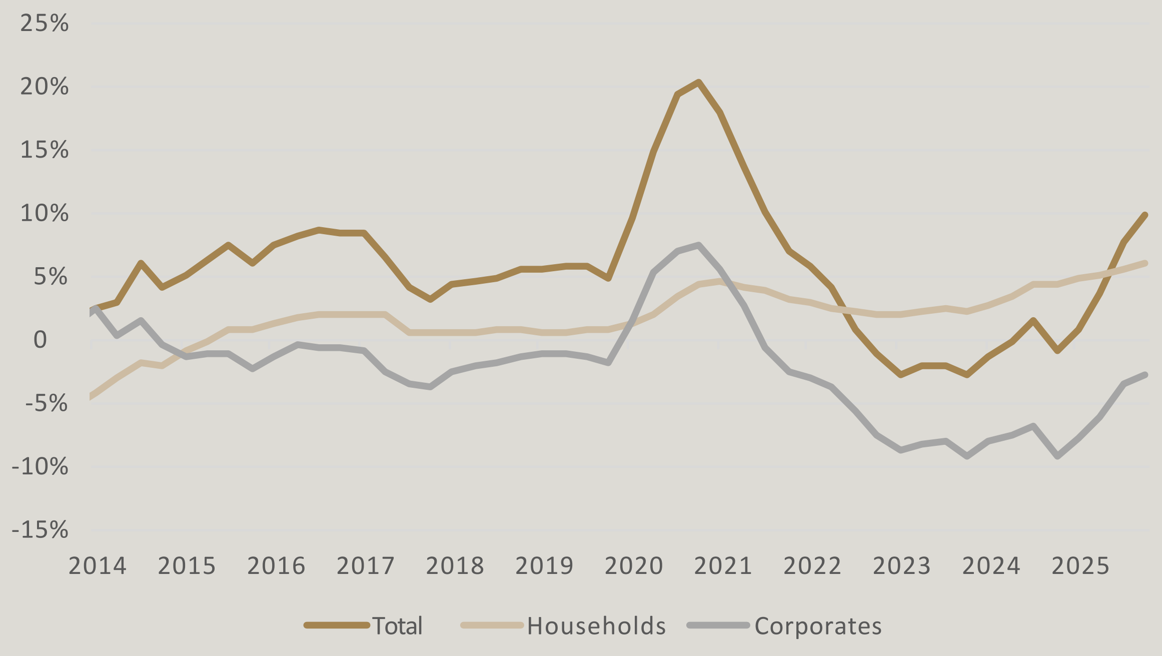
Credit-to-GDP gaps migrated into positive territory in 2025, as strong credit growth outpaced non-hydrocarbon GDP growth. The total broad private credit-to-non-hydrocarbon GDP gap reached 10%. The household credit gap remained in positive territory, while the corporate credit gap narrowed, moving closer to its long-term trend and reaching -3% at the end of 2025. The CBUAE's assessment indicates that credit growth was broad-based across banks and sectors, rather than concentrated in a few institutions or specific segments.

Residential real estate markets continued to expand, with both Dubai and Abu Dhabi recording Y-o-Y price growth above their long-term averages. Real estate lending remained close to record highs, and mortgage lending grew by 24% Y-o-Y in 2025. To mitigate potential systemic risks stemming from strong mortgage growth and elevated real estate valuations, the CBUAE maintained a conservative stance on borrower-based measures. Loan-to-value (LTV) limits remained differentiated by borrower type and property status, with maximum LTVs of 85% for first-time national borrowers and 80% for non-nationals financing completed properties. In practice, average LTVs on new mortgage commitments remained around 60% in 2025, well below the regulatory ceilings, indicating a significant prudential buffer at origination.

The CBUAE monitors financial cycles using its composite Financial Cycle Indicator (FCI), which combines credit growth dynamics with key asset price movements, including residential real estate. In 2025, the FCI remained at elevated levels, confirming that the financial cycle was in an expansionary phase. Such phases are typically associated with a gradual build-up of cyclical systemic risks and warrant heightened macroprudential vigilance.

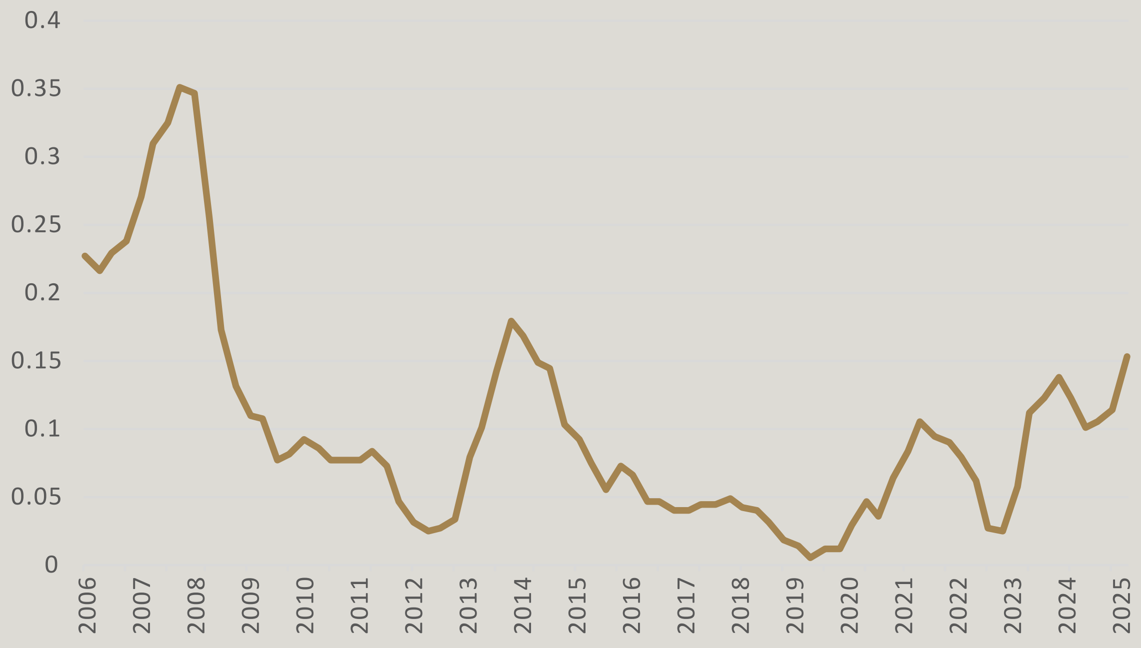
Against this backdrop, the CBUAE maintained the Countercyclical Capital Buffer rate at 50 bps in 2025, as announced in 2024 and effective from January 2026. The policy focus shifted towards strengthening banks' credit risk management and underwriting standards, ensuring that emerging cyclical risks are appropriately monitored and mitigated.

Chart 1.1.3: Credit to Non-Oil GDP Gaps



Source: CBUAE

Chart 1.1.4: UAE Financial Cycle Indicator

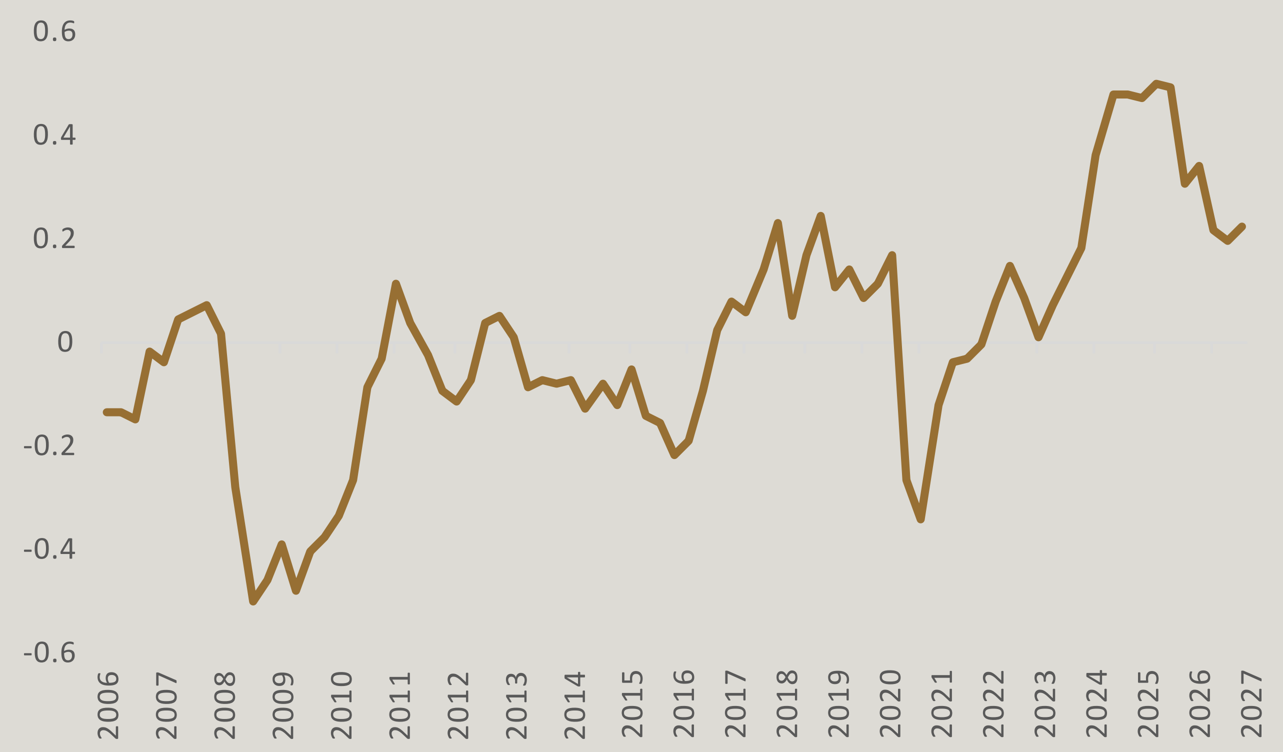


Source: CBUAE
Note: Financial cycle indicator indicates position of the UAE in the domestic financial cycle. Higher value indicates more expansionary phase of the financial cycle. Cyclical systemic risks tend to accumulate in an expansionary phase of the cycle.

Domestic macro-financial conditions remained broadly healthy in 2025, as the Financial Stability Trend Index sustained positive levels, indicating that the resilience of the banking system continued to outweigh macro-financial vulnerabilities. The index reflected robust conditions underpinned by well-capitalised and highly liquid UAE banks.

The banking system's funding structure remained sound. The ratio of non-core liabilities to core liabilities[1] increased from 21% to 23% in 2025. The metric remains supported by strong growth in resident deposits and was below its historical average of around 24%. In addition, a relatively low non-core-to-M2 ratio of 24.5% indicates that banks continue to rely predominantly on stable, deposit-based funding sources. This funding foundation enhances the sector's capacity to support future credit growth without compromising stability. Meanwhile, the loan-to-deposit ratio remained well below 80% throughout 2025, further underscoring the comfortable liquidity position of the system.

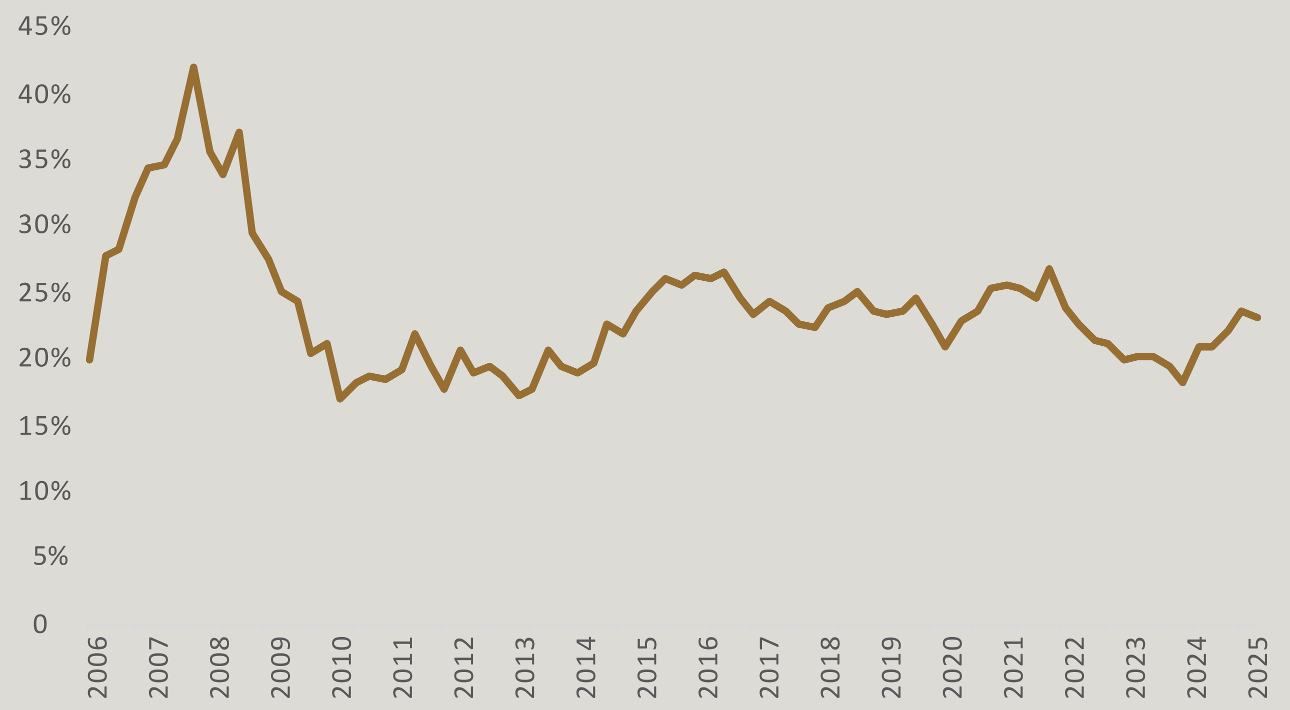
Chart 1.1.5: UAE Financial Stability Trend Index (FSTI)



Source: CBUAE
Note: Positive values of the FSTI indicate a more resilient banking sector relative to macro-financial vulnerabilities, based on a simple percentile ordering of historical values.

1 A lower value of the ratio implies a more stable funding profile of the banking system. The CBUAE classifies core liabilities as resident deposits from governments, non-financial corporations, and households, whilst considering the rest as non-core liabilities.

Chart 1.1.6: Non-core Liabilities to Core Liabilities Ratio



Source: CBUAE

In 2025, the CBUAE undertook an independent review of its macroprudential policy framework. The assessment concluded that the framework is closely aligned with international best practices, supported by robust institutional arrangements and a clear governance structure. It also highlighted the increasing sophistication of the CBUAE's toolkit and analytical capacity, including the use of forward-looking indicators to guide macroprudential decision-making.

Box 1: Operationalising the UAE's Financial Stability Council

The UAE Financial Stability Council (FSC) serves as the federal anchor for safeguarding the nation's financial system. Established under Federal Decree-Law No. (13) of 2023 and chaired by the Chairman of the Board of Directors of the CBUAE, the Council is mandated to identify systemic risks and facilitate national-level cooperation. By bridging the mandates of the CBUAE, the Capital Market Authority, and financial free-zone regulators, the FSC provides a formal mechanism to address horizontal risks that span sectoral boundaries.

Following its initial formation, the FSC transitioned into a fully active phase in 2025 by formalising its working architecture. This evolution was confirmed at its first meeting of the year on 15 July, chaired by H.E. Mohamed bin Hadi Al Hussaini, Minister of State for Financial Affairs, where the Board approved the 2025–2026 work programme. This strategic roadmap transitioned the Council's coordination framework into an operationally integrated architecture, supported by the newly established Technical Advisory Committee to ensure evidence-based deliberation.

The Council further deepened its oversight through the creation of three specialised working groups focused on Digital Innovation, Non-Bank Financial Intermediation and Data Development. This framework was reviewed at the Board's second meeting of the year on 6 November, held during the UAE Government Annual Meetings under the chairmanship of H.H. Sheikh Mansour bin Zayed Al Nahyan. These structural enhancements give the FSC a permanent operational footprint, ensuring the UAE's oversight remains forward-looking as the financial system grows in scale and complexity.

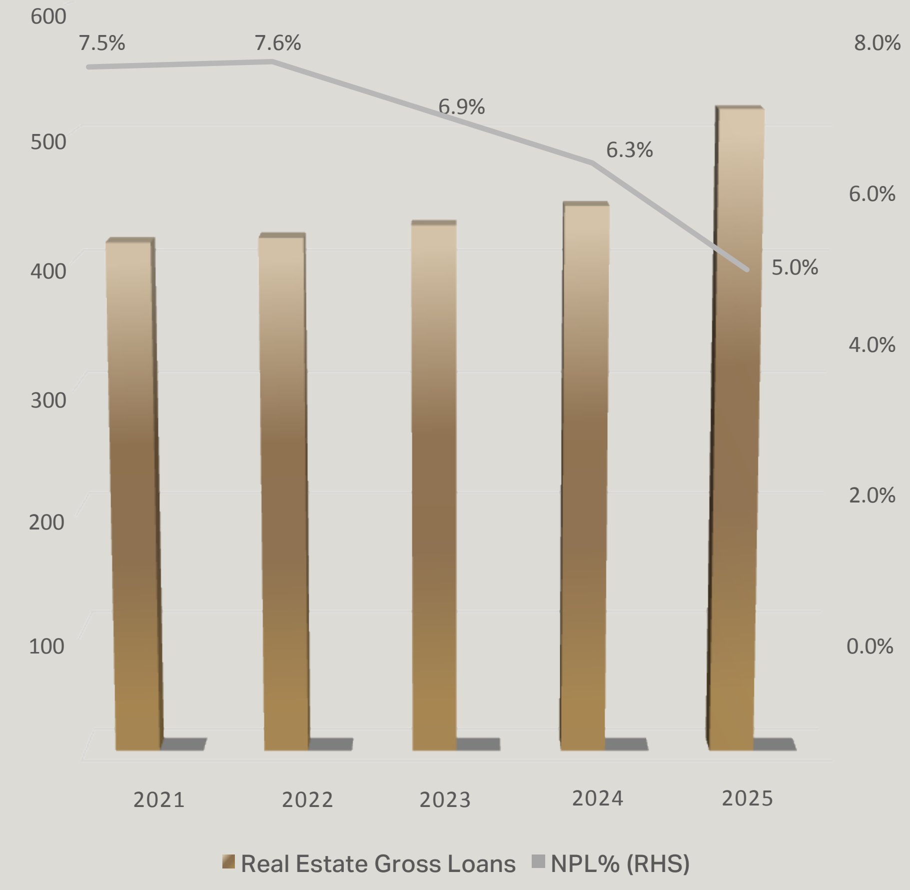
1.2 ASSET MARKETS

1.2.1 Real Estate Market

The UAE's real estate sector continued to demonstrate strong momentum, supported by robust economic activity. Real estate-related activities represented 7.9% of the UAE's real non-hydrocarbon GDP during the first nine months of 2025, underlining the sector's importance as a key contributor to non-hydrocarbon growth. Real estate gross loans expanded by 17.1%, reflecting higher financing demand and continued lending activity across the market. At the same time, asset quality in the sector improved, with the Non-Performing Loan (NPL) Ratio declining to 5.0%.

The Central Bank of the UAE continues to closely track developments in the real estate market and maintains prudent regulatory and supervisory measures to help safeguard the resilience of the financial system and preserve overall financial stability.

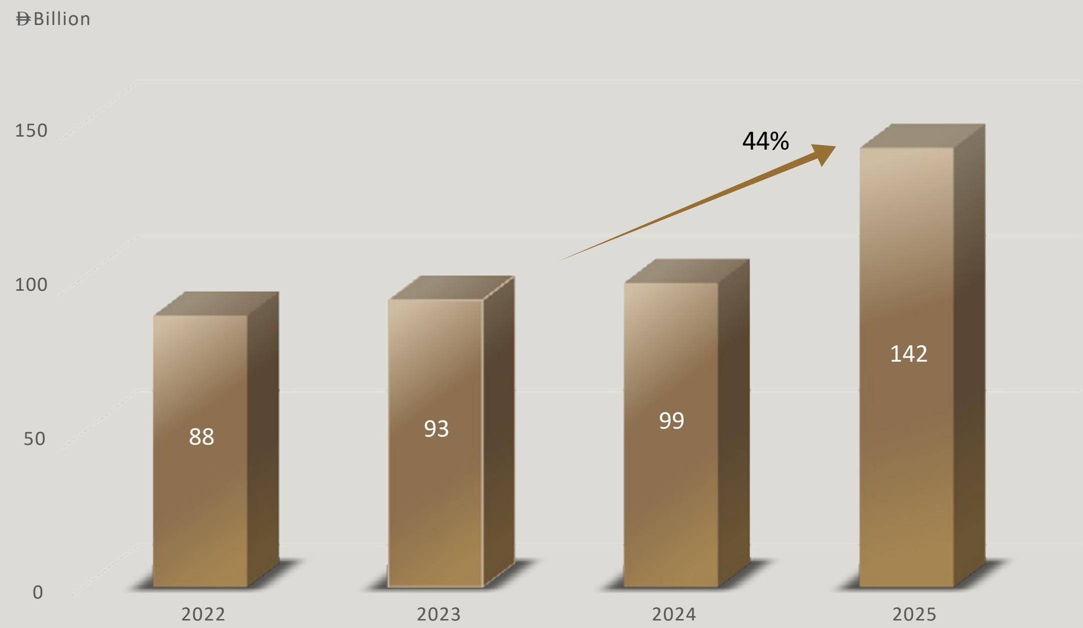
Chart 1.2.1: Real Estate Gross Loans and NPL Ratio



Source: CBUAE

Abu Dhabi's residential real estate market continued to expand, supported by robust demand and strong transaction activity. In 2025, total real estate transaction values reached a record Đ142 billion, representing a 44% increase compared to the previous year. Sales transactions were the primary driver of this growth as real estate sales accounted for 66% of total transaction values, equivalent to Đ93 billion, indicating strong market activity.

Chart 1.2.2: Abu Dhabi Total Transactions Value



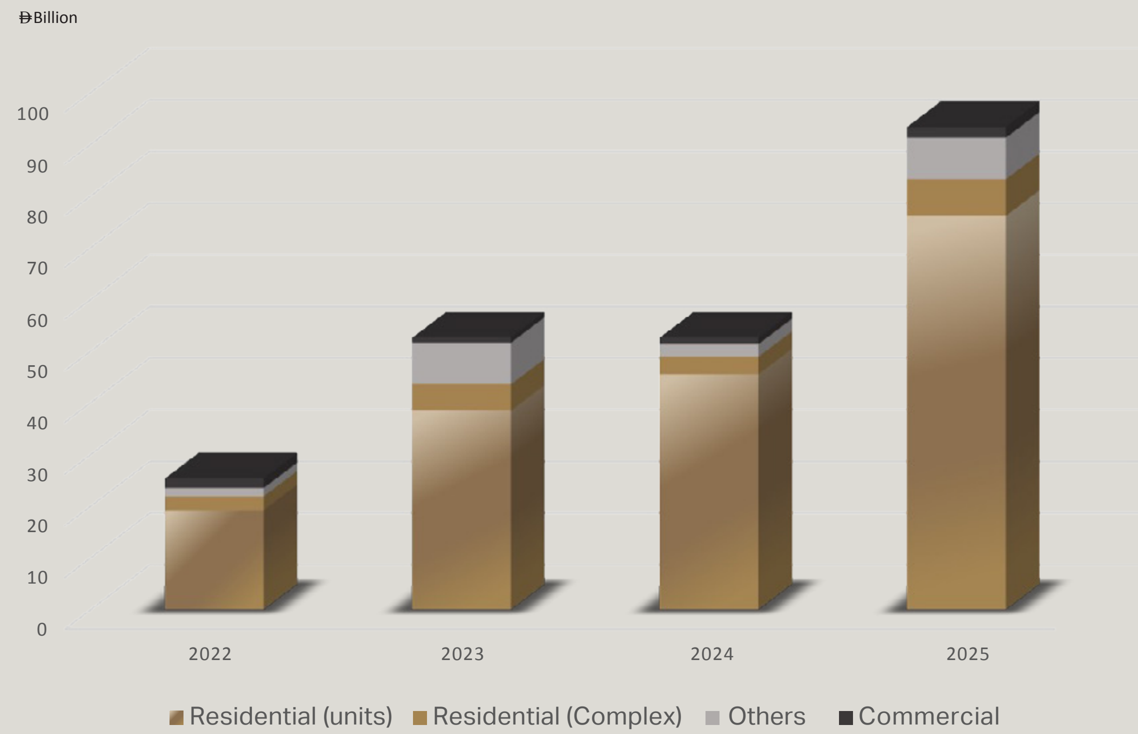
Source: ADREC

Residential units contributed the largest share of sales growth as values rose sharply, increasing from around Ð19 billion in 2022 to around Ð76 billion in 2025. In parallel, sales of residential complexes also increased over 2022–2025, signalling a strong appetite for new developments and a robust pipeline of future supply.

The rise in residential unit sales was largely driven by a significant increase in off-plan transactions, supported by strong population growth, continued foreign direct investment and a market shift towards higher-quality and master-planned communities. Demand was underpinned by purchases from resident expatriates as well as non-resident foreign investors.

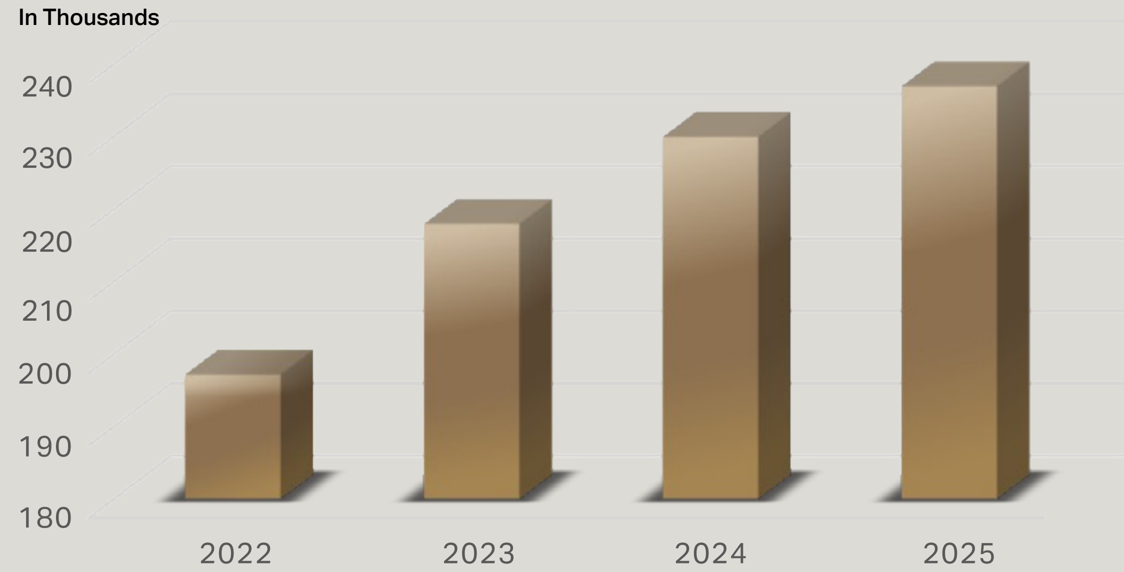
Leasing activity also remained resilient. In 2025, residential lease values reached Ð17.6 billion, increasing by 7% compared to the previous year. Lease volumes grew by 3%, supported by high occupancy levels, new supply and an increase in owner-occupied units.

Chart 1.2.3: Abu Dhabi Total Sales by Real Estate Asset Class



Source: ADREC

Chart 1.2.4: Abu Dhabi Residential Lease Volume

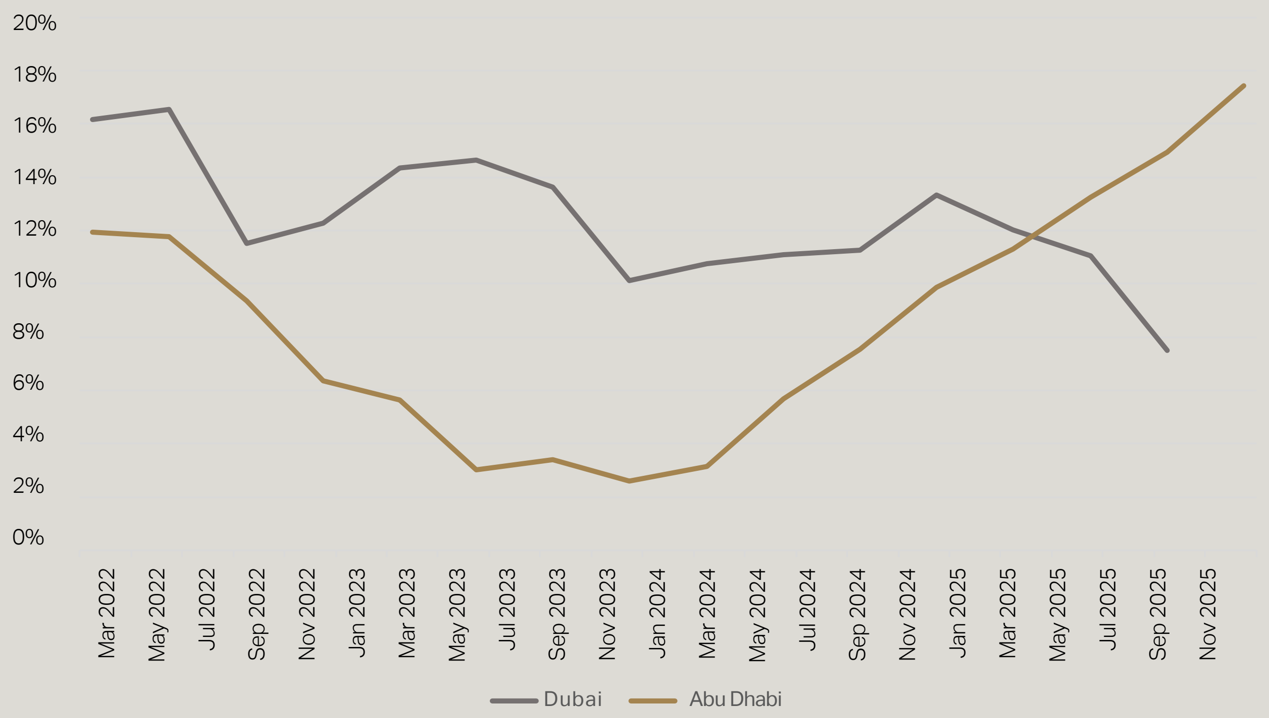


Source: ADREC

Dubai maintained strong growth momentum in 2025, with total real estate sales value increasing by 30.7% Y-o-Y. Transaction volumes expanded across key segments, primarily driven by apartment sales, which rose by 20.3% Y-o-Y, while villa transactions value increased by 13.5% Y-o-Y. The off-plan segment remained a significant contributor to overall market activity, recording a 24.6% Yo-Y increase, amid sustained investor confidence and continued demand across the emirate.

Residential real estate prices in Dubai and Abu Dhabi recorded positive year-on-year growth throughout 2025. In Abu Dhabi, prices maintained strong momentum, reaching 17% year-on-year in the fourth quarter. In Dubai, the growth momentum moderated but remained firmly in positive territory.[2]

Chart 1.2.5: Residential Real Estate Price Indices



Source: ADREC and DLD

1.3 CAPITAL MARKETS

1.3.1 UAE EQUITIES MARKETS AND FUNDS

In 2025, the UAE's capital markets recorded a significant increase in activity. The combined market capitalisation of the Abu Dhabi Securities Exchange (ADX) and the Dubai Financial Market (DFM) exceeded Đ4.1 trillion, supported by new listings and rising market prices. The total value of company shares listed on local financial markets reached approximately Đ14.5 billion. Strong liquidity conditions and continued positive investment flows reflected the sustained attractiveness of UAE markets, underpinned by a sophisticated regulatory framework and a stable, investor-friendly environment. The investment funds sector also expanded markedly over the year, further deepening the domestic capital market.

2 Data for Dubai up to Q3 2025

Table 1.3.1: ADX Performance

Abu Dhabi Securities Exchange	2024	2025	% Change
Index (point)	9,419	9,993	6.1
Average daily trading value (Đ million)	1,359	1,524	12.1
Market Capitalisation (Đ trillion)	3	3.14	4.7
Net Foreign Investment (Buy - Sell) (Đ billion)	24	14.1	-41
Net Institutional investors (Buy - Sell) (Đ billion)	3.5	0.95	-73

Source: CMA

Table 1.3.2: DFM Performance

Dubai Financial Market	2024	2025	% Change
Index (point)	5,159	6,047	17.2
Average daily trading value (Đ million)	423	689	63
Market Capitalisation (Đ trillion)	0.91	0.98	7.6
Net Foreign Investment (Buy - Sell) (Đ billion)	2.1	4.6	119
Net Institutional investors (Buy - Sell) (Đ billion)	2	0.2	-90

Source: CMA

In 2025, the Capital Market Authority further advanced the development of investment funds, reflecting a maturing investment ecosystem and a broader spectrum of financial products. The number of local funds increased to 76, up from 46 in 2024. Almost 90% of these 76 local funds are open-ended, indicating a preference for flexible investment vehicles. The investment focus of local funds is primarily on global markets, followed by the UAE market. In terms of asset classes, equity funds constitute the largest share, followed by exchange-traded funds (ETFs) and money market funds. Together, these three categories account for 44% of the total number of local funds.

By the end of 2025, approximately 158 foreign investment funds were registered with the CMA for direct promotion. In addition, 44 foreign funds were registered under mutual recognition frameworks with financial free zone regulators and four foreign funds were registered for listing on UAE markets. This growing presence of foreign funds complements the expansion in local fund offerings and supports the deepening and diversification of the domestic capital market.

In 2025, the UAE implemented a major upgrade of its capital markets regulatory architecture with the introduction of Federal Decree Law No. 32 of 2025, establishing the Capital Market Authority (CMA), and Federal Decree Law No. 33 of 2025, regulating financial products and activities. This new framework grants the CMA an explicit mandate and dedicated tools to identify, monitor and manage systemic risks in an increasingly complex market environment. It introduces a category of "Systemically Important Licensed Persons" to enable enhanced prudential oversight, recovery planning, early intervention measures and resolution powers for entities whose distress could pose risks to market functioning and stability. The framework also supports a more robust market infrastructure through the possible establishment of an Investor Protection Fund and a Settlement Guarantee Fund to mitigate counterparty and settlement risks.

These measures are complemented by a modernised, enforcement focused market abuse regime and an expanded licensing perimeter, including cross border activities targeting UAE clients, which together aim to reduce misconduct, enhance transparency and strengthen confidence in UAE capital markets. In 2025, the CMA's rulemaking agenda also extended to virtual asset service providers and introduced regulation of AI driven robo advisory services, embedding enhanced governance, cybersecurity and transparency standards into digital and virtual asset markets.

2. Banking Sector Assessment

2.1 Overview

The UAE banking system remains resilient with strong overall fundamentals. The banking system's credit continued to grow amid ample credit capacity and robust customer demand, particularly from the corporate and retail sectors. Credit sustainability was underpinned by solid liquidity and funding buffers supported by strong deposit growth. Asset quality indicators improved further in 2025, mainly driven by a material reduction in non-performing loans and robust credit growth. The banking system remains well capitalised, with ample liquidity buffers and strong profitability.

2.1.1 Overview and trends in the banking sector

In line with favourable economic conditions, the total assets of the UAE banking system grew at a robust pace of 17.1% to reach Đ5.3 trillion by the end of the year. The UAE banking system comprises 61 banks, of which 23 are national banks and 38 are branches of foreign banks.

The UAE banking system entered the year with strong capital buffers, healthy liquidity and funding conditions, and robust profitability, reflecting the strength and resilience of the UAE's banking sector. In light of the extraordinary global and regional developments in early 2026, the CBUAE Board of Directors approved a pre-emptive, comprehensive Financial Institution Resilience Package, designed to reinforce the stability and resilience of the UAE banking system. The package covers five key pillars to provide banks with greater flexibility to support their customers and the UAE economy.

Financial Institution Resilience Package

Pillar I:
Monetary Policy Measures – Enhanced access to reserve balances up to 30% of the cash reserve requirement and availability of term liquidity facilities in both AED and USD.

Pillar II:
Liquidity and Funding Relief – Temporary relief in liquidity and stable funding ratios to provide banks with greater flexibility to support the UAE economy.[3]

Pillar III:
Capital Buffer Relief – Release of the Countercyclical Capital Buffer (CCyB) and a temporary and partial release of the Capital Conservation Buffer (CCB) to support the UAE economy

Pillar IV
Credit Risk Management – Providing flexibility to banks to postpone classification of individual and corporate loans for customers affected by the extraordinary circumstances.

Pillar V
Additional Support – The CBUAE affirms that banks should continue to provide the required financing services to support their customers and the national economy.

3 Banks are temporarily permitted to operate with more flexibility in key regulatory liquidity and stable funding metrics, including the Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR), Eligible Liquid Assets Ratio (ELAR), and Advances to Stable Resources Ratio (ASRR). This relief is subject to clearly defined minimum floors for each metric, ensuring that prudential safeguards remain in place while enabling banks to continue supporting the UAE economy.

In line with the national vision, the CBUAE has advanced the digitalisation of the banking sector through initiatives such as the Financial Infrastructure Transformation Programme, including the domestic card scheme "Jaywan" and the Open Finance platform "Al Tareq". The CBUAE remains committed to the responsible adoption of artificial intelligence and machine learning. Additionally, the CBUAE continues to focus on addressing climate-related financial risks, promoting sustainable finance and upholding financial system integrity through active, risk-based supervision.

2.1.2 BANK CREDIT ENVIRONMENT

The loan portfolio of the UAE banking system expanded by 17.8% during the year, primarily driven by increased domestic lending. The primary contributors to this growth were retail and private corporate credit.

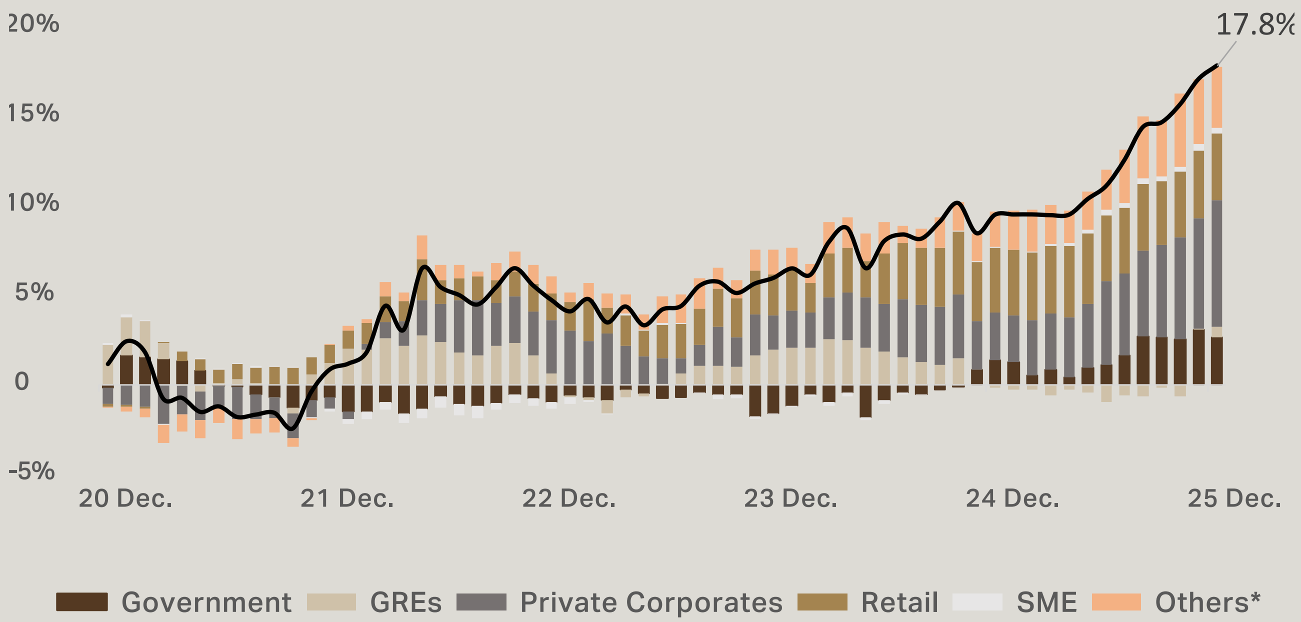
According to the CBUAE's credit sentiment survey[4], there was a notable strengthening in loan demand from households and businesses. A favourable domestic economic outlook helped offset the impact of elevated interest rates. Additionally, strong funding and liquidity conditions, and ample credit capacity supported banks' appetite for credit growth, enabling them to meet the increased loan demand in 2025.

Retail credit recorded robust growth of 16.1% in 2025, with expansion observed across all key sub-categories. Mortgage loans, personal loans and car loans experienced notable growth rates of 23.9%, 8.6% and 9.4%, respectively. Despite relatively higher borrowing costs, retail lending benefited from positive economic conditions, strong retail credit demand and sentiment, and government structural measures, including longer-term residency programmes.

Aggregate wholesale credit[5] recorded a growth rate of 18.3% in 2025, primarily driven by increased financing to private corporate and government segments, which grew by 19.6% and 25.1%, respectively. This reflects sustained demand for business financing and infrastructure projects. Lending to SMEs began to recover, growing at a modest pace of 8.8% during the year. Lending to government-related corporate entities rebounded from the previous year's decline, increasing by 4.6%.

4 The Credit Sentiment Survey published by the CBUAE in Q4 2025, https://www.centralbank.ae/en/news-and-publications/publications/quarterly-reports/credit-sentiment-survey-q4-2025/
5 Wholesale Credit comprised lending to the private corporates, government-related corporates, government, trade finance, high-net-worth individuals, SMEs and non-bank financial institutions.

Chart 2.1.1: Banking System Loan Growth (Y-o-Y)

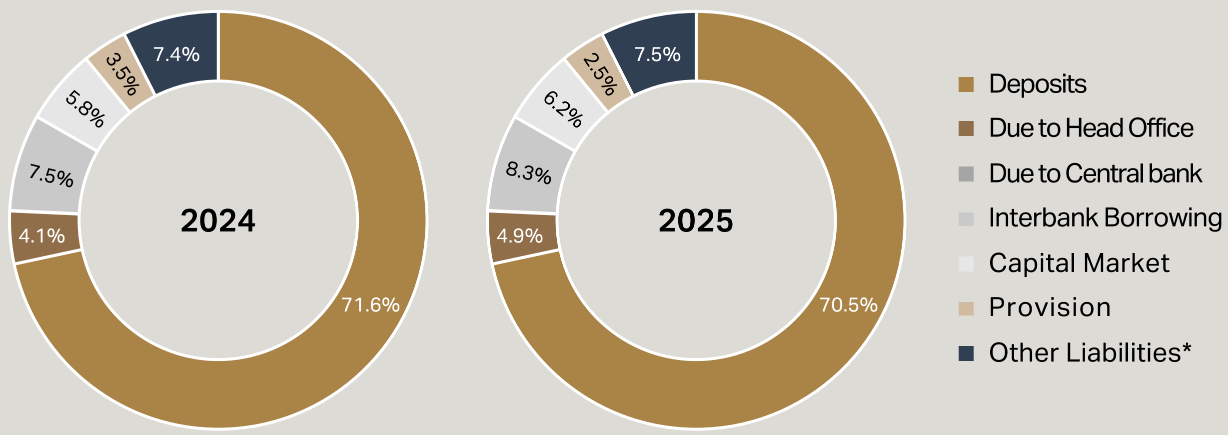


Source: CBUAE.
*Others are composed of non-bank financial institutions, high-net-worth individuals, and trade bills

2.1.3 Funding and Liquidity

Total liabilities of the UAE banking system grew by 18.0% Y-o-Y, driven by robust deposit growth. The liability structure is primarily comprised of deposits, accounting for 70.5% of the total, followed by interbank borrowing at 8.3%, while capital market funding represented 6.2% of the total liabilities.

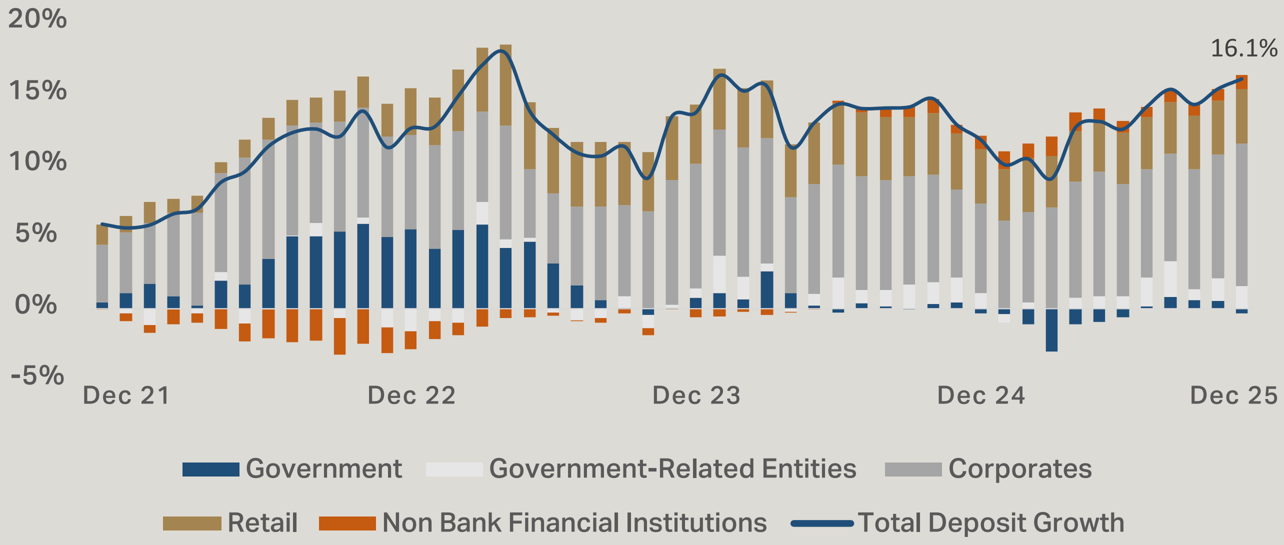
Chart 2.1.2: Banking System's Liabilities Composition (Share of Total Liabilities)



Source: CBUAE.
*Other liabilities include bankers' drafts, net inter-branch transactions, negative fair value of derivatives and other liabilities

Deposits remained the primary source of funding, bolstering liquidity and funding positions. Aggregate deposits grew by 16.1% Y-o-Y, a significantly higher rate than the previous year. Growth was predominantly driven by resident deposits, which accounted for 88.6% of the annual deposits' growth. The private corporate and retail sectors were the primary drivers of deposit growth, increasing by 22.8% and 13.8% Y-o-Y.

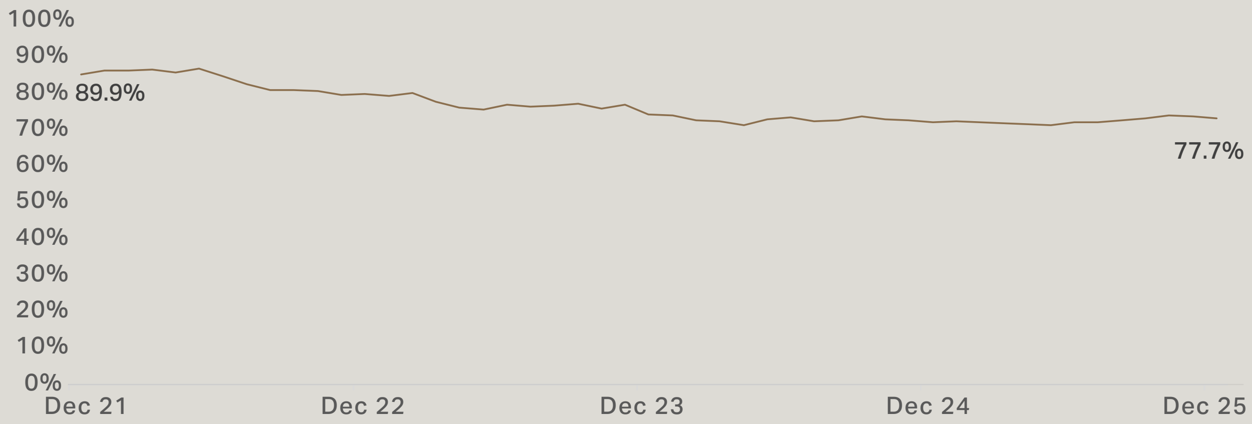
Chart 2.1.3: UAE Banking System's Deposits Growth, (Y-o-Y)



Source: CBUAE

The aggregate Loan-to-Deposit (LTD) ratio edged higher to 77.7% compared to 76.6% in 2024. Despite this slight increase, the LTD ratio remained 3.4 percentage points below its five-year average, indicating ample lending capacity to support credit demand.

Chart 2.1.4: UAE Banking System's Loan-to-Deposit Ratio



Source: CBUAE

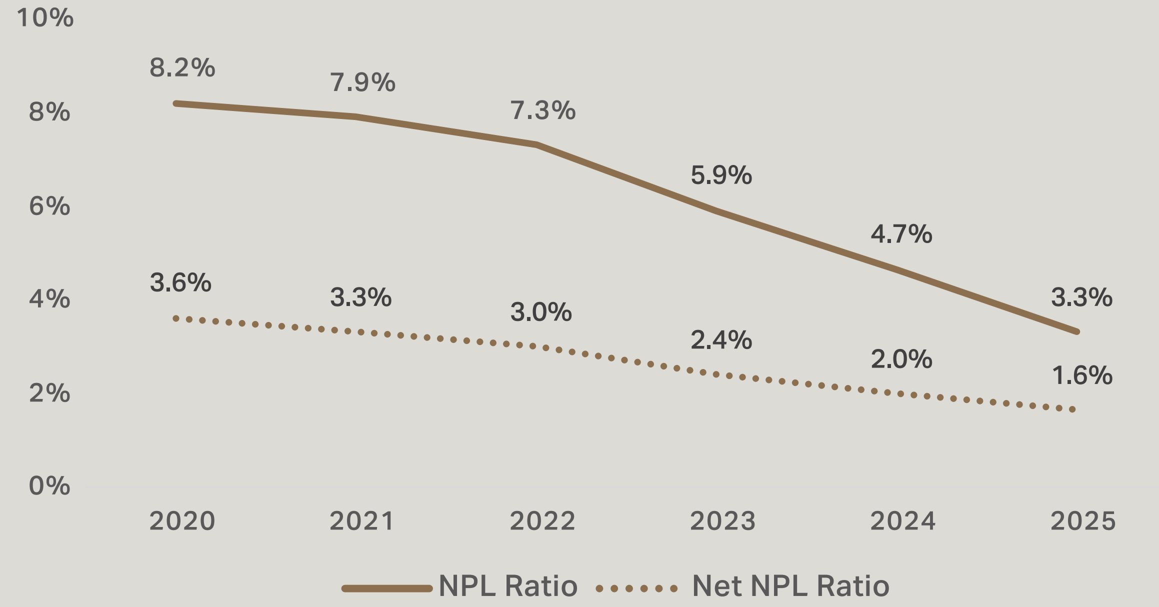
Interbank borrowing rose by 30.3% Y-o-Y, and capital market funding also increased by 26.0% Y-o-Y, representing 6.2% of the total liabilities.

The banking system's aggregate liquidity and funding conditions remained strong, supported by robust deposit growth in 2025. The UAE banking system's liquidity ratios, including the Eligible Liquid Asset Ratio (ELAR)[6] and Liquidity Coverage Ratio (LCR)[7], remained well above the regulatory requirements, reflecting ample liquidity to support credit demand, reaching 20.1% and 149.7%, respectively. Furthermore, the UAE banking system's funding indicators remained sound throughout the year, with the Advances to Stable Resources Ratio (ASRR) and Net Stable Funding Ratio (NSFR) at 73.8% and 111.6%, respectively.

2.1.4 Asset Quality

Asset quality ratios[8] within the UAE banking system continued to improve. The NPL ratio fell to 3.3% in 2025, reflecting a substantial improvement from the peak of 8.2% in 2020. The Net NPL ratio, which excludes specific provisions, also improved to 1.6% in 2025. The primary driver of this improvement was the reduction in the absolute volume of non-performing loans. The gradual growth of the banking sector's balance sheet also contributed, but to a lesser extent. The improvement in NPL ratios was driven by active asset-quality surveillance, supervision and enhanced credit standards.

Chart 2.1.5: Banking System Asset Quality Ratios



Source: CBUAE

6 For more details of liquidity requirements in the UAE refer to the CBUAE Regulations Re Liquidity and Box on Key Bank Prudential Requirements.

7 LCR and NSFR applicable to 5 approved banks.

8 Net NPL ratio reporting, refer to the CBUAE (2019): Central Bank of the UAE Enhances its Reporting of Non-performing Loans.

2.1.5 Profitability

Net profit continued to grow in 2025 to Ð90.8 billion, an increase of 11.7% Y-o-Y. Despite the continued reduction in the policy rate in 2025, banks' profitability remained solid. The growth in net profit was mainly driven by robust growth in total operating income, amid positive economic conditions in the UAE.

Total operating income increased by 12.5% Y-o-Y, underpinned by higher growth in non-interest income, contributing 8.6 percentage points and net interest income contributing 3.9 percentage points. The acceleration in non-interest income was mainly driven by rapid growth in trading income and other fees and income. The reduction in policy rates continued to impact the aggregate net interest income growth, resulting in a slower growth rate compared to the previous year. Therefore, the net interest margin moderated to 2.3% in 2025, from 2.5% in 2024.

Total operating expenses increased by 9.0% Y-o-Y, albeit at a slightly slower pace compared to the last year, reflecting efforts undertaken by banks to stabilise costs. The increase in total expenses for UAE banks was mainly reflected in higher staff costs and outsourcing expenses. Notwithstanding this, banks continued to implement effective cost management strategies, resulting in a further improvement in the cost-to-income ratio, which declined to 30.5% in 2025 from 31.5% in 2024.

On the other hand, UAE banks' profitability in 2025 was negatively impacted by higher net impairment charges and tax expenses. The net impairment charges increased by 8.7% Y-o-Y, mainly due to higher provisioning levels. In addition, tax expenses increased in 2025 by 40.6% Y-o-Y, along with an increase in the UAE's effective tax rate.

The overall banking system's profitability indicators remained strong in 2025. Return on Assets (ROA) plateaued, stabilising at 1.9%, as growth in assets outpaced profit growth. The ROA remained marginally above its 5-year average, while the Return on Equity (ROE) increased to 15.0%.

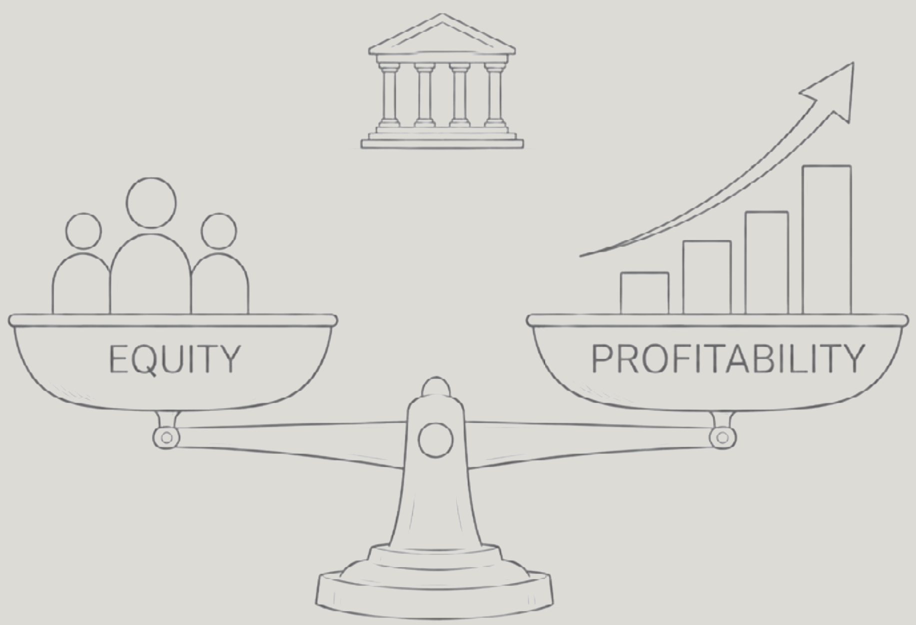
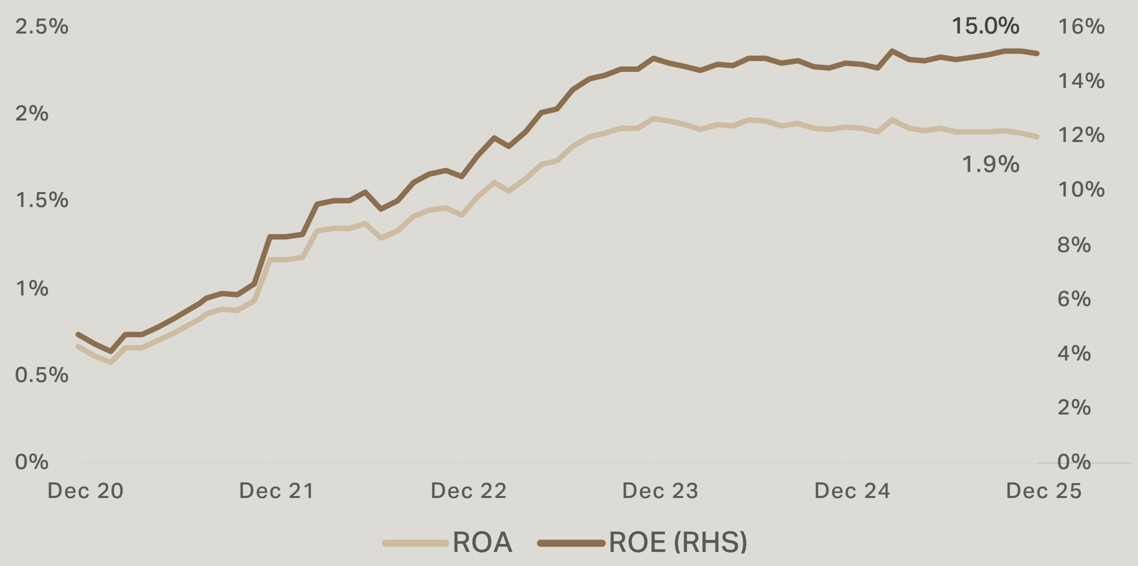


Chart 2.1.6: UAE Banking System's Profitability Indicators



Source: CBUAE

2.1.6 Capital Adequacy

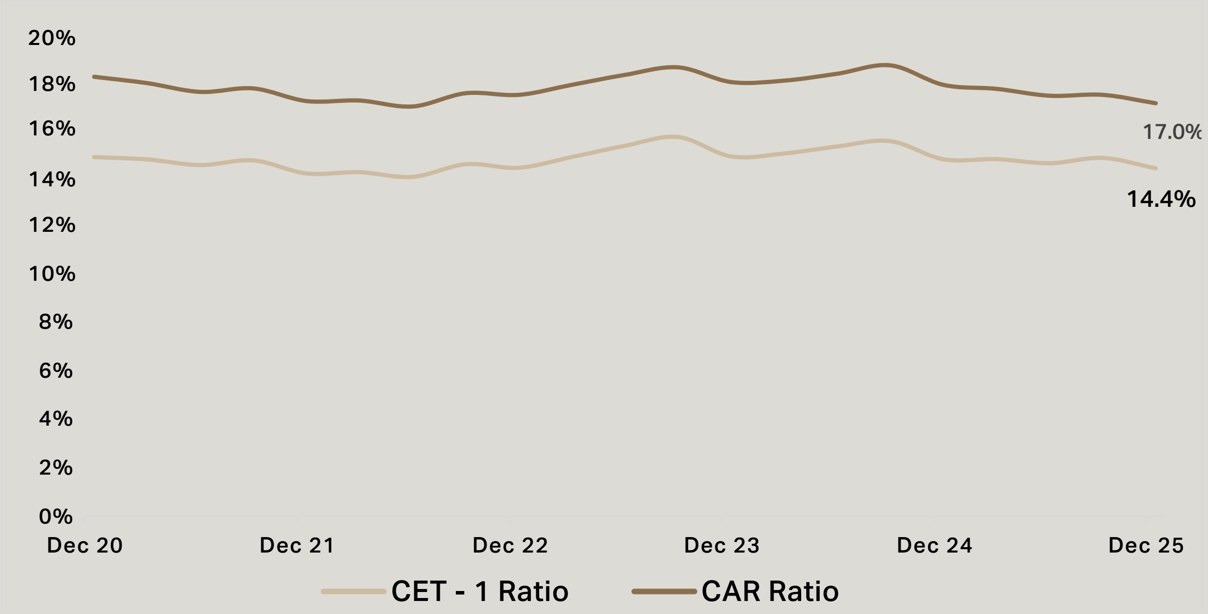
The UAE banking system maintained a robust capital position in 2025, with capital ratios comfortably above regulatory requirements. The aggregate Capital Adequacy Ratio (CAR) and CET-1 ratio reached 17.0% and 14.4%, respectively, indicating a strong financial position to absorb any potential downside risks.

Although the capital buffers for the UAE banking system were relatively high, the CAR edged slightly lower by 0.8 percentage points compared to the previous year. The moderation in CAR was primarily due to higher growth in Risk-Weighted Assets (RWA) under the Pillar-1 framework compared to the growth in eligible capital.

RWAs grew 16.7% Y-o-Y, mainly driven by an increase in Credit Risk-Weighted Assets (CRWA) of 16.9% Y-o-Y in December 2025. The growth in CRWA, contributing 15 percentage points to RWA growth, was mainly attributed to an acceleration in credit in 2025. In fact, CRWA remained the largest component of RWAs, accounting for 88.5%, followed by operational and market risk elements, which contributed 8.7% and 2.8% to total RWA, respectively.

Meanwhile, eligible capital recorded an annual growth rate of 11.6% Y-o-Y, a slightly higher pace when compared to 2024. The increase in eligible capital was mainly in the form of CET-1 capital, bolstered by a strong increase in retained earnings and eligible reserves. Furthermore, the average leverage ratio of the UAE banking system remained at a healthy level of 9.0% in 2025, well above the minimum regulatory requirement, indicating a robust capital adequacy position relative to total exposure for the banking system.

Chart 2.1.7: UAE Banking System's Capital Ratios



Source: CBUAE

2.1.7 External Exposures[9]

Consolidated external assets increased 25.2% Y-o-Y, accounting for 42.6% of total consolidated assets.[10] The share of external assets in total consolidated assets rose marginally, driven by growth in credit and investment in financial securities, supported by favourable funding conditions.

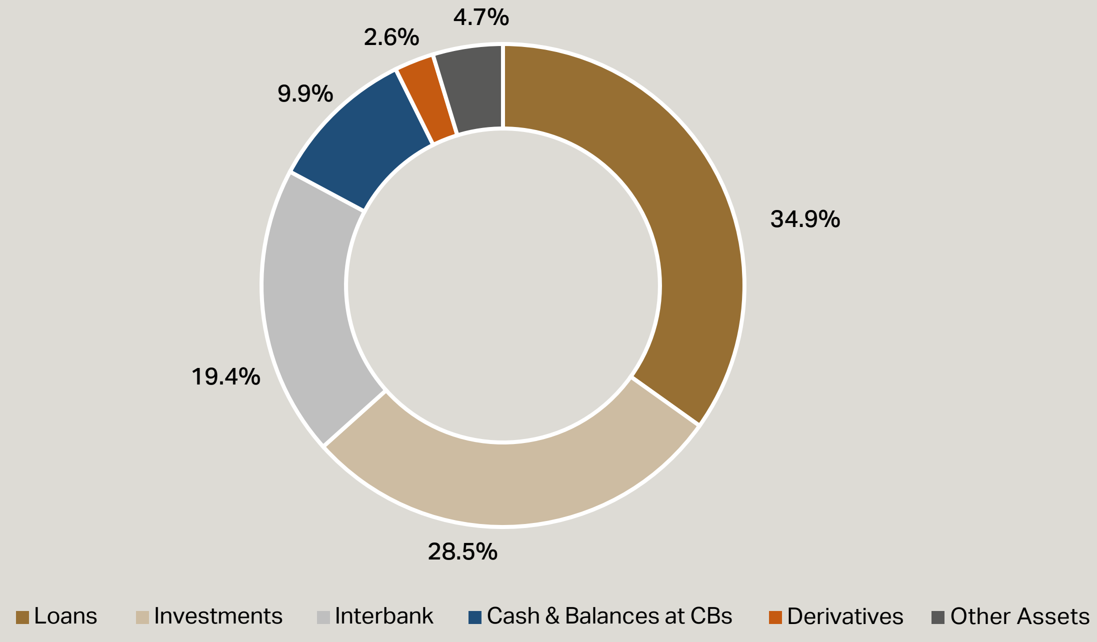
The external assets of the domestic operations of UAE-based banks contributed 18.4% to the annual external asset growth rate in total consolidated external assets; while UAE banks' foreign branches and subsidiaries' assets contributed 6.8% to the total annual external asset growth rate. The external assets of the domestic operations of UAE-based banks increased by 27.0% Y-o-Y, consistent with the overall increase in total consolidated assets of 17.0% Y-o-Y.

The composition of the consolidated external assets continued to be dominated by loans, accounting for 34.9% of total consolidated external assets, up from 31% in 2024, due to higher corporate loans. This was followed by investment assets and interbank lending. The share of corporate loans remained the largest, representing 55.5% of the total external loans, followed by government and NBFI loans.

9 The UAE banking system's external exposures comprise cross-border exposure of UAE licensed banks' local operations and of UAE national banks' foreign subsidiaries and branches. The consolidated exposures exclude intragroup exposures between the head office and foreign branches and subsidiaries.

10 Total consolidated assets include assets of UAE banking system's domestic operations and UAE banking system's foreign subsidiaries and branches. The total consolidated assets exclude intragroup exposures between the head office and foreign branches and subsidiaries.

Chart 2.1.8: UAE Banking System's Consolidated External Asset Composition



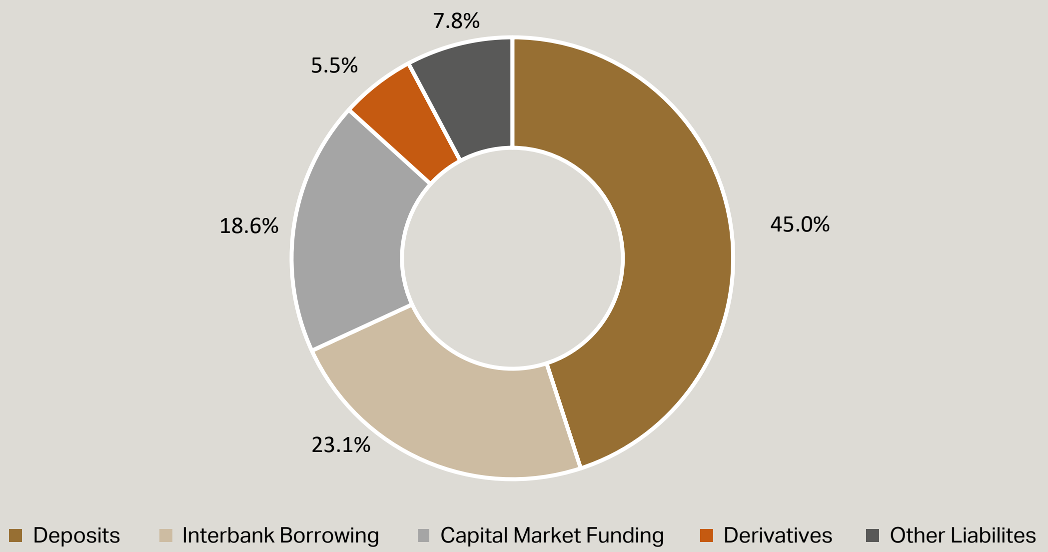
Source: CBUAE

The UAE banking system's consolidated external liabilities increased by 25.9% Y-o-Y, accounting for 32.6% of total consolidated liabilities. The share of external liabilities in total consolidated liabilities increased slightly in 2025, driven by growth in deposits and interbank borrowing.

The external liabilities of the domestic operations of UAE-based banks contributed 16.5% to the annual growth rate in total consolidated external liabilities, while UAE banks' foreign branches and subsidiaries' liabilities contributed only 9.4% to the total annual growth rate. The external liabilities of UAE-based banks' UAE operations increased by 26.7% Y-o-Y, outpacing the 17.7% Y-o-Y increase in total consolidated liabilities and driving the overall growth.

The composition of consolidated external liabilities continued to be dominated by deposits, accounting for 45.0% of total consolidated external liabilities. This was followed by interbank borrowing and capital market funding, with respective contributions of 23.1% and 18.6%. The share of corporate deposits remained the largest, representing 39.3% of the total external deposits, followed by NBFI deposits and retail deposits.

Chart 2.1.9: UAE Banking System's Consolidated External Liabilities Composition



Source: CBUAE

Box 2: Key Bank Prudential Ratio Requirements in the UAE

Capital requirements

The CBUAE requires all banks operating in the UAE to comply with CBUAE capital regulations, which follow the standardised approach of the Basel III capital standards.[11, 12] In addition to the minimum Pillar 1 capital requirements, banks have to fulfil capital buffer requirements with CET1 capital (see table below). A Capital Conservation Buffer (CCB) of 2.5% in the form of CET1 capital applies to all banks. The Countercyclical Capital Buffer (CCyB) on UAE exposures was set at 0.5% as of 2026.

Box 2: Table 1: Capital Requirements in the UAE

Capital Requirement	Minimum Requirement – Excluding Capital Conservation Buffer	Minimum Requirement – Including Capital Conservation Buffer
CET1 Ratio	7.0%	9.5%*
Tier-1 Ratio	8.5%	11.0%*
Capital Adequacy Ratio	10.5%	13.0%*
*Note: In Q1 2026, the CBUAE introduced a temporary easing of the Capital Conservation Buffer (CCB) by up to 1 percentage point as part of its Financial Institution Resilience Package.		

11 Specialised Banks with Low Risk have to fulfil an Aggregate Capital Funds to total assets ratio of 12.5%.
12 The CBUAE capital requirement will be further revised to align with the revised Basel III capital standards.

Additional CET1 Requirements	
D-SIB Capital Buffer[13]	0.5% - 2.5% individual capital surcharge for designated D-SIBs Note: First Abu Dhabi Bank (FAB): 2.0%, Emirates NBD (ENBD): 1.5%, Abu Dhabi Commercial Bank (ADCB) and Dubai Islamic Bank (DIB): 0.5%
Countercyclical Buffer for relevant UAE credit exposures	0.5% from January 2026 0.0% as of 17 March 2026 Note: In Q1 2026, the CBUAE released the Countercyclical Buffer as part of the Financial Institution Resilience Package.

Source: CBUAE

Bank Leverage Ratio Requirements in the UAE

All banks operating in the UAE must comply with the CBUAE's leverage ratio standards, which follow Basel III[14]. All banks must meet the leverage ratio minimum requirements at all times using Tier 1 capital.

Box 2: Table 2: Leverage Ratio Requirements in the UAE

Leverage Requirement	Minimum Requirement
Leverage Ratio	3.0%
Additional Requirements	
D-SIBs Leverage Ratio Buffer	0.5% additional Leverage Ratio minimum requirement for the designated D-SIBs

Source: CBUAE

Liquidity Requirements

Following the Basel III Liquidity Standards, the CBUAE applies Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) requirements to five national banks operating in the UAE.[15] The remaining banks operating in the UAE are regulated according to UAE-specific requirements based on the Eligible Liquid Asset Ratio (ELAR) and Advances to Stable Resources Ratio (ASRR).

13 For more information on DSIBs Assessment Methodology, refer to the FSR 2020.
14 Specialised Banks with Low Risk do not have to fulfil a leverage ratio requirement.
15 Banks subject to these LCR/NSFR requirements are First Abu Dhabi Bank, Emirates NBD, Abu Dhabi Commercial Bank, Dubai Islamic Bank, and Mashreq Bank.

Box 2: Table 3: Liquidity Requirements in the UAE

Ratio	Requirement
Liquidity Coverage Ratio	Min 100%
Net Stable Funding Ratio	Min 100%
Eligible Liquid Assets Ratio	Min 10%
Advances to Stable Resources Ratio	Max 100%

Note: In Q1 2026, the CBUAE implemented temporary relief for liquidity requirements as part of its Financial Institution Resilience Package. Banks are allowed to temporarily operate below the standard regulatory minima, subject to the following floors:

- Liquidity Coverage Ratio (LCR): may fall below 100%, but must remain at or above 80%.
- Net Stable Funding Ratio (NSFR): may fall below 100%, but must remain at or above 90%.
- Eligible Liquid Assets Ratio (ELAR): may fall below 10%, but must remain at or above 8%.
- Advances to Stable Resources Ratio (ASRR): may exceed 100%, but must remain at or below 110%.

Source: CBUAE

Borrower-Based Controls

The CBUAE applies Loan-to-Value (LTV) ratio requirements to retail mortgages. LTV requirements are segmented for owner-occupied, subsequent, and off-plan properties.

Box 2: Table 4: Loan-to-Value Ratio Requirements

UAE Nationals	
First House / Owner Occupier	
Value of Property	Loan-to-Value Ratio
Less than or equal to ⃃5 million	Max 85% of the value of the property
More than ⃃5 million	Max 75% of the value of the property
Subsequent property	
Max 65% of property value	
Off-plan schemes	
Max 50% of property value	

Expatriates	
First House / Owner Occupier	
Value of Property	Loan-to-Value Ratio
Less than or equal to ⃃5 million	Max 80% of the value of the property
More than ⃃5 million	Max 70% of the value of the property
Subsequent property	
Max 60% of property value	
Off-plan schemes	
Max 50% of property value	

Source: CBUAE

In addition to LTV ratio requirements, the CBUAE enforces a maximum debt-burden ratio (DBR) of 50% of gross monthly income. This means that a borrower's total monthly debt repayments, including the proposed mortgage, must not exceed half of their gross monthly income at any time. Furthermore, the maximum financing amount is capped at up to 8 years of annual income for UAE nationals and up to 7 years of annual income for expatriates. The maximum tenor for mortgage loans is set at 25 years.

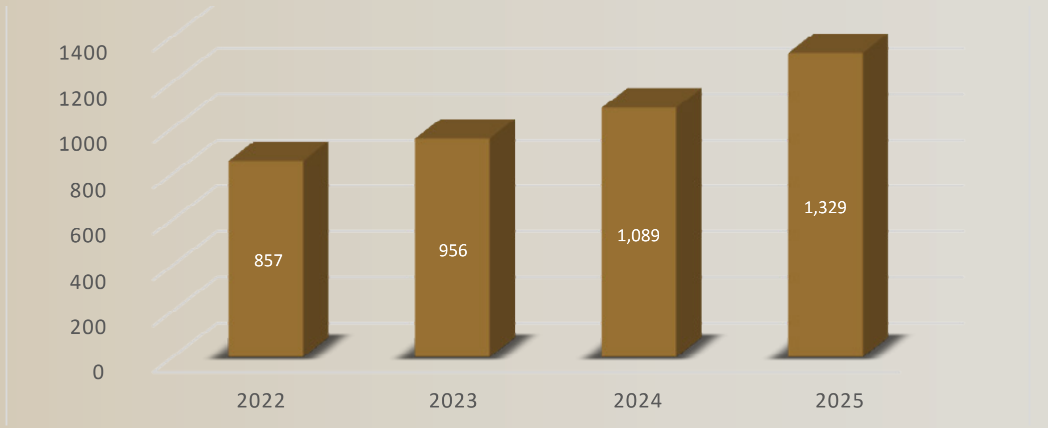
CBUAE Rulebook

The CBUAE Rulebook, published on the CBUAE website, provides access to the regulations, standards, and guidelines issued by the CBUAE. The CBUAE Rulebook aims to reflect the regulatory framework currently in place. In addition, for an overview of key regulatory developments during 2025, please refer to the section on Legislation and Regulatory Developments in the CBUAE Annual Report 2025.

Box 3: UAE Islamic Finance and Halal Industry Strategy 2031

The UAE's Islamic banking industry recorded significant growth, achieving a CAGR of 15.7%, from ⃀857.5 billion in 2022 to ⃀1,329 billion in 2025. Islamic banking recorded remarkable growth of 22% Y-o-Y in 2025, with its market share standing at 24.7%.

Box 3: Chart 1: Total Assets of the UAE's Islamic Banks 2021-2025 (in ⃀ billion)



* Islamic Assets include gross assets of Islamic banks, Islamic Finance companies and Islamic windows of conventional banks
Source: CBUAE

In order to further enhance the contribution of the Islamic banking industry to the nation's competitiveness, the CBUAE played a leading role in formulating the national strategy and coordinating multiple stakeholders, ranging from federal and local government entities to international organisations involved in Islamic finance. On 6 May 2025, the UAE Cabinet, chaired by His Highness Sheikh Mohammed bin Rashid Al Maktoum, vice president, prime minister of the UAE and ruler of Dubai, approved the UAE Islamic Finance and Halal Industry Strategy as a national agenda.

Global Islamic finance assets are expected to continue expanding over the coming decade, creating substantial opportunities for the UAE. Building on its role as a leading regional and global financial centre, the Strategy aims to position the UAE as a global hub for Islamic finance by strengthening Islamic financial institutions and markets, providing competitive Islamic financial services, facilitating Islamic liquidity, capital raising, and investment, in addition to enhancing the UAE's role in sustainable finance through international cooperation.

The 2031 target is to achieve total Islamic finance assets in the UAE of ⃀4.96 trillion, including an increase in Islamic banks' assets to ⃀2.6 trillion, as well as an increase in the value of sukuk issuances listed in the UAE to over ⃀660 billion by 2031. The 2031 contribution to the UAE's GDP from Islamic finance is expected to reach ⃀27 billion, of which ⃀25 billion is projected to come from the Islamic banking and takaful industry.

The Strategy comprises five strategic objectives for Islamic finance, which are: (i) developing large-scale and competitive Islamic financial institutions and promoting internationalisation; (ii) catalysing the integration between Islamic finance and the halal industry; (iii) fostering the global ecosystem for the sukuk market, money market and Islamic funds in the UAE; (iv) nurturing an environment that supports innovation in the Islamic finance industry; and (v) creating a mechanism for impactful Islamic sustainable finance through international collaboration.

To ensure the successful implementation of the UAE Islamic Finance and Halal Industry Strategy at the national level, the Committee for Islamic Finance and Halal Industry Development was established in 2025, chaired by H.E. Khaled Mohamed Balama, Governor of the Central Bank of the UAE. The main role of the Committee is to drive strategic alignment and ensure the successful execution of the Strategy through decisive guidance, overseen by the UAE Cabinet. The Committee of CEOs of Banks was also established in 2025 to support the UAE's banks in implementing the UAE Islamic Finance and Halal Industry Strategy, in coordination with government entities.

2.2 Regulatory Stress Test

As confirmed by the 2025 stress test results, the UAE banks remain resilient to adverse macro-financial shocks under a scenario that prescribed a hypothetical economic recession triggered by geopolitical risk and trade wars among major economies. The results indicate that the aggregate average CET1 ratio would decline by 297 bps from 14.1% to 11.1% at its lowest point. In addition to the annual bottom-up stress test, regular top-down liquidity stress tests confirmed the UAE banking sector's strong ability to withstand hypothetical, significant funding outflows and limited capital market access for up to 60 days.

2.2.1 Introduction

To fulfil its mandate to safeguard financial stability and strengthen resilience, the CBUAE utilises a suite of comprehensive policy and analytical toolkits. One of which is a forward-looking stress testing framework that integrates bottom-up and top-down methodologies to rigorously assess both institutional and systemic strength against adverse macro-financial shocks.

The 2025 stress testing results confirm that UAE banks remain resilient against severe macroeconomic shocks, while maintaining solvency and liquidity buffers above regulatory minimums, continuing to provide credit to support the domestic economy. Furthermore, building upon the 2024 top-down analysis of storm surges and rainfall-induced flooding, the 2025 exercise implemented a bottom-up approach to assess physical climate risks. Collectively, these stress tests confirm that UAE banks possess substantial shock-absorption capacity against concurrent geopolitical, trade, and climate-related disruptions, though continued vigilance and proactive risk management remain essential for sustaining financial stability in an increasingly uncertain global environment.

2.2.2 Risk and Scenarios

The CBUAE's stress testing identifies vulnerabilities, risk triggers and transmission channels that could potentially disrupt financial stability. Stress tests incorporate key risks and vulnerabilities derived from external literature reviews and cross-functional collaboration within the CBUAE.

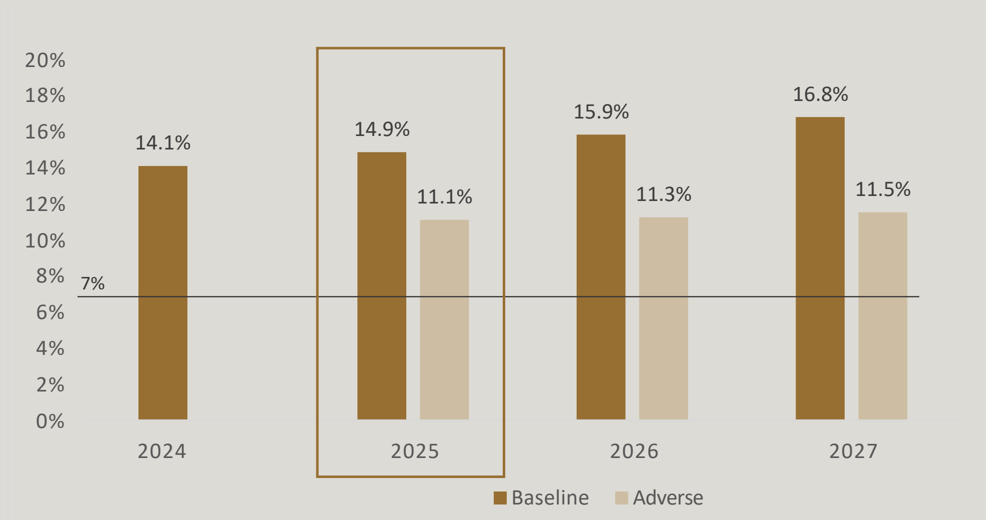
The 2025 stress test exercise comprised both a baseline scenario and an adverse scenario projected over a three-year horizon. The baseline scenario was calibrated to reflect consensus macro-financial projections, characterised by a balanced and favourable environment. Under this scenario, global economic growth would remain positive but below long-term averages, with persistent yet manageable inflation in key economies (e.g., the US). Asset prices would grow at sustainable levels, with oil prices assumed to remain close to USD 70 per barrel, following market-implied values in the short term and consensus forecasts in the medium term. The UAE economy would continue its robust expansion, supported by stable-to-strong oil prices and sustained growth in the real estate, tourism and trade sectors.

In contrast, the adverse scenario incorporated a global recession hypothetically driven by geopolitical tensions, prolonged high interest rates and inflationary pressures. In this scenario, these developments would result in disruptions to global trade, volatile commodities markets and weaker global economic activity. The UAE economy would experience adverse spill-overs through reduced hydrocarbon revenues, declining asset values, heightened credit risks and increased cross-border exposure to weaker emerging markets. This scenario featured rising inflation, followed by a significant economic contraction in late 2025, all of which would lead to higher credit losses and would exert pressure on UAE banks' capital and profitability.

2.2.3 Bottom-up Stress Test Results

The results of the 2025 bottom-up stress test demonstrated that the UAE banking sector is well-positioned to weather a hypothetical economic downturn and continue providing credit to households and businesses. The adverse scenario projected an aggregate 297 bps start-to-trough decline in the CET1 ratio, from 14.1% to 11.1%; aggregate capital ratios remained above the minimum requirements.

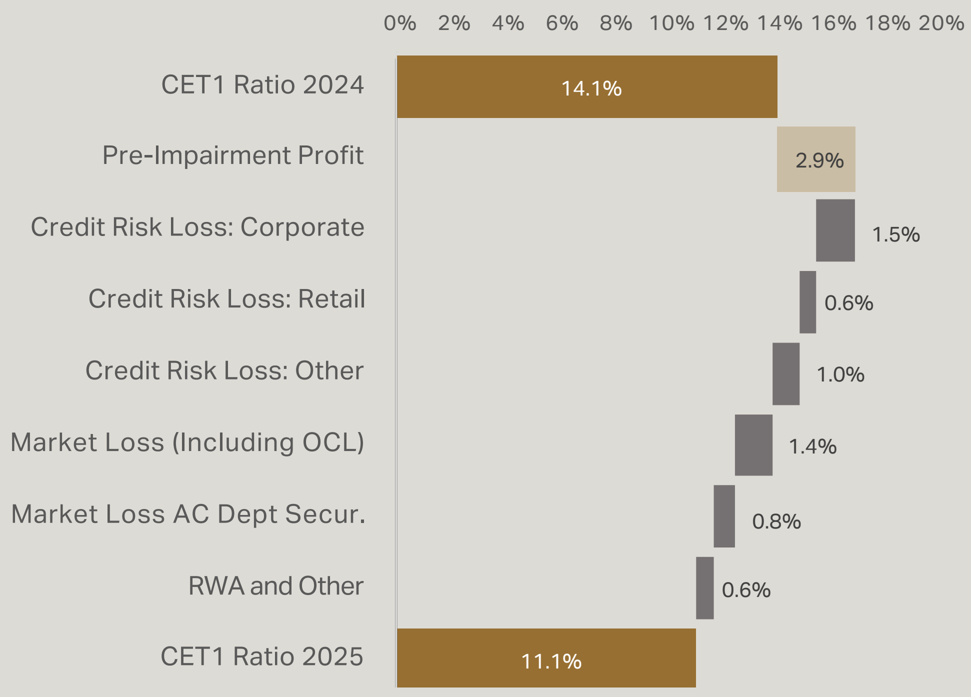
Chart 2.2.1: CET1 Capital Ratios under the Stress Test



Source: CBUAE

The main drivers of CET1 capital depletion under the stress scenario were credit losses, market risk losses and an increase in RWAs, partially offset by pre-impairment profits. Loan losses represent a large fraction of total losses, i.e., more than doubled under the adverse scenario compared to the baseline scenario. Market risk losses stemming from shocks to interest rates and credit spreads impacted banks' debt security holdings, acting as a key risk driver for the banking sector. Pre-impairment profit contributed 2.9 percentage points to starting capital even in the adverse scenario, though it remained 24% lower than in 2024.

Chart 2.2.2: CET1 Ratio Change Drivers (Adverse, 2025)

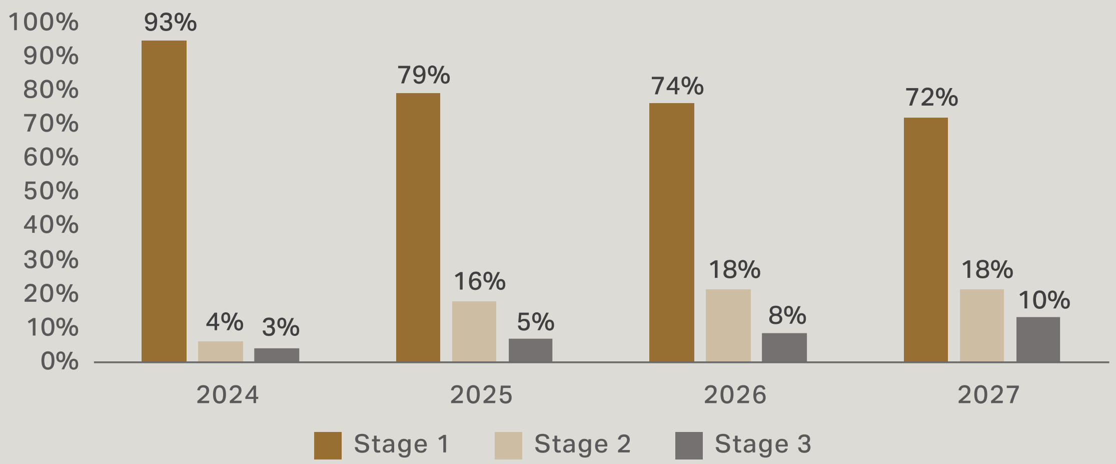


Source: CBUAE

At the starting point of the stress test, the high percentage of Stage 1 exposures (93%) indicated that the majority of loans were performing well with no significant increase in credit risk. However, under the adverse scenario migration to Stage 2 (underperforming) increased from 4% to 16% and Stage 3 (non-performing) increased from 3% to 5%, serving as the primary drivers of credit risk losses. At the economic sectoral level, the increase in Stage 3 exposures was driven by higher default rates across corporate, retail, SMEs, government, and off-balance sheet lending.

Chart 2.2.3: Staging Under the Adverse Scenario

Total Exposure by IFRS9 Stage - Adverse Scenario



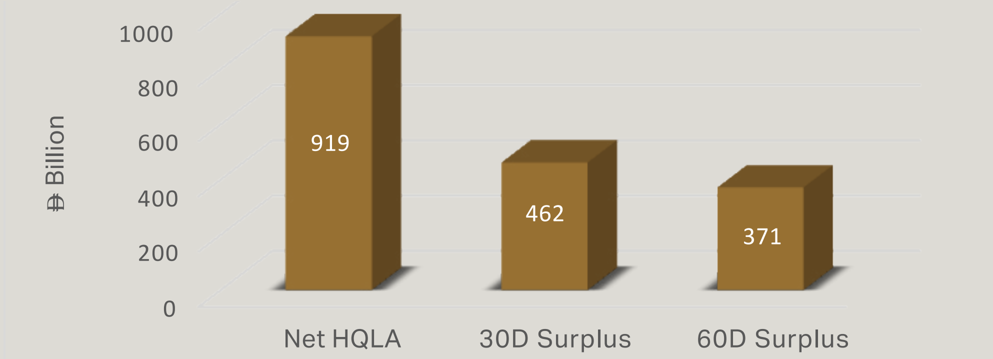
Source: CBUAE

2.2.4 Top-Down Liquidity Stress Test Findings

Liquidity stress tests assessed the resilience of banks against 30 and 60-day stress scenarios, drawing lessons from the Global Financial Crisis. The tests model disruptions in wholesale funding markets (repo/interbank) and significant asset price declines (haircuts) to measure bank resilience, accounting for concurrent shocks such as sudden deposit outflows, credit line drawdowns, and rating downgrades.

The results indicated that the UAE banking sector is highly resilient, maintaining a strong funding base and high-quality liquid assets (HQLA). Liquidity surpluses were estimated at Ð462 billion for the 30-day horizon and Ð371 billion for the 60-day horizon, demonstrating sufficient buffers to ensure systemic stability.

Chart 2.2.4: Liquidity Surplus Under Stress



Source: CBUAE

2.2.5 Stress Test Review and Policy Actions

The results and findings from the 2025 stress test informed policy decisions on dividend approvals, supervisory priorities in 2026, and the calibration of macroprudential tools. Overall, the stress testing programme strengthened confidence in the UAE banking system, while shaping policies that enhance preparedness for financial crises.

Box 4: Macro-financial Scenario Design Methodology

The stress test scenarios comprise scenario narratives, macro-financial variable paths and market risk shocks. The scenario narrative describes vulnerabilities, shocks and associated propagation channels, which are identified through an iterative process combining external information and feedback from internal stakeholders.

Macro-Financial Variable Paths

The macro-financial variable paths include quarterly values over the projection horizon for the variables that cover key sectors of the UAE economy. Participating banks have the option to expand the variables, provided they obtain prior approval from the CBUAE.

Box 4: Table 1: Macro-Financial Variables

Variable	Source
Real GDP (2010, Đ Mn)	FCSC, CBUAE Estimates
Real non-hydrocarbon GDP (2010, Đ Mn)	FCSC, CBUAE Estimates
Oil production (thousand barrels per day)	OPEC
Economic sector-level gross value added (10 variables for each sector, 2010, Đ Mn)	FCSC, CBUAE Estimates
Nominal GDP (Đ Mn)	FCSC, CBUAE Estimates
Nominal non-hydrocarbon GDP (Đ Mn)	FCSC, CBUAE Estimates
Hotel room occupancy rate - Abu Dhabi (quarterly average, non-cumulative)	Abu Dhabi Tourism Authority
Hotel room occupancy rate - Dubai (quarterly average, non-cumulative)	Dubai Tourism Authority
CPI (quarterly average of consumer price index)	FCSC, CBUAE Estimates
Average Brent crude oil price per barrel ($)	US EIA
Real estate price - Abu Dhabi (average residential price, Đ/m2)	REIDIN
Real estate price - Dubai (average residential price, Đ/m2)	REIDIN
Stock price index - Abu Dhabi Securities Exchange General Index (period average)	ADX
Stock price index - Dubai Financial Market General Index (period average)	DFM
Emirates interbank offer rate: EIBOR (3-months, period average)	CBUAE

Source: CBUAE

Market Risk Shocks

These encompass the stressed values of principal risk factors, such as interest rates, credit spreads, equity and commodity prices, and foreign exchange rates. These shocks are used to stress the value of market risk exposure in scope under the adverse scenario. The market risk shocks are calibrated based on adverse percentiles of the historical distribution of the key risk factors and expert judgement.

Scenario Calibration

The baseline paths match the projections from the CBUAE Quarterly Economic Report and market-implied values when available. For example, the projections for real GDP, real non-hydrocarbon GDP and CPI match the projections in the latest CBUAE Quarterly Economic Report. The oil price projection is based on implied futures prices in the short term and consensus forecasts in the long term. When consensus forecasts are not available for a variable, the baseline projections are based on simple rules. For example, stock price indexes are projected based on the growth projection of the nominal non-hydrocarbon GDP.

The severity of the adverse scenario is calibrated based on historical simulations and statistical models. Real non-hydrocarbon GDP and oil prices are designated as scenario anchor variables, and their stressed values are set based on the historical distribution.

The real non-hydrocarbon GDP decline is set at a similar level to that during the Global Financial Crisis. The oil price declines to a stressed level that is kept similar across different stress tests as a countercyclical mechanism. Other variables are projected based on the anchor variables using the Bayesian Model Averaging approach when suitable models are found or based on adverse percentiles (between the 1st and 5th percentiles) of their historical distribution.

The Table below summarises the severity measures of selected macro-financial variables. For example, the real estate price in Dubai would decline by 31% in the worst period of the adverse scenario compared to the value at the start of the scenario.

Box 4: Table 2: Adverse Scenario Severity Measures for Selected Macro-Financial Variables

Macro-Financial Variables	Start-to-trough Change
Real non-hydrocarbon GDP	-5.9%
Real GDP	-6.0%
Real estate price - Dubai	-31.3%
Real estate price – Abu Dhabi	-27.6%
Average oil price per barrel (minimum level)	USD 42
Three-month EIBOR rate (increase in the first year)	0.4%

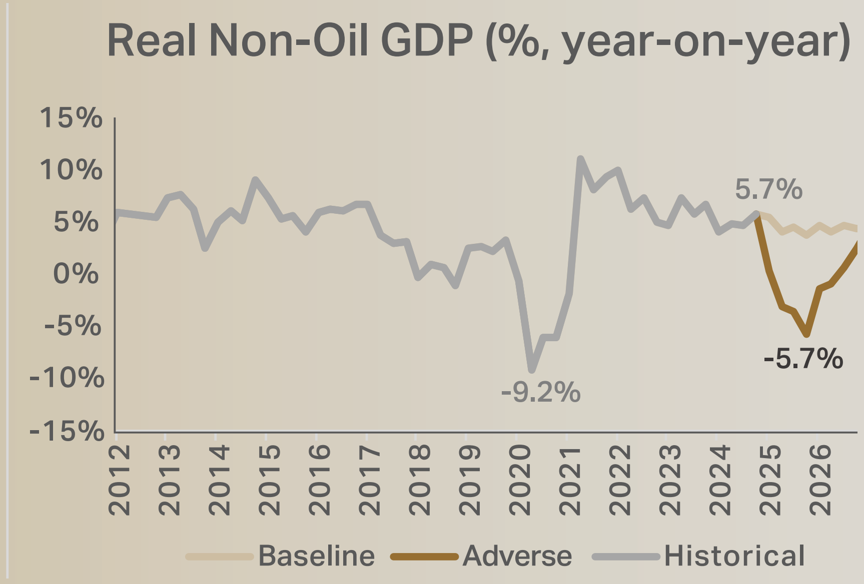
Source: CBUAE

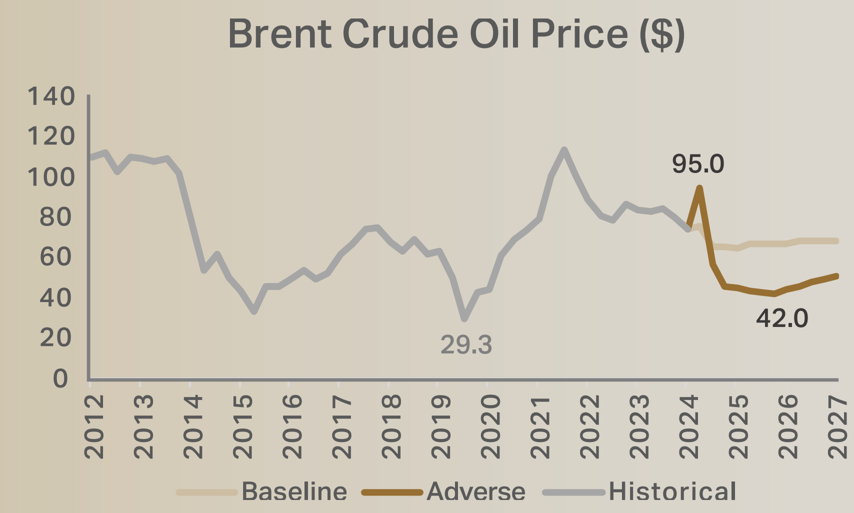
Validation and Benchmarking

The stress test scenario generation methodology is benchmarked against alternative challenger models. The baseline scenario projections from the current and previous stress tests are compared to forecasts from simple challenger models, such as auto-regressive and Bayesian Vector Autoregression (BVAR) models.

The back-testing results show that the baseline scenarios from the stress tests typically outperform the alternative models[16]. The BVAR model is also useful for validating the severity calibration of the adverse scenarios. The BVAR forecast distribution incorporates shock and parameter uncertainty and is conditional on the current state of the economy. Thus, it helps verify that the adverse projections fall in the sufficiently severe percentile of the forecast distribution.

Box 4: Chart 1. Scenario Paths for Selected Macroeconomic Variables





16 Real-time data vintages are used for back-testing to ensure that both the stress test projections and the challenger models use comparable information sets.

Box 5: Physical Climate Risk Assessment

As part of the annual bottom-up stress test, the CBUAE conducted a physical climate risk scenario analysis to assess the vulnerability of banks' exposure to both acute and chronic physical hazards. This exercise is built upon the previous year's top-down assessment[17] by incorporating additional transmission channels, utilising more granular information available from the banks.

Key Elements of the 2025 Analysis

Physical Hazards

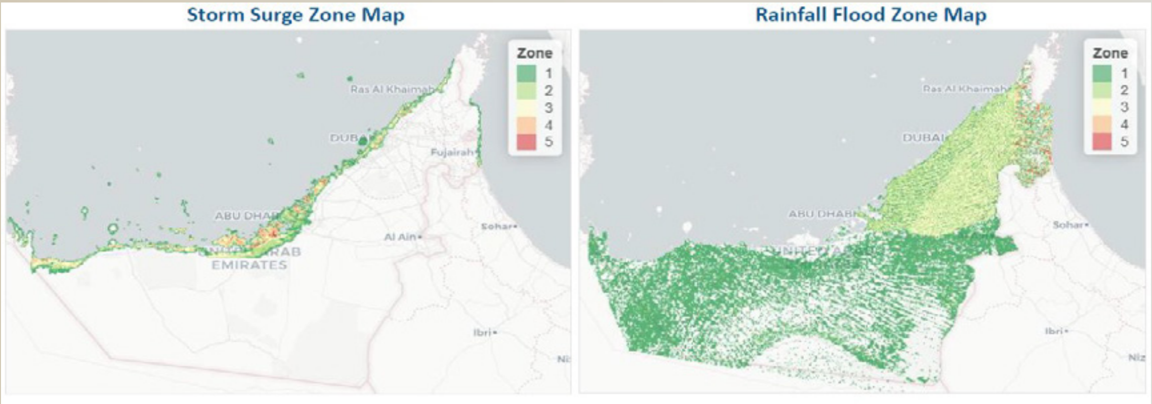
Under the UAE's climate risk stress testing framework, two main physical hazards are assessed. Acute hazards comprise Storm Surge and Rainfall Flood, reflecting event-based risks with immediate economic impact. The chronic hazard focuses on Heat Stress, capturing gradually rising temperature-related risks over time.

For flood risk, a severe 250-year event is modelled using high-emissions (SSP5-8.5) 2050 hazard projections. Sample flood maps as shown below in Chart 1 denote zone numbers across the UAE in a 1x1km grid. Property valuation shocks were provided to the banks for each hazard (Storm Surge and Rainfall Flood) and their corresponding zone numbers[18] and property types.[19]

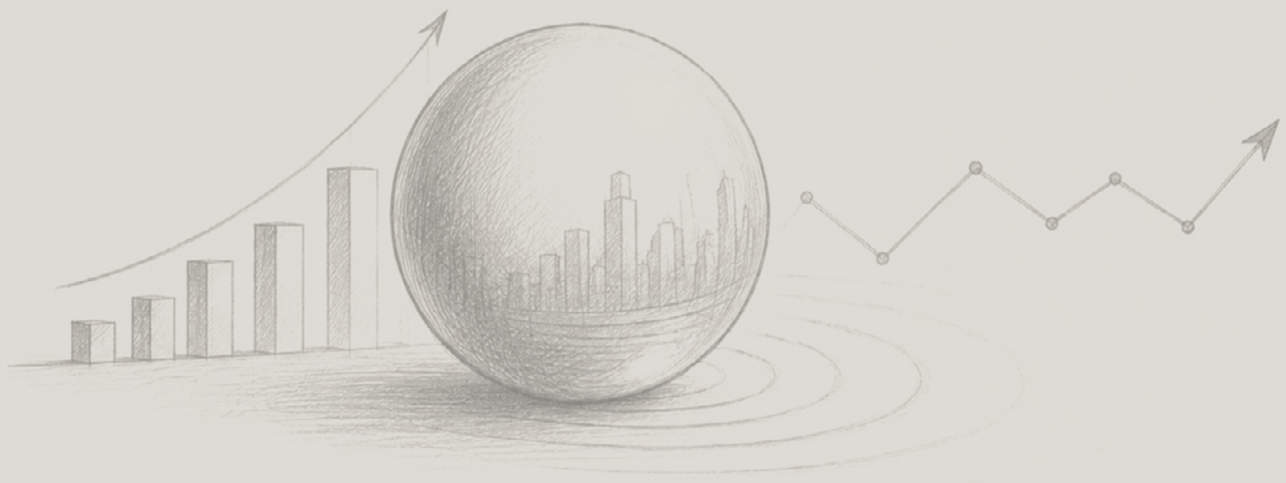
For example, 33% property valuation shock should be applied to residential villas located in Zone 3 of Storm Surge in order to assess property value loss. These shocks are derived using proprietary hazard maps from climate tech partner INTENSEL[20] in conjunction with open-source damage curves.[21] Banks' own more granular hazard maps and damage curves may also be utilised, provided they are available and aligned with the CBUAE's projections.

17 As detailed in Financial Stability Report 2024, the top-down physical climate scenario assessment focused on storm surge and rainfall flooding using granular facility level data on real estate exposures and associated collateral.
18 UAE is divided in 5 flood zones, ranging from lowest (1) to highest (5) in terms of flood severity.
19 6 Property types (residential villa, residential apartment, hotel, under-construction property, commercial buildings, warehouses, and entertainment/leisure).
20 https://www.intensel.net/
21 FEMA's Hazus Loss Library, global flood depth damage functions, Huizinga et al. (2017), etc.

Box 5: Chart 1. Acute Physical Hazard Zone Map of the UAE



Heat stress reduces labour productivity during hot and humid conditions. This was an optional exercise and was based on NGFS estimates for labour productivity shocks under a high-emissions scenario (RCP 8.5). Labour productivity shocks are derived from the worst-case of the projected distribution and then converted into estimated output losses for each sector. Sectors such as construction, oil and manufacturing are most affected. For simplicity, the exercise focuses on an immediate impact to gauge the longer-term consequences of the gradual decline in labour productivity due to heat stress.



Box 5: Table 2. GDP Growth Rate Scenario Projection for Chronic Physical Risk Assessment

Heat Stress - GDP YoY% Shock	Delta Relative to the Baseline			
	Mar-25	Jun-25	Sep-25	Dec-25
Real GDP	0.0%	-2.5%	-9.7%	0.0%
Real Oil GDP	0.0%	-5.4%	-18.8%	0.0%
Real non-hydrocarbon GDP	0.0%	-1.5%	-6.5%	0.0%
Wholesale & Retail Trade; Repair of MV & Motorcycles	0.0%	-0.3%	-2.1%	0.0%
Manufacturing	0.0%	-0.9%	-4.9%	0.0%
Financial and Insurance Activities	0.0%	-0.4%	-2.4%	0.0%
Construction	0.0%	-7.6%	-25.8%	0.0%
Real Estate Activities	0.0%	-0.4%	-2.1%	0.0%
Transportation and Storage	0.0%	-1.2%	-5.5%	0.0%
Prof/Sci/Technical Activity & Admin/ Support Services	0.0%	-0.4%	-2.4%	0.0%
Information and Communication	0.0%	-0.5%	-2.8%	0.0%
Accommodation and Food Service Activities	0.0%	-0.3%	-1.9%	0.0%
Others	0.0%	-1.6%	-6.6%	0.0%

Portfolio Coverage

Flood risk is assessed on total UAE real estate exposures as of 31 December 2024, covering over 142,000 residential, commercial and industrial properties located in the UAE. Heat stress is applied to overall exposure by economic activity as of end of 2024.[22] Government support and insurance are key mitigants to physical hazards which are allowed to be included in the assessment as a separate component to identify the impact.

Transmission Channel and Credit Risk Estimation

For storm surge and rainfall flood, banks have employed the economic transmission channel that affects individual businesses and households. For both retail and corporate portfolios, this is assessed through property damage and income loss, while the corporate portfolio is also impacted by foregone revenue from business disruptions. Only direct impacts on credit risk metrics are in scope of this analysis; broader second-round macroeconomic effects are excluded.

For chronic heat stress, a macro transmission channel is applied, impacting the economy at both aggregate and sectoral levels to assess impacts on defaults and recoveries.

22 Heat stress participation was optional; results reflect participating banks only.

Financial Impacts

The results underscore the importance of such analysis as they reveal a potential negative impact on the financial system. Wider macroeconomic effects and spill-overs to the insurance sector could further amplify losses.

- Storm surge, concentrated mostly along coastal areas, impacts a lower number of assets compared to rainfall flood, but results in higher losses due to more severe inundation. Loss in property valuation was estimated to be 12% for storm surge and 6% for rainfall flood. Mitigation could offset one-third of the potential loss.[23]
- Physical hazards materially increase default risk, with the strongest effect from storm surge, as evidenced by a 1.89 percentage point increase in Probability of Default (PD).
- A decline in collateral values significantly lowers recovery and therefore increases Loss Given Default (LGD) by 4.92 percentage points and 3.46 percentage points under storm surge and rainfall flood, respectively.
- Increased default risk and lower recoveries translate into higher provisions, resulting in a CET1 ratio drop of 17 bps and 10 bps for storm surge and rainfall flood, respectively. While storm surge emerges as the dominant risk to asset quality, heat stress shows larger capital erosion, with the CET1 ratio dropping by 24 basis points.

Box 5: Chart 2. Financial Impact on Banks Due to Acute and Chronic Physical Hazard

Note: Heat Stress impact is calculated only for the banks that participated in the assessment.

23 This estimate may be understated, as mitigation data is not comprehensively reported across all exposures.

Findings and Recommendations

Physical climate risk is an emerging financial stability risk transmitted through credit risk, collateral devaluation and operational disruption. The assessment highlighted several areas that may warrant closer attention from banks and authorities, including:

- Enhance data and collateral frameworks, including the climate risk component;
- Strengthen the monitoring and surveillance framework to track vulnerable exposures over time;
- Align credit underwriting policies to factor in potential risks driven by climate change;
- Embed regular climate risk assessments into banks' internal capital adequacy processes;

A post-exercise survey found that banks valued the exercise for improving their understanding of physical climate risks. They also noted ongoing work to close data gaps, refine asset geolocation, use more granular hazard maps, and strengthen climate risk models, while calling for more standardised methods and regulatory guidance. The insights will support internal capital assessments, strategy and capability building.

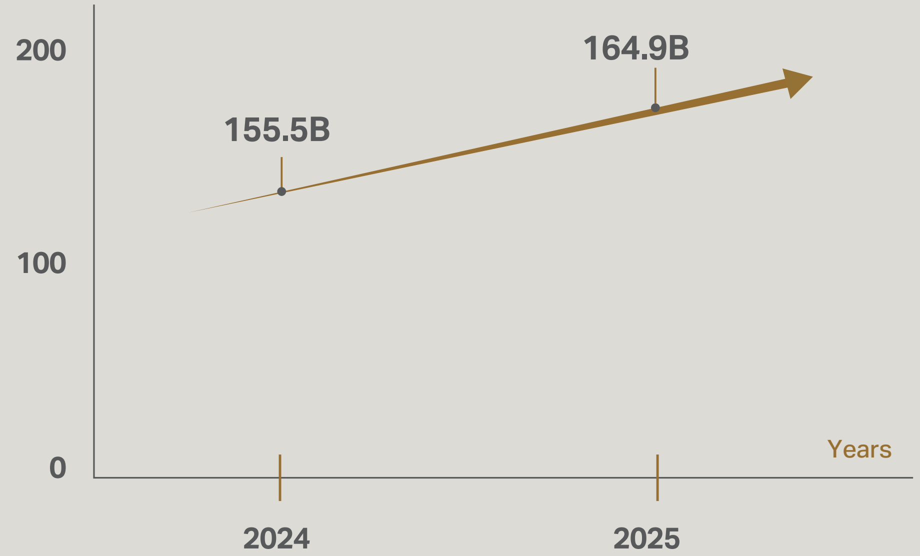
In 2026, the CBUAE plans to conduct a comprehensive top-down climate stress test covering both transition and physical risks to further strengthen financial stability and climate preparedness.

3. UAE Non-Bank Financial Institutions and Financial Infrastructure Assessment

The UAE insurance sector remained resilient, driven by an adequate solvency position and continued growth in gross written premiums. Overall, finance companies remained adequately capitalised with improvements in liquidity levels, asset quality and profitability. The UAE exchange businesses continued stable operations across their core activities of remittance services, foreign exchange, and wage administration.

3.1 Insurance sector

The UAE insurance sector remained resilient in 2025, with total assets rising to Đ164.9 billion, up from Đ155.5 billion in 2024.



The sector maintained an adequate solvency position, sustained profitability, and broad-based improvements across key performance indicators[24], enhancing protection for policyholders and beneficiaries.

Following the issuance of Federal Decree-Law No. (6) of 2025 Regarding the Central Bank, Regulation of Financial Institutions and Activities, and Insurance Business, the CBUAE has continued to implement the new legal framework for the insurance sector, consistent with the law's provisions, to further define supervisory requirements and improve prudential and governance requirements.

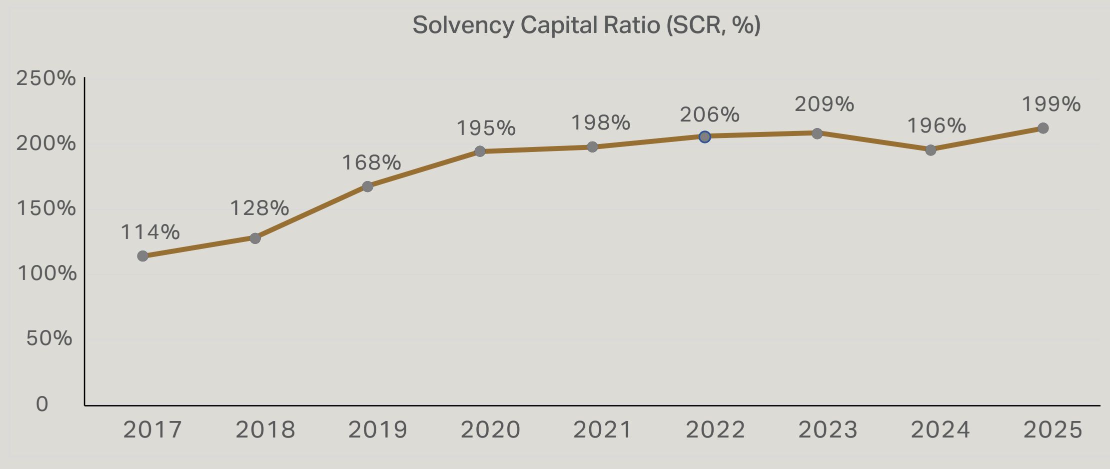
Additionally, the CBUAE introduced new regulations, including the Insurance Group Supervision Regulation[25], covering group governance, risk management, consolidated reporting, supervisory oversight, and capital/solvency on a group-wide basis.

24 CBUAE - Insurance Sector Statistics: https://www.centralbank.ae/en/research-and-statistics/
25 CBUAE - Insurance Group Supervision Regulation: https://rulebook.centralbank.ae/en/rulebook/insurance-group-supervision-regulation

3.1.1 Solvency

The sector maintained an adequate solvency position, with a Solvency Capital Ratio (SCR) of 199%. This improvement was driven by a modest increase in required capital compared to the growth in available own funds (See Chart 3.1.1).

Chart 3.1.1: UAE Insurance Solvency Ratio



Source: CBUAE

3.1.2 Gross Written Premiums

Gross written premiums experienced growth, rising by 14.9% Y-o-Y to ₿74.8 billion. Property and liability insurance premiums grew by 14.1% Y-o-Y to ₿30 billion, while health insurance premiums increased by 16.3% Y-o-Y to ₿36.4 billion, and insurance of persons and fund accumulation premiums rose by 12.1% Y-o-Y to ₿8.4 billion.

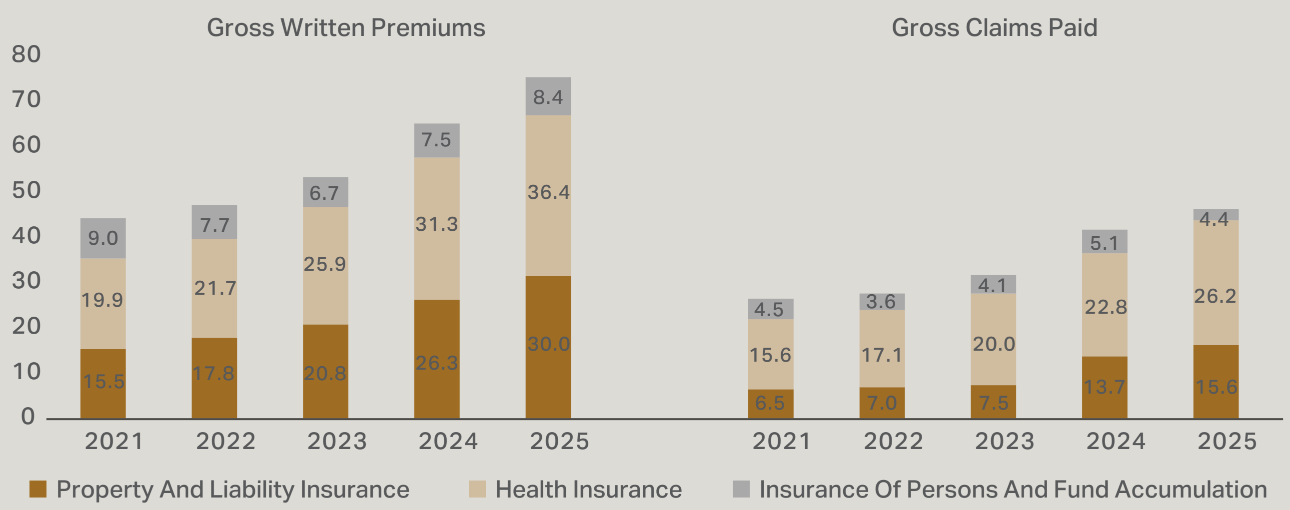
Health insurance accounted for 48.7% of total premiums[26], followed by property and liability insurance at 40.1%, and insurance of persons and fund accumulation at 11.2%.

3.1.3 Gross Claims Paid

Gross claims paid of all insurance types rose by 11.0%, reflecting increased pay-outs for property and liability, health insurance, and insurance of persons and fund accumulation. (See Chart 3.1.2).

26 The role of health insurance is expected to continue growing, along with the extension of mandatory health insurance coverage across all the Emirates for private sector employees and domestic workers, effective 1 January 2025: https://www.mohre.gov.ae/en/media-center/awareness-and-guidance/health-insurance-scheme.aspx

Chart 3.1.2: Gross Written Premiums and Claims Paid (₿billion)



Source: CBUAE

3.1.4 Profitability and Retention

The insurance sector's profitability was bolstered by sustained underwriting performance. Technical provisions grew by 4.4% to ₿96.3 billion, enhancing the capacity to meet policyholder obligations. Moreover, the investment portfolio rose by 13.5% to ₿96.4 billion, representing 58.4% of total assets, with investments diversified across equity, bonds, real estate and deposits.

The retention ratio of written premiums improved to 56.0% in 2025, amounting to ₿41.9 billion, compared to 54.9% (₿35.7 billion) in the previous year. This upward trend indicates increased premiums retained within the UAE, continuing the sector's stability and development, balanced with the use of appropriate risk transfer tools, such as specialised reinsurance arrangements.

3.2 Payment and Settlement Systems

In 2025, the CBUAE initiated, under the Financial Infrastructure Transformation (FIT) Programme, a set of new initiatives aimed at strengthening the national financial market infrastructure and reinforcing the efficiency and resilience of the UAE's financial system. Among these initiatives are the modernisation of the Real-Time Gross Settlement System (RTGS) and the implementation of an International Central Securities Depository, which are intended to complete the ecosystem that will position the UAE as a leading international financial centre.

On the "Jaywan" Domestic Card Scheme, the CBUAE and its subsidiary Al Etihad Payments ensured the readiness of the national switch to support the issuance of "Jaywan" debit and prepaid cards by market participants with all the necessary capabilities, such as tokenisation and e-commerce, while the associated card transactions are processed locally. "Jaywan" cards form an important channel for the successful implementation of the National Financial Inclusion Strategy launched by the CBUAE in 2025.

In 2025, connectivity with partner countries was established, with the launch of “JISR”, the multi-CBDC cross-border platform developed by the CBUAE, and the launch of the integration between the instant payment systems of the UAE (IPI) and China (IBPS) to enable seamless, instant, and more competitive retail and wholesale cross-border transactions between the participating countries. Many central banks have expressed interest in joining JISR, and the CBUAE is actively working to address their requests.

Given their importance to financial stability, cross-border payments, using traditional channels or CBDC, are closely monitored and assessed by the CBUAE to ensure they play their role efficiently in supporting global trade and finance.

Moreover, the CBUAE successfully implemented the ISO 20022 standard in alignment with SWIFT’s roadmap for improving financial messaging, and initiated the work towards developing an API hub that will facilitate the interconnection between the RTGS systems of the UAE and partner countries.

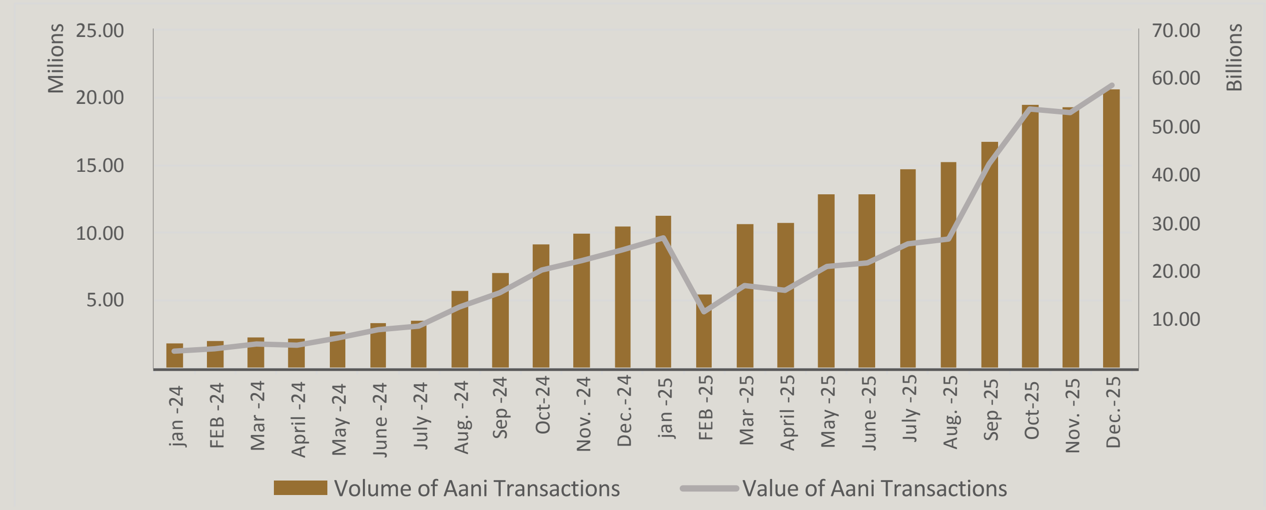
National Payment System Strategy

The “Aani” Instant Payment Platform (IPP) adoption has expanded significantly in 2025, with an increase of around 183% in the overall volume of transactions processed compared to 2024, and the number of enrolled customers surpassing 11.7 million by the end of 2025. “Aani” enables customers to transfer funds up to Ð50,000 instantly on a 24/7 basis, and offers a set of features, such as proxy payments, QR code-based payments, payment requests and split payments.

IPI Value and Number of Transactions

IPI transactions decreased to 33.8 million worth AED 168.8 billion in 2025, compared to 67.5 million worth AED 225.4 billion in 2024. The decrease in volume of IPI has been compensated by a substantial increase in the IPP (Aani Transactions) from the month of March onwards.

Chart 3.1.3: Aani Instant Payment Platform – Transaction Volumes and Values



Source: CBUAE

3.2.1 Domestic Card Scheme

The national switch operated by Al Etihad Payments (AEP), the CBUAE’s subsidiary, has also witnessed an increase in the volume of card transactions processed, which has crossed 2 million transactions per day. As for the domestic card scheme, market participants have advanced their readiness to be able to issue “Jaywan” debit and prepaid cards, offering different features and loyalty rewards starting in 2026.

3.2.2 JISR

Since its launch, JISR has strengthened the resilience of the UAE’s financial market infrastructure by enabling government payment settlements and serving as a contingency for the UAE Funds Transfer System (UAEFTS) in wholesale and interbank transactions.

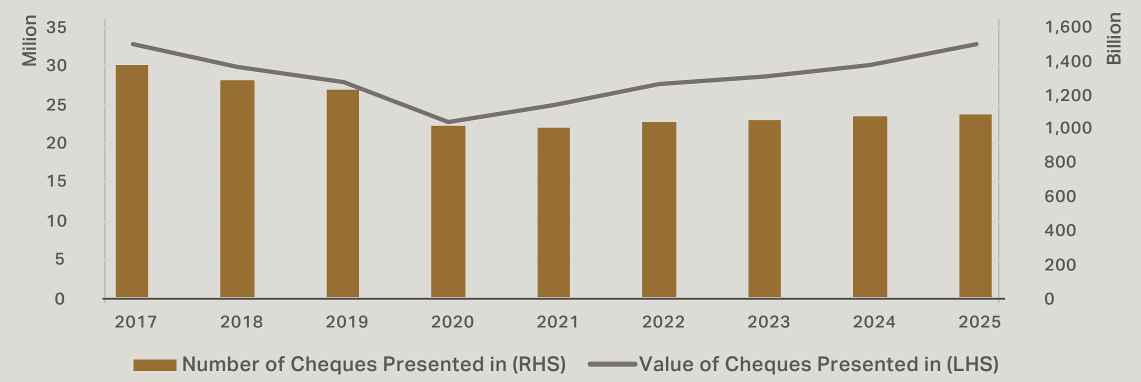
In line with national priorities, JISR will expand across key cross-border payment corridors in 2026, supporting faster, more transparent, and cost-efficient settlements with principal trading partners. By facilitating local currency settlement through CBDC and supporting smart contracts and tokenisation, JISR offers a robust alternative to traditional correspondent banking, broadens access for financial institutions and positions the UAE at the forefront of digital financial innovation.

3.2.3 Operational Capacity

The operational capacity of UAE payment systems, such as the Image Cheque Clearing System (ICCS), UAEFTS, UAE Direct Debit System (UAEDDS), UAE Payment Gateway System (UAEPGS), UAE Wage Protection System (UAEWPS), UAE SWITCH and Immediate Payment Instruction (IPI), was as follows:

- The Image Cheque Clearing System (ICCS) processed a volume of 23.78 million cheques worth Ð1.5 trillion, showing increases of 1.42% in volume and 8.55% in value compared to the previous year.

Chart 3.1.4: Presented Cheques through ICCS

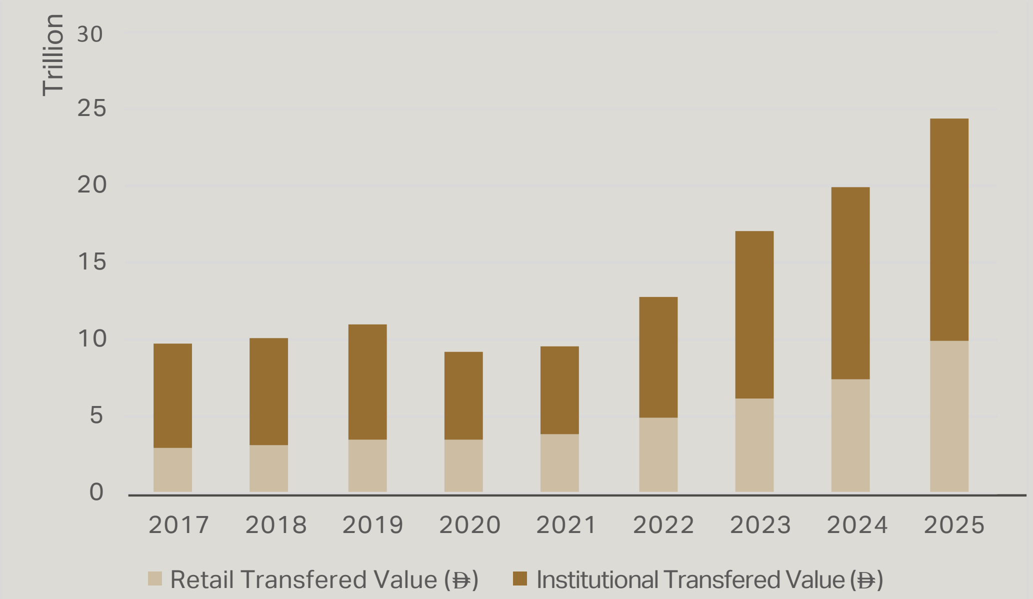


Source: CBUAE

The UAEFTS contributed as follows:

- Retail transfers: 114.9 million transactions worth Ð9.9 trillion (17.76% volume increase, 19.93% value increase)
- Institutional transfers: 865,708 transactions worth Ð14.5 trillion (4.7% volume increase, 33.05% value increase)

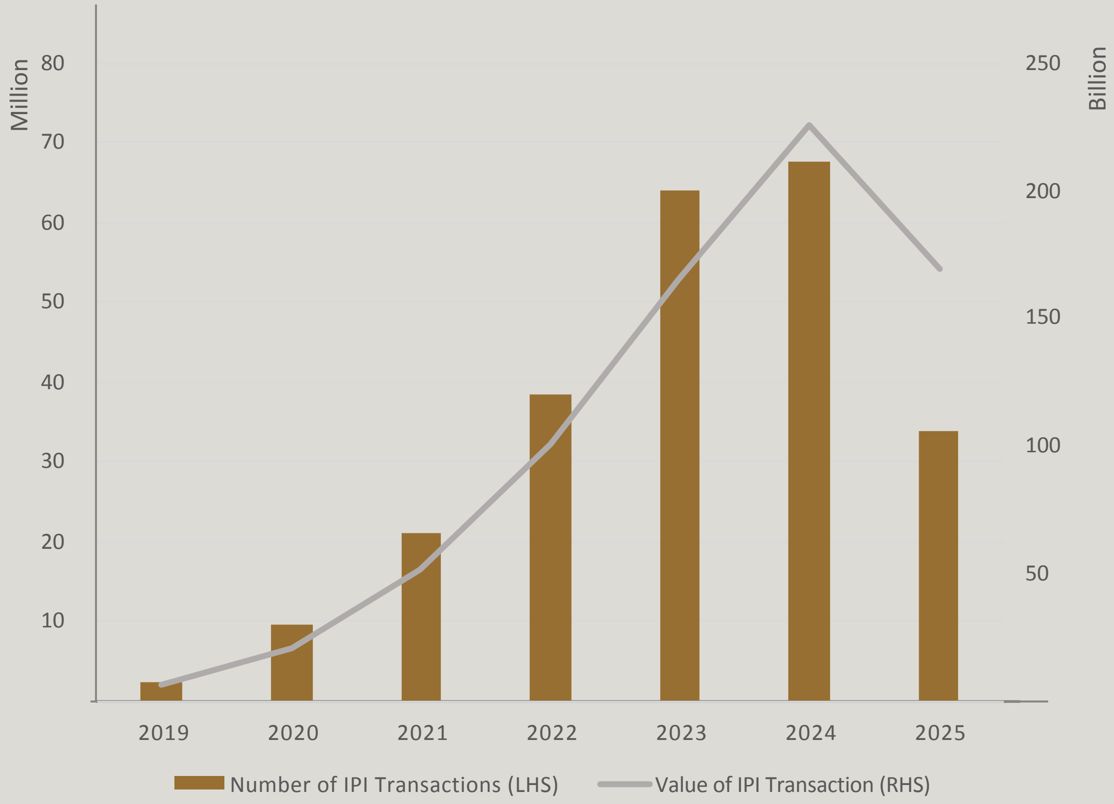
Chart 3.1.5: Value of Transactions through FTS System



Source: CBUAE

IPI transactions decreased to 33.8 million worth Ð168.8 billion in 2025, compared to 67.5 million worth Ð225.4 billion in 2024. The decrease in the volume of IPI has been compensated by a substantial increase in the IPP (Aani Transactions) from the month of March onwards.

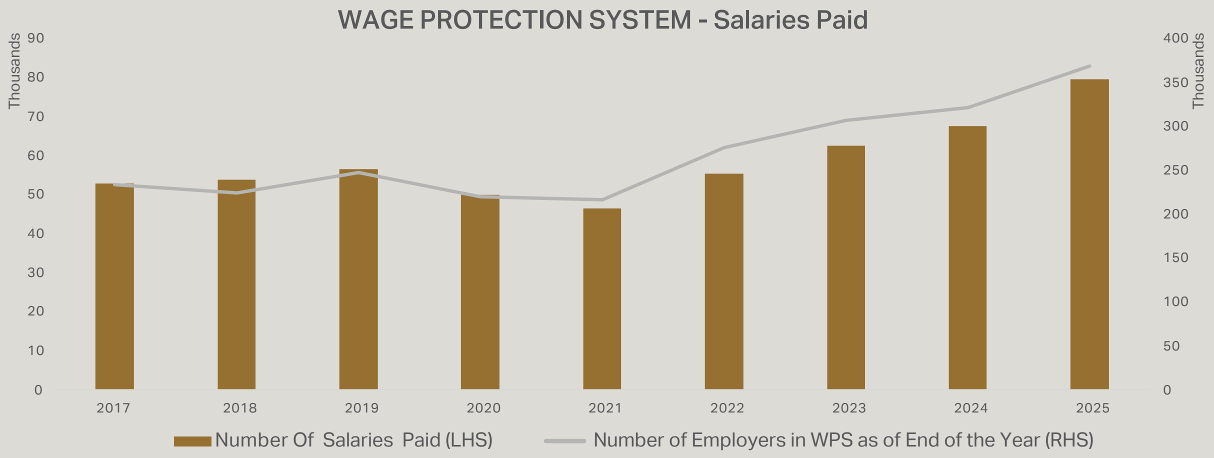
Chart 3.1.6: IPI Value and Number of Transactions



Source: CBUAE

The average number of registered employees on the UAEWPS increased from 6.1 million in 2024 to 7.26 million in 2025. The total number of salary payments processed through the UAEWPS increased from 67.5 million to 79.5 million, and there was an increase in the value of salaries paid, amounting to Ð409 billion in 2025 compared to Ð341.1 billion in 2024. Further, the number of newly registered employers on 31 December 2025 in the UAEWPS increased to 368,448 from 321,007, evidencing an increase of 15% compared to 2024.

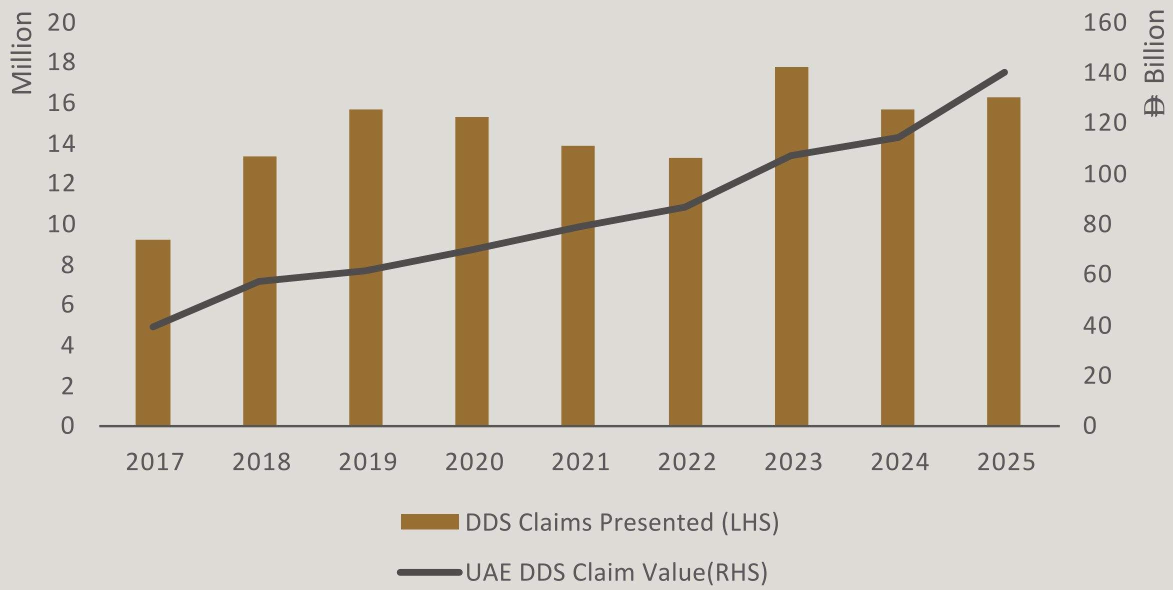
Chart 3.1.7: Transactions through Wage Protection System



Source: CBUAE

UAEDDS processed Đ16.3 million transactions worth Đ140.3 billion in 2025, showing a 3.76% increase in transaction volume and 22.88% increase in value.

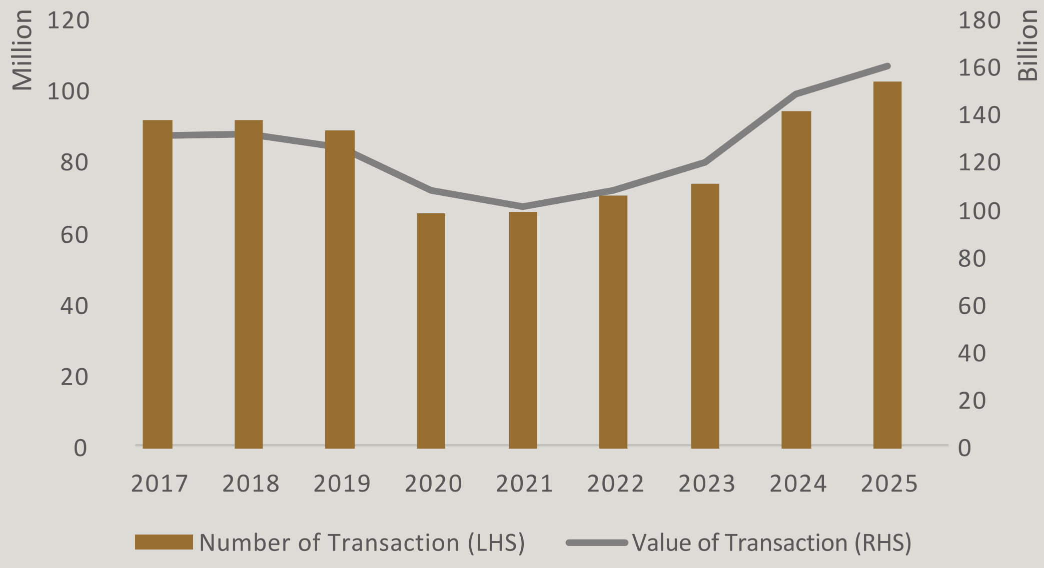
Chart 3.1.8: Claims through UAE Direct Debit System (AED)



Source: CBUAE

UAE Switch processed ATM transactions of 102.9 million transactions worth Đ160.9 billion, showing a 9.1% increase in count and 7.99% in value compared to 2024.

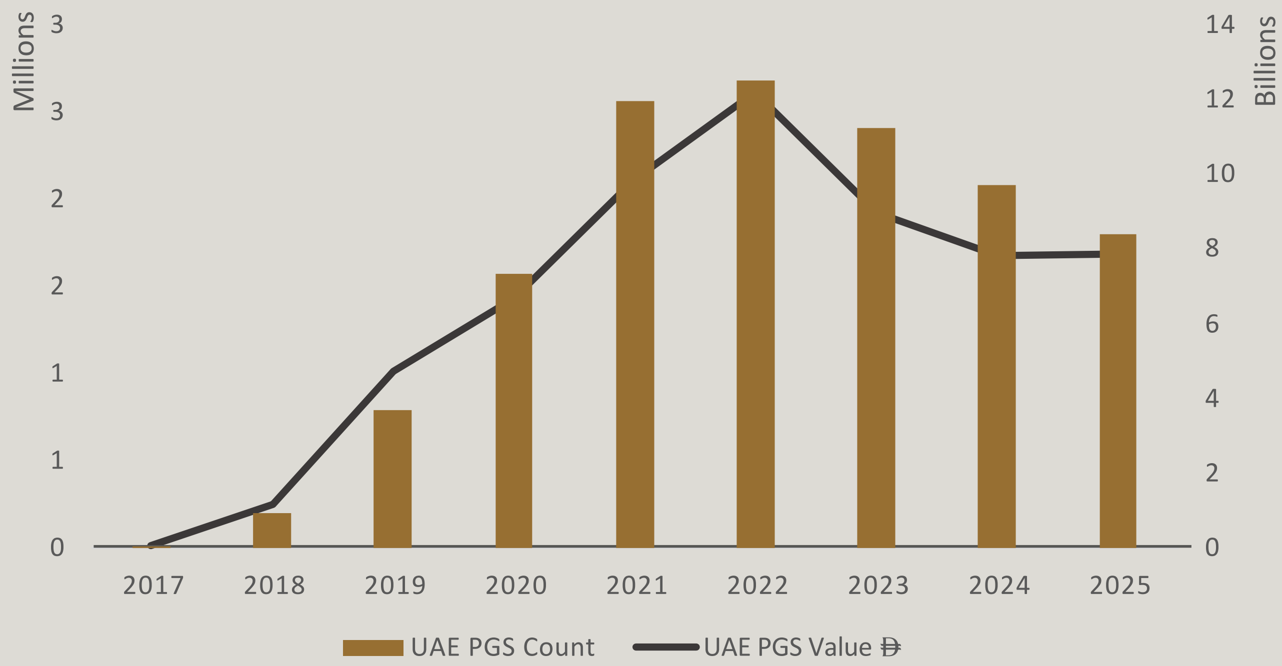
Chart 3.1.9: UAE Switch: Value and Number of Transactions (AED)



Source: CBUAE

UAEPGS processed 1.8 million transactions worth Đ7.84 billion, showing a 2% decrease in count but a 20% increase in value compared to 2024.

Chart 3.1.10: Transactions processed using UAE Payment Gateway System (UAEPGS) (AED)



Source: CBUAE

3.2.4 Assessment and Supervision

In 2025, the CBUAE played a pivotal role in safeguarding the stability and resilience of the national financial system by strengthening the safety, efficiency, and robustness of Financial Market Infrastructures (FMIs).

As part of the ongoing inter-authority coordination, the CBUAE conducted comprehensive assessments of the systemic importance of FMIs regulated by other authorities. These collaborative efforts supported a harmonised approach to the designation and oversight of systemically important infrastructures, thereby mitigating potential sources of systemic risk and reinforcing the stability of the broader financial ecosystem.

Throughout the year, oversight activities were closely aligned with the Principles for Financial Market Infrastructures (PFMIs). The CBUAE undertook targeted reviews and follow-up actions, with a particular focus on governance, operational resilience, liquidity risk management, and business continuity planning. These activities enabled the early identification of vulnerabilities and the articulation of clear oversight expectations.

Recognising the rapid pace of innovation and market evolution, the CBUAE initiated a revision of the oversight framework to address emerging risks associated with new payment solutions, expanded participant access, and the adoption of advanced technologies such as distributed ledger technology (DLT).

Finally, the CBUAE enhanced its data-driven oversight capabilities through the development of key risk indicators, dashboards, and advanced analytical tools. These enhancements aim to further strengthen the monitoring of systemic risks and to support more informed supervisory decision-making.

3.3 Finance Companies

The total assets and profitability of finance companies increased, while asset quality concerns declined in 2025. The sector as a whole maintained adequate capital and liquidity buffers.

3.3.1 Assets

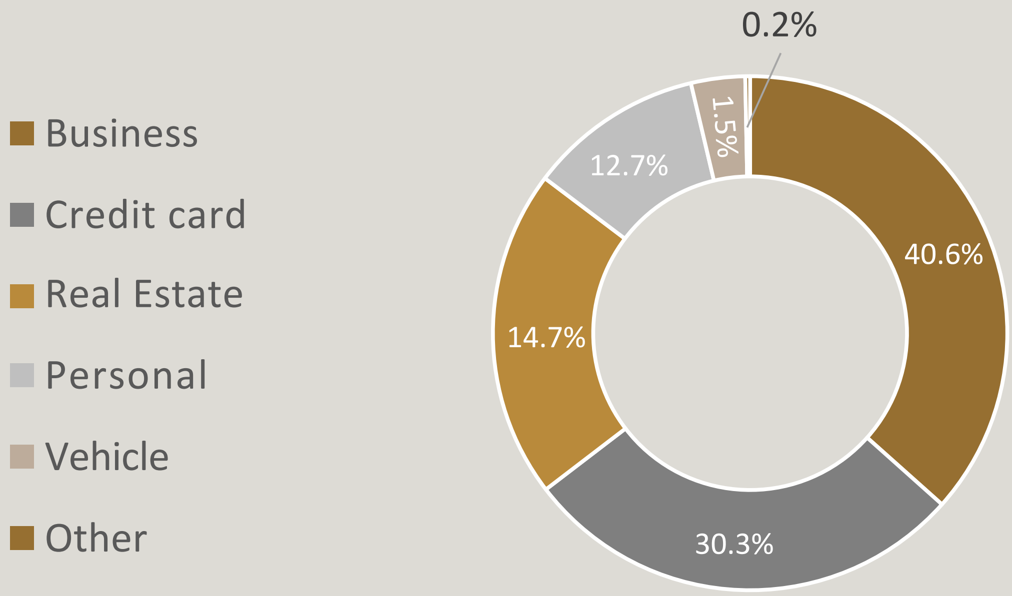
With three newly licensed companies – one of them was granted the first restricted licence [27] – the number of active finance companies operating in the UAE increased to 19, of which three were owned by banks. Total gross assets of finance companies increased by 11.0% during 2025 to Ð25.7 billion. Loans remained the main component of finance companies' assets, accounting for 43.6% of total assets in 2025.

27 Pursuant to Part II of the amended Finance Companies Regulation.

3.3.2 Lending

After a 4.9% reduction in credit activities in 2024, finance company lending in 2025 declined further by 8.8% to Ð11.2 billion, representing a small proportion of overall lending by UAE financial institutions. The lending portfolio of finance companies consisted mainly of business loans and credit cards, which combined accounted for almost 71% of the total loan portfolio, followed by real estate and personal loans. The share of personal loans, business loans, and credit cards grew in 2025, while other key loan segments declined.

Chart 3.1.11: Finance Companies' Loan Portfolio



Source: CBUAE

3.3.3 Liquidity

Finance companies are prohibited, as per the CBUAE regulation, from taking retail deposits. Corporate deposits and borrowings from banks and related parties are thus their main sources of funding. In 2025, the total funding of finance companies expanded by 13.8% to Ð7.6 billion from Ð6.7 billion in 2024.

The average Liquid Assets Ratio[28] of finance companies further improved in 2025 and reached 85.4%. The continuation of liquidity measures taken by finance companies increased liquidity, coupled with weaker demand for new financing during the year.[29]

28 This ratio is calculated by dividing liquid assets, as defined in Art. 12.1 of the Finance Companies Regulation, by net aggregate liabilities.
29 Bank-owned finance companies reported significantly higher Liquid Assets Ratios than non-bank-owned institutions.

3.3.4 Asset Quality

The asset quality of finance companies improved in 2025. The average Net NPL ratio[30] came down to 7.1%, from 11.4% in 2024. Although loan provisions, including specific and general provisions, declined by 19.2% to Ð2.4 billion, the Provision Coverage increased to 99.7%.

3.3.5 Capital Adequacy and Profits

Overall, the finance company sector remained adequately capitalised in 2025, with a capital-to-total-assets ratio of 57.1%, up 6.7 percentage points from the previous year, backed by a rise in aggregate capital funds.[31]

Following a profit of Ð0.5 billion in 2024, the finance company sector's profit more than tripled to Ð1.9 billion in 2025, supported by non-recurring items.

3.4 Exchange Businesses

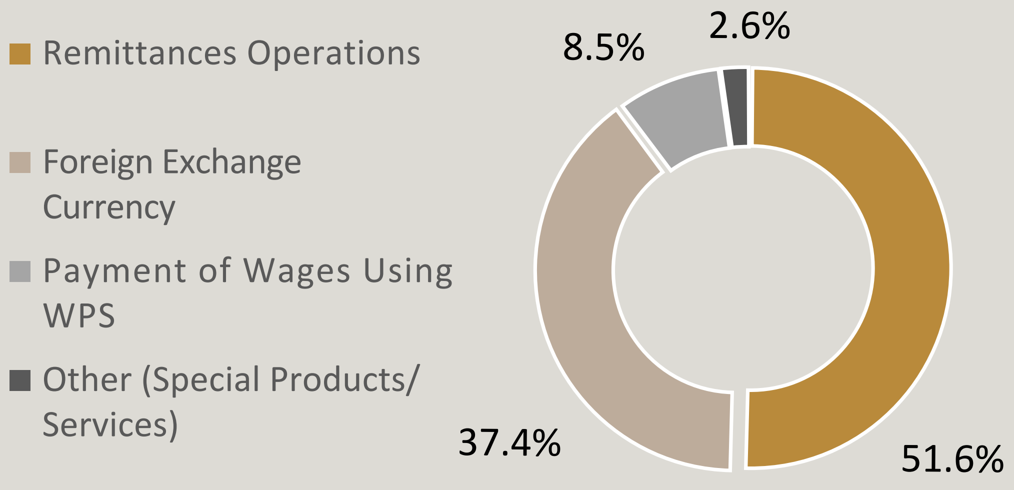
The UAE exchange business sector comprised 64 licensed and actively operating exchange businesses, regulated and supervised by the CBUAE. The number declined from 73 exchange businesses in the previous year, primarily reflecting mergers and acquisitions as well as strengthened supervisory enforcement against non-compliant entities. Nevertheless, the exchange business sector remained resilient, supported by the expansion of branch networks despite the reduction in licensed entities, enhanced digital service offerings, and sustained demand for remittance and foreign exchange services.

3.4.1 Products and Services

The UAE exchange businesses, serving mainly the large expatriate population in the UAE, primarily generate revenue through remittance services, foreign currency exchange, and the administration of wage payments. This is complemented by a range of value-added services including but not limited to local and foreign bill payments, mobile phone top-ups and cash collection for savings and investment products. In 2025, core income of exchange businesses increased by 9.8%, marking a significant acceleration compared to the previous year. This stronger growth reflects the continued rebound and expansion of exchange business activities following the temporary slowdown experienced during the pandemic period.

30 The Net NPL ratio is defined as non-performing loans divided by gross loans; interest and fees in arrears and specific provisions are deducted from both numerator and denominator.
31 Pursuant to Art. 11.1 of the Finance Companies Regulation, aggregate capital funds consist of paid-up capital, reserves and retained earnings.

Chart 3.1.12: Core Income of Exchange Businesses



Source: CBUAE

3.4.2 Foreign Currency Exchange

In 2025, income from foreign currency exchange services grew by 4.0% Y-o-Y to Ð1.2 billion, reversing the decline recorded in the previous year. However, its contribution to total core income moderated slightly to 37.4%.

3.4.3 Remittance Operations

Income from remittance operations increased significantly by 12.7%, reaching Ð1.7 billion. Remittance activities remained the primary source of exchange business income, comprising 51.6% of the sector's total core income.

3.4.4 Wage Payments Administration

Payments of wages through the Wage Protection System (WPS) accounted for 8.5% of the total core income in 2025. Income from the administration of wage payments increased significantly by 14.6%, reaching Ð0.2 billion.

3.4.5 Aggregate Expenses

The exchange business sector recorded an increase of 11.0% in aggregate expenses, reaching Ð2.9 billion. Aggregate expenses were distributed across key categories, including interest, commission, staff, administrative, investment in compliance and other expenses.

3.4.6 Profit

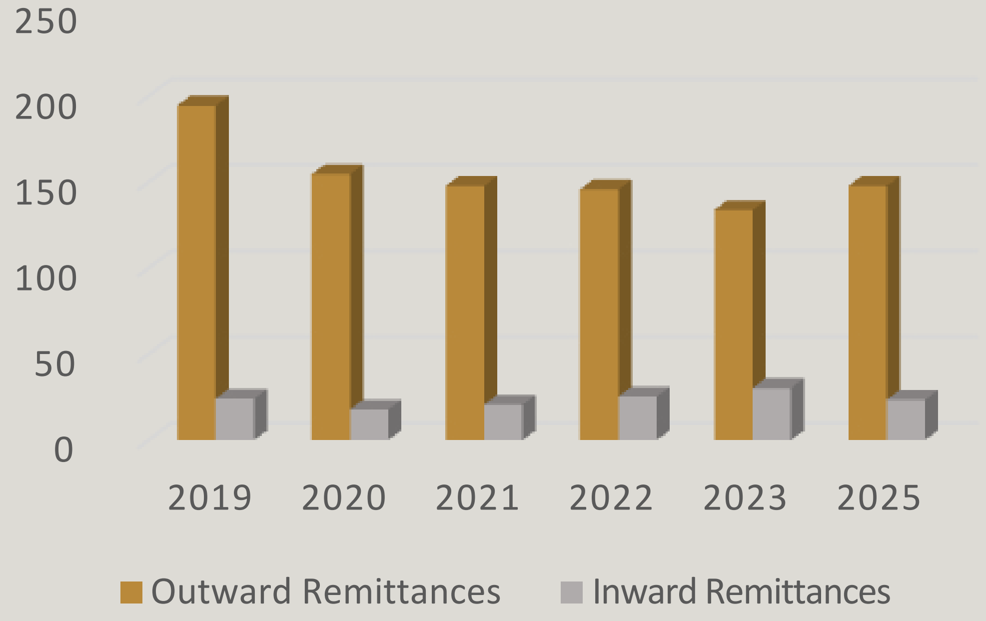
The exchange business sector recorded an increase of 8.2% in net profits in 2025, reaching ⃃625.6 million. This improvement reflects stronger income generation from core activities, which helped absorb the impact of rising operating expenses, resulting in higher net profits compared to the previous year.

3.4.7 Remittance Operations

Outward remittances through exchange businesses recorded a 27.8% Y-o-Y increaseto ⃃188.8 billion. The primary categories for outward remittances were personal remittances (⃃115.7 billion), trade remittances (⃃63.3 billion), other remittances (⃃8.5 billion), and investment remittances (⃃1.0 billion).

Inward remittances through exchange businesses recorded a significant increase of 53.6% Y-o-Y during 2025 to ⃃36.0 billion. The largest inward remittances were trade remittances (⃃22.8 billion), followed by personal remittances (⃃8.1 billion), other remittances (⃃3.8 billion), and investment remittances (⃃1.1 billion).

Chart 3.1.13: Remittances through Exchange Businesses (⃃billion)



Source: CBUAE

3.4.8 Capital Adequacy

The overall capital position of the exchange business sector increased by 4.4% in 2025, reaching ⃃4.0 billion.

Despite this increase, the sector's capital represented 46.9% of total sector assets as of December 2025, slightly lower than the previous year. The sector's capital position continues to reflect structural changes in the number of licensed exchange businesses operating in the market.[32]

32 The required minimum paid-up capital for Exchange Houses based on the CBUAE regulation is ⃃25 million for entities incorporated as limited liability companies and for Exchange Houses operating as sole proprietorships or partnerships; the minimum paid-up capital ranges from ⃃2 million to ⃃10 million depending on the type of licence.

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