



CBUAE Publishes 2017 Financial Stability Report

Abu Dhabi, UAE – 21th May 2018: The Central Bank of the UAE (CBUAE) today publishes the Financial Stability report for the year 2017. The Financial Stability Report provides information on the strengths and vulnerabilities of the UAE financial system and the regulatory and policy measures introduced by the Central Bank. The Financial Stability Report also includes an assessment of key macro-financial and banking-sector developments that may affect financial stability in the United Arab Emirates. The Financial Stability report is produced annually, in line with the UAE Government’s goal of creating greater transparency throughout the UAE financial system.

H.E. Governor, Mubarak Rashed Al Mansoori, said: *“The UAE banking sector remains resilient, with robust capital ratios, liquidity buffers, profitability, and stable sources of funding.”* He continued: *“The Central Bank is moving towards a risk-based supervisory framework, enhancing its banking and financial system surveillance, and implementing more comprehensive stress-testing and macro-prudential frameworks. Furthermore, CBUAE continues to be committed to further enhancing banking regulation in line with international agreed standards and best practices.* H.E. concluded: *“The improved economic outlook as well as more favorable financial market conditions remain supportive of financial stability in the UAE. However, the financial system participants must continue to adequately manage financial risks and remain mindful of potential global and regional macro-financial uncertainties.”*

Report Highlights:

- Macroeconomic and financial-market conditions remained stable in the UAE in 2017 and the global and domestic economic growth and outlook improved during the year. In financial markets, the money market spreads, dirham-dollar forward points and credit market spreads narrowed reflecting ample liquidity and confidence in the UAE financial system.
- Improved economic conditions have not yet translated into a credit expansion in the domestic retail and corporate sectors.



- The UAE banking sector remained well capitalised, with solid liquidity buffers, stable funding, and improved profitability. The liquid assets of the banking sector increased and stable funding indicators improved. Nonetheless, bank lending growth slowed down during the year, although lending growth to the real estate sector increased.
- The general and specific loan loss provisions remained adequate at above 100%, despite the slight uptick in the non-performing loans ratio. Banking sector external exposures remained stable, increasing only slightly, and banks' use of foreign funding moderated.
- The Central Bank conducted a regulatory stress test in 2017 to assess the resilience of the UAE banks to adverse macro-financial shocks covering a time horizon of three years. It showed that the banking system has sufficient capacity to withstand fluctuations in macroeconomic and financial market conditions prescribed in the stress test.
- The UAE payment systems, operated and supervised by the Central Bank, remained resilient during the year and continued to operate without major disruptions. Further, financial and investment companies licensed by the Central Bank retained a stable risk profile, while their total assets remain small relative to the size of the banking system.
- The Central Bank is fully committed to timely adoption of international standards. The Central Bank's Guidance Note on IFRS 9 aims at its prudent implementation in the UAE, while the UAE Basel III capital framework was published in 2017. Furthermore, four UAE banks were designated as domestic systemically important.

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