



CBUAE enhances its oversight of UAE banks' real estate exposures

Abu Dhabi (20 December 2021): The Central Bank of the UAE (CBUAE) has developed an enhanced framework to supervise banks' exposures to the real estate sector.

The new Standards cover all types of on-balance-sheet loans and investments, and all off-balance-sheet exposures to the real estate sector. They refine definitions, measurement and supervision, facilitating the adoption of best practice in bank real estate financing and risk management.

The comprehensive Standards require banks to review and improve their internal policies to enhance sound underwriting, valuation and general risk management for their real estate exposures.

The new methodology also introduces measurement of these exposures, based on credit risk-weighted assets using the CBUAE's capital adequacy standards. Banks with higher risk-weighted real estate exposure in their portfolios will be subject to a more extensive supervisory review of their underwriting and risk management practices in this segment.

The Standards will take effect from 30 December 2021, starting with a one-year observation period, during which banks will be required to enhance their practices to meet the new Standards. The CBUAE will evaluate these standards based on a supervisory review during the observation period.

H.E. Khaled Mohamed Balama, Governor of the CBUAE, said: "Banks will continue to play a crucial role in financing real estate and construction, which are vital sectors of the UAE economy. The CBUAE has developed a novel risk-based methodology to enhance monitoring and supervision of bank real estate exposures. These new Standards will enhance best practice in real estate financing in the UAE, and facilitate the safety and soundness of our financial system."

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