



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

Annual Report 2021



Year of the Fiftieth

www.centralbank.ae



THE LATE H.H. SHEIKH KHALIFA BIN ZAYED AL NAHYAN



H.H. SHEIKH MOHAMED BIN ZAYED AL NAHYAN
PRESIDENT OF THE UNITED ARAB EMIRATES



The new AED 50 banknote was presented to the Rulers of the UAE on 2nd December in celebration of the UAE 50th national day.





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THE CBUAE BOARD OF DIRECTORS



**H.H. Sheikh Mansour
Bin Zayed Al Nahyan**
Chairman



H.E. Abdulrahman Al Saleh
Vice Chairman



**H.E. Jassem Mohammad
Buatabah Al Zaabi**
Vice Chairman



H.E. Khaled Mohamed Balama
Governor



H.E. Younis Haji Al Khoori
Member



**H.E. Ali Mohammed
Bakheet Al Rumaithi**
Member



H.E. Sami Dhaen Al Qamzi
Member

MESSAGE FROM**H.H. SHEIKH MANSOUR BIN ZAYED AL NAHYAN****DEPUTY PRIME MINISTER AND MINISTER OF
PRESIDENTIAL AFFAIRS****CHAIRMAN OF THE BOARD OF DIRECTORS**

“The resilience characterising the UAE’s banking and insurance sectors played a prominent role in defining a benchmark for dealing effectively with future crises, without compromising the principles of sound risk management.”

Despite the numerous economic challenges caused by the COVID-19 pandemic in 2021, the UAE was able to excel on the economic front, and even improve its competitiveness, thanks to the overall vision and timely policies enacted by our leadership.

The International Monetary Fund noted our nation’s unique ability to face the repercussions of COVID-19 in its Annual Report for 2021, which praised the UAE for its strong and proactive response to the pandemic’s effects. The report noted that the UAE has managed to continue implementation of its policies aimed at supporting economic growth.

The resilience characterising the UAE’s banking and insurance sectors played a prominent role in defining a benchmark for dealing effectively with future crises, without compromising the principles of sound risk management. This aligns with international best practice, which has reinforced confidence and credibility in the nation’s financial services sector.

This success is in line with the goals set by the CBUAE in its latest strategic plan (2023-2026) to be among the top central banks globally, strengthening the nation’s monetary and financial stability mechanisms and supporting the competitiveness of the economy. This plan aligns with the government’s ambitious development vision for the next five decades.

In celebration of the 50th anniversary of the founding of the UAE, the CBUAE issued a new AED 50 dirham banknote – the UAE’s first currency note made of a fully recyclable polymer material. A number of commemorative silver coins were also issued on this occasion, embodying the CBUAE’s role in supporting the country’s development journey that has seen innumerable accomplishments and pioneering initiatives.

I commend the CBUAE’s continuous efforts to strengthen the Anti Money Laundering and Countering the Financing of Terrorism (AML/CFT) framework in the country. Tainted money is not acceptable and has no place in the UAE’s financial system.

It is also noteworthy that the CBUAE has established the “UAE Sustainable Finance Working Group”, in collaboration with the Ministry of Climate Change and Environment, with the aim of coordinating policies across ministries and key financial institutions. This coincides with the UAE preparations to host the COP28 global climate summit in Abu Dhabi in November 2023, an event that bears international testimony of the UAE’s commitment to sustainability. Financing mechanisms and financial considerations will undoubtedly play a major role in shaping the future of this domain.

In conclusion, I would like to extend my sincere thanks and appreciation to the CBUAE’s Governor and his team of dedicated professionals for their continuous efforts to maintain a stable and resilient financial sector and enhancing its capability to respond to all types of challenges, in a manner that meets the aspirations of our wise leadership, and ensures the nation’s prosperity, its economic growth and the well-being of its people.

MESSAGE FROM
H.E. KHALED MOHAMED BALAMA
GOVERNOR



“ 2021 contained a mix of challenges and opportunities. The CBUAE played a critical role in steering the nation through the economic challenges of the COVID-19 pandemic. It applied a rigorous policy-based approach to the banking and insurance sectors that it regulates and supervises, responding to evolving economic developments and providing leadership in difficult times.”

I am pleased to report that the banking system is well capitalised, liquid and has the ability to support the growth agenda of the United Arab Emirates. Bottom-up stress tests to explore potential banking sector vulnerabilities showed that the UAE's financial system is resilient and capable of withstanding the various scenarios while maintaining adequate capital and liquidity levels. The CBUAE also rebalanced its pandemic-related stimulus programme, the Targeted Economic Support Scheme (TESS), replacing measures designed to ease retail, corporate and banking pressures with more focused initiatives to support the recovery.

Pursuing its continuous efforts to modernise its monetary operations, the CBUAE rolled out the Dirham Monetary Framework, including the issuance of Monetary Bills and the launch of new monetary instruments for liquidity management and forecasting – the Intraday Liquidity Facility and the Dirham Overnight Index Average (DONIA). We aim to increase the Dirham's use to settle transactions within the Gulf Cooperation Council (GCC) and with our other international trading partners to relieve pressure on domestic entities to secure liquidity in foreign currency for cross-border transactions.

Other regulatory framework enhancements in 2021 included changes in paid-up capital requirements for banks, consumer protection standards, regulation of digital payments and outsourcing of services.

Our new Targeted Operating Model and organisational structure will assist our internal operations in meeting the future challenges and demands on the UAE's financial system. The merger of the Insurance Authority into the CBUAE was completed last year, with substantive enhancements in the CBUAE's supervisory and regulatory role. We welcomed all 120 employees of the former Insurance Authority to the CBUAE team.

We underlined the importance of our human resources, raising the percentage of UAE nationals and expanding professional training opportunities. We also launched a pioneering training initiative in risk-based supervision in cooperation with the Irish Institute of Banking, a leading international organisation for training of finance professionals.

On the increasingly important cyber-security front, the CBUAE conducted a cyber war-gaming exercise – the first of its kind in the UAE. This tested the banking sector's cyber-resilience and ability to deal with the sophisticated cyber-attacks that have unfortunately become a threat globally.

The CBUAE launched numerous fintech initiatives, which include the mBridge Platform to improve processing cross-border fund transfers, the National Payment System Strategy (NPSS) to modernise the payments infrastructure, a SME funding platform, and the Financial Services Cloud Infrastructure, with the objective of making the UAE a centre of excellence in MENA financial cloud services. These measures are designed to put the UAE at the forefront of jurisdictions offering the most secure, advanced and innovative digital banking services in the world.

The CBUAE takes its AML/CFT responsibilities seriously, developing our policies, systems and processes accordingly. We have created the required AML/CFT infrastructure, in coordination with the National Committee, to ensure that we provide safe and transparent financial services in the UAE. We will continue to work closely with FATF and other international bodies in the fight against money laundering and terrorist funding.

I would like to offer my sincere thanks to the Board of Directors, CBUAE employees and all our associates for their tireless efforts in bringing these projects to fruition. Together, we readied the organisation to achieve its goals of providing monetary and financial stability to the UAE and becoming one of the world's top central banks.

Our mission at the CBUAE in 2022 is clear and focused. We aim to enhance monetary management and financial stability, and to protect consumers through effective supervision of licensed financial institutions, prudent management of reserves, robust financial infrastructure and the adoption of digital technologies. We enter 2022 with enthusiasm and the firm commitment to become one of the world's top central banks. We face the future with confidence, well-equipped to deliver our vision and mission for the nation over the next 50 years.

THE CBUAE AT A GLANCE



OUR VISION

To be among the top central banks globally in promoting monetary and financial stability, to support the UAE's competitiveness.



OUR MISSION

Enhancing monetary management, financial stability, and protecting consumers through

- effective supervision of licensed financial institutions;
- prudent management of reserves;
- robust financial infrastructure; and
- the adoption of digital technologies.



OUR VALUES

Being competitive

Our ambition is to be a global leader across various fields by investing in innovative technology, grounded in best practice and research.

Being Proactive

Establishing a proactive mindset that increases ownership, accountability, and innovation through empowering and enabling employees across all levels and facilitating effective decision making.

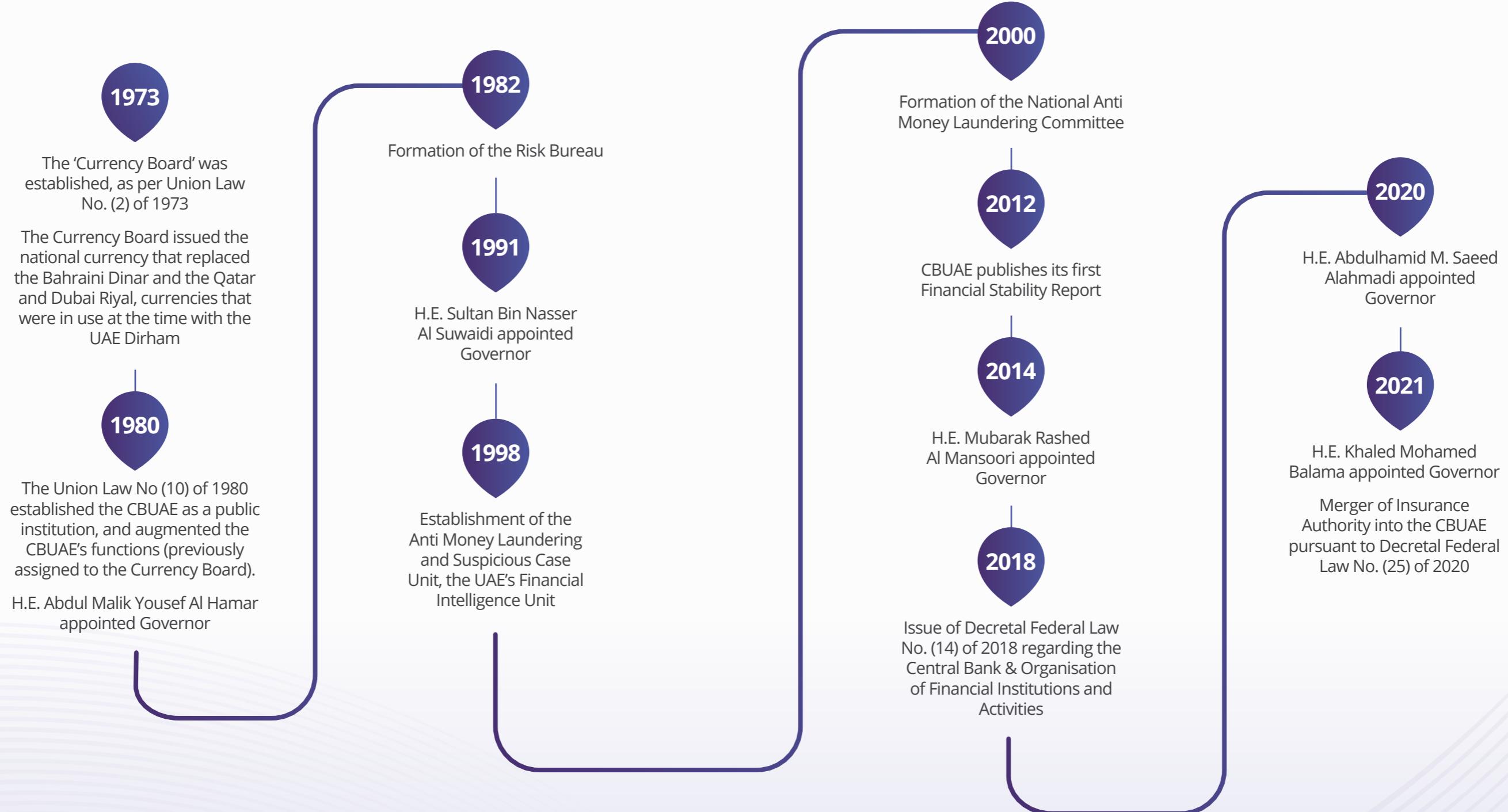
Being Transparent

Creating transparency and openness with the highest integrity across the organisation through effective communication and collaboration.

Being Talent-centric

Building a caring, talent-centric organisation that rewards and recognises employees and emphasises their development.

HIGHLIGHTS OF OUR HISTORY



BOARD LEVEL COMMITTEES

BOARD RISK COMMITTEE

The Board Risk Committee is responsible for risk management frameworks (including definition of risk categories, e.g. financial, operational and business continuity risks, information security, legal and compliance risk associated with all CBUAE departments, risk measurement, appetite and limits definition, and risk management policies). It is also tasked to monitor and review the continued improvement of the CBUAE's information security, in addition to the overall risk management practices and processes across the CBUAE, and making relevant recommendations to the Board.

AUDIT COMMITTEE

The Audit Committee is responsible for monitoring the integrity of the CBUAE's financial statements, assessing the integrity of its financial reporting and disclosure processes, and reviewing and recommending the external auditor's terms of engagement, selection, appointment and fees. It also oversees the CBUAE's internal audit function.

HUMAN RESOURCES COMMITTEE

The Human Resources Committee is responsible for reviewing the CBUAE's organisational structure and HR policies, approving the selection criteria for Heads of Department, and recommending any required changes to the Board.

EXECUTIVE LEVEL COMMITTEES

FINANCIAL STABILITY POLICY COMMITTEE (FSC)

The FSC's mandate is to identify threats to financial stability through active macro-surveillance of market activities, and to act to mitigate systemic risk by proposing macro-prudential policies and crisis management measures for the banking and insurance sectors, in line with the relevant Board-approved framework.

SUPERVISORY AND REGULATORY COMMITTEE (SRC)

The SRC mandate is to supervise the safety and soundness of financial institutions licensed by the CBUAE by proposing and implementing prudential, conduct and AML regulations, consumer protection and market conduct measures, and oversight of payment systems, and proposing enforcement action.

MONETARY AND RESERVE MANAGEMENT COMMITTEE (MRMC)

The MRMC mandate is to fulfil the CBUAE's goals for monetary stability through the design and use of monetary management tools, and reserve management, by proposing investment guidelines and optimising tactical reserve asset allocations.

EXECUTIVE AND STRATEGY COMMITTEE (ESC)

The ESC mandate is to decide on all operational matters within its remit related to operations and support functions to ensure efficient and effective use of the CBUAE resources. It also serves as the Governor's forum to discuss general CBUAE steering matters with the senior management team. ESC is also charged with monitoring and steering implementation of the CBUAE transformation plan, and with reviewing and approving the CBUAE's digital innovation and FinTech initiatives.

RISK AND COMPLIANCE POLICY COMMITTEE (RCPC)

The RCPC mandate is to recommend a holistic enterprise risk management framework to the Board Risk Committee, and implement policies and processes to maintain adequate and effective risk management across the CBUAE. It is also charged with ensuring compliance with all internal and external policies, rules and regulations applicable to the CBUAE.

FINANCIAL CRISIS PREPAREDNESS AND MANAGEMENT COMMITTEE (FCPMC)

The FCPMC mandate is to respond to the risk of systemic financial distress. It coordinates the CBUAE's response and financial crisis management measures, with the objective to ensure that severe issues affecting the financial system are addressed effectively.

ECONOMIC AND FINANCIAL MARKETS DEVELOPMENTS

01



CHAPTER 1

INTERNATIONAL ECONOMIC DEVELOPMENTS

The global economy returned to positive growth in 2021, owing to exceptional public policy support, the provision and administering of vaccines and the general easing of restrictions on economic activities and travel. This had a positive impact on the growth outlook for the UAE's open economy. Meanwhile, inflation rose well above target in advanced economies, due to increasing demand in the face of persistent disruptions to the global value chains and soaring energy prices. As a result, monetary policy tightening is expected to lead to higher interest rates in the UAE.

1.1 GLOBAL GROWTH

According to the IMF, the global economy witnessed a return to positive growth of 5.9% in 2021, owing to base effect (-3.1% growth in 2020), the reopening of contact-intensive activities that were severely affected by lockdowns in the previous year, and partial return of international travel. Nonetheless, global growth remained constrained by persistent supply disruptions and labour shortages in developed economies, but unemployment decreased markedly. Observers also noted rising uncertainties related to new variants of the virus, sharper than expected monetary tightening and regional tensions, which all could affect the economic outlook.

1.1.1 ADVANCED ECONOMIES

Advanced Economies (AE) managed to support the recovery underway, with sizeable fiscal and monetary support and robust vaccination campaigns, resulting in 5.0% real GDP growth during 2021.

The 5.7% growth that the U.S. managed to achieve is due to the large fiscal stimulus brought in by the Biden administration, estimated at USD 2.5 trillion, or 11% of GDP in 2021, in tandem with progress on vaccinations and an end to lockdowns. As a result, the unemployment rate declined from 6.7% in December 2020 to 3.9% at the end of 2021.

The Eurozone grew by 5.2% during the year. The lower growth (compared to the U.S.) was mainly due to the fact that services were more affected and supply chain disruptions were more pronounced in Europe.

The U.K. real growth reached 7.5%, owing among other factors to base effect, as the economy contracted by 9.8% in the previous year. Its GDP growth slowed down in the second half of the year, however, due to weaker consumer spending and business investment.

Table 1.1. Real GDP Growth in Selected Countries/Groups (%)

	2020	2021
World Output	-3.1	5.9
Advanced Economies	-4.5	5.0
USA	-3.4	5.7
Eurozone	-6.3	5.2
France*	-8.0	7.0
Germany*	-4.6	2.7
United Kingdom*	-9.8	7.5
Japan	-4.6	1.6
EMDEs*	-2.1	6.8
China*	2.3	8.1
India*	-7.3	9.2
MECA ²	-2.8	4.2

Source: IMF, World Economic Outlook, January 2022 for World, Advanced economies, EMDEs (Emerging and Developing Economies) and MECA (Middle East and Central Asia).

* National statistics authorities for the individual countries. For India it is based on RBI's estimates for fiscal years 2020-2021 and 2021-2022.

1.1.2 EMERGING AND DEVELOPING ECONOMIES

Emerging and Developing Economies (EMDEs) were estimated to have grown by 6.8%, boosted by large economies such as China (8.1% growth) and India (9.2% growth). However, many developing countries recorded sluggish growth in 2021 due to the above-mentioned trading and economic difficulties.

1.1.3 GCC COUNTRIES

Like other primary commodity exporters, the GCC states benefitted from higher hydrocarbon revenues in 2021, which further expanded the available fiscal space, thereby supporting the growth momentum. The UAE had the highest growth among the GCC states (Table 1.2).

Table 1.2. Real GDP Growth in the GCC Countries (%)

	2020	2021
Bahrain	-5.1	2.4
Kuwait	-8.9	1.0
Oman	-2.8	2.5
Qatar	-3.6	1.9
UAE*	-4.8	3.8
Saudi Arabia	-4.1	2.8

Source: IMF, World Economic Outlook database, October 2021 estimates.

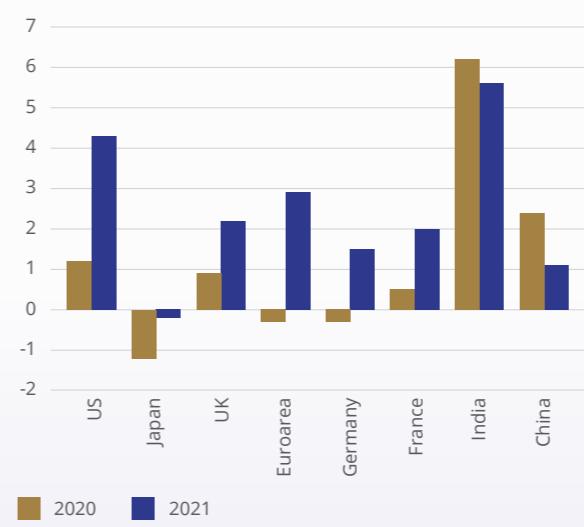
* FCSC.

1.2 INFLATION

1.2.1 ADVANCED ECONOMIES

Headline inflation rose rapidly in advanced economies to above target, triggered by higher energy prices and remaining supply constraints. In the U.S., for example, the stimulus checks, solid job gains and pent-up demand played a role in sustaining inflation, which appeared to be less transitory than initially believed¹.

Figure 1.1. Annual CPI Inflation in Selected Economies (%)



Source: World Economic Outlook Database, October 2021.

Emerging and Developing Economies

In most EMDEs, inflation picked up for the same reasons as in the AEs, in addition to currency depreciation, which led in some cases to a surge in imported inflation.

1.2.2 GCC COUNTRIES

Average CPI inflation turned positive in all GCC countries in 2021 (Table 1.3), and was the highest in Saudi Arabia and Kuwait (3.2% in both), due to the spill-over from high international oil and natural gas prices on local prices and the uptick in demand. Meanwhile, the UAE had the lowest inflation rate.

Table 1.3. Annual Average CPI in GCC Countries (%)

	2020	2021
Bahrain	-2.3	1.0
Kuwait	2.1	3.2
Oman	-0.9	3.0
Qatar	-2.7	2.5
UAE*	-2.1	0.2
Saudi Arabia	3.4	3.2

Source: IMF, World Economic Outlook, October 2021.

* Source: FCSC

¹ US CPI inflation reached 7.9% Y-o-Y on February 2022 and 6.4% when food and energy prices are excluded

ONGOING DRIVERS OF GLOBAL INFLATION

Inflation is increasing worldwide, affecting advanced and emerging economies alike. The main drivers of inflation include:

SUPPLY BOTTLENECKS

Global value chains were disrupted by policies introduced to fight the spread of COVID-19; including lockdowns, confinements, transportation delays and reduced access to manufacturing facilities. These factors made the inputs of many products scarcer, and therefore more costly. According to the US Bureau of Labor Statistics, about half of current inflation in the U.S. is due to pandemic-related supply problems. As the production cost increase, so does overall inflation.

REBOUND IN DEMAND

Households delayed their planned consumption during the confinement. As economic activities reopened, demand surged to higher than usual levels (low base effect) to recover previously unattended purchases, with households over-purchasing some goods in anticipation of potential new lockdowns. This demand surge increases inflation, especially given the supply disruption. In its January 2022 World Economic Outlook, the IMF projects that inflation would decrease gradually as supply-demand imbalances wane.

SHARPLY INCREASED HOUSING PRICES

A significant determinant of inflation, housing prices are increasing sharply worldwide. In advanced economies, its causes include a noticeable decline in household consumption due to confinement measures, which led to an increase in savings. The uncertainty surrounding capital markets and firms' profitability led savers to look at real estate investment opportunities. In addition, very low Central Bank interest rates – a

measure to counter the pandemic-induced recession, creating low interest rates for savers - contributed to a surge in the demand for housing purchases as an alternative investment. The lockdown measures also prevented contractors from fulfilling the house market's supply requirements. These factors led to higher housing prices and rents, thus increasing inflation.

HIGHER ENERGY COSTS

Spikes in the cost of oil, gas and other energy sources led to higher production and transport costs, which contributed (directly and indirectly) to higher inflation. Yet, energy price increases are often transitory, subject to political and weather-related factors that are unpredictable by their nature. An IMF study of emerging and advanced economies in 2017 showed that the impact of oil price shocks on inflation worldwide has declined over time, due largely to better conduct of monetary policy. According to that study, a 10 percent increase in global oil prices caused an average rise in domestic inflation of only 0.4 percentage points, with the effect vanishing after two years.

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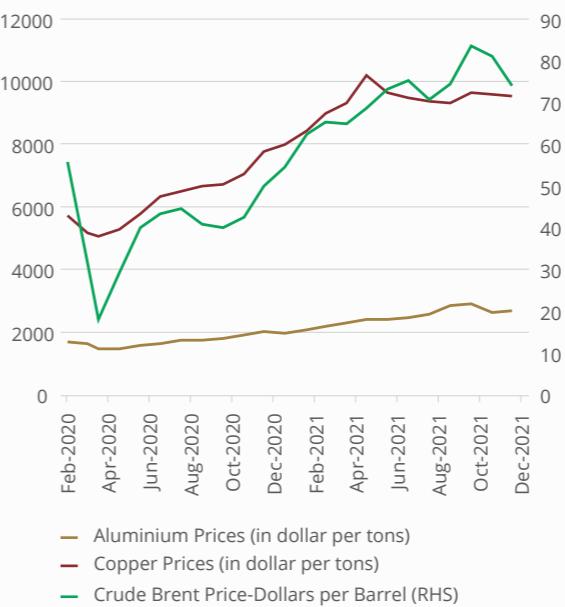
1.3 COMMODITY PRICES

The price of Brent crude oil increased from USD 49.9 per barrel in December 2020 to USD 74.2 per barrel at the end of December 2021, and there was a recovery in economic activity and moderation in COVID-19 impact.

Meanwhile, natural gas prices increased from 2.6 MMBtu in December 2020, reaching a peak of 5.5 MMBtu in October 2021, before declining to 3.8 MMBtu in December 2021. The price of construction-related commodities such as aluminium and steel remained high during this period (Figure 1.2.)

Finally, with regard to gold prices, the expected increase in interest rates made investment in the yellow metal less attractive, thereby leading to a decline in prices from USD 1894 per oz. at the end of 2020 to USD 1834 per oz. at the end of 2021.

Figure 1.2. Commodity Prices



Source: US Energy Information Administration (EIA) and Bloomberg

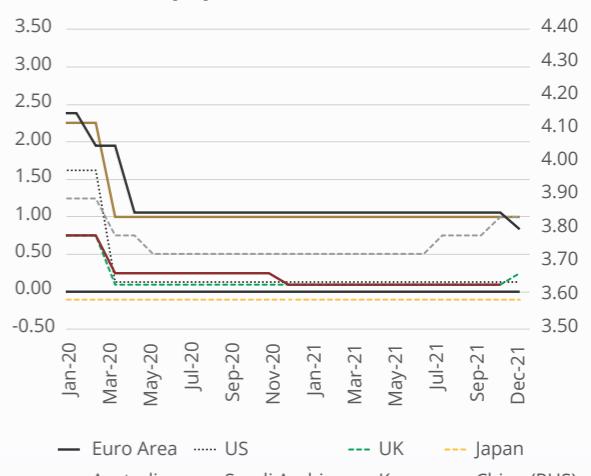
1.4 MONETARY POLICY

Major central banks such as the Federal Reserve System (The Fed), the ECB, the Bank of Japan and the People's Bank of China kept interest rates on hold during 2021. Nonetheless, in the face of rising inflation, the Fed's Open Market Committee announced at its 15 December 2021 meeting that it had decided to reduce the monthly pace of its net asset purchases by USD 20 billion for Treasury securities and USD 10 billion for agency mortgage-backed securities.² Fed officials also signalled that the increase in interest rates will most probably start in March 2022, with markets expecting four to six additional increases before the year-end.

Similarly, the ECB put on hold the increase in policy rates, stating that monetary accommodation is still needed, in tandem with a step-by-step reduction in the pace of its asset purchases over the coming period.

The Bank of England was a notable exception in this regard. It decided at its meeting on 15 December 2021 to raise its policy rate from 0.10% to 0.25%, in an effort to counter soaring inflationary pressure and meet its 2% inflation target.

Figure 1.3. Policy Rates in Selected Economies (%)



Source: BIS Statistics

² Press release available online: <https://www.federalreserve.gov/newsreleases/monetary/20211215a.htm>.

ECONOMIC AND FINANCIAL MARKETS DEVELOPMENTS

01



CHAPTER 2

THE UAE EXTERNAL SECTOR

The current account surplus of the balance of payments increased due to a surge in both oil and non-oil exports, in addition to a higher surplus in the balance of services as a result of the resumption of transportation and travel.

I. UAE MAJOR TRADING PARTNERS

Available data up to September 2021 show the total value of UAE trade (non-oil exports, re-exports and total imports) at AED 1.29 trillion. The main non-oil export partners of the UAE were India, Saudi Arabia, Switzerland and Hong Kong.

Table 2.1. Major UAE Non-Oil Export Partners

Countries	Millions of Dirhams				
	2020		2021		Share (%)
Countries	Value	Share (%)	Value	Share (%)	
India	12,278	6.70	36,366	14.70	
Saudi Arabia	18,668	10.10	29,203	11.80	
Switzerland	26,918	14.60	20,101	8.10	
Hong Kong' SAR	12,643	6.90	18,972	7.70	
Oman	8,247	4.50	11,445	4.60	
Kuwait	5,011	2.70	9,563	3.90	
China	6,445	3.50	8,464	3.40	
Turkey	14,619	7.90	8,007	3.20	
USA	4,270	2.30	77,120	3.10	
Italy	11,367	6.20	6,430	2.60	
Top 10 Total	120,465	65.40	156,260	63.10	
Grand Total	191,322	100	247,923	100	

Data for the first 3 quarters of 2020 and 2021

Source: FCSC

On the receiving side, the UAE imported most from China in 2021, followed by India, the United States and Japan.

Table 2.2. UAE Major Import Partners

Countries	Millions of Dirhams				
	2020		2021		Share (%)
Countries	Value	Share (%)	Value	Share (%)	
China	102,273	17.90	133,730	18.70	
India	45,326	7.90	54,733	7.70	
USA	46,929	8.20	42,217	5.90	
Japan	25,851	4.50	28,988	4.10	
Turkey	7,037	1.20	26,088	3.70	
Mali	3,601	0.60	24,251	3.40	
Germany	19,947	3.50	23,134	3.20	
Vietnam	15,774	2.80	21,341	3.00	
Italy	14,640	2.60	20,605	2.90	
Saudi Arabia	17,228	3.00	19,461	2.70	
Top 10 Total	298,605	52.20	394,548	55.30	
Grand Total	572,888	100	714,262	100	

Data for the first 3 quarters of 2020 and 2021

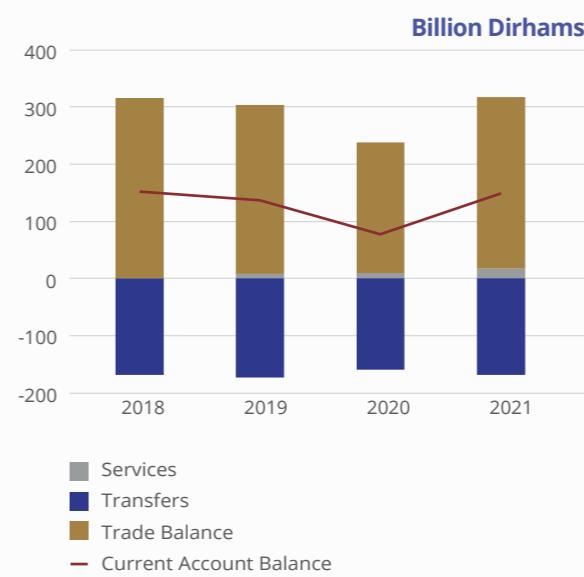
Source: FCSC

II. BALANCE OF PAYMENTS

The overall balance of payments shifted from a deficit of AED 13.1 billion in 2020 to a surplus of AED 85.0 billion in 2021, which is reflected in the increase in CBUAE official reserves.

The UAE current account surplus is estimated to have increased from AED 77.5 billion in 2020 to AED 176.2 billion in 2021 (11.8% of GDP). This was mainly driven by the surplus of the trade balance and the surplus in the balance of services..

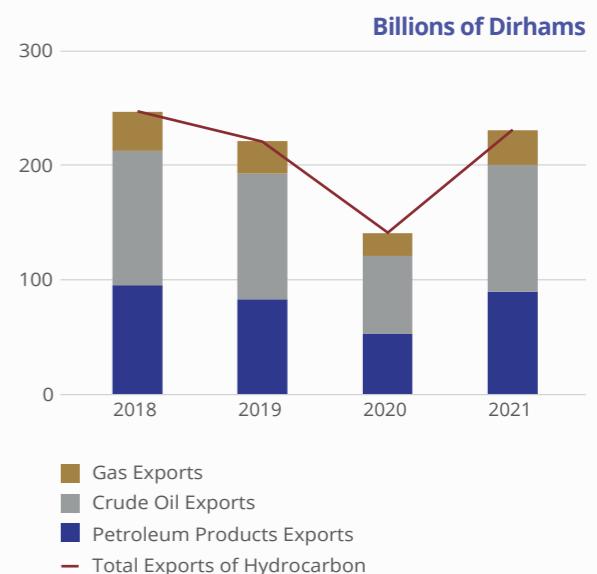
Figure 2.1. UAE Current Account Balance



Source: CBUAE, Data and Statistics Centre

Figure 2.2. UAE Hydrocarbon Exports

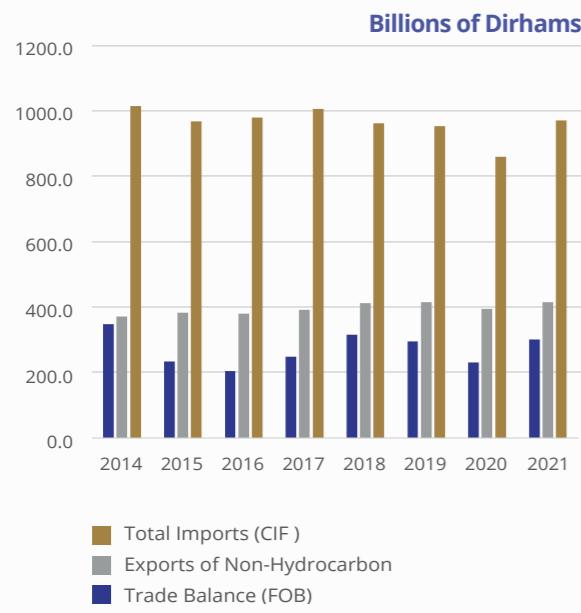
Hydrocarbon exports are estimated to have increased by 41.1% in 2021, due to the increase in the price of crude oil and other products.



Source: CBUAE, Data and Statistics Centre

Non-hydrocarbon exports rose by 5.2%, reaching AED 415.0 billion or 27.8% of GDP, while re-exports rose by 15.3%.

Figure 2.3. UAE Trade Balance



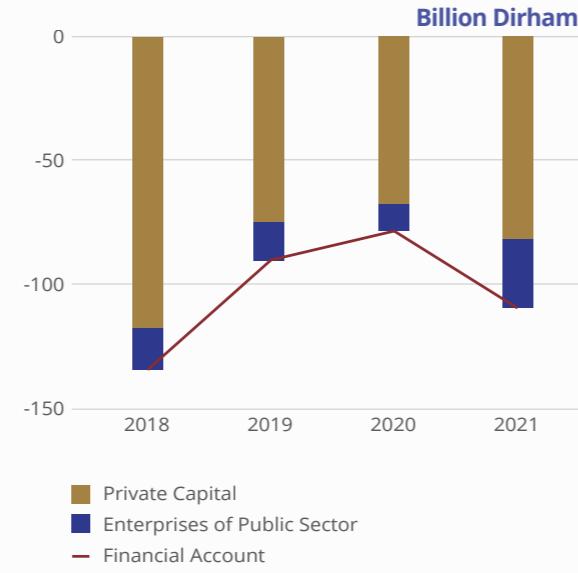
Source: CBUAE, Data and Statistics Centre.

Given the role of the UAE as a travel and transportation hub, the resumption of these activities led to an increase in both imports and exports of these services. The sub-accounts of travel and transport items represented together 72.8% of inflows and 46.1% of outflows related to the balance of services.

In 2021, travel recorded a net inflow of AED 40.2 billion, while transport recorded a net inflow of AED 45.1 billion, owing mostly to the ease in global supply chain disruptions.

Corresponding to the current account surplus, the financial account deficit decreased slightly to AED 96.8 billion. The financial outflows during 2021 were mainly conducted by banks' investments in securities, and other private and public sector entities.

Figure 2.4. UAE Financial Account Balance



Source: CBUAE, Data and Statistics Centre

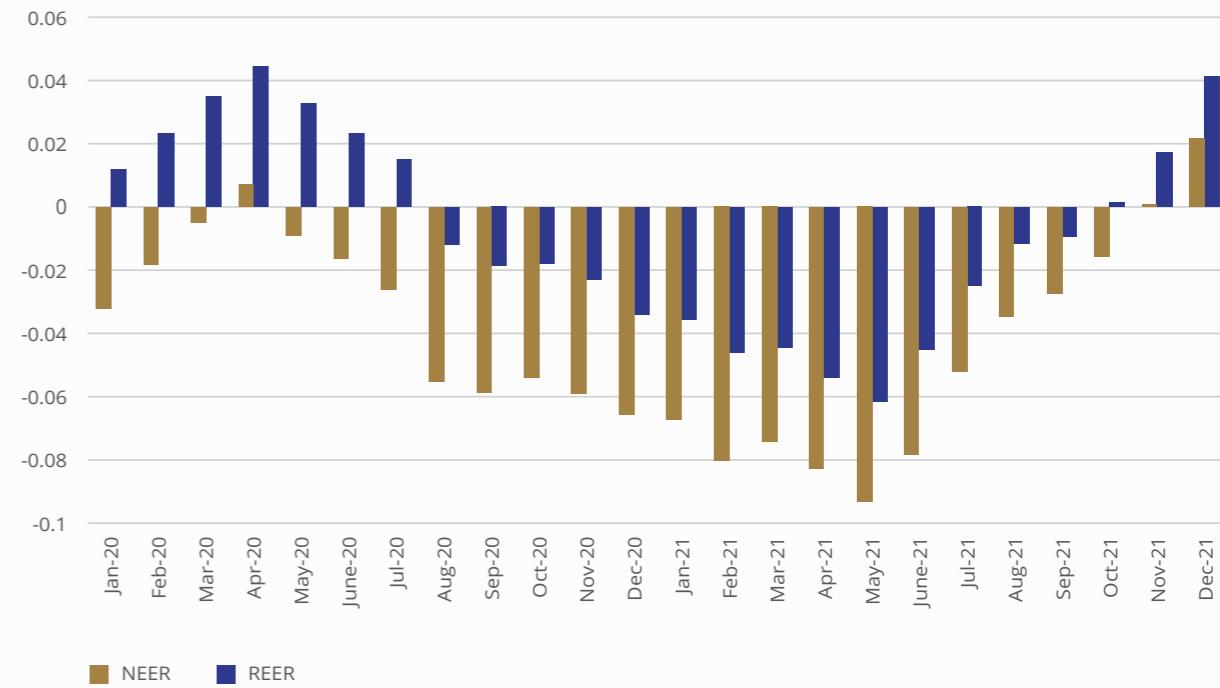
It is worth noting that despite the unfavourable international environment, inward FDI to the UAE increased by 4.1% in 2021 to AED 75.9 billion.

Outward personal remittances increased by 11.4%, or AED 17.8 billion in 2021, reaching AED 174.6 billion. The top two countries for outward personal remittances were India and Pakistan accounting for 28.0% and 11.9% respectively. Personal remittances declined in 2021 by 15.3% to India, while they increased by 3% in Pakistan.

III. THE EXCHANGE RATE

The average Nominal Effective Exchange Rate (NEER)³ of the UAE Dirham³ depreciated by 2.3% Y-o-Y in 2021.

Figure 2.5. Nominal and Real Effective Exchange Rates (Y-o-Y, %)



Source: BIS, Statistics

In real terms, i.e., after adjusting for the inflation differential between the UAE and its main trade partners, the average Real Effective Exchange Rate (REER) of the UAE Dirham depreciated by 4.9% Y-o-Y in 2021, as a result of lower inflation in the UAE compared to projected main trading partners.

³ NEER takes into account the bilateral exchange rates of the UAE's trading partners.

ECONOMIC AND FINANCIAL MARKETS DEVELOPMENTS

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CHAPTER 3

DOMESTIC ECONOMIC DEVELOPMENTS

Economic activity in the UAE recorded positive growth in 2021 boosted by an accommodating monetary stance, fiscal and other support initiatives, and global economic recovery. The real estate market in both, Abu Dhabi and Dubai, recorded yearly price increase in the latter part of the year. Headline CPI inflation rate turned slightly positive, for the first time since 2018.

3.1 ECONOMIC GROWTH

Growth in the real non-oil GDP moved into positive territory in 2021 as a result of the recovery in local and global demand, while the country continued to be a leader in containing the spread of the coronavirus.

Table 3.1. Annual Real GDP Growth Rates in the UAE (%)

	2019	2020	2021	2022 F	2023 F
Overall GDP	3.4	-4.8	3.8	5.4	4.2
Non-oil GDP	3.8	-4.3	5.3	4.3	3.9
Oil GDP	2.6	-6.1	-0.1	8.0	5.0

Source: FCSC for 2019-2021, and CBUAE forecasts for 2022 and 2023.

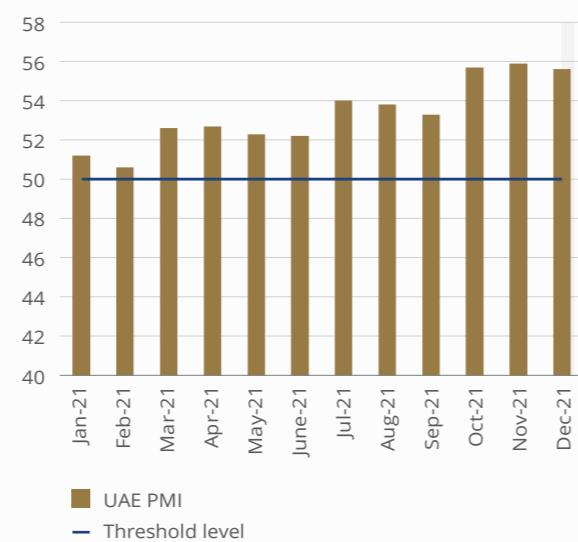
The UAE retained its top position globally – held since the beginning of the pandemic – in the number of tests and administration of COVID-19 vaccines per capita, with 111.7 million tests and 22.6 million vaccines rolled out by the end of 2021. As per FSCS, over 1.1 million tests were performed per 100,000 population and 229 vaccines administered per 100 people, with 92% of the eligible population being fully vaccinated and 100% receiving at least one dose.⁴

The residential real estate market improved in 2021, with sales prices in Abu Dhabi and Dubai registering Y-o-Y gains in December of 1.8% and 12.6%, respectively.

Data captured by the CBUAE Wage Protection System (WPS)⁵ for employment and average salary in 2021 show a recovery from the previous year, which witnessed job cuts.

The average UAE PMI increased by 9.2% Y-o-Y in 2021, reaching 55.6 in December 2021 (53.1 annual average). The increase in PMI was partly driven by Expo 2020 Dubai, which boosted travel and spending and strong growth in new business orders.

Figure 3.1. UAE PMI⁵



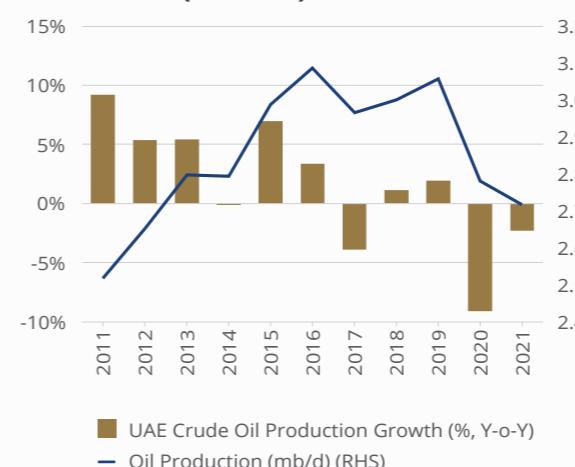
Source: IHS Markit

Tourism and hospitality picked up in the UAE as lockdowns eased and confidence in health safety rules improved. Available data for Dubai show a recovery in hotel occupancy from an average of 54% in 2020 to 67% in 2021, which remains below pre-pandemic levels.

Meanwhile, the Oxford Stringency Index⁶ decreased from a peak of 90 in 2020 to an average of 53 in 2021. The index also reached 39 in the third quarter of 2021, before increasing to 52 by the end of the year, due to the Omicron variant. The 2021 index figures are lower than the previous year because of the gradual reopening of the economy, which will have a positive impact on the UAE, given its role as a regional trade, transportation and tourism hub.

As a result, real non-oil GDP grew by 5.3% in 2021 compared to a decline by 4.3% in 2020.

Figure 3.2. Average UAE Crude Oil Production (in mb/d)



Source: OPEC, Monthly Oil Market Reports

The real oil GDP growth, after a drop by 6.1% in 2020, remained almost flat at -0.1% in 2021, corresponding to an average oil production of 2.72 mb/d for the year as a whole. Therefore, the overall real GDP grew by 3.8% during 2021.

For 2022, the CBUAE revised its projections to 5.4% of overall real GDP growth, with the non-oil real GDP expected to increase by 4.3%, owing to sustained public spending, a positive outlook for credit growth, higher employment and better business sentiment, and Expo 2020 Dubai as it continues throughout the first quarter of the year, in addition to the positive spillover from the FIFA Worldcup 2022 in Qatar. Meanwhile, real oil GDP growth is projected to reach 8.0%, owing to the expected recovery in global demand, the pickup in transportation and travel and increase in production of OPEC+ members, as a result of sanctions on Russia.

Downside risks in 2022 reflect concerns about new variants of COVID-19, the limited access to vaccines in developing economies, war in Ukraine and geopolitical tensions elsewhere. All forecasts remain subject to revisions due to the high level of uncertainties.

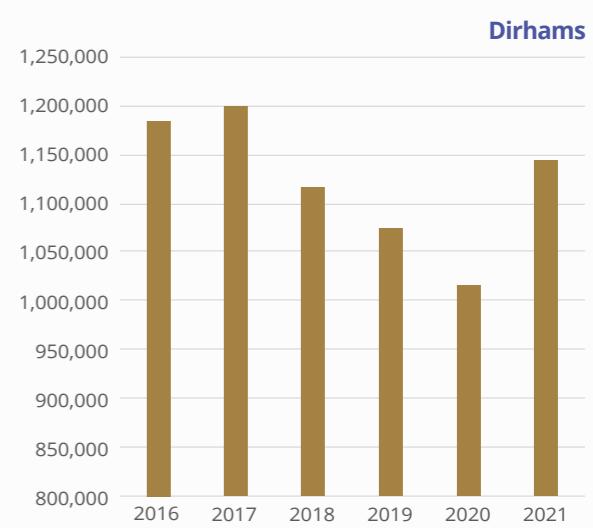
3.2 DEVELOPMENTS IN THE RESIDENTIAL REAL ESTATE MARKET

Prices of residential real estate recorded Y-o-Y gains in the latter part of 2021. This was the result of recovering demand, including from abroad as the UAE maintained its safe haven status for tourism and real estate investment.

Dubai Residential Market

According to recent data from Dubai Land Department (DLD)⁷, the residential property prices in Dubai increased by 12.6% Y-o-Y in December 2021, while rents declined by 2.6% Y-o-Y over the same period of time.

Figure 3.3. Average Dubai Residential Unit Sale Prices



Source: Dubai Land Department

Note: All data are as of December of the corresponding year.

⁴ Source: FCSC.

⁵ This includes employees registered under the Ministry of Human Resources and Emiratisation, Jebel Ali Free Zone Authority and some who are employed by licensed financial institutions, where the labour-related authority does not participate in the WPS.

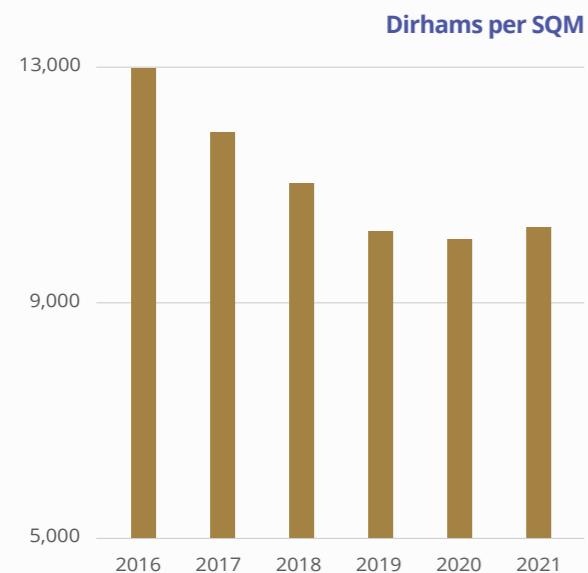
⁶ A measure, produced by the University of Oxford, between 0 and 100, indicating the level of closure, due to restrictions, aiming to reduce the spread of COVID-19.

⁷ Data from DLD remain subject to revisions.

Abu Dhabi Residential Market

According to the REIDIN house price index, the price per square meter in the Abu Dhabi housing market increased in December 2021 by 1.8% Y-o-Y, while making monthly Y-o-Y gains for all months of the year, except January. However, rents dropped by 0.8% Y-o-Y in December 2021.

Figure 3.4. Abu Dhabi Residential Prices



Source: REIDIN Data Base

Note: All data are as of December of the corresponding year.

3.3 INFLATION

Average headline CPI inflation left negative territory and recorded a 0.2% increase in 2021, boosted by an increase in transportation, and recreation and culture component prices, while inflation in housing as well as textiles, clothing and footwear remained negative.

Table 3.2. CPI Inflation (Y-o-Y, %)

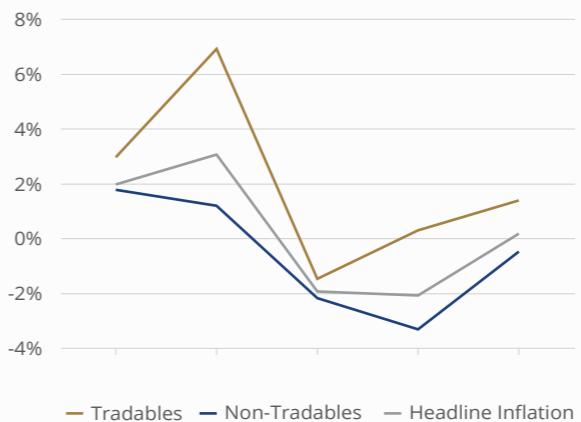
Components	Weight	2020	2021
Headline Inflation	100.0	-2.1	0.2
Food and soft drinks	14.3	3.7	0.0
Beverages and tobacco	0.3	5.9	0.0
Textiles, clothing and footwear	3.2	4.8	-3.3
Housing, Water, Electricity, and Gas	34.1	-3.7	-3.5
Furniture and household goods	5.6	-2.6	0.4
Medical care	1.4	0.0	0.4
Transportation	14.6	-5.8	8.9
Communications	5.4	-0.1	0.1
Recreation and culture	3.2	-16.7	3.1
Education	7.7	0.9	1.0
Restaurants and hotels	4.0	0.1	0.7
Miscellaneous goods and services	6.3	-0.9	-1.3

Source: FCSC

Non-tradables i.e., goods and services that are not traded across borders where prices are mainly determined by domestic supply and demand conditions, showed a fall by 0.5% in their price. Tradables prices⁸, which account for 34% of the CPI consumption basket, rose by 1.4% in 2021 due to the broad-based increase in prices, except for food and soft drinks, textiles, clothing and footwear, and miscellaneous goods and services. The spike in oil prices of more than 69% during the year put pressure on transportation costs, which rose by 8.9%, the highest among the components of the tradables basket.

The continued drop in the housing component prices (34% weight in the consumer basket) by 3.5% was the main driver of the drop in non-tradables inflation during 2021. Except for the price of miscellaneous goods and services, inflation of all other non-tradables was positive during the year.

Figure 3.5. Headline, Tradable and Non-Tradable Inflation (Y-o-Y, %) in the UAE



Source: FCSC and CBUAE calculations

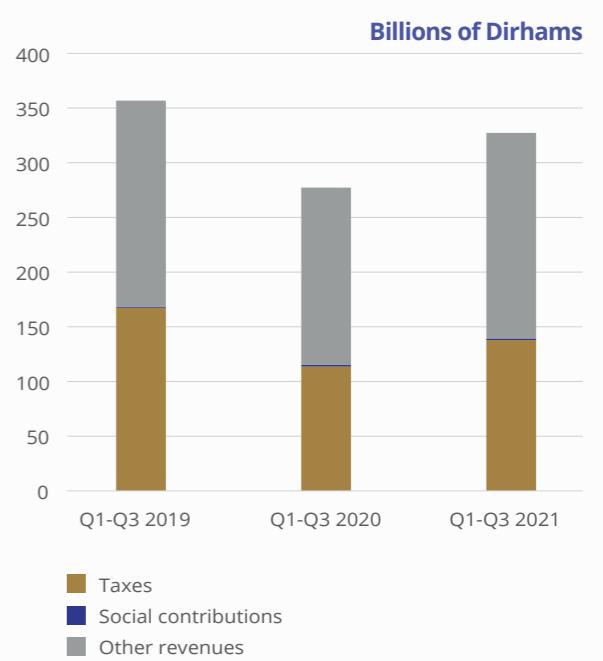
3.4 THE CONSOLIDATED GOVERNMENT FINANCES

Government revenues increased in the first three quarters of 2021, the latest period for which data are available, due to the pick-up in economic activity. Meanwhile, total current expenditure rose in support of the recovery. The overall surplus increased almost four-fold due to higher increase in revenues compared to expenditure.

3.4.1 REVENUES

Government revenues increased Y-o-Y in the first nine months of 2021 by 17.4% to AED 334.6 billion due to an increase in taxes and other revenues.

Figure 3.6. General Government Revenues



Source: UAE Ministry of Finance

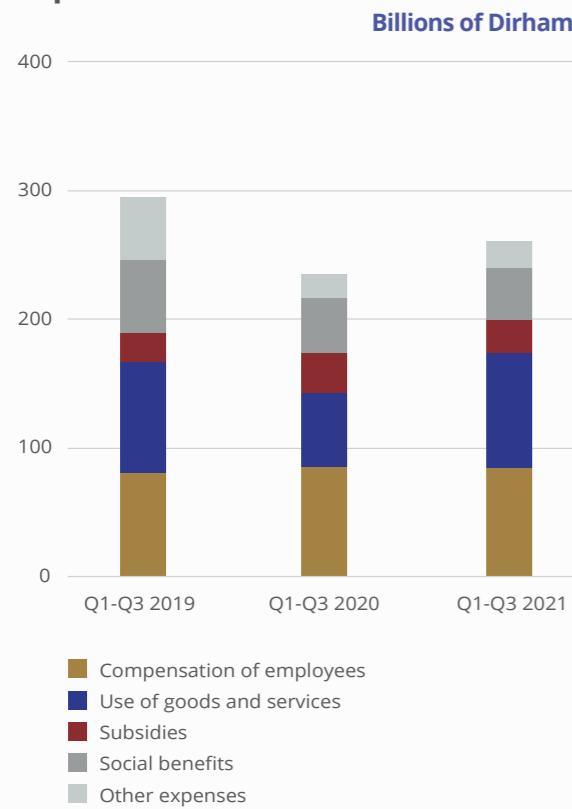
⁸ As per CBUAE calculations, tradables include the following categories of goods and services: food and soft drinks; beverages and tobacco; textiles, clothing and footwear; furniture and household goods; transportation; and miscellaneous goods and services.

3.4.2 EXPENDITURE

Current expenditure rose Y-o-Y by 9.8% in Q1-Q3 2021, standing at AED 257.0 billion, in contrast to a decline by 20.1% during the same period of the previous year. The increase in expenses can be attributed to higher spending on goods and services.

Meanwhile, capital spending, measured by the net acquisition of non-financial assets, decreased Y-o-Y by 59.9% in the year-to-September 2021, reaching AED 13.6 billion.

Figure 3.7. General Government Expenses



Source: UAE Ministry of Finance

As a result, the consolidated fiscal balance recorded a surplus of AED 64.0 billion, compared to AED 17.1 billion during the same period in 2020.

Figure 3.8. Fiscal Stance



Source: UAE Ministry of Finance

Table 3.3. UAE Consolidated Government Finances

	2020				2021			2020	2021	2020 (Y-o-Y, %)	2021 (Y-o-Y, %)
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q1-Q3	Q1-Q3		
(a) Revenues	121.7	84.0	79.4	85.5	89.0	119.4	126.3	285.0	334.6	-20.6	17.4
Taxes	57.2	28.5	27.6	36.2	37.6	46.9	53.4	113.4	138.0	-32.0	21.7
Social contributions	3.3	3.1	3.1	3.2	3.7	1.7	3.4	9.5	8.8	159.0	-7.0
Other revenues	61.1	52.4	48.7	46.1	47.7	70.7	69.5	162.2	187.8	-14.1	15.8
(b) Expenditure (c+d)	92.9	90.5	84.6	135.7	77.8	101.0	91.8	267.9	270.6	-18.0	1.0
(c) Current expenditure	80.8	80.9	72.2	119.3	73.1	96.6	87.3	233.9	257.0	-20.1	9.8
Compensation of employees	29.0	28.0	28.0	24.3	24.6	32.1	28.1	85.0	84.9	5.0	-0.1
Use of goods and services	20.0	20.4	17.8	43.6	22.6	32.8	34.5	58.1	89.9	-32.9	54.6
Consumption of fixed capital	1.1	1.2	1.2	2.2	1.2	1.9	1.3	3.5	4.5	-2.3	26.6
Interest	1.3	1.4	1.2	2.5	2.0	1.7	2.0	3.9	5.7	25.7	44.8
Subsidies	5.9	15.7	8.5	10.3	6.7	7.9	8.1	30.1	22.7	45.2	-24.8
Grants	0.3	0.2	0.1	3.3	0.1	0.3	0.4	0.5	0.8	-96.3	43.7
Social benefits	16.8	13.0	12.6	22.4	13.1	15.7	10.6	42.4	39.4	-25.9	-6.9
Other expenses	6.4	1.1	2.9	10.8	2.8	4.2	2.1	10.4	9.2	-59.9	-10.9
(d) Investment in non-financial assets (Capital expenditure)	12.1	9.5	12.3	16.4	4.8	4.4	4.5	34.0	13.6	0.5	-59.9
Net Operating Balance (a-c)	40.9	3.1	7.1	-33.7	15.9	22.7	39.0	51.1	77.6	-22.9	51.9
Net Lending/Borrowing (Surplus (+)/Deficit(-)) (a-b)	28.8	-6.5	-5.2	-50.1	11.1	18.4	34.5	17.1	64.0	-47.3	274.0

Source: UAE Ministry of Finance

Note:

- Revenues do not include ADNOC transfers and government investment income.
- Other revenues cover: property income (interest, dividends, rent), sales of goods and services (including administrative fees), fines and penalties, and other revenues not elsewhere classified.
- Effective Q1 2016, the Emirate of Abu Dhabi has added some transfers of important investment authorities from financing accounts to revenues, included in the distributed profit computation.
- Other expenses include the payments Abu Dhabi made on behalf of the UAE federal government.
- Subsidies include transfers to publicly-owned corporations and GReEs.
- Grants include current or capital transfers from the government to other government units, international organisations and foreign governments, excluding transfers between federal and local governments.
- Data for 2020 have been amended compared to those previously reported by the CBUAE, based on revisions made by the UAE Ministry of Finance.

ECONOMIC AND FINANCIAL MARKET DEVELOPMENTS

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CHAPTER 4

FINANCIAL MARKET DEVELOPMENTS

Monetary aggregates grew during 2021 due to the rise in resident deposits. The spread between EIBOR and the USD LIBOR remained in a narrow band. The banking sector's financial soundness indicators remained healthy. The insurance sector retained its growth momentum, with increasing Gross Written Premiums (GWP), investments, assets and equity.

4.1 MONEY SUPPLY

The monetary aggregate M3⁹ increased during 2021 by 4.9% (AED 87.4 billion) to reach AED 1,856.7 billion, as a result of an increase in the components M1, M2, and Government Deposits at both banks and the Central Bank. The latter (16.4% of M3) grew by 1.0%, reaching AED 293.6 billion.

Table 4.1. Money Supply in the UAE

	Billion Dirhams		
	M1	M2	M3
Dec-20	600.0	1,478.5	1,769.3
Jun-21	659.5	1,488.5	1,772.6
Sep-21	668.5	1,485.9	1,786.9
Dec-21*	701.9	1,563.1	1,856.7

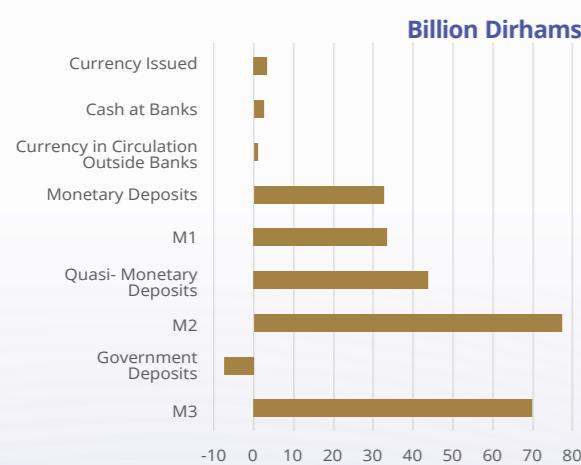
*Preliminary data

Source: CBUAE, Data and Statistics Centre

Meanwhile, monetary aggregate M2¹⁰ increased by 5.7% to reach AED 1,563.1 billion, despite a decline in quasi-monetary deposits (59.4% of M2) by 2.0%, which became less attractive to savers due to low interest rates.

Narrow money M1¹¹ increased by 17.0% to reach AED 701.9 billion at the end of December 2021, driven mainly by the rise in monetary deposits (84.2% of M1) by 20.3% to reach AED 607.8 billion.

Figure 4.1. Monetary aggregates in 2021 (Y-o-Y Change)



Source: CBUAE, Data and Statistics Centre

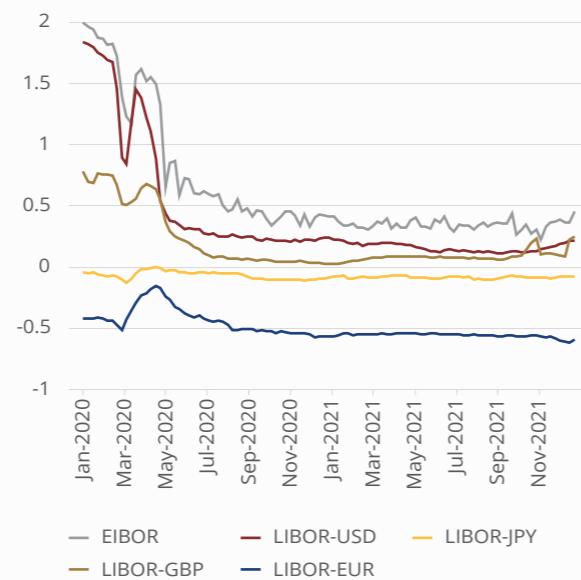
4.2 INTEREST RATES

4.2.1 SHORT-TERM INTEREST RATE

The 3-month EIBOR in the UAE declined slightly from 0.41% in December 2020 to 0.39% in December 2021, owing to sufficient liquidity in the banking system.

The 3-month USD LIBOR declined in 2021 from 0.23% in December 2020 to a trough of 0.12% in September, before recovering to 0.20% by the end of the year, as the Fed signalled its intention to start tapering its asset purchase programmes and increasing interest rates after that (see chapter 1, section 1.4).

Figure 4.2. EIBOR and LIBOR Rates (%)

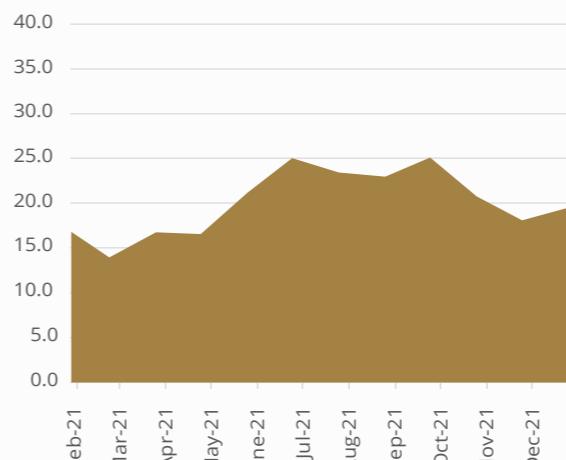


Source: Bloomberg

Note: Based on average monthly data

The spread of 3-month EIBOR vis-à-vis 3-month USD LIBOR remained in a narrow band, increasing from 18.5 bps in December 2020 to a peak of 25.0 bps in June, before declining to 19.4 in December 2021.

Figure 4.3. Spread of 3-month EIBOR vs. 3-month USD LIBOR (bps)



Source: Bloomberg

Note: Based on average monthly data

4.3.1 BANKING STRUCTURE

The number of licensed commercial banks in the UAE was 59 at the end of 2021, of which 22 were national banks and 37 foreign banks (including 10 wholesale banks). Moreover, due to increased digitalisation, the number of national banks' branches fell by 28 to reach 513 at the end of 2021. The number of employees at banks operating in the UAE rose marginally by 47 in 2021 to reach 33,491 employees.

4.3.1.1 BANK DEPOSITS

Total bank deposits increased by 5.9% Y-o-Y while resident deposits (88.4% of total deposits) increased by 5.0% Y-o-Y in 2021, owing mainly to an increase in private sector deposits by 8.3%, while non-resident deposits (11.6% of total deposits) increased by 14.1%.

Table 4.2. Total Deposits at UAE Banks

Item	Dec-19	Dec-20	Dec-21
Bank Deposits	1,870	1,885	1,997
(Y-o-Y, % change)	6.5	0.8	5.9
Resident Deposits	1,649	1,682	1,766
(Y-o-Y, % change)	6.9	2.0	5.0
Government Sector	303	287	288
(Y-o-Y, % change)	4.4	-4.6	0.3
GREs	244	255	248
(Y-o-Y, % change)	17.7	3.9	-2.7
Private Sector	1,058	1,100	1,191
(Y-o-Y, % change)	4.8	4.0	8.3
NBFI	44	40	38
(Y-o-Y, % change)	24.8	-9.9	-4.5
Non-Resident Deposits	221	202	231
(Y-o-Y, % change)	3.7	-8.6	14.1

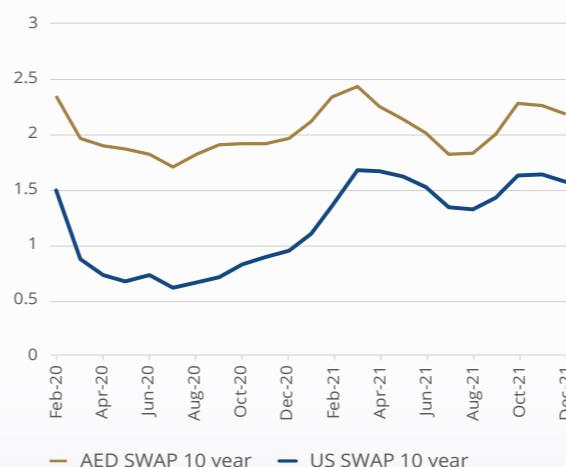
Source: CBUAE, Data and Statistics Centre.

Note: Data as of end of period. Dec 2021 data are preliminary.

4.2.2 LONG-TERM SWAP RATES

The 10-year swap rate on the Dirham¹² increased from 1.8% in the last week of December 2020 to 2.1% in the last week of December 2021.

Figure 4.4. 10-year Interest Swap Rates (%)



Source: Bloomberg

Note: Based on average monthly data

The spread of the 10-year swap rate on the Dirham vs. that on the USD decreased from 99.0 bps at the end of 2020 to 59.6 bps at the end of 2021.

⁹ M2 + Government Deposits at banks and CBUAE.

¹⁰ M1 + Quasi-Monetary Deposits.

¹¹ M1 + Quasi-Monetary Deposits.

¹² Interest rate swaps correspond by definition to the exchange of a fixed rate for a floating payment that is linked to an interest rate, most often the London Interbank Offer Rate (LIBOR).

4.3.1.2 BANKS' ASSETS AND CREDIT

Total assets increased by 4.2% Y-o-Y while gross credit increased by 0.8%. In addition, domestic credit increased by 1.4%, owing mainly to the rise in credit to GReEs by 11.6% and to the private sector by 1.1%. In contrast, credit to the government declined by 6.3%.

Table 4.3. Assets and Credit at UAE Banks

Item	In billion Dirhams		
	Dec-19	Dec-20	Dec-21
Total Assets	3,086	3,188	3,322
(Y-o-Y, % change)	7.6	3.4	4.2
Gross Credit	1,759	1,779	1,794
(Y-o-Y, % change)	6.2	1.2	0.8
Domestic Credit	1,594	1,597	1,619
(Y-o-Y, % change)	5.6	0.3	1.4
Government	258	252	236
(Y-o-Y, % change)	34.9	-2.1	-6.3
GReEs	185	220	245
(Y-o-Y, % change)	9.9	18.7	11.6
Private Sector	1,135	1,108	1,121
(Y-o-Y, % change)	0.4	-2.3	1.1
Corporates	802	779	773
(Y-o-Y, % change)	1.2	-2.9	-0.7
Individuals	332	330	348
(Y-o-Y, % change)	-1.5	-0.9	5.5
NBFI	16	16.6	16.8
(Y-o-Y, % change)	-19.5	8.5	1.2
Foreign Credit	165	182	175
(Y-o-Y, % change)	12.6	9.8	-3.9

Source: CBUAE, Data and Statistics Centre.

Note: Data as of end of period. Dec 2021 data are preliminary.

In lending to the domestic economy, the highest increase was in manufacturing (12% Y-o-Y), followed by mining and quarrying (9.8%) and electricity, gas and water (3%).

Table 4.4. Domestic Credit by Economic Activity

Economic Activity	In billion Dirhams		
	Dec-19	Dec-20	Dec-21
Total	1,593	1,597	1,619
(Y-o-Y, % change)	5.5	0.3	1.4
Of which:			
Mining and Quarrying	11	15	16
(Y-o-Y, % change)	-27.7	40.2	9.8
Manufacturing	80	74	82
(Y-o-Y, % change)	4.5	-8.6	12
Electricity, Gas and Water	23	27	28
(Y-o-Y, % change)	33.7	20.1	3
Construction and Real Estate	311	328	327
(Y-o-Y, % change)	-1.4	5.3	-0.2
Trade	153	139	132
(Y-o-Y, % change)	-0.9	-9.2	-5.2
Transport, Storage and Communication	57	85	86
(Y-o-Y, % change)	10.8	48.6	1.9
All Others	143	146	158
(Y-o-Y, % change)	-3.7	2.0	8.0

Source: CBUAE, Data and Statistics Centre

Note: Data as of end of period. Dec 2021 data are preliminary.

Bank lending to Micro, Small and Medium Enterprises (MSMEs) fell by 1.8% during 2021.

4.3.2 FINANCIAL SOUNDNESS INDICATORS

The Advances to Stable Resources Ratio (ASRR) of the banking system was broadly stable at 77.3% by the end of December 2021, remaining well below the regulatory cap of 100%. Meanwhile, the Eligible Liquid Assets,¹³ as a percent of total liabilities¹⁴ rose to 19.6% at the end of December 2021, well above the 10% minimum regulatory requirement. Total liquid assets at banks at the end of December 2021 stood at AED 529.3 billion, increasing by 11.6% Y-o-Y. This constituted an adequate liquidity buffer for the banking system.

Overall, the UAE banking system remained well-capitalised, with an average Capital Adequacy Ratio (CAR) at 17.2%, Tier 1 Capital Ratio at 16.1%, and Common Equity Tier 1 Ratio (CET 1) at 14.2%, well above minimum regulatory capital requirements¹⁵. The Loans to Deposits (LTD) ratio for the whole banking system decreased to 89.9% at the end of 2021, from 94.4% at the end of 2020, due to the higher increase in deposits compared to loans during the period.

Table 4.5. UAE Financial Soundness Indicators (in %)

	Dec-19	Dec-20	Dec-21
Advances to Stable Resources Ratio (ASRR)	81.0	77.6	77.3
Eligible Liquid Assets Ratio (ELAR)	18.1	18.4	19.6
Capital Adequacy Ratio (CAR)	17.7	18.1	17.2
Tier 1 Capital Ratio	16.5	17.0	16.1
CET 1 Ratio	14.7	14.8	14.2

Source: CBUAE, Data and Statistics Centre

Note: Data as of end of period. Dec 2021 data are preliminary.

4.4 THE INSURANCE SECTOR

The Gross Written Premiums increased in 2021, due to need for insurance coverage following the rising risks caused by the pandemic.

4.4.1 NEW LICENCES

The number of related insurance professions were 465 by the end of 2021, while the number of insurance companies remained the same in 2021 at 62 (23 national traditional insurance companies, 12 national Takaful insurance companies and 27 foreign insurance companies).

Table 4.6. Number of Licensed Insurance Companies and Related Insurance Professions

	2020	2021
1 Licensed Insurance Companies	62	62
National Traditional Insurance Companies	23	23
National Takaful Insurance Companies	12	12
Foreign Insurance Companies	27	27
2 Related Insurance Professions	433	465
Insurance Broker companies	164	168
Insurance Agents Companies	25	30
Insurance Consultant (individuals & companies)	45	46
Loss & Damage Adjusters (individuals & companies)	112	129
Actuaries (individuals & companies)	64	67
Third Party Administrator Companies "TPA"	21	21
Insurance Policies Price Comparison Websites	2	4
Total (1+2)	495	527

Source: CBUAE

¹³ In the ELAR, the eligible liquid assets include required reserves, mandated by the CBUAE, certificates of deposits, m-bills held by banks at the CBUAE, in addition to zero-risk weighted government bonds and public sector debt and cash at banks. These liquid assets relate only to banks' operations in the UAE.

¹⁴ Balance sheet total assets less (capital and reserves + all provisions except staff benefit provisions + refinancing + subordinated borrowing/deposits).

¹⁵ The minimum regulatory requirement for CAR is 13% (10.5% minimum adequacy and 2.5% capital conservation buffer), 8.5% for Tier 1 and 7% for CET 1.

4.4.2 GROSS WRITTEN PREMIUMS

GWP increased Y-o-Y by 4.2% in the first three quarters of 2021. The GWP of insurance of persons and fund accumulation increased by 11.7%, while the GWP of property and liability insurance increased by 1.7% and health insurance increased by 3.2%.

4.4.3 PAID CLAIMS

The gross claims paid by insurance companies in the first three quarters of 2021 decreased to AED 19.8 billion, from AED 21.5 billion during the same period in 2020. This was mainly due to a decrease in claims for fire, engineering, construction and energy, and marine and aviation lines under property and liability insurance.

4.4.4 INVESTMENTS

The volume of funds invested by the sector amounted to AED 77.6 billion at the end of Q3 2021 (63.2% of total assets), compared to AED 70.3 billion for the same period in 2020. The increase is primarily a result of diversification of investment classes in line with the financial regulations for conventional and Takaful insurance companies.

Table 4.7. Key Financial Indicators of the Insurance Sector

	Billion of Dirhams					
	National Companies		Foreign Companies		Total	
	Q1-Q3 2020	Q1-Q3 2021	Q1-Q3 2020	Q1-Q3 2021	Q1-Q3 2020	Q1-Q3 2021
Gross Written Premiums	23.4	24.1	10.2	10.9	33.6	35.0
Property and Liability Insurance	9.7	10.0	2.3	2.2	12.0	12.2
Health Insurance	12.0	12.1	3.6	4.0	15.6	16.1
Persons and Fund Accumulation	1.7	2.0	4.3	4.7	6.0	6.7
Gross Paid Claims	14.1	13.1	7.4	6.7	21.5	19.8
Property and Liability Insurance	5.0	3.7	1.3	1.1	6.3	4.8
Health Insurance	8.4	8.7	2.7	3.0	11.1	11.7
Persons and Fund Accumulation	0.7	0.7	3.4	2.6	4.1	3.3
Total Investments*	34.6	37.8	35.7	39.8	70.3	77.6
Total Assets*	72.0	72.9	46.5	49.9	118.5	122.8
Total Equity*	21.7	22.1	5.9	6.2	27.6	28.3

Source: CBUAE, Preliminary data for 2021

Note: *: End of period

4.4.5 CAPITAL ADEQUACY OF INSURANCE COMPANIES

The Own Funds to Minimum Capital Requirement (MCR) Ratio increased to 298.7% in Q3 2021, compared to 287.6% in Q3 2020, due to an increase in own funds eligible to meet the Minimum Capital Requirements.

The Own Funds to Solvency Capital Requirement (SCR) Ratio rose to 191.2% in Q3 2021 compared to 187.8% in Q3 2020, due to an increase in own funds eligible to meet Solvency Capital Requirements.

The Own Funds to Minimum Guarantee Fund (MGF) Ratio reached to 312.6% in Q3 2021 up from 274.2% in Q3 2020, due to higher eligible funds to meet Minimum Guarantee Funds.

4.4.6 ASSET QUALITY RATIO

The net total profit to net written premiums ratio decreased to 11.2% in Q3 2021 compared to 16.2% in Q3 2020.

The net underwriting profit to net written premiums ratio increased to 13% in Q3 2021 compared to -8.2% in Q3 2020, due to a decrease in paid claims in 2021.

Table 4.8. Early Warning Ratios for Insurance Companies, %

	2020-Q3	2021-Q3
Capital Adequacy Ratios		
Own Funds to Minimum Capital Requirement (MCR)	287.6	298.7
Own Funds to Solvency Capital Requirement (SCR)	187.8	191.2
Own Funds to Minimum Guarantee Fund (MGF)	274.2	312.6
Asset Quality Ratio		
Net total profit to net written premiums	16.2	11.2
Net Underwriting profit to net written premiums	-8.2	13.0
Return on avg. assets	0.7	0.5

Source: CBUAE

Note: Preliminary data for 2021

4.5 THE SECURITIES MARKETS

Share Prices

The Abu Dhabi Securities Exchange (ADX) share price index increased in 2021 by 68.2% Y-o-Y, while the Dubai Financial Market (DFM) index rose by 28.2%.

In ADX, the sharp increase in both share prices and market capitalisation was due to strong demand and positive market sentiment, in addition to nine new IPOs.

Dubai's Securities and Exchange Higher Committee made the announcement that it intended to raise the stock market size to AED 3 trillion, as well as the listing of state and government-owned companies on DFM as part of its plans to increase listing in various sectors.

Table 4.9. UAE Securities Markets

		2020	2021
Abu Dhabi	*Share Price Index	(Y-o-Y, %)	-0.6 68.2
	*Market Capitalisation	AED bn	742 1626
	(Y-o-Y, %)	39.8 119.0	
Dubai	**Traded Value	AED bn	65 342
	(Y-o-Y, %)	46.5 423.2	
	*Share Price Index	(Y-o-Y, %)	-9.9 28.2
Dubai	*Market Capitalisation	AED bn	340 409
	(Y-o-Y, %)	-9.1 20.5	
	**Traded Value	AED bn	65 70
	(Y-o-Y, %)	26.6 8.1	

Source: UAE Securities and Commodities Authority

Note: * indicates end of period

** indicates value during the whole year

CREDIT DEFAULT SWAPS (CDS)

CDS – the insurance premium against borrower defaults – decreased for most countries during 2021 owing to improved economic conditions. For the government of Abu Dhabi, the CDS premium fell by 21.4 basis points (bps) to 43.1 bps, which is the lowest CDS premium in the Middle East and Africa region, boosted by confidence in Abu Dhabi's fiscal position and its sovereign wealth funds. Meanwhile, Dubai's CDS fell by 75.6 bps to 95.8 bps.

Table 4.10. Sovereign Credit Default Swaps (CDS)

	Bps			
	2018	2019	2020	2021
Abu Dhabi	62.6	54.0	64.5	43.1
Dubai	118.2	128.2	171.4	95.8

*Source: Bloomberg.
Note: Average of the year*

Table 4.11. The UAE Balance of Payments Statistics

	In billion Dirhams	
	2020	2021
Assets		
Current Account Balance (A+B+C+D)	77.5	176.2
A. Trade Balance (a+b)	221.6	290.3
a. Total Exports & Re Exports - FOB (1+2+3)	999.5	1,187.4
1. Total Exports of Hydrocarbon	135.1	230.8
1.1 Crude Oil Exports	65.9	110.5
1.2 Petroleum Products Exports	49.2	90.0
1.3 Gas Exports	20.0	30.3
2. Total Exports of Non-Hydrocarbon	394.5	415.0
2.1 Free Zone Exports	251.8	259.9
2.2 Other Exports ¹	142.7	155.1
3. Re Exports²	469.9	541.6
b. Total Imports (FOB)³	-778.0	-897.1
4. (Total Imports - CIF)*	-864.4	-996.8
4.1 Other Imports ⁴	-536.1	-644.7
4.2 Free Zone Imports	-318.3	-340.0
4.3 Gas Imports	-10.0	-12.1

	2020	2021
B. Services (NET)	59.7	94.5
5. Credits	286.9	374.0
5.1 Travel**	90.4	126.5
5.2 Transport	60.0	90.9
5.2.1 Air & Ports	59.3	90.1
5.2.2 Postal	0.7	0.8
5.3 Government Services	3.2	3.7
5.4 Freight & Insurance	55.0	65.3
5.5 Other services	78.3	87.6
5.5.1 Construction	6.6	9.1
5.5.2 Intellectual property	11.2	12.0
5.5.3 Information-Computer-Telecommunication	24.6	27.2
- Computer	18.6	20.2
- Information & Telecom	6.0	7.0
5.5.4 Health services	8.5	10.4
5.5.5 Cultural and Creative Industry services	1.5	1.8
5.5.6 Other ⁵	25.9	27.0
6. Debits	-227.2	-279.5
6.1 Travel	-58.4	-80.0
6.2 Transport	-32.5	-45.8
6.2.1 Air & Ports	-32.0	-45.3
6.2.2 Postal	-0.5	-0.5
6.3 Government Services	-5.0	-5.0
6.4 Freight & Insurance ³	-86.4	-99.7
6.5 Other services	-44.8	-49.0
6.5.1 Construction	-7.4	-8.8
6.5.2 Intellectual property	-6.9	-9.1
6.5.3 Information-Computer-Telecommunication	-15.8	-15.2
- Computer	-5.8	-5.5
- Information & Telecom	-10.0	-9.7
6.5.4 Health services	-2.9	-3.3
6.5.5 Cultural and Creative Industry services	-0.2	-0.3
6.5.6. Other ⁵	-11.6	-12.4

	In billion Dirhams	
	2020	2021
C. Investment Income (NET)	-6.9	-2.7
1. Banking System ⁶	-4.0	-4.1
2. Private non-banks	-3.0	-4.2
3. Enterprises of Public Sector	12.9	25.3
4. Official Debt Services (Interest)	-3.4	-5.2
5. Foreign Hydrocarbon Companies in UAE	-9.4	-14.5
D. Transfers (NET)	-196.9	-205.8
1. Public	-60.0	-65.3
- Inflows	0.0	0.0
- Outflows	-60.0	-65.3
2. Private	-136.9	-140.5
- Inflows	22.3	34.1
- Outflows	-159.2	-174.6
Capital and Financial Account	-97.1	-96.8
Capital Account	0	0
Financial Account	-97.1	-96.8
a. Private capital	-75.0	-66.9
a-1 Direct Investment	3.4	-6.9
a-1-1 Outward	-69.5	-82.8
a-1-2 Inward**	72.9	75.9
a-2 Portfolio Investment	4.0	4.5
a-3 Banks	-42.4	-21.2
a-3-1 Securities	-34.2	-18.5
a-3-1 Other investment (loans, deposits)	-8.2	-2.7
a-4 Private nonbanks	-40.0	-43.3
b. Enterprises of Public Sector	-22.1	-29.9
Errors and omissions	6.0	5.3
Overall balance (Total Change in International Reserves)	-13.1	85.0
Change in Reserves of the Central Bank***	13.6	-84.7
Change in Reserve Position with IMF & SDR***	-0.5	-0.3
Total change in International Reserves**	13.1	-85.0

	In billion Dirhams	
	2020	2021
UAE Central Bank		
Foreign Assets (including the IMF)	391.9	481.5
Foreign Assets of the Central Bank	388.1	466.4
Reserve Position with IMF & SDR	3.8	15.1
Reserve Position with IMF	3.0	2.9
SDR Holding	0.8	12.2
Foreign Liabilities (including the IMF)	10.8	15.4
SDR Allocation	3.0	14.3
Foreign Liabilities of the Central Bank	7.8	1.1
Net Foreign Assets (including the IMF)	381.1	466.1
Net Foreign Assets of the Central Bank (Excluding the IMF)	380.3	465.3
Change in Net Foreign Assets (including the IMF)	-13.1	85.0
Change in Net Foreign Assets of the Central Bank (Excluding the IMF)	-13.6	84.7
Change in Reserve Position with IMF + SDR	0.5	0.3

1) Including Estimates of other Exports from all Emirates

2) Including Re-exports of Non-Monetary Gold

3) The revision in the import (FOB) and Freight & insurance (debit side of the service account) was due to changes in the assumed ratio to compute FOB values of imports based on CIF values. The ratio is revised downward from 15% to 10% based on the results of a recent survey, which better reflects all components of UAE trade based on actual UAE 2017 import structure.

4) Including Estimates of Imports from all Emirates and Imports of Non-Monetary Gold

5) Includes estimation for financial services, research and development services, professional and management consulting services, technical, trade-related and other business services and the rest of insurance services apart from cargo

6) Central Bank and all Banks

* For information only

** Source: The Federal Competitiveness and Statistics Centre (FCSC)

*** Negative numbers of international reserves indicate an increase, positive numbers indicate a decrease

KEY HIGHLIGHTS IN 2021

02



MAIN ORGANISATIONAL HIGHLIGHTS

The CBUAE Board approved a revised operating structure, the Targeted Operating Model (TOM), to govern its mandated operations. The TOM is based on six core and support functions, each headed by an Assistant Governor with relevant delegated authority, in addition to two units with functional independence, which report directly to the Governor - CBUAE Internal Audit and the Financial Intelligence Unit (FIU).

During 2021, the CBUAE merged successfully with the Insurance Authority, bringing the regulation and supervision of all banking and insurance services sectors within one body. It also obtained five ISO certifications – the global standard for quality assurance in management systems, processes and services – covering its Integrated Management System and four other elements, including Information Security and Business Continuity. On the human capital side, the CBUAE launched its Ideation Management system for all employees (Nabtakir System) and reached a staff Emiratisation level of 65.2%.

1. LATEST DEVELOPMENTS IN THE TARGETED ECONOMIC SUPPORT SCHEME (TESS)

The UAE has been among the leading countries globally in COVID-19 vaccination rates and the implementation of effective emergency measures during the pandemic. The CBUAE's wide-ranging measures under the Targeted Economic Support Scheme (TESS) helped to protect the UAE financial system and economy during the pandemic and throughout 2021 supported the UAE's recovery.

The implementation of TESS achieved its objective in helping ensure the resilience of the financial system in the UAE, easing the cash-flow pressures of affected retail and corporate borrowers, maintaining adequate liquidity conditions, and mitigating pandemic-related operational challenges. The UAE banking system sustained strong fundamentals and financing capacity within the economy.

The TESS deferral programme played a crucial role in the UAE community by supporting 322,000 borrowers with temporary constraints due to the negative impact of the pandemic on household and corporate cash flows. The outstanding amount of loans and financing that benefited from the TESS deferral relief reached 15% of total bank loan portfolios at the peak of the pandemic.

Figure 5: Beneficiaries of the TESS deferral program



*The CBUAE's response to the COVID-19 pandemic was recognised by the Frontline Heroes Office**

for safeguarding the UAE financial system and the economy during the COVID-19 pandemic.

* The Frontline Heroes Office, established in July 2020 by Presidential Decree under the Chairmanship of His Highness Sheikh Mohamed Bin Zayed Al Nahyan, is dedicated to recognising those working on the frontline and raising awareness of the key contributors during crises and emergencies.

Balanced Gradual Exit Strategy

In 2021, the CBUAE's crisis management focus shifted towards supporting economic recovery while continuing to safeguard financial stability. The CBUAE devised a comprehensive exit strategy from the broad-based emergency measures implemented during the pandemic, balancing the winding-down of TESS measures with a commitment to support the recovery.

The CBUAE rebalanced TESS during 2021, replacing measures designed to mitigate the immediate adverse effects of the pandemic with targeted steps to support the recovery. As part of this balanced approach, the TESS deferral programme, designed to provide temporary cash-flow relief, was phased out to half by 30 September 2021 and fully by 31 December 2021.

The CBUAE has kept TESS prudential relief measures regarding banks' capital buffers and liquidity and stable funding requirements to provide banks with enhanced flexibility while the recovery gains momentum. They will be phased out by June 30, 2022. Further support measures that temporarily remain include the reduced reserve requirements and a decreased downpayment requirement for new mortgage loans.

Figure 6: CBUAE's TESS Gradual Exit Strategy

The Central Bank's effective well-sequenced crisis management exit strategy strikes the right balance between a gradual lifting of emergency measures and continued support of the economic recovery.



Selected Crisis Management Exit Schedule of the CBUAE's Targeted Economic Support Scheme (TESS).

PRO-ACTIVE AND TRANSPARENT COMMUNICATION DURING THE COVID-19 PANDEMIC

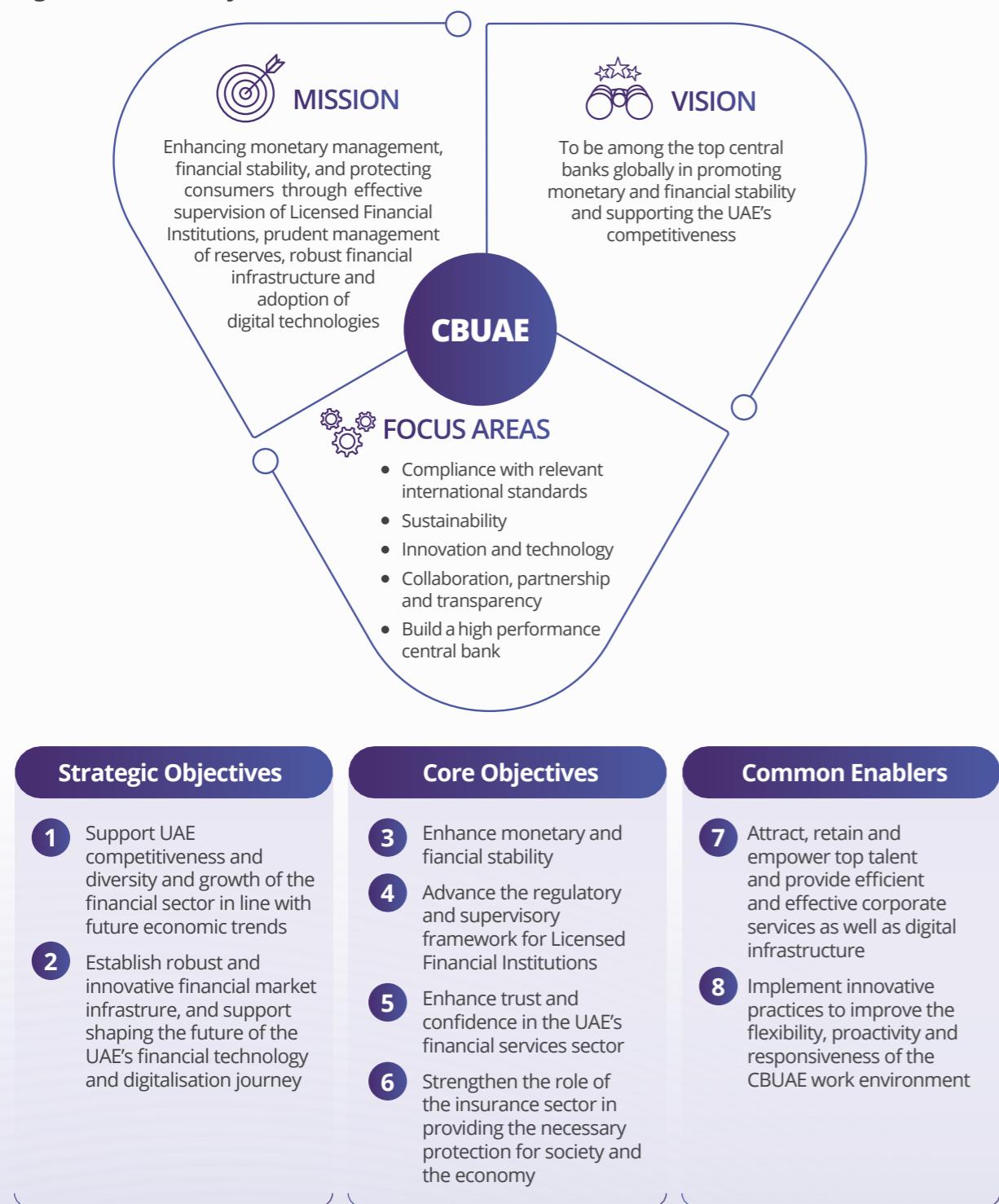
Ensuring the highest level of transparency amid uncertainty, the CBUAE issued over 20 announcements to inform the public of pandemic-related developments and measures. The IMF's Article IV mission to the UAE in 2021 highlighted the importance of the "swift and substantial policy response and the clear and proactive communication by the CBUAE".

2. NEW STRATEGIC PLAN FOR 2023-2026

In 2021, the CBUAE developed its new strategic plan for 2023-2026 based on five focus areas: compliance with relevant international standards; sustainability; innovation and technology; collaboration, partnership, and transparency; and building a high-performance central bank. The new strategy aims to make the CBUAE among the top central banks globally in promoting monetary and financial stability and supporting the UAE's competitiveness.

The new strategy consists of eight objectives: two strategic, four core and statutory, and two common enablers, as shown in Figure 7.

Figure 7: CBUAE Objectives



The CBUAE will continue to support the UAE ranking in key indicators of global competitiveness, which were defined by the Government to achieve the objectives of the UAE Centenary 2071 vision of being the best country in the world by 2071. To that end, the CBUAE developed a new list of strategic indicators to measure and benchmark its performance in key areas, particularly for monetary and financial stability, innovation and technology.

To achieve these ambitious strategic objectives, the CBUAE developed a comprehensive action plan that sets out the priorities, projects and desired outcomes for the period. The following projects, some of which are already underway, will form important milestones in the CBUAE's transformation journey between 2023 and 2026:

- Foster sustainable national growth through green finance;
- Ensure readiness for Financial Sector Assessment Programme (FSAP);
- Implementation of the National Payment System Strategy (NPSS);
- Issue a Central Bank Digital Currency (CBDC);
- Implement the SupTech programme; and
- Continue to drive digital transformation in the financial sector through projects including a nationwide e-KYC platform, implementation of an Open Finance strategy and platform, and setting up a SME Funding Platform with cross-UAE stakeholders.

3. SUPERVISION OF AML AND CFT MEASURES

One of the CBUAE's key strategic objectives is to ensure adherence to the UAE's Anti Money Laundering and Combating the Financing of Terrorism (AML/CFT) legal and regulatory framework and to identify relevant threats, vulnerabilities and emerging risks in the UAE financial sector. During the course of 2021, the CBUAE coordinated closely with the National AML/CFT Committee (NAMLCFTC), to implement relevant aspects of the National AML/CFT Strategy, and the National Action Plan developed to support it.

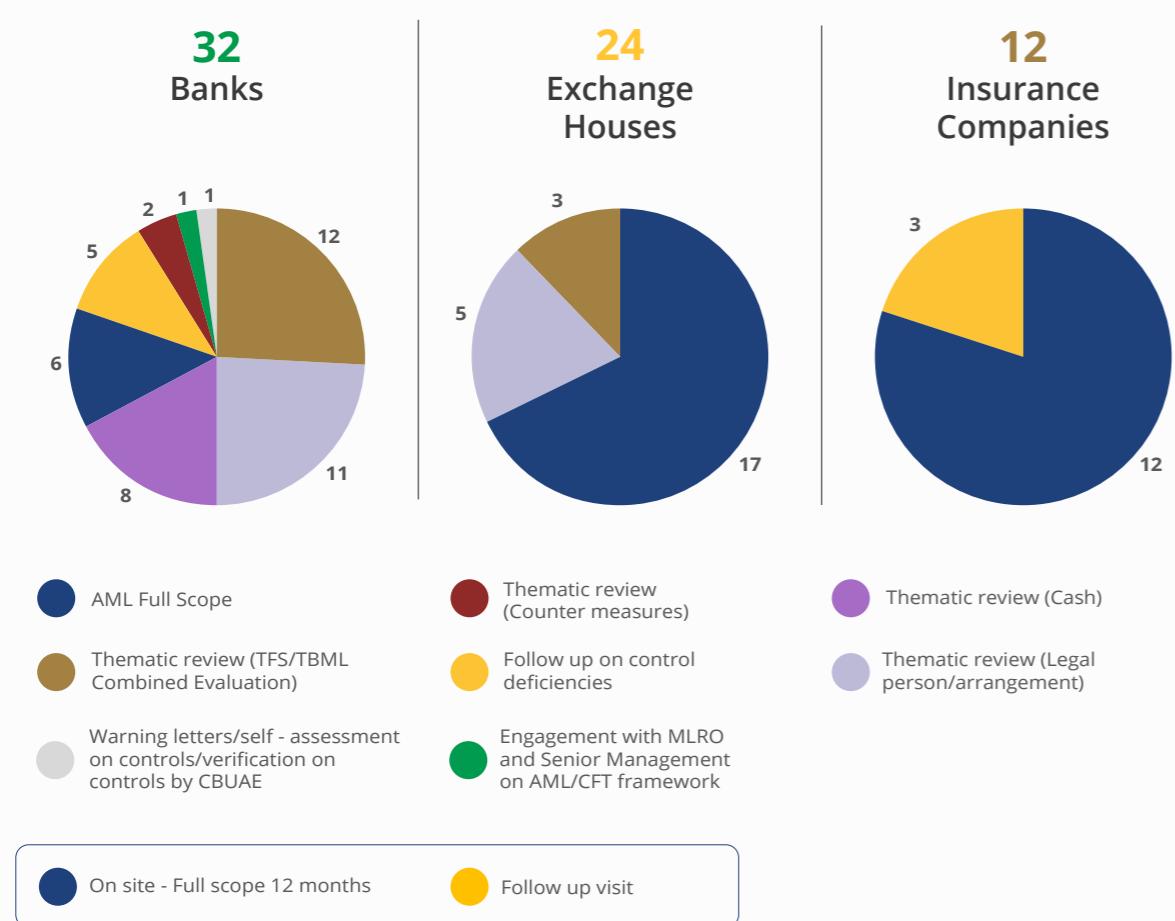
In recent years, the CBUAE has made significant progress in strengthening the AML/CFT legal and regulatory capability of the UAE through initiatives, such as establishing an adequately-staffed AML/CFT supervision function with a clear mandate, as per Financial Action Task Force (FATF) expectations, as well as developing guidance notes for the supervised sectors (banks, finance companies, exchange houses and hawala providers). It has also implemented a risk-based supervision methodology, supported by an automated AML/CFT risk assessment tool (AMLex) and examination of LFIs as per the resulting risk profiles. The CBUAE enhanced cooperation with local and international agencies, with a view to sharing financial intelligence and training. It also organised workshops with LFIs to enhance their knowledge of the CBUAE's AML/CFT-related expectations, and conducted training of CBUAE staff to international standards, to strengthen their general competency in the AML/CFT field.

Implementation of Technology for a Risk-based Approach

Following FATF guidance, the CBUAE took measures to strengthen its risk-based supervisory methodology by putting into operation a data analysis tool to drive the prioritisation of supervisory engagements and the development of its 2021 supervisory calendar. The new tool enables the risk categorisation of LFIs based on inherent risk scores, using comprehensive data from LFIs across the sectors, as well as control effectiveness scores determined through supervisory engagements. The CBUAE noted excellent cooperation from all of its supervised sectors.

Examinations and Enforcement Referrals

In 2021, the CBUAE conducted a range of engagements, including full-scope examinations, thematic reviews, follow-up on control deficiencies and targeted training on various AML/CFT topics, commensurate with the LFI's risk exposure. These included four thematic reviews on legal persons and arrangements, targeted financial sanctions, trade-based money laundering and counter-measures (FATF high risk jurisdictions and cash), which were identified in line with the National Risk Assessment. Where significant deficiencies were identified in LFI's during supervisory engagements, the CBUAE followed up with dissuasive action.

Figure 8: An overview of the risk-based supervision actions taken by the CBUAE

Examination conducted on 3 insurance brokers in addition to insurance companies.

Increased Cooperation to supervise LFIs

The CBUAE was proactive in strengthening national AML/CFT efforts through collaboration with multiple domestic stakeholders and authorities. This included concluding MoUs with domestic and foreign supervisory authorities as a formal basis for cooperation on operational issues, including the confidential exchange of regulatory and prudential information, investigative assistance to conduct inquiries and examinations, and mutual assistance in identifying risks and cooperation opportunities necessary for the effective AML/CFT supervision of LFIs.

Official Guidance Issued to LFIs

In line with the risks identified in the Mutual Evaluation Report (MER) issued by FATF in 2020, the CBUAE developed a suite of targeted guidance to assist the understanding of risks and implementation of the obligations of banks, exchange houses, finance companies, registered hawala providers, insurance companies, agencies and brokers. The CBUAE issued all guidance to its LFIs, followed by dedicated outreach sessions, and published the guidance on its website (<https://www.centralbank.ae/en/cbuae-amlcft>).

AML/CFT GUIDANCE INSTRUCTIONS ISSUED IN 2021

Guidance for LFIs on Suspicious Transaction (9 June 2021)	Assists LFIs in understanding their obligations relating to Suspicious Transaction Reporting (STR) and reporting timelines, including on how to implement appropriate internal controls for identifying suspicious activity and transactions and filing reports of the highest quality to the UAE's Financial Intelligence Unit (FIU) through the GoAML portal.
Guidance for LFIs Providing Services to Legal Persons and Arrangements (9 June 2021)	Provides guidance to LFIs on the specific ML/TF risks associated with legal persons and arrangements and common typologies and assists them in applying preventive measures to mitigate associated risks as part of their compliance framework.
Guidance for LFIs providing services to the Real Estate and Precious Metals and Stones Sector (20 June 2021)	Sets out the specific ML/TF risks and typologies associated with real estate and precious metals and stones sectors, the risks that LFIs offering services to these sectors may be exposed to and the CBUAE's expectations on how to apply relevant preventative measures.
Guidance for LFIs on the implementation of Targeted Financial Sanctions (8 July 2021)	Developed in close collaboration with the Executive Office of the Committee for Goods and Materials Subjected to Import and Export Control, the national lead to coordinate the implementation of Targeted Financial Sanctions. It assists LFIs in understanding and implementing their obligations related to Targeted Financial Sanctions, screening and reporting requirements and the development of a sanctions compliance programme.
Guidance for Registered Hawala Providers and for LFIs providing services to Registered Hawala Providers (18 August 2021)	Describes the vulnerabilities of hawala activity for abuse by illicit actors and the risks to which Registered Hawala Providers and the LFIs that provide services to them may be exposed and provides guidance in applying preventive measures and the implementation of their AML/CFT obligations.
Guidance for LFIs on Transaction Monitoring and Sanctions Screening (13 September 2021)	Provides guidance in applying preventive measures and implementation of AML/CFT obligations by the LFIs in relation to the design, implementation and maintenance of transaction monitoring and sanctions screening programmes.
Guidance for LFIs providing services to Cash-Intensive Businesses (28 September 2021)	Describes the specific vulnerabilities of cash, alternatives to cash and the features of Cash-Intensive Businesses, provides potential risk indicators for each of these features and assists in the application of preventive measures.
Guidance for Licensed Exchange Houses (17 November 2021)	Assists the understanding and mitigation of risks as well as the effective implementation by the Licensed Exchange Houses of their AML/CFT statutory obligations.

Ongoing Outreach to LFIs

The CBUAE developed a comprehensive outreach programme to promote the LFIs' awareness of the CBUAE-issued Guidance, understanding of ML/TF risks and implementation of their AML/CFT obligations. The programme was developed with LFIs' involvement, based on ML/TF risk assessments carried out within the CBUAE at institutional and sectorial levels, the identification of trends in supervisory findings during on-site examinations, and intelligence gathered through domestic cooperation. In addition to events organised as part of an annual programme that includes a dedicated forum for banks' compliance officers, the CBUAE conducted outreach sessions following the issuance of each Guidance to LFIs.

4. SUPERVISION OF THE BANKING SECTOR, PAYMENT SYSTEMS AND EXCHANGE HOUSES



“Risk-based supervision allows the CBUAE to assess and examine banking groups on a consolidated basis. We have sustained our dialogue with the industry to set out regulatory expectations, and completed new regulatory initiatives in 2021 to make financial institutions operating in the UAE more resilient, in line with international standards and best practice.”

Ahmed Saeed Al Qamzi

Assistant Governor - Banking and Insurance Supervision

During 2021, the CBUAE continued its work to ensure robust supervision of a sound national financial sector, in accordance with its strategic and operational plan. The adoption of enhanced risk-based supervision since 2019 ensured that the CBUAE assesses any banking group operating in the UAE on a consolidated basis. The CBUAE monitored the compliance of UAE incorporated banks with prudential standards.

Supervision of Licensed Financial Institutions

During the unprecedented situation arising from the Covid-19 pandemic, its repercussions on the wider economy, and its consequential impact of the financial system, the CBUAE constantly monitored the changing supervisory landscape and reassessed the priorities of its examination efforts at least every quarter, to ensure that resources were allocated and re-prioritized to issues that required the most attention. The examination plans remained dynamic, to ensure that the CBUAE was responsive to the issues within its financial system as necessary, fulfilling its legal mandate for effective supervision.

The CBUAE carried out baseline, follow-up and thematic risk-based reviews of LFs to measure financial performance and validate regulatory requirements, including (but not limited to) governance, capital, liquidity, earnings, credit quality, and control measures over service and operational resilience. The quality and consistency of the examination process remain a key focus, and were streamlined through the establishment of Standard Operating Procedures.

Foreign Operations of Local Banks

As part of its enhanced consolidated risk-based supervision, the CBUAE recognised the need for enhanced transparency and consistent insight into the foreign operations of locally-incorporated banks. Accordingly, the CBUAE introduced the requirement

for a Long Form Audit Report (LFAR) to ensure the adequate monitoring of a bank's activities within different jurisdictions and to establish minimum reporting requirements with a focus on assessing the application of prudential standards to all aspects of the business. This LFAR is an additional supervisory tool to achieve consolidated supervision on an ongoing basis for increased monitoring of the foreign and cross-border operations of local banks. In other words, since not all of the banks' overseas operations are reviewed every year on a risk-based approach, the LFAR provides additional information to enable the CBUAE to assess any evolving risks on a consolidated basis. During 2021, CBUAE reviewed 23 LFAR reports from various jurisdictions where the local banks operated through branches or subsidiaries.

Advanced Asset Quality Thematic examination

The CBUAE conducted a more advanced system-wide thematic review of asset quality for exposures exceeding a system-wide threshold of AED 500 million, with findings presented to the Supervisory and Regulatory Committee. The borrowers were reviewed for their exposures and performance across all material lenders. The key objectives of this thematic review were to:

- Enhance the consistency of classifications for the same borrowers across the banks;
- Ensure the adequacy of provisions for non-performing loans; and
- Identify any exposure that may require close monitoring and review.

Consolidated Supervision and Regulatory Cooperation

To enhance effective supervisory oversight, the CBUAE organised supervisory colleges for banks with material cross-border operations, taking into account

respective risk profile and systemic importance over the past three years. In addition, CBUAE supervisors participated in supervisory colleges organised by consolidated (home) supervisors to share information and cooperate in the effective supervision of the group and its entities. The CBUAE handled numerous requests from other regulators, both domestic and foreign, including the Securities and Commodities Authority (SCA).

Coordination with Banks on Real Estate Exposure

The CBUAE worked closely with the UAE Banks Federation (UBF) to develop real estate lending (REL) standards. The basic aim was to understand better and define risks in current REL practices, to set expectations for measuring and monitoring exposure and concentration levels in REL.

National Loan Scheme

Launched in 2019, the National Loan Scheme has provided relief to more than 4,710 UAE national borrowers and their families. This landmark initiative aims to ease excessive debt accumulation and the management of debt settlements.

Risk-based Supervision Upskilling

The Risk-Based Supervision Training Programme saw 36 UAE citizens graduate during 2021. The programme, which has a special focus on UAE national examiners, is a collaboration with the Institute of Bankers in Ireland (IOB) and the CBUAE.

Supervisory Review and Evaluation Process

Four Supervisory Review and Evaluation Process (SREP) reports were completed and updated following examination of D-SIBs and other major banks. SREP was developed as a conceptual framework to conduct a comprehensive assessment of a bank's overall business model, corporate governance, and the risk to and adequacy of its capital and liquidity resources.

In addition, as a SREP alternative, the CBUAE introduced 'Institutional profile' reports (a brief summary and risk evaluation), which remains in the development and testing phase for other banks. Institutional profiles for two banks were completed during the testing phase in 2021.

Finance Companies

The CBUAE completed 17 risk-based examinations for finance companies, and reviewed asset quality

thematically. The finance companies risk database was upgraded during 2021, and updated on a quarterly basis.

Exchange Houses and Remittances

The exchange house sector in the UAE plays a critical role in providing access to financial services for those who are unable to participate in the formal banking sector. This ensures that expatriates, and notably low-wage earners, can receive their salaries securely and remit funds back to their home countries on a regular basis.

During 2021, the CBUAE conducted 28 regulatory and 20 AML/CFT examinations on exchange houses.

Hawaladars

In 2019, the CBUAE issued the Registered Hawala Provider Regulations, introducing a formal registration process for hawaladars in the UAE. The regulation aims to protect customers using registered hawala providers, to increase transparency in the remittance market and to improve services for expatriates remitting to countries where access to financial services is limited.

The first official registration certificate was issued in 2021. By the year-end, the CBUAE had approved 55 hawaladars, with approval in principle for another six companies. It conducted twenty AML/CFT inspections on hawaladars.

Payment System Oversight

The pandemic continued to present challenges and opportunities for the UAE's payment system. The CBUAE's financial market infrastructure (FMI) aims to provide a reliable payment capability, with the ability to maintain operations under extreme circumstances - a critical factor in ensuring financial stability. The UAE FMI systems, operated by the CBUAE, were tested on the efficiency of their business continuity plans and sound operations, using the international standards of the Principles of Financial Market Infrastructure (PFMI)¹⁶. By conducting risk-based assessments at least annually, the CBUAE was able to prepare for situations likely to impact PFMI's operational reliability adversely in the future.

The FMI systems are benchmarked to ensure a high level of compliance. The CBUAE has designated these systems as systemically important. It also ensures that the equally-important critical service providers and vendors meet the CBUAE's financial stability objective through periodic evaluation and assessment against applicable principles and best practice.

¹⁶ PMFIs are the international standards for financial market infrastructure, including payment systems, central securities depositories, securities settlement systems, central counterparties and trade repositories.

5. SUPERVISION OF THE INSURANCE SECTOR

During 2021, the CBUAE took on the role of supervising the UAE insurance sector, by aligning its supervisory work with CBUAE strategic objectives. This followed the government decision in 2020 to merge the Insurance Authority into the CBUAE as part of the UAE's broader aim to transform the CBUAE into one of the world's top central banks.

The CBUAE developed an action plan to achieve full compliance with the IAIS Insurance Core Principles.

Solvency Action Plan

The CBUAE focused on the primary objectives of effective risk-based supervision (ensuring the safety and soundness of insurers and protecting policyholders) and developing the insurance sector in line with international best practice and standards. It adopted a solvency action plan to ensure that companies would complete their solvency-strengthening programmes in 2022, resolving solvency deficits following additional financial regulations in late 2017.

Introduction of Onsite Inspection Visits

A key CBUAE initiative in insurance sector supervision was to organise site visits to licensed entities using a risk-based approach, to confirm the entities' ability to manage all risks and ensure the protection of policyholder rights. The CBUAE conducted 83 inspection visits during 2021, which covered insurance companies and other entities related to insurance.

Industry Readiness to Implement IFRS 17

The CBUAE completed its industry readiness assessment to implement the new International Financial Reporting Standard for insurance contracts (IFRS 17), based on financial and operational impact assessments submitted in March 2021. It communicated the assessment results to the industry in June 2021 with recommended actions, specifically the need for early auditor engagement to mitigate project delivery risk.

In December 2021, the CBUAE outlined its approach to adopting IFRS 1 in the UAE for general purpose and regulatory financial reporting. Two points are important in this regard:

- To fulfil the requirements of UAE law, general purpose financial reporting will be based on IFRS 17 from 1 January 2023; and

- Regulatory reporting will continue under current conditions for the time being. The CBUAE will monitor the quality of IFRS 17 reporting in the initial years of implementation, with a view to adopting IFRS 17 for regulatory purposes when the implementation is understood better and is supported by robust internal controls over financial reporting.

Digital Supervisory Platform

The CBUAE launched a digital supervisory platform (DSP) project to oversee the insurance sector on a holistic basis. DSP's aim is to ensure that insurance supervision follows contemporary standards and practices, using the latest technology available to supervisors around the world. The core of this project is e-forms, a regulatory tool for data collection from insurance companies. The DSP will be integrated with other systems at the CBUAE, so that all licensed entities make their submissions in one place.

The data reporting framework covers supervisory reporting, analysis and early warning capability. It will enable the CBUAE to receive insurance industry data, documents and reports, and to analyse market trends and emerging risks to adopt a forward-looking approach. One key DSP element is its transactional data module, which will provide the CBUAE with key UAE insurance sector data on a transactional level – policy by policy, claim by claim.

Monitoring of COVID-19 Impacts

The CBUAE continued to monitor the impact of COVID-19 on the UAE insurance industry on a monthly basis. Total paid claims related to COVID-19 amounted AED 800 million (2.0% of total incurred claims) in 2020 compared to AED 790 million (2.6% of total incurred claims) in 2021. This reduction in claims was despite an increased level of exposure due the resumption of economic activities, international travel and minimal lockdowns compared to 2020.

Internal Controls over Financial Reporting (ICFR)

The CBUAE has started to implement ICFR in the UAE's insurance sector. This will permit high-quality information-sharing with the public and other stakeholders by providing assurance on the reliability of insurance firms' financial reporting, in accordance with generally-accepted accounting principles:

- Phase one asked companies to evaluate and test the design and implementation of the existing ICFR; and

- Phase two required companies to take any corrective action necessary to fix the gaps identified in phase one.

The ICFR requirement of a separate external audit opinion by the end of 2023 was decided after taking into account industry feedback, and the CBUAE's expectation is that implementing IFRS 17 will result in significant restructuring and re-design of companies' internal processes and controls.

Industry Consultations and Communications

The CBUAE held a series of industry workshops in 2021 to communicate its supervision priorities and information requirements for 2022 to a target audience of insurance companies, actuaries and external auditors, clarifying data and reporting requirements. In addition, the CBUAE engaged in two main consultation processes on:

- The Shari'ah-compliant insurance industry (Takaful), which will be considered in future regulatory developments; and
- Life insurance. The CBUAE discussed the impact of implementing the Board of Directors' Decision No. (49) of 2019 concerning instructions for Life Insurance and Family Takaful Insurance ("BOD49").

The CBUAE will continue to monitor the impact of these regulations.

6. NEW DEVELOPMENTS IN ISLAMIC FINANCE

The CBUAE continues to encourage Islamic finance to flourish in the UAE by issuing accommodating prudential regulations and developing monetary instruments for Islamic Financial Institutions (IFIs). This includes enhancing standardisation and product innovation, supervising compliance with Shari'ah rules and consumer protection, and participating in international events to advance the Islamic finance agenda regionally and globally.

The CBUAE's strategy to foster the development of Islamic finance includes the adoption of the Islamic Financial Services Board's (IFSB) prudential standards. As the business model of Islamic banks exposes them to different types of risk, the CBUAE issued a specific standard relating their risk management requirements. Failure in governance, business strategy and process, especially Shari'ah non-compliance related failures, could expose Islamic banks to publicity that impacts their market position, profitability and liquidity negatively. The CBUAE strategy includes issuance of dedicated liquidity risk management, as well as capital adequacy and disclosure requirements. The CBUAE's Higher

Shari'ah Authority (HSA) also reviewed regulations related to the Islamic insurance sector (known as Takaful) to ensure their suitability for the Islamic insurance industry.

The CBUAE also developed monetary instruments for IFIs and, in collaboration with the HSA, enhanced the quality of the existing Shari'ah-compliant monetary instruments, which are designed to cater for the liquidity deployments and needs of IFIs, in line with the established Shari'ah standards.

The HSA adopted resolutions and standards to foster standardisation and innovation in Islamic finance in the UAE, including a Shari'ah standard on debit and credit card applications in IFIs. The HSA issued guidance on products and services offered by IFIs to encourage innovative solutions in line with the highest industry standards. With the support of the Islamic banking committee of the UAE Banks Federation, the UAE adopted innovative structures and solutions for syndicated financing and Sukuk (Islamic bonds), which will enhance market confidence by providing Shari'ah-compliant legal certainty for these instruments.

During the recovery period from COVID-19, the HSA extended the grace period for some standards to allow LFIs more time to apply them. The HSA also issued guidance on the transition from LIBOR to alternative benchmarks for pricing Shari'ah-compliant products and services. It performed its supervisory role on internal Shari'ah Supervision Committees by reviewing the annual Shari'ah reports of IFIs, approving new standard products and services offered to the public, and issuing clarifications on the application of certain standards, including governance and Shari'ah issues related to housing Islamic 'windows' within conventional banks.

The CBUAE advocated policies to ease and improve Islamic finance in regional and international seminars and conferences. It chaired the 2021 IFSB Council meeting, charged with steering the development of the Islamic finance industry's prudential landscape. In conjunction with the IFSB council meeting held in Abu Dhabi in December 2021, the CBUAE co-organised a public lecture on sustainability and cyber-security for Islamic financial institutions. It also hosted the IFSB's Capacity Building for Market Players event for banking and insurance sectors, focusing primarily on risk and liquidity management for Islamic banks and Takaful companies. The CBUAE organised a special session on the future of Islamic finance, and the added value it brings, during the CBUAE's Future of Finance Conference held at Expo 2020 Dubai in October 2021. The HSA also participated in the third Centralised Shari'ah Advisory Authorities event hosted by Bank Negara Malaysia to foster collaboration in Shari'ah compliance and Shari'ah governance.

7. GREEN AND SUSTAINABLE FINANCE: CBUAE MAKES IMPORTANT ADVANCES TO SUPPORT THE GREEN ECONOMY

The UAE has taken a series of measures in line with its commitment to climate change mitigation and sustainable finance, including ratifying the Paris Agreement in 2016, developing the UAE Vision 2021, the Green Agenda 2015-2030, the National Climate Change Plan 2017-2050, and implementing related guidelines for specific sectors. The Ministry of Climate Change and Environment created the UAE Sustainable Finance Framework 2021-2031. The UN Framework Convention on Climate Change announced that the 28th meeting – COP28 – will be held in November 2023 in Abu Dhabi.

Regulatory Developments

The CBUAE's sustainable finance initiatives cross functional areas, encompassing the environmental, social and governance (ESG) aspects of financial activities within the CBUAE's mandate. The CBUAE is a member of the UAE Sustainable Finance Working Group, which issued Guiding Principles on Sustainable Finance in 2020 and a High-Level Statement on Sustainable Finance in 2021. The CBUAE plans to issue detailed sustainable finance and climate risk management guidelines during 2022, covering climate-related corporate governance, risk management and disclosures.

Investments in ESG Financial Assets

The CBUAE integrated green and sustainable financial assets as eligible investments in its Investment Policy adopted in 2020, aligned with the rising adoption of ESG investment frameworks by institutional investors globally.

Polymer Banknote Underlines CBUAE Sustainability Plans

The CBUAE marked the nation's Golden Jubilee with a new AED 50 banknote featuring the nation's founders and prominent Emirati landmarks, the first Emirati note to be printed on polymer plastic. This fully recyclable material is twice as durable as the previous paper notes, with more security and user-friendly features, such as Braille markings to assist the visually impaired.

ESG Financial Sector Surveillance Initiative

The CBUAE carries out ongoing surveillance of green and sustainable financial market developments and benchmarks ESG governance of national institutions against their global peers. ESG surveillance assesses country-specific and institution-specific gaps and developments in ESG finance in the UAE, based on international benchmarks and ESG market indicators.

Special Sessions

The CBUAE conducts internal sessions, chaired by The Governor, to review CBUAE-specific green and sustainable finance initiatives and progress, including the G20 sustainability aspects and the UAE's role in hosting the COP28.

Climate Risk Survey and Stress-Testing

The CBUAE conducted a stocktaking survey on UAE banks' climate-related risk management, covering UAE national banks and selected large foreign banks operating in the UAE, which included banks' governance, risk data and measurement, stress testing and disclosures. The CBUAE will begin climate-risk stress testing of the UAE financial system in 2022.

Initiative on Islamic Sustainable Finance

The CBUAE also conducted an assessment on synergies between Islamic finance and sustainable finance and intends to initiate a roundtable meeting with Islamic financial institutions on Islamic sustainable finance during 2022.

Climate Change Risk Assessment in the Insurance Sector

The CBUAE assessed climate change risks in the insurance sector, which will affect insurance firms both as insurers and as investors in financial instruments. The adaptation of the UAE's insurance sector to climate change considers climate-risk self-assessment and gap analysis, climate-risk mitigation measures and identification of growth opportunities.



“Our actions in 2021 to enhance monetary and financial stability in the UAE supported the competitiveness, diversity and growth of our financial sector. We reinforced our infrastructure with the Dirham Monetary Framework to improve liquidity management and forecasting, instilling confidence and trust in the UAE's financial system. ”

H.E Ebrahim Obaid Al Zaabi

Assistant Governor - Monetary Policy and Financial Stability.

8. MEASURES TO STRENGTHEN THE RESILIENCE OF THE UAE FINANCIAL SYSTEM

The CBUAE is mandated to promote financial stability in the UAE, since a stable and reliable financial system is a precondition for sustainable economic growth. The impact of the COVID-19 pandemic brought significant challenges for the financial system, and the economy more broadly. The CBUAE conducted risk assessments, scenario-based stress-testing and macro-financial analysis covering the entire UAE financial system, and addressed identified vulnerabilities through appropriate measures. The pandemic highlighted the importance of preventative steps to enhance the resilience of the financial system, and CBUAE's crisis readiness to respond promptly to any potential crises.

Financial System Surveillance

The CBUAE conducted analyses on global and domestic financial stability risks, and implemented measures to mitigate those risks. This financial surveillance included a comprehensive analysis of the UAE banking sector and non-bank financial institutions. Overall, the UAE banking system remained resilient, with the main key soundness indicators rebounding to pre-pandemic levels.

The focus on asset quality in the banking sector and related recommendations supported the stabilisation of non-performing loans during the second half of the year. Further assessments covered the pandemic's repercussions for the UAE financial system, and the calibration of a gradual, balanced exit strategy from the CBUAE's emergency measures implemented during the pandemic.

An enhanced framework for bank real estate exposures, implemented during the year, will further improve the measurement and oversight of real estate financing in the UAE.

Stress Testing and Modelling

In 2021, the CBUAE finalised the bottom-up stress test, focussing on exploring potential vulnerabilities in the UAE banking sector amid the COVID-19 pandemic. The hypothetical adverse scenario was anchored in a double-dip recession, triggered by new waves of the COVID-19 virus, which transmitted downside risks to the UAE GDP growth rate, oil price, and capital and housing markets.

As part of the stress test, the CBUAE initiated a stocktaking survey on climate risk to raise risk awareness in the UAE banking sector, and a liquidity risk survey to assess and enhance liquidity risk stress testing methodologies. The results will be published in the 2022 Financial Stability Report.

In addition, the CBUAE continued its frequent top-down stress tests to evaluate the impact of COVID-19 shocks to the UAE economy and the banking sector. The tests' aims were to measure potential disruption caused by new waves of the pandemic, and the effect this would have on UAE banks' capital and liquidity buffers. The results showed that the UAE banking sector would be able to withstand the considered scenarios while maintaining adequate capital and liquidity levels, thanks to the financial resilience built before the pandemic.

Macroprudential Framework

The pandemic highlighted the importance of the CBUAE's macroprudential policy – that is, policy to enhance the resilience of the financial system and counteract systemic risk by accumulating capital and liquidity buffers to be used in times of stress. The focus included annual designation of the UAE's Domestic Systemically Important Banks (D-SIBs).

The CBUAE designated as systemically important the same four banks as the previous year – First Abu Dhabi Bank, Emirates NBD, Abu Dhabi Commercial Bank and Dubai Islamic Bank. To ensure a higher level of loss absorption capacity, banks designated as

D-SIBs are subject to higher capital requirements (D-SIB capital buffer) and more intensive supervisory scrutiny. In response to the pandemic, banks were allowed to use 100% of their D-SIB buffer as part of the CBUAE's targeted measures to support the UAE financial system and economy.

9. CBUAE ENFORCEMENT ACTIONS ACROSS SECTORS

The CBUAE took robust measures on enforcement in 2021. Action focused on shortcomings in the Anti Money Laundering (AML) and Sanctions Compliance Framework across the financial services industry, and the failure of some money transfer (hawala) providers to register on the required reporting systems in a timely manner. The CBUAE also imposed administrative and financial sanctions for matters related to solvency, liquidity, consumer protection and Emiratisation¹⁷.

The CBUAE also introduced new procedures to enforce compliance with the requirement of the OECD's Common Reporting Standard (CRS) of 2014, by imposing penalties on Reporting Financial Institutions and their customers (account holders and controlling persons, in the case of trusts). The CBUAE is committed to strict compliance with the CRS, in line with the applicable UAE Cabinet Resolution 2016 on the global fight against tax evasion.

Additionally, the Strict Liability Violations Regulation was finalised in 2021, allowing the CBUAE to impose automatic fixed penalties for late reporting, or non-reporting.

UAE enforcement action: 2021

Institution type	Penalties (AED)	Number of institutions sanctioned	Additional non-monetary sanctions
Banks	45,758,332	12	1 remediation programme
Exchange Companies	19,863,000	14	3 licences revoked
Hawaladars	300,000	5	4 cautions issued
Financial intermediaries	N/A	1	1 licence revoked

10. NEW INSTRUMENTS IN THE MANAGEMENT OF THE UAE MONETARY MARKET

The rollout of the new Dirham Monetary Framework (DMF) gathered pace through 2021, in line with the CBUAE's monetary policy objectives, aiming to foster money market development in the UAE. This framework for the CBUAE's operations in the UAE Dirham money markets is geared towards the overriding monetary policy objective of maintaining the peg of the UAE Dirham to the U.S. Dollar, while also fostering capital market development in the UAE.

In order to achieve this, the framework consolidates liquidity facilities to ensure that domestic money market rates align to prevailing U.S. levels in support of the foreign exchange peg. This provides a clear distinction between standing facilities and open market operations to improve the CBUAE's capacity to manage liquidity, and creates incentives for banks to manage their day-to-day liquidity stance proactively and to support money market development and collateralisation in the UAE.

The following steps were taken towards the implementation of the new DMF through the year:

Monetary Bills (M-Bills)

The CBUAE launched a new securities issuance programme in early 2021 to LFs and eligible investors, known as Monetary Bills (M-Bills).

This serves three key DMF purposes:

- to absorb structural excess liquidity in the banking system;
- to provide banks with a high-quality tradable instrument denominated in local currency; and
- to provide the basis for determining the short end of a local currency-denominated yield curve.

To date, this programme has made good progress; M-Bills have now replaced the previous Certificates of Deposit programme. On 31 December 2021, the amount of outstanding M-Bills totalled AED 108.3 billion. A nascent secondary market has also emerged, with M-Bills dealers quoting two-way pricing, and trades taking place outside primary distribution. The CBUAE expects such trends to continue to gain momentum, as other DMF aspects are rolled out.

Intraday Liquidity Facility

The CBUAE introduced new liquidity insurance and liquidity provision facilities, while also improving existing facilities. This included the introduction of an Intraday Liquidity Facility, to provide eligible counterparties access to Dirham liquidity to ensure that payments are settled on a real-time basis, and to increase payment efficiency through the UAE Funds Transfer System.

IMF Technical Assistance in Liquidity Management and Forecasting Instruments

The CBUAE engaged the International Monetary Fund for technical assistance related to liquidity management and forecasting. The result of the mission saw a start-of-the-art liquidity forecasting framework developed for the CBUAE, utilising the latest advances in statistical literature, and the development of a more robust approach to calibrating the optimal structural liquidity surplus for the banking system. The mission also resulted in other recommendations related to more effective DMF implementation on open market operations and organisational requirements and processes. Practical implementation of the Technical Assistance mission's recommendations are ongoing, and will enhance the CBUAE's approach to monetary policy implementation significantly in the coming years.

Dirham Overnight Index Average (DONIA)

The CBUAE enhanced the transparency of local money markets through the development and publication of a Dirham Overnight Index Average (DONIA). Daily publication of DONIA, based on actual overnight interbank transactions, provides market participants with data on the overall state of the interbank market, and provides a solid basis for banks in determining their fixings for the Emirates Interbank Offered Rate (EIBOR). Effective from 7 December 2021, the index is published on UAE business days by 0930 UAE time on the CBUAE's website, and through Bloomberg and Refinitiv Eikon. The CBUAE also publishes the corresponding volume data of the eligible transactions used in constructing DONIA.

These measures, alongside those of 2020, have led to a significant improvement in monetary policy implementation and transmission within the UAE. The CBUAE will continue its DMF implementation over the coming year to enhance monetary policy objectives further, and to foster capital market development in the UAE.

¹⁷ UAE law requires financial institutions to ensure that a certain percentage of UAE nationals are employed in their workforce, and that the UAE nationals receive appropriate training through programmes administered by the Ministry of Human Resources and Emiratisation. It imposes penalties for non-compliance.

11. NEW ACTION ON FOREIGN EXCHANGE RESERVE MANAGEMENT

Ensuring prudent management of foreign exchange reserves is one of the CBUAE's key strategic objectives. This requires that the CBUAE invests its foreign exchange reserves in safe and liquid investment-grade assets that meet the legal requirement to cover a minimum of 70% of the monetary base. The CBUAE observes the IMF's Guidelines for Foreign Exchange Reserve Management to ensure that it follows international best practice.

The CBUAE's policy objectives for holding the foreign exchange reserves are to:

- support confidence in its exchange rate policy;
- mitigate disturbances arising from the balance of payments and the domestic banking system;
- facilitate foreign currency transactions with government entities and the local banking system;
- maximise return at an acceptable level of risk.

There were four key developments during 2021:

- The CBUAE implemented the Strategic Asset Allocation (SAA), approved by the CBUAE Board of Directors in November 2020 along with a new Investment Policy. Implementing the SAA resulted in a broad diversification of assets into major bond markets, tranching assets into portfolios with different timescales and investment objectives.
- The Board has set a risk budget that defines the maximum risk and reference portfolios against which the assets are measured and invested.
- A new reserve adequacy assessment framework came into operation. This aligns directly with the Board's liquidity/risk appetite, to ensure that the CBUAE always has sufficient liquid assets during times of crisis.
- The CBUAE's diversified corporate bond allocation aims to observe ESG principles.

In 2022, the CBUAE plans to engage external fund managers. It will continue to manage its reserves in accordance with its fundamental aim of ensuring operational excellence and prudent reserve management, guided by international best practice.

12. IMPROVING UAE PAYMENT SYSTEMS

The CBUAE owns and operates most of the UAE's systemically-important payment systems. It is engaged in several projects to strengthen and diversify domestic payment channels, putting them at the forefront of technological developments in this field. These projects have been conducted in collaboration with banks in other jurisdictions.

Measures Taken During the Pandemic

The CBUAE took measures during the pandemic to ensure the continued functioning of payment systems that it operates or manages. It strengthened the Instant Payment Instructions (IPI) channel, enabling fund transfers on a 24-hour basis, and the window for processing cheques through the Image Cheques Clearing System (ICCS), to accommodate access to payments infrastructure during the movement restrictions under the National Sanitation Programme to deal with COVID pandemic. The CBUAE waived all payment systems charges, and increased the threshold for Tap & Go POS transactions from AED 300 to AED 500 to allow easy processing, reduce waiting time and avoid the spread of viruses. It also reduced the Interchange Reimbursement Fees (IRF) for debit cards' POS transactions, with the expectation that the lower costs would be passed to merchants, and ultimately, to their customers. The CBUAE also allowed exchange houses to process international remittances for customers under the Wages Protection System (WPS).

Advancing the National Payment Systems Strategy

The CBUAE began moves to launch the national Instant Payment Platform (IPP), part of the National Payment Systems Strategy (NPSS) developed to ensure safe and convenient electronic payments to reinforce the UAE's place as a leading cashless economy. The platform lays the groundwork to transform the UAE's financial services ecosystem, providing flexibility to respond to the rapidly-changing payment market and complying with best practice and international standards (including ISO20022). At the CBUAE-hosted Future of Finance conference in Dubai in October 2021, the CBUAE signed an agreement with a consortium of partner companies selected to lead IPP implementation. The first release of the IPP is expected in late 2022.



“In 2021, we focused on building and strengthening capabilities to address rapidly-changing market requirements for an advanced, robust national payment system. In addition, we bolstered our payments regulatory framework to meet our ambitious vision of modernising the payment ecosystem and enhancing cross-border payment options.

We will continue to invest in technology to deliver resilient national payments system platforms which enhance customer experience, boost financial inclusion and help to develop a cashless society. ”

Dr. Sabri Hamed Al Azazi

Assistant Governor - Support Services and Operations

Regulatory Policy Framework for UAE Payment Systems

The CBUAE developed a regulatory policy framework to cover existing and evolving payment systems, products and services. Specifically, the CBUAE issued four regulations (covering Stored Value Facilities, Retail Payment Systems, Large Value Payment Systems, Retail Payment Services and Card Schemes). The regulations' main objectives are to:

- enhance the licensing regime for Stored Value Facilities;
- establish a designation regime for large value clearing and settlement systems and retail payment systems, enabling the CBUAE to designate such systems to be subject to its oversight;
- develop an activity-based approval regime for other retail payment activities, such as payment card issuing, merchant acquiring and crypto-related activities, allowing the CBUAE to regulate such activities in a proper manner.

Preparations to Join GCC-RTGS and Buna

In 2021, the CBUAE passed all milestones to ensure its readiness to join the Gulf Payments Company's Arabian Gulf System for Financial Automated Quick Payment Transfer, known as AFAQ. Launched in December 2020, AFAQ connects the central bank payment systems in GCC countries, enabling the processing of cross-border transactions in GCC currencies. The CBUAE also worked closely with Buna, the Arab Monetary Fund platform that allows central banks and commercial banks in the Arab region to process, clear and settle their cross-border

transactions using their domestic currencies. The UAE Dirham will ultimately be used as a settlement currency in both systems, which will increase reliance on the Dirham outside the country. Use of the Dirham in regional and international business will relieve the pressure on economic operators in the UAE to secure large liquidity in foreign currencies for their cross-border transactions.

Compliance with International Standards in Payment Systems

In 2021, the CBUAE undertook its annual assessment of its payment systems to ensure compliance with the PFMI international standard. This took into consideration the Large Value Payment System (LVPS) and Retail Payment System (RPS) regulations issued in the first quarter of 2021. The report concluded that the implementation of compliance measures was progressing well, in line with the CBUAE's action plan.

CBUAE cooperation with other Central Banks

In 2021, the CBUAE signed a MoU with Bank Indonesia to promote cooperation on payment systems and digital financial innovation.

The CBUAE also entered into a currency Swap agreement with the Bank of Korea, and renewed its Swap agreement with the Reserve Bank of India. These agreements facilitate transactions involving the purchase and sale, and subsequent repurchase and resale, of the foreign currency against AED, and of AED against the foreign currency. The aim is to foster a wider scope of mutual trade and investment opportunities for economic operators in the two countries, and to support the development of bilateral financial market operations.

13. DIGITAL TRANSFORMATION: FINTECH SECTOR INITIATIVES

The CBUAE is currently undertaking digital transformation steps to enhance the financial system and associated digital infrastructure to facilitate innovation and improve competitiveness in the UAE. It has identified several digital transformation initiatives to implement in 2022-23, some of which are already underway, the most important of which are set out below.

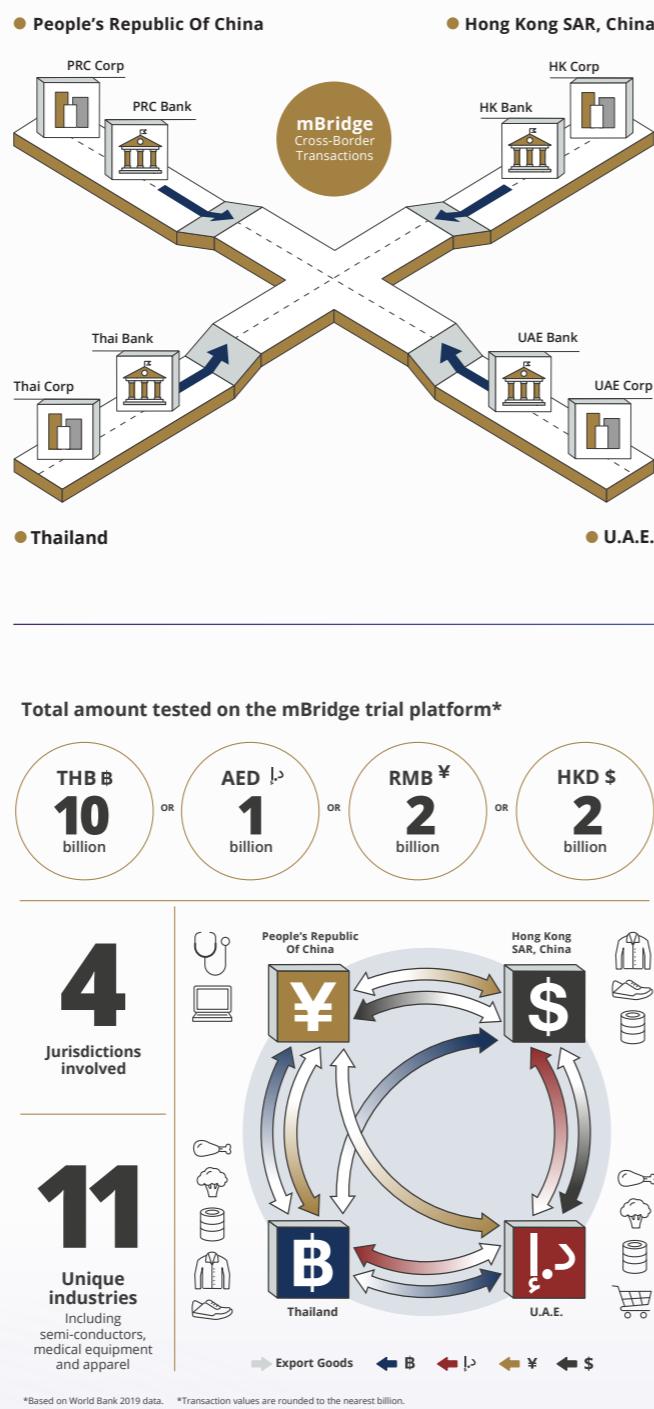
Building a Multi Central Bank Digital Currency (mBridge)

The CBUAE has been actively exploring the potential of Central Bank Digital Currencies (CBDCs), participating in CBDC research and proof-of-concept work over the past two years. Currently, the CBUAE is working with the Hong Kong Monetary Authority, the Bank of International Settlements Innovation Hub in Hong Kong (BISIH), the Bank of Thailand, and the Digital Currency Institute of the People's Bank of China to develop a Multiple CBDC Bridge - known as the mBridge project - to address the problematic points in conventional cross-border payments.

In 2021, the partners developed the mBridge Trail Platform, demonstrating a substantial improvement in processing cross-border fund transfers from an average of 3 to 5 days to near real-time, as well as a significant reduction of the processing and transaction costs involved.

The project involves 22 private sector participants currently. It issued three reports in 2021 on the technical architecture, the operating model and 15 potential business-use cases. The mBridge project's excellent progress encouraged the CBUAE, BISIH and peer central banks to test the Trail Platform with real business-use cases and transactions, to improve the results further.

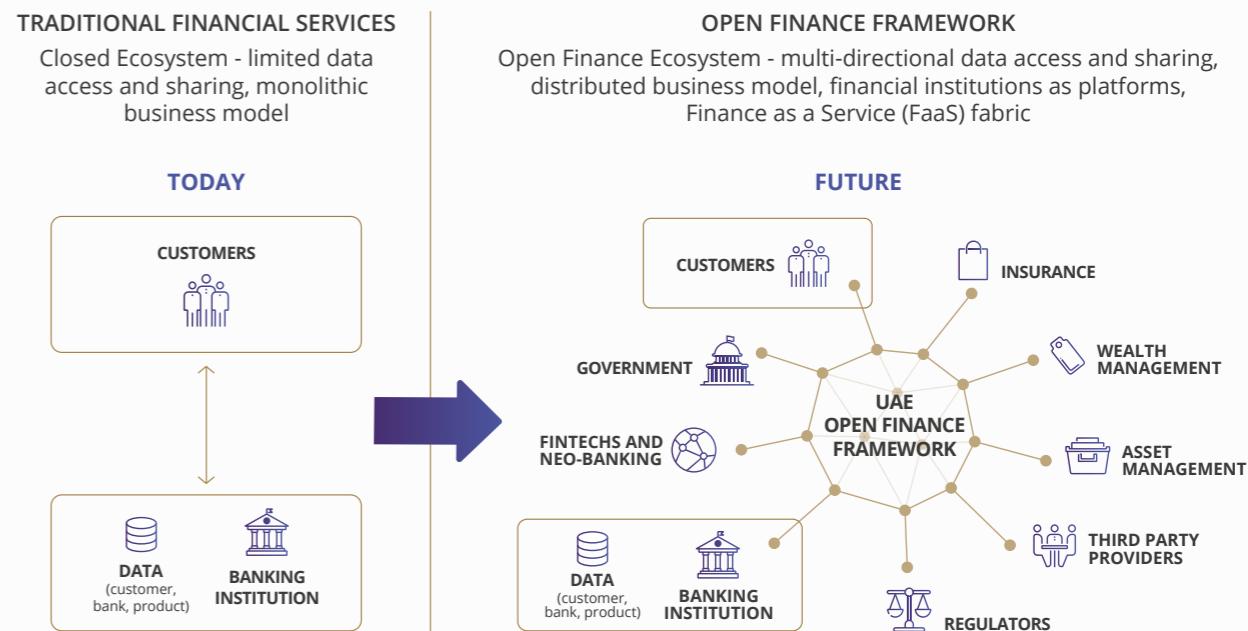
Figure 9: The mBridge CBDC



Open Finance: Creating a Secure Data-sharing Environment

The CBUAE has developed an Open Finance Strategy to ensure an efficient and secure environment for collaboration, financial and product innovation, interoperability and data-sharing among financial institutions and authorised Third Party Providers (TPPs).

Figure 10: The CBUAE's Open Finance framework



The CBUAE's Open Finance Strategy's key components aim to:

- Establish a robust governance structure to ensure the safety and soundness of the Open Finance operating environment;
- Develop the required Open Finance and platform standards, as well as a strong regulatory framework to ensure efficiency and interoperability, and – most importantly – adequate management and mitigation of all related risks;
- Build a world-class, resilient and secure platform to allow participants to exchange, transact and collaborate in a safe, secure and cost-effective manner; and
- To establish fair dispute-handling procedures and systems to ensure consumer and participant protection.



“Our mission to shape the future of the UAE’s financial sector gained pace in 2021. We reinforced our digital infrastructure, enhancing both the customer experience and the financial system by facilitating innovation and improving cost efficiencies. In 2022, further FinTech initiatives will accelerate financial inclusion, and develop our round-the-clock banking operations, Open Finance and cloud-based infrastructure. Supported by risk-based advanced analytics and AI-driven supervisory technology, this will reinforce the UAE’s role as a leading regional and global business hub. ”

Saif Humaid Hamad Al Dhaheri

Assistant Governor - Strategy, Financial Infrastructure & Digital Transformation

Financial Services Cloud Infrastructure

To help the financial service sector adopt the latest and most advanced technologies, the CBUAE will work with the financial industry to create Financial Services Cloud Infrastructure. This initiative aims to facilitate the development and operation of a strong and secure cloud infrastructure to support growth and innovation in the financial sector, while ensuring compliance with industry best practice and applicable data confidentiality requirements. Success would make the UAE the centre of excellence in MENA financial cloud services in the future.

Guidelines for Financial Institutions Adopting Enabling Technologies

The CBUAE, together with SCA, DFSA and the Financial Services Regulatory Authority – collectively referred to as the Supervisory Authorities – issued guidelines in October 2021 for financial institutions adopting enabling technologies, to provide a set of principles and standards for financial institutions developing such innovations. The key principles are to cater to different operating and business models, and financial services offered by existing organisations within the sector, as well as new entrants. It also

provides more detailed guidance for institutions, covering Application Programming Interfaces (API), Cloud Computing, Biometrics, Big Data Analytics and Artificial Intelligence (AI), and Distributed Ledger Technology (DLT).

Nationwide e-KYC Platform

The CBUAE plans to develop a nationwide e-KYC (know your customer) platform to automate, streamline and improve customer onboarding and ongoing due diligence processes for both financial and non-financial institutions, and to enhance financial inclusion.

The objectives and benefits of the proposed e-KYC Platform include:

- A reduction of operational costs through automation and increased onboarding efficiency;
- Enhanced regulatory compliance by standardising the basic KYC forms and processes, including verification and authentication using primary data sources (i.e., golden source information); and
- Improved customer privacy and data security by eliminating the need to share private information on multiple unsecure channels.

SME Funding Platform

Given the difficulty in obtaining SME finance, the CBUAE has worked with multiple partners to develop an operating model for a funding provision platform to link SMEs with funding providers, to support the SME sector and speed up economic growth. The funding platform's objectives include:

- Providing a low-cost, efficient, robust and secure channel to the SME sector to meet its funding needs;
- Connecting banks with prospective SME borrowers;
- Providing basic credit risk information to banks;
- Facilitating credit assessment processes; and
- Ensuring regulatory compliance in the lending process.

SupTech and Data Management

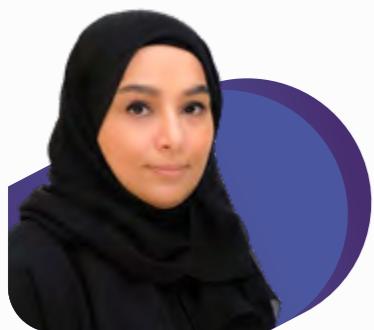
The CBUAE established its SupTech strategy in 2021 to improve licensing and supervisory processes, and to comply with international standards and

requirements. The strategy includes the development of a 360-degree view of licensed financial institutions, use of advanced data analytical tools to identify and analyse all collected data for forward-looking supervisory and risk management purposes, and the establishment of a powerful data warehouse.

Fintech Collaboration

The CBUAE signed an MOU with the HKMA, which forms a solid foundation for the two jurisdictions to explore several areas of interest jointly, e.g. CBDC, SupTech, and open banking. The CBUAE also organised numerous workshops with Central Banks and authorities, including the Central Bank of Bahrain, the Central Bank of Brazil, the HKMA and the UK Financial Conduct Authority.

Domestically, the CBUAE signed MOUs with Dubai International Financial Centre and Abu Dhabi Global Markets at the CBUAE's Future of Finance Conference in October 2021, to enhance collaboration on FinTech activities, joint projects, talent development, enhancing the UAE's competitive advantages and digital transformation of the UAE financial sector.



“The development and application of a Consumer Protection framework have largely contributed to the CBUAE’s mission by creating a consumer-centric culture in the UAE’s financial services sector. Our industry engagement in 2021, and the CBUAE’s fast response to the COVID-19 pandemic, supported those affected by the pandemic’s repercussions. Once again, this approach identified the CBUAE as a key player in achieving the leadership’s vision.”

Fatma Aljabri

Assistant Governor - Financial Crime, Market Conduct and Consumer Protection.

14. STRENGTHENING CONSUMER PROTECTION

In accordance with the core objective of strengthening consumer trust in the financial system, the CBUAE developed principles-based regulations on consumer protection in January 2021. These set out regulatory expectations on disclosure, product oversight, market conduct, customer choice, indebtedness and privacy to which LFIs must conform, and defined a range of institutional obligations for the protection of consumers. The CBUAE is legally mandated by the Decretal Federal Law No. 14 of 2018 to establish these regulations for the protection of LFIs’ customers.

Consumer Protection Standards and SME Market Conduct Regulations

Following the release of the Consumer Protection Regulations in January 2021, the CBUAE released its Consumer Protection Standards document, which detailed the regulation’s requirements on disclosure and transparency, institutional oversight, market conduct, protection of consumer data and assets, financing practices, complaint processes and resolution, consumer education and awareness, financial inclusion and Shari’ah compliance. The Standards form part of the Customer Protection Regulations, and are thus obligatory for all LFIs.

In January 2021, the CBUAE also issued its Small to Medium-Sized Enterprises (SME) Market Conduct Regulation, a series of standards to promote a culture within LFIs to improve SME access to banking facilities

and ensures fair and appropriate market conduct practices. These Regulations address specific issues, such as strengthening oversight on the design and sale of financial products and services, ensuring that LFIs provide effective disclosure to SME customers on matters affecting their decision to purchase products and services, providing mechanisms for redress of complaints, and ensuring SME customers have access to appropriate debt counselling.

Market Conduct Compliance

The CBUAE established a dedicated unit to oversee the progress of consumer protection regulations, including market conduct monitoring and guidance. This allowed the CBUAE to conduct thematic reviews on consumer concerns, and remediate a number of non-compliance incidents.

Court Case Management System

The CBUAE issued a detailed rulebook on the Court Case Management System (CCMS) in 2021, setting out the roles and responsibilities of all participating parties (courts, LFIs and CBUAE). Its aim is to ensure the system’s efficient and streamlined operation; court orders are issued to LFIs quickly, benefitting LFIs and consumers. The CCMS was also integrated with the Abu Dhabi Judiciary Department, in what is expected to be a model for linking other entities with judicial departments across the UAE. This integration has helped to reduce the time and resources required to process cases, including the elimination of typing errors caused by manual entries.

15. MANAGING CYBER-SECURITY AND OTHER OPERATIONAL RISKS

The CBUAE conducted initiatives to improve risk readiness across several sectors, including information security, cyber-security and other operational risks posed by pandemic threats to the health of staff, and the availability of confidential means for whistle-blowers to express their concerns.

First Cyber War-gaming Exercise

The CBUAE and UBF conducted their first cyber war-gaming exercise, a simulation drill designed to test the UAE banking sector’s cyber-resilience, as well as to strengthen its ability to deal with increasingly sophisticated cyber-attacks.

During the exercise, the participating banks responded to a simulated cyber-attack, with attack paths depicted in real-time. Technical team members from different banks were challenged to respond to real-life scenarios by detecting and responding to various threats. Management and executive management team members had to collaborate, apply their respective cyber-response strategies, and to take quick decisions at critical moments. The exercise resulted in a review of current measures and processes to ensure preparedness, an update to critical documents, upgrading the information technology infrastructure and cyber-security capabilities, and – more broadly – a stronger awareness at the sectoral level on how to respond specifically in the area of communication.

Safeguarding the CBUAE’s Operational Resilience During the COVID-19 Pandemic

The CBUAE addressed the risks that the COVID-19 pandemic posed to the health of CBUAE staff, collaborating partners, and visitors while continuing to perform all its critical functions. It based its reaction on its business continuity and crisis management plans to safeguard the organisation’s internal resilience. The CBUAE also conducted yearly IT DR drills and BCP simulation exercises remotely, testing critical applications accordingly.

Whistle-blowing Portal

Following its commitment to uphold the highest standards of integrity and transparency, the CBUAE launched a new whistle-blowing portal in 2021. This encrypted channel allows internal and external stakeholders to raise concerns anonymously that are related to misconduct or policy violations by CBUAE employees, contractors and representatives.

The launch of the whistle-blowing portal is part of the CBUAE’s efforts to promote compliance with the CBUAE Code of Conduct and the highest governance standards. It also aims to address alleged illegal and unethical practices by taking prompt, necessary action. Located on the CBUAE website, the portal allows employees and external stakeholders (financial institutions, vendors and the public) to voice their concerns without the fear of reprisal. It also allows comprehensive information-sharing on relevant issues, including attaching files and documents in support of a particular claim.

The whistle-blowing portal is at:
<https://eservices.centralbank.ae/wb>

Risk and Performance Analytics System to Support Foreign Reserves Management

The CBUAE began implementation of a robust risk analytics, performance measurement and attribution system to support its new reserves investment policy. Its objective is to enable risk managers and portfolio managers to monitor risk analytics to ensure the reserves portfolio remains within authorised guidelines. The system also includes performance measurement and attribution analysis to help portfolio managers understand the sources of portfolio returns, both absolute and relative, and provides various ex-post and ex-ante statistics to support the CBUAE in fulfilling the reserves’ purpose.

Governance Risk Compliance Tool as a Central Repository for Non-Financial Risks

The CBUAE implemented a state-of-the-art integrated risk governance and compliance (GRC) tool as part of its vision to enhance its risk management framework, and to automate the CBUAE's day-to-day risk management activities.

The project aims to automate GRC actions across the CBUAE in a more efficient, streamlined and integrated manner and to have a single automated source of information for non-financial risks in the following areas:

- Banking and insurance operations;
- Information security;
- Compliance; and
- Business continuity.

It also aims to provide real-time updates and notification of material incidents, and advanced monitoring and reporting of the non-financial risks in all CBUAE operations.

ISO Certifications

The CBUAE implemented the ISO 27001 framework successfully, strengthening the organisation and improving the efficiency of its core and support functions.

It obtained ISO certification in five areas:

- Information Security Management System (ISMS) based on ISO 27001:2013
- Quality Management ISO 9001:2015
- Business Continuity ISO 22301:2019
- Information Technology Services ISO/IEC 20000-1:2018
- Integrated Management System PAS 99:20

16. INVESTING IN PEOPLE: CREATING A PERFORMANCE-BASED CULTURE

The CBUAE is committed to creating a talent-centric, transparent and proactive working culture to the best global standards, in which all employees can achieve their full potential. It has a long-standing policy of investing in its people to enhance its work culture and business performance.

In 2021, the CBUAE undertook a broad range of strategic measures, aligned with its values, to deliver an integrated people strategy and create a working environment that fosters collaboration and delivers business results, in alignment with its overall organisational vision, mission and strategy.

Key senior leadership appointments in the first half of the year helped the CBUAE to deliver its ambitious mandate, in alignment with the new CBUAE Targeted Operating Model (TOM). It reviewed its organisational structure, and underwent a comprehensive restructuring exercise to reflect and cascade the new mandate through the organisation. Following the Insurance Authority's merger with the CBUAE at the beginning of 2021, over 120 IA employees joined the CBUAE family, leading to extensive co-location and onboarding efforts to facilitate the integration and transformation process.

The CBUAE attracted 39 new employees in 2021 from local and international markets, 41% of whom were recruited into managerial level positions. It also hired key executive leaders to support its transformational projects and new initiatives. The CBUAE maintained a presence at the largest career fair in Dubai in November 2021 to attract Emirati jobseekers interested in the banking sector. By the end of 2021, the CBUAE had 699 staff, raising its Emiratisation rate to 65.2%.

The human resource elements of the CBUAE's strategic plan include building organisational capabilities and skill sets to create a workforce ready for the future. The plan prioritises strategic talent management initiatives to contribute to its sustainable long-term growth and business continuity, and to ensure that it can identify, develop and retain talent with the right capabilities to achieve its future business goals. In recognition of the capability and commitment of its internal talent, the CBUAE endorsed the first promotion cycle

since 2019 for over 85 employees, facilitating their career progression and continuous professional development.

In January 2021, the CBUAE launched its Executive Certificate for Risk-Based Supervision Professionals - a customised certificate programme designed specifically around CBUAE requirements to provide insight into latest international best practice in risk-based supervisory skills and knowledge. The programme was developed in cooperation with the Institute of Bankers (IOB), part of University College Dublin and a leading training institute for bankers and bank supervisors, which also accredited the qualification.

The CBUAE's Youth Council has established itself as a significant platform for Emirati Youth representation, collaboration and ambassadorship within the banking and financial sector. Throughout the year, the Youth Council launched a number of internal and external initiatives, including the CBUAE Youth Dialogue, a bi-annual internal event bringing CBUAE youth together with the Senior CBUAE Leadership team. Externally, the Youth Council hosted multiple workshops in collaboration with Abu Dhabi Youth Hub, aimed at raising financial literacy awareness amongst young Emiratis.

To foster a culture of productivity, engagement and wellbeing, the CBUAE launched its first integrated Human Resource Management System (HRMS) to lay the foundations for efficient delivery of people-centred services enhancing the overall employee experience at the CBUAE.

During 2021, the CBUAE enhanced its employee policies to drive performance, advocate fairness and promote work flexibility for employees. A comprehensive human resource policy review resulted in an increase in leave benefits and entitlement for maternity, paternity and compassionate leave, in line with best practice. To promote a culture of autonomy, social well-being and adaptability to change, the CBUAE also introduced a new remote working policy, with flexible working hours to allow employees to decide where and when they work most effectively. The CBUAE launched an internal campaign called 'Everyone Matters' to spread awareness and communicate policy changes to employees, and – in tune with the UAE government's efforts to promote work-life balance and enhance productivity – the CBUAE introduced a four and a half-day working week from 1 January 2022.

17. KEEPING THE PUBLIC INFORMED: CBUAE COMMUNICATIONS IN 2021

In light of the ongoing pandemic, the CBUAE was particularly attentive to the need to keep the public informed of its support for the UAE's financial system.

Accordingly, the CBUAE maintained a steady stream of press releases to inform stakeholders about its ongoing supervision of the nation's financial system. These public statements often accompanied CBUAE instructions to LFIs: examples include details of how the CBUAE's Targeted Economic Support Scheme would taper off as the crisis receded, and a new CBUAE framework for banks' management of their exposure risk to the real estate sector.

The CBUAE conducted a review of crisis handling and management procedures from a communications standpoint, to ensure that it is prepared to address future challenges, taking into consideration the relevant national guidelines set by the National Emergency Crisis and Disasters Management Authority (NCEMA). The CBUAE's senior management worked to ensure that staff across the entire organisation were fully aware of ongoing business and safety initiatives regarding the pandemic.

Events: Physical and Hybrid

The second half of 2021 witnessed the transition from a world of meetings, launches and conferences held on Zoom, Teams and other virtual platforms, back to the opportunity for participants to attend selected events in person. The CBUAE held its Future of Finance conference at Expo 2020 Dubai in October 2021, shortly after the formal Expo opening, which featured keynote speeches from leading Emirati and international figures on financial issues affecting the UAE and its stakeholders. During the conference, the CBUAE also signed an agreement to boost the UAE's financial infrastructure, as well as hosting discussions on financial sector topics in five themed groups, covering digitalisation, green finance, central bank digital currencies, Islamic finance and the instant e-payment options.

FINANCIAL REPORTING

03



BALANCE SHEET

The CBUAE balance sheet grew by 11% in 2021, mainly due to net inflows in the local economy. The asset composition was impacted by the implementation of a new reserve management policy, and the consequent movement from cash and other short-term investments into longer-dated bonds and other listed instruments.

The implementation of the new Dirham monetary policy led to a marked increase in the outstanding M Bills. Equity fell due to the weakness in the international financial markets.

BALANCE SHEET OF THE CBUAE

	2021 AED'000	2020 AED'000
ASSETS		
Cash and balances with banks	267,074,023	332,235,835
Deposits	42,229,708	44,802,363
Derivative financial instruments	14,806,074	6,901
Loans and advances	2,135,800	30,246,918
Investments at amortised cost	47,340,673	48,053,099
Investments at fair value through other comprehensive income	113,932,995	1,861,403
Investment at fair value through profit and loss	20,529,251	-
Gold bullion	11,912,635	12,862,335
Property and equipment	618,677	168,677
Other assets	986,515	273,976
TOTAL ASSETS	521,566,351	470,511,507
LIABILITIES AND EQUITY		
LIABILITIES		
Current accounts and deposits	214,427,967	192,046,104
Certificates of deposit and monetary bills	164,728,171	129,325,000
Currency issued	111,815,394	110,703,812
Derivative financial instruments	155,718	7,465,080
Deferred grant	313,707	-
Other liabilities	3,955,703	3,685,987
TOTAL LIABILITIES	495,396,660	443,225,983
EQUITY		
Fully paid-up capital	20,000,000	20,000,000
General reserve	6,013,301	5,234,580
Fair value reserve	31,722	2,050,944
Retained earnings	124,668	-
TOTAL EQUITY	26,169,691	27,285,524
TOTAL LIABILITIES AND EQUITY	521,566,351	470,511,507

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LIST OF ABBREVIATIONS

ADNOC	Abu Dhabi National Oil Company
ADX	Abu Dhabi Securities Exchange
AE	Advanced Economies
AED	United Arab Emirates Dirham
AI	Artificial Intelligence
AML	Anti Money Laundering
AML/CFT	Anti Money Laundering and Combating the Financing of Terrorism
AMLex	AML/CFT Risk Assessment Tool
AMLSCU	Anti Money Laundering and Suspicious Case Unit
API	Application Programming Interfaces
ASRR	Advances to Stable Resources Ratio
BIS	Bank of International Settlements
BISIH	Bank of International Settlements Innovation Hub in Hong Kong
BOP	Balance of Payments
CAR	Capital Adequacy Ratio
CBUAE	the Central Bank of the UAE
CBDC	Central Bank Digital Currency
CCB	Capital Conservation Buffer
CCMS	Court Case Management System
CCR	Counterparty Credit Risk
CCyB	Countercyclical Capital Buffer
CDS	Credit Default Swaps
CDs	Certificates of Deposit
CET1	Common Equity Tier 1 (CET1) Capital
CF	Countering the Financing of Terrorism
CIBAFI	Council for Islamic Banks and Financial Institutions
CIF	Cost of Insurance and Freight
COP28	The 28 th Conference of the Parties
CPI	Consumer Price Index
CRS	Common Reporting Standard
CRWA	Credit Risk Weighted Assets
CVA	Credit Valuation Adjustment
DDS	Direct Debit System
DFM	Dubai Financial Market
DLD	Dubai Land Department
DLT	Distributed Ledger Technology

LIST OF ABBREVIATIONS

DMF	Dirham Monetary Framework
DNFBPs	Designated Non-Financial Businesses and Professions
DONIA	Dirham Overnight Index Average
D-SIB	Domestic Systemically Important Bank
DSP	Digital Supervisory Platform
ECB	European Central Bank
ECDD	Enhanced Customer Due Diligence
ECQ	Effective Compliance Questionnaire
EIA	US Energy Information Administration
EIBOR	Emirates Inter-Bank Offer Rate
ELAR	Eligible Liquid Asset Ratio
EMDE	Emerging Markets and Developing Economies
ESG	Environmental, Social, and Governance
FATF	Financial Action Task Force
FCSC	Federal Competitiveness and Statistics Centre
FDI	Foreign Direct Investment
Fed	Federal Reserve
FI	Financial Institutions
FIU	Financial Intelligence Unit
FMI	Financial Market Infrastructure
FOB	Free on Board
FOMC	Federal Open Market Committee
FSAP	Financial Sector Assessment Program
G-20	Group of Twenty
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
GRC	Governance Risk and Compliance
GREs	Government Related Entities
GWP	Gross Written Premiums
HAS	Higher Shari'ah Authority
HKMA	Hong Kong Monetary Authority
HRMS	Human Resource Management System
HQLA	High Quality Liquid Assets
ICAAP	Internal Capital Adequacy Assessment Process
ICCS	Image Cheque Clearing System
ICFR	Internal Controls over Financial Reporting
ICP	Insurance Core Principles
ICV	In-Country Value

LIST OF ABBREVIATIONS

IFIs	International Financial Institutions
IFRS	International Financial Reporting Standard
IMF	International Monetary Fund
IPI	Instant Payment Instructions
IPP	Instant Payment Platform
IRF	Interchange Reimbursement Fees
ISMS	Information Security Management System
IOSCO	International Organization of the Securities Commissions
LCR	Liquidity Coverage Ratio
LFI	Licensed Financial Institution
LIBOR	London Inter-Bank Offer Rate
LSRR	Lending to Stable Resources Ratio
LTD	Loans to Deposits
LVPS	Large Value Payment System
M1	Money Aggregate 1
M2	Money Aggregate 2
M3	Money Aggregate 3
Mb/d.	Million Barrels per Day
M-Bills	Monetary Bills
MCR	Minimum Capital Requirement
MECA	Middle East and Central Asia
MENA	Middle East and North Africa
MENAFATF	Middle East and North Africa Financial Action Task Force
MENAP	Middle East, North Africa, Afghanistan and Pakistan
MER	Mutual Evaluation Report
MGF	Minimum Guarantee Fund
MoF	Ministry of Finance
MOHRE	Ministry of Human Resources and Emiratisation
MOU	Memorandum of Understanding
MSMEs	Micro, Small and Medium Enterprises
NAMLCFTC	National Anti Money Laundering & Combating Financing of Terrorism Committee
NCEMA	National Emergency Crisis and Disasters Management Authority
NEER	Nominal Effective Exchange Rate
NPSS	National Payment Systems Strategy
NSFR	Net Stable Funding Ratio
OPEC	Organization of Petroleum Exporting Countries
OTC	Over-the-counter

LIST OF ABBREVIATIONS

PCE	Private Consumption Expenditure
PFMIs	Principles on Financial Market Infrastructures
PMI	Purchasing Managers Index
PMO	Project Management Office
Q-o-Q	Quarter on Quarter
RBI:	Reserve Bank of India
RBS	Risk Based Supervision
REER	Real Effective Exchange Rate
RPS	Retail Payment System
RWA	Risk Weighted Asset
SA	Standardized Approach
SAA	Strategic Asset Allocation
SA-CCR	Standardized Approach for Counterparty Credit Risk
SAMA	Saudi Central Bank
SCA	Securities and Commodities Authority
SCR	Solvency Capital Requirement
SDR	Special Drawing Right
SIA	Signals Intelligence Agency
SME	Small and Medium-sized Enterprises
STR	Suspicious Transaction Report
TCQ	Technical Compliance Questionnaire
TESS	Targeted Economic Support Scheme
TOM	Targeted Operating Model
TPP	Third Party Providers
UAE Switch	UAE Electronic Switch
UAE	United Arab Emirates
UAEDDS	UAE Direct Debit System
UAEFTS	UAE Funds Transfer System
UK	The United Kingdom
UK-FIU	UK Financial Intelligence Unit
US	The United States
USD	United States Dollar
Var	Value at Risk
VAT	Value Added Tax
WEO	World Economic Outlook
WPS	Wage Protection System
Y-o-Y	Year-on-Year

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