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UAE banks assets rise to \$1.47 trillion

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Arabian Post Staff -Dubai

Gross assets held by banks in the United Arab Emirates climbed to AED 5.41 trillion by the end of January 2026, reflecting steady expansion in the country's financial system amid sustained credit growth and resilient liquidity conditions.

Data released by the Central Bank showed assets rose by 1.4 per cent from AED 5.34 trillion at the close of December 2025, extending a pattern of gradual balance sheet expansion that has characterised the banking sector over the past year. The increase underscores continued momentum in lending activity alongside stable deposit inflows, even as global financial conditions remain uneven.

The rise in assets was supported by a combination of stronger domestic credit demand and ongoing capital inflows, particularly into sectors linked to infrastructure, real estate, and trade finance. Analysts note that the UAE's role as a regional financial hub continues to attract cross-border liquidity, reinforcing banks' capacity to expand lending without significantly straining funding bases.

Loans and advances remain a key driver of asset growth. Corporate lending has shown resilience, with businesses maintaining borrowing activity to finance expansion and working capital needs. Retail lending has also contributed, supported by population growth, rising employment levels, and consumer spending trends tied to economic diversification efforts.

Deposits, which form the backbone of bank funding, have remained stable, providing a strong liquidity cushion. Growth in resident deposits has been complemented by inflows

from non-resident clients, reflecting confidence in the UAE's financial stability and regulatory framework. This deposit base has allowed banks to sustain lending growth while maintaining comfortable liquidity ratios.

Capital adequacy levels across the sector remain robust, supported by prudent regulatory oversight and conservative risk management practices. The Central Bank's policy stance has emphasised resilience, ensuring banks are well-positioned to absorb potential shocks from global interest rate fluctuations and geopolitical uncertainties.

Interest rate dynamics continue to shape the operating environment. With the dirham pegged to the US dollar, monetary policy remains closely aligned with moves by the US Federal Reserve. Elevated interest rates have supported net interest margins for banks, boosting profitability, though they also pose challenges for borrowers, particularly in interest-sensitive sectors.

Asset quality indicators have remained broadly stable. Non-performing loan ratios have shown limited movement, suggesting that banks have managed credit risks effectively despite higher borrowing costs. Provisions have been maintained at prudent levels, reflecting cautious optimism about economic conditions.

Sectoral exposure highlights continued diversification within bank portfolios. While real estate remains a significant component, banks have increasingly expanded exposure to manufacturing, logistics, and renewable energy projects, in line with national economic strategies aimed at reducing reliance on hydrocarbons.

Digital transformation is also reshaping the banking landscape. Institutions are investing heavily in technology to enhance efficiency, improve customer experience, and manage risks more effectively. The shift towards digital banking services has accelerated competition, prompting both traditional banks and new entrants to innovate rapidly.

External factors, including global trade flows and commodity price movements, continue to influence the sector's outlook. The UAE's strategic positioning as a trade and logistics hub has helped cushion the impact of volatility in global markets, supporting credit demand linked to import-export activities.

At the same time, geopolitical developments in the wider region remain a source of uncertainty. Banks have responded by maintaining strong capital buffers and diversifying their portfolios geographically and sectorally to mitigate risks.

Regulatory developments have further strengthened the sector's foundation. The Central Bank has continued to refine its supervisory framework, focusing on stress testing, liquidity management, and governance standards. These measures have enhanced transparency and reinforced confidence among investors and depositors.

Market participants point to sustained economic growth as a key underpinning for the banking sector's expansion. Non-oil sectors, including tourism, trade, and financial services, have shown strong performance, driving demand for credit and financial

services. Government initiatives aimed at attracting foreign investment and supporting private sector development have also contributed to the positive trajectory.

Profitability across the sector has benefited from higher interest rates and improved operational efficiency. However, competition remains intense, with banks seeking to balance growth with risk management. Margins could face pressure if global monetary conditions shift or if competition for deposits intensifies.

The outlook for the coming months suggests continued, albeit measured, growth in bank assets. Analysts expect lending to remain supported by economic activity, while deposit growth is likely to track broader financial inflows. The sector's resilience will depend on its ability to navigate evolving global conditions while maintaining strong fundamentals.