



**FEDERAL GOVERNMENT OF THE UNITED ARAB EMIRATES
ACTING THROUGH THE MINISTRY OF FINANCE
Legal Entity Identifier (LEI): 98450060C643D82DF808**

**Issue of U.S.\$1,250,000,000 4.951 per cent. Notes due 2052 (the "Notes")
under the
Global Medium Term Note Programme (the "Programme")**

Issue Price: 100.00 per cent.

Issue Date: 7 July 2022

This information package includes: (i) the Base Offering Circular dated 30 September 2021 in respect of the Programme, as supplemented by the first supplement dated 23 June 2022 (collectively, the "**Base Offering Circular**") and (ii) the Pricing Supplement dated 28 June 2022 relating to the Notes (together with the Base Offering Circular, the "**Information Package**") in connection with the offering and issue of the Notes by the Federal Government of the United Arab Emirates, acting through the Ministry of Finance (the "**Issuer**").

Applications are expected to be made by the Issuer (or on its behalf): (i) to the UK Financial Conduct Authority for the Notes to be listed on its Official List and admitted to trading on the Main Market of the London Stock Exchange; (ii) to the Dubai Financial Services Authority for the Notes to be listed on its official list and admitted to trading on Nasdaq Dubai; and (iii) for the listing and trading of the Notes on the Taipei Exchange (the "**TPEX**") in the Republic of China ("**ROC**").

The effective date of listing and trading of the Notes on the TPEX is on or about 7 July 2022.

The TPEX is not responsible for the content of the Information Package and no representation is made by the TPEX as to the accuracy or completeness of the Information Package. The TPEX expressly disclaims any and all liability for any losses arising from, or as a result of the reliance on, all or part of the contents of the Information Package. The admission of the Notes to listing and trading on the TPEX shall not be taken as an indication of the merits of the Issuer or the Notes.

ROC SELLING RESTRICTION

The Notes have not been offered, sold or re-sold, and will not be offered, sold or re-sold, directly or indirectly, to investors other than "professional investors" as defined under Paragraph 1 of Article 2-1 of the Taipei Exchange Rules Governing Management of Foreign Currency Denominated International Bonds of the Republic of China (the "**TPEX Rules**"). Purchasers of the Notes are not permitted to sell or otherwise dispose of the Notes except by transfer to a professional investor.

ROC TAXATION

The following summary of certain taxation provisions under ROC law is based on current law and practice and that the Notes will be issued, offered, sold and re-sold, directly or indirectly, to professional

investors as defined under Paragraph 1 of Article 2-1 of the Taipei Exchange Rules Governing Management of Foreign Currency Denominated International Bonds of the ROC only. It does not purport to be comprehensive and does not constitute legal or tax advice. Investors (particularly those subject to special tax rules, such as banks, dealers, insurance companies and tax-exempt entities) should consult with their own tax advisers regarding the tax consequences of an investment in the Notes. Investors should appreciate that, as a result of changing law or practice, the tax consequences may be otherwise than as stated below:

INTEREST ON THE NOTES

As the Issuer of the Notes is not an ROC statutory tax withholding, there is no ROC withholding tax on the interest or deemed interest to be paid on the Notes.

Payments of any interest or deemed interest under the Notes to an ROC individual holder are not subject to ROC income tax as such payments received by him/her are not considered to be ROC sourced income. However, such holder must include the interest or deemed interest received in calculating his/her basic income for the purpose of calculating his/her alternative minimum tax (“AMT”), unless the sum of the interest or deemed interest and other non-ROC sourced income received by such holder and the person(s) who is (are) required to jointly file the ROC income tax return in a calendar year is below \$1 million New Taiwan Dollars (“NT\$”). If the amount of the AMT exceeds the annual income tax calculated pursuant to the ROC Income Basic Tax Act (also known as the AMT Act), the excess becomes such holder's AMT payable.

ROC corporate holders must include any interest or deemed interest receivable under the Notes as part of their taxable income and pay income tax at a flat rate of 20 per cent. (unless the total taxable income for a fiscal year is NT\$120,000 or under), as they are subject to income tax on their worldwide income on an accrual basis. The AMT is not applicable.

Non-ROC corporate holders are not subject to ROC income tax or AMT on any interest or deemed interest receivable or received under the Notes.

SALE OF THE NOTES

In general, the sale of corporate bonds, financial bonds or other securities for public offering approved by the government of the ROC is subject to 0.1 per cent. securities transaction tax (“STT”) on the transaction price. However, Article 2-1 of the ROC Securities Transaction Tax Act prescribes that STT will cease to be levied on the sale of corporate bonds and financial bonds from 1 January 2010 to 31 December 2026. Such Article 2-1 applies, *mutatis mutandis*, to the sale of the foreign currency denominated bonds issued by foreign governments and approved by the government of the ROC for public offering. Accordingly, the sale of the Notes will be exempt from STT if the sale is conducted on or before 31 December 2026. Starting from 1 January 2027, any sale of the Notes will be subject to STT at 0.1 per cent. of the transaction price, unless otherwise provided by the tax laws or other governmental orders that may be in force at that time.

Capital gains generated from the sale of bonds are exempt from ROC income tax. Accordingly, ROC individual and corporate holders are not subject to ROC income tax on any capital gains generated from the sale of the Notes. In addition, ROC individual holders are not subject to AMT on any capital gains generated from the sale of the Notes. However, ROC corporate holders should include such capital gains in calculating their basic income for the purpose of calculating their AMT. If the amount of the AMT exceeds the annual income tax calculated pursuant to the ROC Income Basic Tax Act, the excess becomes the ROC corporate holders' AMT payable. Capital losses, if any, incurred from the sale of the Notes by such holders could be carried over five years to offset against capital gains of same category for the purposes of calculating their AMT.

Non-ROC corporate holders are not subject to ROC income tax on any capital gains generated from the sale of the notes. However, for non-ROC corporate holders with a fixed place of business (e.g., a branch) or a business agent in the ROC, their fixed place of business or business agent should include any such capital gains in calculating their basic income for the purpose of calculating AMT.

As to non-ROC corporate holders without a fixed place of business and a business agent in the ROC, they are not subject to ROC income tax or AMT on any capital gains generated from the sale of the Notes.

ROC SETTLEMENT AND TRADING

The Issuer has not entered into any settlement agreement with Taiwan Depository & Clearing Corporation (“**TDCC**”) and has no intention to do so.

In the future, if the Issuer enters into a settlement agreement with TDCC, an investor, if it has a securities book-entry account with an ROC securities broker and a foreign currency deposit account with an ROC bank, may settle the Notes through the account of TDCC with Euroclear Bank SA/NV (“**Euroclear**”) or Clearstream Banking S.A. (“**Clearstream, Luxembourg**”) if it applies to TDCC (by filing in a prescribed form) to transfer the Notes in its own account with Euroclear or Clearstream, Luxembourg to such TDCC account with Euroclear or Clearstream, Luxembourg for trading in the domestic market or vice versa for trading in overseas markets. For settlement through TDCC, TDCC will allocate the respective Notes position to the securities book-entry account designated by such investor in the ROC. The Notes will be traded and settled pursuant to the applicable rules and operating procedures of TDCC and the TPEX as domestic bonds.

For such investors who hold their interest in the Notes through an account opened and held by TDCC with Euroclear or Clearstream, Luxembourg, distributions of principal and/or interest for the Notes to such holders may be made by payment services banks whose systems are connected to TDCC to the foreign currency deposit accounts of the holders. Such payment is expected to be made on the second Taiwanese business day following TDCC’s receipt of such payment (due to time difference, the payment is expected to be received by TDCC one Taiwanese business day after the distribution date). However, when the holders will actually receive such distributions may vary depending upon the daily operations of the ROC banks with which the holder has the foreign currency deposit account.

RISKS ASSOCIATED WITH LIMITED LIQUIDITY OF THE NOTES

Application will be made for the listing of the Notes on the TPEX. No assurances can be given as to whether the Notes will be, or will remain, listed on the TPEX. If the Notes fail to, or cease to, be listed on the TPEX, certain investors may not invest in, or continue to hold or invest in, the Notes.

Joint Bookrunning Managers

Citibank Taiwan Limited

HSBC Bank (Taiwan) Limited

(Lead Manager)

J.P. Morgan Securities (Taiwan) Limited

Standard Chartered Bank (Taiwan) Limited

EU MiFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPs ONLY TARGET MARKET – There are no manufacturers for the purposes of Directive 2014/65/EU (as amended, "EU MiFID II"). Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should consider (i) the target market for the Notes to be eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all distribution of the Notes to eligible counterparties and professional clients to be appropriate. However, a distributor subject to EU MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market) and determining appropriate distribution channels.

UK MiFIR PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPs ONLY TARGET MARKET – There are no manufacturers for the purposes of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("UK MiFIR"). Any person subsequently offering, selling or recommending the Notes should consider (i) the target market for the Notes to be eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook, and professional clients, as defined in UK MiFIR; and (ii) all distributions of the Notes to eligible counterparties and professional clients to be appropriate. However, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market) and determining appropriate distribution channels.

Singapore Securities and Futures Act Product Classification – Solely for the purposes of its obligations pursuant to Sections 309B(1) of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "**SFA**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA) that the Notes are "prescribed capital markets products" (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and "Excluded Investment Products" (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Pricing Supplement dated 28 June 2022

**FEDERAL GOVERNMENT OF THE UNITED ARAB EMIRATES
ACTING THROUGH THE MINISTRY OF FINANCE
Legal Entity Identifier (LEI): 98450060C643D82DF808
Issue of U.S.\$1,250,000,000 4.951 per cent. Notes due 2052
under the
Global Medium Term Note Programme**

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Base Offering Circular dated 30 September 2021, as supplemented by the Supplement to the Base Offering Circular dated 23 June 2022 (together, the "**Base Offering Circular**"). This document constitutes the Pricing Supplement of the Notes described herein and must be read in conjunction with the Base Offering Circular. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Pricing Supplement and the Base Offering Circular. The Base Offering Circular and the Pricing Supplement are available for viewing on the website of the London

Stock Exchange at <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>.

1. Issuer: Federal Government of the United Arab Emirates, acting through the Ministry of Finance
2. (a) Series Number: 5
(b) Tranche Number: 1
(c) Date on which the Notes will be consolidated and form a single Series: Not Applicable
3. Specified Currency or Currencies: U.S. dollars ("U.S.\$")
4. Aggregate Nominal Amount: U.S.\$1,250,000,000
(a) Series: U.S.\$1,250,000,000
(b) Tranche: U.S.\$1,250,000,000
5. Issue Price: 100.00 per cent. of the Aggregate Nominal Amount
6. (a) Specified Denominations: U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof
(b) Calculation Amount (in relation to calculation of interest in relation to Notes in global form (see Conditions)): U.S.\$1,000
7. (a) Issue Date: 7 July 2022
(b) Interest Commencement Date: Issue Date
8. Maturity Date: 7 July 2052
9. Interest Basis: 4.951 per cent. Fixed Rate
(see paragraph 14 below)
10. Redemption/Payment Basis: Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at 100 per cent. of their nominal amount
11. Change of Interest Basis: Not Applicable

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|-----|---|----------------|
| 12. | Put/Call Options: | Not Applicable |
| 13. | (a) Status of the Notes: | Senior |
| | (b) Date approval for issuance of Notes obtained: | Not Applicable |

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

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|-----|---|---|
| 14. | Fixed Rate Note Provisions | Applicable |
| | (a) Rate(s) of Interest: | 4.951 per cent. per annum payable semi-annually in arrear on each Interest Payment Date |
| | (b) Interest Payment Date(s): | 7 January and 7 July in each year, commencing on 7 January 2023 up to and including the Maturity Date |
| | (c) Fixed Coupon Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions): | U.S.\$24.755 per Calculation Amount |
| | (d) Broken Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions): | Not Applicable |
| | (e) Day Count Fraction: | 30/360 |
| | (f) Determination Date(s): | Not Applicable |
| 15. | Floating Rate Note Provisions | Not Applicable |
| 16. | Zero Coupon Note Provisions | Not Applicable |

PROVISIONS RELATING TO REDEMPTION

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|-----|--------------------------|------------------------------------|
| 17. | Issuer Call: | Not Applicable |
| 18. | Investor Put: | Not Applicable |
| 19. | Clean Up Call Right: | Not Applicable |
| 20. | Final Redemption Amount: | U.S.\$1,000 per Calculation Amount |
| 21. | Early Redemption Amount: | U.S.\$1,000 per Calculation Amount |

GENERAL PROVISIONS APPLICABLE TO THE NOTES

22. Form of Notes: Registered Notes:
Regulation S Global Note registered in the name of a nominee for a Common Depositary for Euroclear and Clearstream, Luxembourg
Rule 144A Global Note registered in the name of a nominee for DTC
23. Additional Financial Centre(s): Not Applicable
24. Talons for future Coupons to be attached to Definitive Notes: No

Signed on behalf of the **Federal Government of the United Arab Emirates, acting through the Ministry of Finance:**

By:.....
Duly authorised



By:.....
Duly authorised



PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

- (a) Listing and Admission to trading: Application is expected to be made by the Issuer (or on its behalf): (i) to the United Kingdom (the "UK") Financial Conduct Authority for the Notes to be listed on its Official List and admitted to trading on the Main Market of the London Stock Exchange, on or about the Issue Date; (ii) to the Dubai Financial Services Authority for the Notes to be listed on its official list and admitted to trading on Nasdaq Dubai on or about the Issue Date; and (iii) for the listing and trading of the Notes on the Taipei Exchange (the "TPEX") in the Republic of China ("ROC"). The Notes will be traded on the TPEX pursuant to the applicable rules of the TPEX. The effective date of listing of the Notes on the TPEX is on or about the Issue Date. The TPEX is not responsible for the content of this document, the Base Offering Circular and any supplement or amendment thereto and no representation is made by the TPEX to the accuracy or completeness of this document, the Base Offering Circular and any supplement or amendment thereto. The TPEX expressly disclaims any and all liability for any losses arising from, or as a result of the reliance on, all or part of the contents of this document or the Base Offering Circular and any supplement or amendment thereto. Admission to listing and trading on the TPEX shall not be taken as an indication of the merits of the Issuer or the Notes.
- (b) Estimate of total expenses related to admission to trading: U.S.\$10,000

2. RATINGS

- Ratings: The Notes to be issued are expected to be rated:
- Moody's: Aa2

Fitch: AA-

Moody's is not established in the European Economic Area (the "EEA") or the UK but the rating it has given to the Notes to be issued under the Programme is endorsed by Moody's Deutschland GmbH, which is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the "EU CRA Regulation") and Moody's Investors Service Ltd., which is established in the UK and registered under Regulation (EU) No 1060/2009 as it forms part of domestic law in the UK by virtue of the European Union (Withdrawal) Act 2018 (the "UK CRA Regulation").

Fitch is not established in the EEA or the UK but the rating it has given to the Notes to be issued under the Programme is endorsed by Fitch Ratings Ireland Limited, which is established in the EEA and registered under the EU CRA Regulation and Fitch Ratings Ltd., which is established in the UK and registered under the UK CRA Regulation.

3. **INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE**

Save for any fees payable to the Managers, so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business, for which they may receive fees.

4. **YIELD (FIXED RATE NOTES ONLY)**

Indication of yield: 4.951 per cent. per annum

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

5. **OPERATIONAL INFORMATION**

- (a) ISIN: Regulation S: XS2492385203
Rule 144A: US31424EAE23
- (b) Common Code: Regulation S: 249238520
Rule 144A: 249236519
- (c) CUSIP: 31424EAE2
- (d) CINS: Not Applicable
- (e) CFI: Regulation S: DTFTFR
Rule 144A: DTFUFR
- Each as updated on the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN
- (f) FISN: Regulation S: FEDERAL GOVERNMENT/4.951EMTN 20520707
Rule 144A: FED GOVT UTD AR/TRA # TR UNSEC
- Each as updated on the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN
- (g) Any clearing system(s) other than DTC, Euroclear and Clearstream, Luxembourg and the relevant identification number(s): Not Applicable
- (h) Delivery: Regulation S Global Note: Delivery against payment
Rule 144A Global Note: Delivery free of payment
- (i) Names and addresses of additional Paying Agent(s) (if any): Not Applicable

(j) Relevant Benchmarks: Not Applicable

6. **DISTRIBUTION**

(a) Method of distribution: Syndicated

(b) If syndicated, names of Managers: Citibank Taiwan Limited, HSBC Bank (Taiwan) Limited, J.P. Morgan Securities (Taiwan) Limited and Standard Chartered Bank (Taiwan) Limited

(c) Date of Subscription Agreement: 28 June 2022

(d) Stabilisation Manager(s) (if any): Not Applicable

(e) If non-syndicated, name of relevant Dealer: Not Applicable

(f) U.S. Selling Restrictions: Reg. S Compliance Category 1; Rule 144A; TEFRA not applicable

(g) Additional selling restrictions: **ROC Selling Restrictions**
The Notes have not been offered, sold or re-sold, and will not be offered, sold or re-sold, directly or indirectly, to investors other than "professional investors" as defined under Paragraph 1 of Article 2-1 of the Taipei Exchange Rules Governing Management of Foreign Currency Denominated International Bonds of the ROC. Purchasers of the Notes are not permitted to sell or otherwise dispose of the Notes except by transfer to a professional investor.

(h) Prohibition of Sales to EEA Retail Investors: Not Applicable

(i) Prohibition of Sales to UK Retail Investors: Not Applicable

**SUPPLEMENT NUMBER 1 DATED 23 JUNE 2022 TO THE BASE OFFERING CIRCULAR
DATED 30 SEPTEMBER 2021**



**FEDERAL GOVERNMENT OF THE UNITED ARAB EMIRATES
ACTING THROUGH THE MINISTRY OF FINANCE**

Global Medium Term Note Programme

This base offering circular supplement (the "**Supplement**") is supplemental to, forms part of, and must be read and construed in conjunction with, the base offering circular dated 30 September 2021 (the "**Base Offering Circular**") prepared by the Federal Government of the United Arab Emirates, acting through the Ministry of Finance (the "**Issuer**") in connection with its Global Medium Term Note Programme (the "**Programme**") for the issuance of notes thereunder (the "**Notes**").

Terms given a defined meaning in the Base Offering Circular shall, unless the context otherwise requires, have the same meaning when used in this Supplement.

Application may be made to the United Kingdom ("**UK**") Financial Conduct Authority (the "**FCA**") for Notes issued under the Programme to be admitted to the official list of the FCA (the "**Official List**") and to the London Stock Exchange plc (the "**London Stock Exchange**") for such Notes to be admitted to trading on the London Stock Exchange's main market. For the purposes of any such application, the Issuer is an exempt issuer pursuant to Article 1(2) of Regulation (EU) 2017/1129 as it forms part of domestic law of the UK by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**") (the "**UK Prospectus Regulation**"). Accordingly, this Supplement has not been reviewed or approved by the FCA and, together with the Base Offering Circular, has not been approved as a Base Offering Circular by any other competent authority under the UK Prospectus Regulation.

The Issuer is an "Exempt Offeror" for the purposes of Article 13(1) of the Dubai International Financial Centre Law No. 1 of 2012, as amended (the "**Markets Law 2012**"). Accordingly, this Supplement has not been approved by the Dubai Financial Services Authority (the "**DFSA**") for the purposes of Article 14 of the Markets Law 2012.

The purpose of this Supplement is to update the disclosure in the Base Offering Circular to disclose certain material developments in respect of the Issuer.

IMPORTANT NOTICES

The Issuer accepts responsibility for the information contained in this Supplement. To the best of the knowledge of the Issuer, the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect its import.

None of the Arranger, the Dealers or the Agents or their respective affiliates have independently verified the information contained herein. Accordingly, none of the Arranger, the Dealers or the Agents or their respective affiliates accepts any responsibility or liability for and makes no representation, warranty or undertaking, express or implied, as to: (i) the accuracy or completeness of the information contained in this Supplement; (ii) any acts or omissions of the Issuer or any other person in connection with this Supplement or the issue and offering of any Notes; or (iii) any other information provided in connection with the Issuer, the Programme, any Notes issued thereunder or their distribution. Each Arranger, Dealer, Agent, and their respective affiliates accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Supplement or any other information provided by the Issuer in connection with the Programme, the Notes or their distribution.

To the extent that there is any inconsistency between: (a) any statement in this Supplement; and (b) any other statement in the Base Offering Circular, the statements in (a) above will prevail.

This Supplement does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Dealers to subscribe for, or purchase, any Notes.

AMENDMENTS OR ADDITIONS TO THE BASE OFFERING CIRCULAR

With effect from the date of this Supplement, the information appearing in, or incorporated by reference into, the Base Offering Circular shall be amended and/or supplemented in the manner described below.

1. AMENDMENTS TO THE RISK FACTORS

- 1.1 On page 6 of the Base Offering Circular, the subsection entitled "*Risks relating to the Issuer*" shall be deemed deleted and replaced with the following:

Risks relating to the Issuer

The Federal Government is reliant on dividends and royalties from EIA investments, grants from the emirates and taxes to service its budget expenditures

The Federal Government is primarily reliant on dividends and royalties from EIA investments, grants from the emirates and taxes in order to service its budget expenditures. These sources of revenue are subject to uncertainties that could result in the Federal Government collecting less revenue than anticipated and budgeted for.

The Federal Government is reliant on the category of revenues designated as "other revenues", which primarily consists of dividends and royalties from EIA investments, primarily, Emirates Telecommunications Group Company (Etisalat Group) PJSC (rebranded as "e&" in 2022) ("**Etisalat**"). Other revenues accounted for 63.5 per cent. of revenues for the year ended 31 December 2021 and 51.4 per cent. of revenues for the annual federal budget for the year ending 31 December 2022. If Etisalat or any other EIA investments experienced a decrease in revenues or an increase in expenses this could have a negative effect on the disbursement of dividends which would decrease the amount of revenue that the Federal Government would be able to collect. In addition, if the Federal Government sold or reduced its stake in Etisalat or other investments, the amount of dividends and royalties that it receives could be reduced.

The Federal Government is also reliant on grants from the individual emirates, historically Abu Dhabi and Dubai. There is no formal calculation for the size of the grants that are provided from Abu Dhabi and Dubai. Grants made up 19.6 per cent. of revenues for the year ended 31 December 2021 and 32.4 per cent. of revenues for the annual federal budget for the year ending 31 December 2022. Grants are primarily used to make up for any shortfalls in the budget to prevent a budget deficit. The amount of grants from the individual emirates is determined as part of the five-year budget strategy and reviewed on an annual basis by the Federal Government. The individual emirates are not obligated to increase their grants from year to year. Additionally, even though the individual emirates are constitutionally obligated to provide grants to the Federal Government, there are no assurances that grant revenue will remain the same or increase as part of the next five-year budget strategy or as part of future annual budgets. In addition, the UAE Constitution (the "**Constitution**") does not specify the amount of grant requirements for the emirates to provide financial support to the UAE with each emirate's wealth considered the sole property of that emirate. As a result, there is no requirement or assurance that each emirate will maintain their current levels of grants or support in future periods.

Taxes, primarily consisting of value added tax ("**VAT**") and excise tax, made up approximately 16.9 per cent. of revenues for the year ended 31 December 2021 and 16.2 per cent. of revenues for the annual federal budget for the year ending 31 December 2022. VAT is relatively new in the UAE, having been introduced in 2018, which presents certain risks. For example, the implementation of VAT is a complex process and is reliant on businesses registering with the Federal Government and applying the VAT correctly. Additionally, it may be difficult for the Federal Government to accurately forecast tax revenue given the limited historical data around its collection.

The annual federal budget is set with no deficit, but if the UAE is unsuccessful in collecting the expected level of revenues for any year it may need to reduce budgeted expenditures so the budget is balanced. This could lead to public discontent and/or social unrest as the UAE may have to reduce public expenditures. Further, any such decrease in spending may also have a material adverse effect on the economic condition of the UAE generally and, accordingly, the ability of the Issuer to repay principal and make payments of interest on the Notes.

The UAE's economy is significantly affected by volatility in international oil prices and its economy has in the past been, and is likely in the future to continue to be, materially adversely affected by lengthy periods of low oil prices

The UAE's economy is significantly impacted by international oil prices. The mining and quarrying sector, which includes crude oil and natural gas accounted for approximately 27.7 per cent. of the UAE's constant GDP in 2021 as compared to 28.7 per cent. in 2020, 25.0 per cent. in 2019, 26.0 per cent. in 2018 and 20.5 per cent. in 2017. The UAE's economy has in the past been adversely affected by periods of low international oil prices, including in the period from mid-2014 to early 2016.

Global oil prices fell gradually in the first two months of 2020 before dropping sharply in March and April 2020, with the price of Brent oil falling below U.S.\$16 per barrel in April 2020. This was primarily due to the impact of the coronavirus ("COVID-19") outbreak on the global economy and the increase in supply. Oil prices partially recovered in 2021 with the monthly OPEC Reference Basket price being U.S.\$85.24 per barrel for January 2022. More recently, global oil prices have risen sharply primarily due to the conflict between Russia and Ukraine. The monthly OPEC Reference Basket price for May 2022 was U.S.\$113.87.

One of the reasons for increased volatility in oil prices in early 2020 was the increased oil supply in the market and uncertainty surrounding production output levels. On 6 March 2020, a meeting between members of the Organisation of the Petroleum Exporting Countries ("OPEC") and certain non-OPEC oil-producing countries, in particular Russia, failed to reach an agreement on whether to reduce oil production in response to the widespread outbreak of COVID-19 ending three years of cooperation on production levels. As a result, OPEC removed all limits on production, thereby prompting both the Kingdom of Saudi Arabia ("Saudi Arabia") and the largest of the UAE's oil-producing individual emirates, Abu Dhabi, along with other producers, to increase production, with Abu Dhabi National Oil Company ("ADNOC") pledging to increase supply to over 4 million barrels of crude oil (including condensates) per day. These events, combined with the significant decrease in demand for oil due to the economic slowdown posed by the COVID-19 pandemic, caused a sharp drop in oil prices. A series of meetings took place on 9 and 12 April 2020 between OPEC and non-OPEC oil producing countries, which culminated in an agreement to reduce their overall oil production in stages between 1 May 2020 and 30 April 2022. During the initial two-month period beginning 1 May 2020, it was agreed that production would be reduced by a total of 9.70 million barrels a day, followed by a six-month period starting 1 July 2020 where production would be reduced by a total of 7.68 million barrels a day, followed by a final 16-month period between 1 January 2021 and 30 April 2022 where production would be reduced by a total of 5.76 million barrels a day. In December 2020, OPEC+, which comprises OPEC and its allies, agreed on a compromise to increase oil output slightly from January 2021. As demand improved, OPEC+ agreed to partially ease cuts from May 2021 onward. In July 2021, an agreement was reached among OPEC+ members to increase Abu Dhabi's production from 3.176 million barrels a day to 3.65 million barrels a day starting in April 2022. In addition, it was agreed that the OPEC+ group would increase supply by a further 2 million barrels a day from August 2021 until December 2021 and that it aims to fully phase out cuts by around September 2022. In April 2022, OPEC pumped 28.58 million barrels a day which is an increase of 40,000 barrels per day from March 2022 but short of the 254,000 barrels per day increase called for under the supply deal. In May 2022, the OPEC+ group agreed to leave its production plan unchanged despite increased volatility as a result of the Russia and Ukraine conflict. On 2 June 2022, OPEC+ members agreed to add 648,000 barrels a day of crude oil to the market in July 2022 and August 2022.

In addition, in 2022, a bill in the United States was proposed called the No Oil Producing and Exporting Cartels bill, which is intended to protect United States consumers and businesses from engineered spikes in the cost of gasoline and heating oil. Numerous iterations of this bill have been proposed to the United States Congress since 1999, but all attempts have so far been unsuccessful. It is unclear the exact effect that this bill could have on oil prices but there are concerns that such a bill, if passed, could disrupt the established system of oil production, which could result in oil prices increasing by as much as 300 per cent.

Low oil prices and low demand for crude oil may have a material adverse effect on the UAE's economy, and may cause a significant reduction in government spending which, would have an adverse effect on economic conditions in the UAE.

Prospective investors should be aware that the above analysis does not take into account the indirect impact of low oil prices on the UAE's economy, which is difficult to quantify with any precision. In addition, certain segments of the UAE's GDP, such as tourism, are also dependent on other countries that are also reliant on oil. Potential investors should note that many of the UAE's other economic sectors are in part

dependent on the hydrocarbon sector. For example, the financial institutions sector (and banks in particular) may experience lower liquidity (if significant government and government-owned company deposits are withdrawn to fund deficits) or higher loan losses or impairments. The Federal Government and the UAE local governments may also decide, as they have done in the past, to reduce government expenditures in light of the budgetary pressures caused by low or falling oil prices. As fiscal spending on infrastructure and investment projects drives credit to public sector entities and private contractors and bank credit for personal lending is driven by public sector wages, if this spending is cut and public sector wages come under pressure, this could, potentially, increase levels of non-performing loans held by banks. In addition, the reduction in government revenue is likely to result in lower government spending, which could impact many other sectors of the economy, including in particular the construction sector. Furthermore, sectors that are dependent on household consumption, including education, healthcare and housing, may be adversely affected by lower levels of economic activity that may result from lower government revenue from hydrocarbon production.

Crude oil prices have historically been volatile and are affected by a range of factors beyond the Issuer's control, including:

- global economic and political conditions as well as economic and political developments in oil producing regions, particularly in the Middle East;
- global and regional supply and demand, and expectations regarding future supply and demand, for hydrocarbon products, including the prices and availability of alternative fuels or new technologies using different fuels (and those motivated by climate change concerns);
- the ability of members of OPEC and other crude oil producing nations to agree upon and maintain specified global production levels and prices;
- actual or potential armed conflicts in the Middle East and other areas;
- the impact of international environmental regulations designed to reduce carbon emissions;
- other actions taken by major crude hydrocarbon producing or consuming countries;
- global weather and environmental conditions; and
- global pandemics such as the COVID-19 pandemic.

There can be no assurance that these factors, whether individually or in combination with others, will not result in a prolonged or further decline in oil prices. As a result, there can be no assurance that the UAE's economy will not be materially adversely affected in the future by lengthy periods of low oil prices.

The COVID-19 pandemic has caused and is likely to continue to cause significant disruption to both the global economy and the UAE's economy

In December 2019, the respiratory illness caused by the novel coronavirus SARS-CoV-2, now referred to as COVID-19, was reported to the World Health Organisation (the "**WHO**") by the Chinese public health authorities. The initial outbreak of COVID-19 spread rapidly across the world and was ultimately declared a global pandemic by the WHO on 11 March 2020. As a result of the outbreak, many governments, including the Federal Government, implemented a series of measures in an attempt to slow the spread of COVID-19, including closing major transit hubs, reducing public transportation, closing schools and launching e-learning programmes, requiring nationals and residents to remain at home and practice social distancing, and closing borders to non-nationals. Even though global restrictions as a result of COVID-19 are in the process of being eliminated, COVID-19 has severely disrupted the global economy, causing high levels of volatility in the financial markets, high levels of unemployment, a reduction in international trade and investment and a significant decrease in oil prices. These developments have adversely impacted the UAE economy, including the UAE's tourism industry.

The COVID-19 pandemic has adversely affected investment sentiment, resulting in volatility in global capital markets, reducing international trade and impacting commodity prices. In addition, COVID-19 has resulted in restrictions on travel and public transport, restrictions on trade and transportation of goods, prolonged closures of workplaces, and contributed to declines in global bond and stock valuations, which

may continue to have a material adverse effect on the global economy and the UAE. In addition, to the extent that the effects of the COVID-19 pandemic have a significant adverse effect on the Federal Government's systemically important entities or any of the individual emirates, the Federal Government is not required to but may decide to continue to provide significant financial support to such entities or emirates, which support could be significant in the context of the UAE's annual budget and entail substantial fiscal outflows.

The COVID-19 pandemic is ongoing and the long-term effects of the pandemic on the global economy are still unclear. As a result of the effects of COVID-19, the Federal Government may not effectively diversify its economy and may rely more heavily on hydrocarbon revenue which could continue to be volatile due to, among other things, the COVID-19 pandemic. There can be no assurance that COVID-19 will not have a prolonged adverse effect on the UAE's economy and its financial position.

The UAE's efforts to diversify its economy may not be completely successful

The UAE's economy is highly dependent on the oil industry. The Federal Government has a long-term strategy of diversifying the UAE's economy away from its reliance on oil and gas and a long-term vision to turn the UAE into a knowledge-based economy and reduce its dependence on the oil sector. However, there can be no assurance that the UAE's efforts to diversify its economy and reduce its dependence on oil will be completely successful. The mining and quarrying sector (which includes crude oil and natural gas) constituted approximately 27.7 per cent. of the UAE's constant GDP in 2021 (*source*: FCSC). If the UAE's efforts to diversify its economy away from its reliance on oil are unsuccessful, or if non-oil growth does not increase as projected, the UAE will continue to be significantly exposed to economic downturns driven by oil price volatility, which could result in a material adverse effect on the UAE's economy and financial position. See "*—The UAE's economy is significantly affected by volatility in international oil prices and its economy has in the past been, and is likely in the future to continue to be, materially adversely affected by lengthy periods of low oil prices*".

The UAE may not succeed in implementing its proposed economic, financial and strategic policies

The UAE has been pursuing a programme of economic structural reform with the objective of creating and maintaining a sustainable and diversified economy as part of its UAE Vision 2021 plan including the introduction of VAT, liberalisation of foreign direct investment ("**FDI**") rules and changes in visa requirements. Additionally, the UAE has been working towards implementing a seven year national agenda which is expected to conclude in 2021 and the initiatives will be continued as part of the UAE Centennial Plan 2071 as well as the introduction of a federal corporate income tax on or after 1 June 2023. The Federal Government is working on a new set of goals for 2022-2026. The implementation of these reforms, including programmes to support further economic growth, development and diversification, depends on significant and sustained political commitment and social consensus in favour of reforms. Notwithstanding significant progress in recent years and stated policies of implementing further reforms and supporting diversification of the economy, there can be no assurance that these and other economic and financial initiatives, and the reforms described in this Base Offering Circular, will continue, will not be reversed or will achieve their intended aims in a timely manner or at all, which could have a material adverse effect on the UAE's economy and financial position on both a federal level and an individual emirate level. In addition, some of these diversification programmes receive funding from hydrocarbon revenues, such that the programmes' funding could be negatively impacted if there was an increase in volatility in oil prices and a decrease in the UAE's hydrocarbon revenues. If the UAE's efforts to diversify its economy away from its reliance on oil are unsuccessful, or if non-oil growth does not increase as projected, the UAE will continue to be significantly exposed to economic downturns driven by oil price volatility. In addition, the transformation to a non-oil economy will initially be reliant on hydrocarbon income and a decrease in prices is likely to impact diversification plans, which could result in a material adverse effect on the UAE's economy and financial position.

The UAE is geographically located in a region that is experiencing political unrest which has the potential to materially adversely affect the UAE in a number of ways

Although the UAE, alongside its immediate neighbouring countries, generally enjoys domestic political stability and generally healthy regional and international relations, since early 2011 there has been political unrest in a number of countries in the wider Middle East and North Africa ("**MENA**") region, including Afghanistan, Algeria, Bahrain, Egypt, Iraq, Libya, Morocco, Syria, Tunisia and Yemen. This unrest has ranged from public demonstrations to, in extreme cases, armed conflict, proxy wars and civil wars, and has

given rise to increased political tension and uncertainty and escalating threats of terrorism and extremism, across the region.

It is not possible to predict the occurrence of events or circumstances such as war or hostilities, or the impact that such occurrences might have on the UAE. The MENA region is currently subject to a number of armed conflicts including those in Afghanistan, Yemen, Syria, Iraq and Libya. In 2015, under the request of the legitimate Yemeni Government, the UAE, along with a number of other Arab states, participated in the military intervention in Yemen. After having successfully accomplished its objectives, the UAE withdrew its troops from Yemen as part of a United Nations-led peace process in July 2019. In addition, in June 2017, Saudi Arabia, the UAE and Bahrain, as well as Egypt and Yemen, severed diplomatic ties with the State of Qatar ("**Qatar**"), cut trade and transport links and imposed sanctions on Qatar. In January 2021, diplomatic relations were restored with Qatar through the signing of the Al Ula Declaration. It remains unclear how the Al Ula Declaration will be implemented and, although the UAE has announced the re-opening of its land, air and sea borders to Qatar, it is still unclear if and when border controls will reach pre-June 2017 levels. In addition, Qatar has issued a number of claims against the UAE, Saudi Arabia, Egypt and Bahrain since the blockade. For example, in July 2020, Qatar Airways commenced proceedings against this bloc of countries seeking damages of at least U.S.\$5.0 billion. Other claims have been in relation to, amongst others, suspension of postal services and pharmaceutical investments as a result of the blockade against Qatar. It is not yet known whether Qatar will withdraw these claims against the UAE.

Heightened tensions between the United States and Iran have resulted in increased provocations by Iran and acts of violence against the United States and its interests in the MENA region. In particular, on 17 January 2022, Iran supported missile attacks on ADNOC facilities in Abu Dhabi. Three attacks occurred in subsequent weeks, the most recent of which, on 3 February 2022, was claimed by an Iraqi militia group. The attacks were followed by air strikes by UAE armed forces across targets in Yemen. In addition, in August 2021, armed personnel backed by Iran were suspected of seizing an oil tanker off of the coast of the UAE. Iran has denied involvement. Although the UAE continues to exercise de-escalation diplomacy and self-restraint, any continuation of, or increase in, international or regional tensions with Iran, including further attacks on or seizures of oil tankers that disrupt international trade and impair trade flows through the Strait of Hormuz, or any military action, may have a destabilising impact on the MENA region. In addition, a sixth round of talks regarding the revival of the 2015 Joint Comprehensive Plan of Action regarding Iran (and the United States' potential re-joining of the 2015 Joint Comprehensive Plan of Action), brokered by the EU, concluded on 20 June 2021 with no agreement reached and, as a result, there is uncertainty regarding the impact of the potential lifting of sanctions on Iran. There can be no assurance that tensions will not continue to escalate in the region, or that further attacks will not happen. Furthermore, there can be no assurance what impact recent and future incidents will have on global oil prices (see "*The UAE's economy is significantly affected by volatility in international oil prices and its economy has in the past been, and is likely in the future to continue to be, materially adversely affected by lengthy periods of low oil prices*".)

These recent and ongoing developments may contribute to instability in the region and may have a material adverse effect, or may be perceived to have a material adverse effect, on the UAE's security, attractiveness for foreign investment and capital, its ability to engage in international trade and, consequently, its economy and financial position.

The UAE is, and will continue to be, affected by political developments in the wider MENA region and investors' reactions to such developments may affect the securities of issuers in other markets, including the UAE. Although the UAE has not experienced terrorist attacks, there can be no assurance that extremists or terrorist groups will not initiate violent activity in the UAE. Any terrorist incidents, including cyber-terrorism, in or affecting the UAE and increased regional geopolitical instability (whether or not directly involving the UAE) may have a material adverse effect on the UAE's security, attractiveness for foreign investment and capital, its ability to engage in international trade, its tourist industry and, consequently, its economic, external and fiscal positions.

The UAE is also dependent on expatriate labour (ranging from unskilled labourers to highly skilled professionals in a range of industry sectors) and has made significant efforts in recent years to strengthen security procedures and attract high volumes of foreign businesses and tourists to the UAE. The UAE's success also makes it potentially more vulnerable if economic conditions become more unfavourable or should regional instability increase or foreign militants commence operations in the UAE, in which case there can be no assurance of the continued availability of expatriate labour with appropriate skills.

In addition, as the Federal Government continues to diversify the UAE's economy into other sectors, including tourism, the potential for its economy to be negatively affected by broader regional and global economic trends or geopolitical developments is increasing.

Global financial conditions and rising protectionist policies may have an impact on the UAE's economic and financial condition

The UAE's economy may be adversely affected by tightening global economic conditions and external shocks, including financial market volatility, trade disruptions, protectionist trade policies or threats thereof and global pandemics, such as the ongoing COVID-19 pandemic, and the conflict between Russia and Ukraine, each of which have caused severe global disruptions and may continue to have a significant effect on the global economy. Additionally, a global shift in policies, including towards protectionism, with lower global growth due to reduced trade, migration and cross-border investment flows, could slow non-oil growth in the UAE. Increased competition in the region, specifically from Saudi Arabia, may also impact the UAE's plans to diversify and develop a non-oil based economy. In addition, a global economic downturn could impact global demand for oil and oil prices. See "*— The UAE's economy is significantly affected by volatility in international oil prices and its economy has in the past been, and is likely in the future to continue to be, materially adversely affected by lengthy periods of low oil prices*" above. Increased financial market volatility could also affect investor sentiment and slow tourism, trade and investment in the UAE, which could, in turn, have an adverse effect on the UAE's non-oil sectors and the economy as a whole.

There can be no assurance that a global economic downturn will not occur or that there will not continue to be a shift towards protectionist policies on a global scale, each of which, together or individually, may have a material adverse effect on the UAE's economy and financial position.

The UAE faces certain demographic pressures

In light of the UAE's growing population, one of the key issues that the Federal Government is seeking to address is the accommodation of UAE nationals in the job market, in particular in the private sector. The Federal Government has, over the past few years, increased expenditure on education and training, and has introduced various initiatives to educate and motivate young UAE nationals to join the workforce. While this has resulted in an increasing number of UAE national university graduates entering the job market, there can be no assurance that the UAE's economy will be able to provide sufficient skilled labour opportunities for UAE nationals holding higher education degrees. As a result, the UAE may face increased unemployment rates for UAE nationals, which could result in social unrest and negatively affect the UAE's economy.

Investing in securities involving emerging markets, such as the UAE, generally involves a higher degree of risk than investments in securities of issuers from more developed markets

Investing in securities involving emerging markets, such as the UAE, generally involves a higher degree of risk than investments in securities of issuers from more developed markets. In the case of the UAE, these higher risks include those discussed elsewhere in this section. In addition, there can be no assurance that the market for securities bearing emerging market risk, such as any Notes issued under the Programme, will not be affected negatively by events elsewhere, especially in emerging markets.

International investors' reactions to events occurring in one emerging market country or region sometimes appear to demonstrate a "contagion" effect, in which an entire region or class of investment is disfavoured by such investors. If such a "contagion" effect were to occur, the trading price of Notes issued under the Programme could be adversely affected by negative economic or financial developments in other emerging market countries over which the Federal Government has no control.

In addition, the economies of emerging markets are more susceptible to influence by macroeconomic and central bank policy decisions of developed countries than other sovereign issuers. In particular, emerging market economies have in the past demonstrated sensitivity to periods of economic growth and interest rate movements of developed economies. No assurance can be given that this will not be the case in the future.

Additionally, according to the "Mutual Evaluation Report" published by the Financial Action Task Force ("FATF") in April 2020, the UAE has elements of an effective anti-money laundering and counter-terrorism financing system in place but given that the required framework is relatively new it is not possible to determine the overall effectiveness of the system and fundamental and major improvements are still

needed across the UAE in order to demonstrate that its system cannot be used for money laundering or terrorism financing. The UAE submitted a progress report in November 2020 in relation to the FATF's 2020 findings, which was reviewed by the FATF in early 2022. In March 2022, the FATF announced that the UAE was added to its "grey list" of high-risk jurisdictions noting that the UAE has made significant progress in relation to anti-money laundering and counter-terrorism financing since May 2020 but is still expected to make improvements in several areas including in relation to financial crime investigations. This grey list designation means that even though the UAE is under increased monitoring by the FATF, the UAE has committed to resolve the identified strategic deficiencies within agreed time frames.

As a consequence, an investment in Notes issued under the Programme carries risks that are not typically associated with investing in Notes issued by governments in more mature markets. These risks may be compounded by any incomplete, unreliable or unavailable economic and statistical data on the UAE, including elements of information provided in this Base Offering Circular, see "*The statistical information included in this Base Offering Circular is subject to certain limitations and may be materially adjusted or revised in the future as further information becomes available*" below. Prospective investors should also note that emerging economies, such as the UAE's are subject to rapid change and that the information set out in this Base Offering Circular may become out-dated relatively quickly. Accordingly, prospective investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, their investment is appropriate. Generally, investment in emerging markets is suitable only for sophisticated investors who fully appreciate the significance of the risks involved. Prospective investors are urged to consult with their own legal and financial advisers before making an investment decision.

Any adjustment to, or ending of, the UAE's currency peg could negatively affect the UAE

Since November 1980, the UAE Dirham has been pegged to the U.S. dollar at a rate of AED 3.6725 = U.S.\$1.00. The maintenance of this peg is a firm policy of the UAE Central Bank. See "*Monetary and Financial System—Monetary and Exchange Rate Policy*". However, although there are substantial reserves available to defend the peg, there is no assurance that the UAE Central Bank will be able to continue to maintain the peg in the future. If the UAE Central Bank cannot maintain a stable exchange rate or the peg to the U.S. dollar, it could reduce confidence in the UAE's economy, reduce FDI and adversely affect the UAE's finances and economy, as well as those of the individual emirates within the UAE.

In addition, because of the peg to the U.S. dollar, the UAE Central Bank does not have any flexibility to devalue the UAE Dirham to stimulate the UAE's exports market, and the UAE Central Bank's ability to independently manage interest rates is constrained, which may impair its ability to respond to financial crises or downturns. For example, if, when the US Federal Reserve increases interest rates, the UAE Central Bank delays significantly in increasing its own rates this could result in significant pressure on the peg. This lack of flexibility could have an adverse effect on the UAE's foreign trade and, in turn, on its economy and those of the individual emirates within the UAE. See "*A slowdown in the economies of the UAE's key trading partners and an appreciation of the U.S. dollar could each adversely affect the UAE's economy*" below.

The individual emirates that make up the UAE have in aggregate a significant amount of debt denominated in U.S. dollars. This may also impact the Federal Government's budget if expenditures need to be reduced in order to service both the debt of the individual emirates and the Notes, which will also be denominated in U.S. dollars.

Any negative variation of the peg would increase the burden of servicing and repaying this debt.

A slowdown in the economies of the UAE's key trading partners and an appreciation of the U.S. dollar could each adversely affect the UAE's economy

The UAE has strong trading relationships with many countries. In particular, countries in the Far East, as well as India, are significant markets for the UAE's crude oil exports. In addition, Saudi Arabia and China are both major trade partners in terms of exports, re-exports and imports, the United States is a major trade partner in terms of both exports and imports and India is a major source of imports (see "*Balance of Payments and Foreign Trade—Foreign Trade*").

Any sustained market and economic downturn or geopolitical uncertainties in any of the UAE's key trading partners, including as a result of the Russia/Ukraine conflict and upward trends in global inflation and

interest rates, may materially impact the UAE's trade with those countries and could have a negative impact on the UAE's foreign trade and balance of payments as well as government revenues on a local and federal level. Both the negative impact on the UAE's non-oil export partners and on tourism have a direct and indirect impact on the UAE's balance of payments and government revenues.

Furthermore, because the UAE's currency is pegged at a fixed rate to the U.S. dollar, any significant appreciation in value of the U.S. dollar, whether driven by increasing U.S. interest rates or other factors, could result in the UAE's non-hydrocarbon exports becoming less competitive, which could have a negative effect on Federal revenues. See "*—Any adjustment to, or ending of, the UAE's currency peg could negatively affect the UAE*" above.

The extensive production, processing, storage and shipping of hydrocarbons in the UAE gives rise to risks associated with hazardous materials

The sizeable oil and gas sector in the UAE consists of both upstream and downstream activities that include the production, processing, storage and shipping of oil, natural gas, petrochemicals and other hydrocarbons in various physical states. Hydrocarbons, by their nature, are hazardous materials which have the potential to harm or damage property, production facilities, people and the environment. A disaster involving hydrocarbons, such as a significant oil spill or catastrophic explosion, however caused, could have a materially adverse effect on the UAE and its economy either from direct losses (such as the loss of export revenue), the loss of tax revenue or liability to third parties, or from indirect losses, such as clean-up costs, environmental damage and reputational damage. The UAE cannot guarantee that such an event will not occur in the future.

The statistical information included in this Base Offering Circular is subject to certain limitations and may be materially adjusted or revised in the future as further information becomes available

The statistical information included in this Base Offering Circular has been derived from a number of different identified sources. All statistical information provided in this Base Offering Circular may differ from that produced by other sources for a variety of reasons, including the use of different methodologies, definitions and cut-off times.

Although efforts are being made by the UAE and its emirates to produce accurate and consistent social and economic data, investors should be aware that there is still significant scope for improving fiscal, external and labour statistics. For a discussion of certain limitations relating to the statistics included in this document, see "*Presentation of Statistical Information*". The statistical data appearing in this Base Offering Circular may also not have been prepared in accordance with the standards of, or to the same degree of accuracy as, equivalent statistics produced by the relevant bodies in other jurisdictions. Investors may be able to obtain similar statistics from other sources, but the underlying assumptions, methodology and, consequently, the resulting data may vary from source to source and there can be no assurance that the statistical data appearing in this Base Offering Circular are as accurate or as reliable as those published by other countries.

The official financial and economic statistics of the UAE are subject to review as part of a regular confirmation process. Accordingly, financial and economic information in this Base Offering Circular may differ from previously published figures, or figures published in the future, and may be subsequently adjusted or revised. No assurance can be given that material changes will not be made.

Information on oil and gas reserves are based on estimates that have not been reviewed by an independent consultant for the purposes of this Base Offering Circular

The information on oil and gas reserves contained in this Base Offering Circular is based on figures published by OPEC. Neither the UAE nor the Arrangers or Dealers have engaged an independent consultant or any other person to conduct a review of the UAE's natural gas or crude oil reserves in connection with this Base Offering Circular. All reserve estimates presented herein are based on data collected and maintained by OPEC and may differ materially from actual figures. No assurance can be given that material changes will not be made. Potential investors should also note that the methodology used by OPEC to calculate the reserves figures may differ from the methodology used by other hydrocarbon producers and may also differ from the standards of reserves measurement prescribed by the U.S. Securities and Exchange Commission.

Furthermore, although based on scientifically backed procedures and research, reserves valuation is a process with an inherently subjective element for estimating underground accumulations of crude oil and natural gas that cannot be measured in an exact manner. The accuracy of any reserve estimate depends on the quality and reliability of available data, engineering and geological interpretations and subjective professional judgement. Additionally, estimates may be revised based on subsequent results of drilling, testing and production. The proportion of reserves that can ultimately be produced, the rate of production and the costs of developing the fields are difficult to estimate and, therefore, the reserve estimates may differ materially from the ultimately recoverable quantities of crude oil and natural gas.

The UAE's credit ratings may change and any ratings downgrade could adversely affect the value of Notes issued under the Programme

The UAE has been assigned a credit rating of Aa2 by Moody's with a stable outlook and AA- by Fitch with a stable outlook.

Moody's noted in its April 2022 report that downward pressure on the rating would be likely to emerge from an escalation in regional political tensions that significantly affected the UAE's ability to produce or export oil, or both. A prolonged period of low oil prices, potentially resulting in a long-lasting deterioration in credit metrics that the Federal Government was unable to reverse, would also put downward pressure on the rating, as well as any downgrade of Abu Dhabi's rating.

Fitch noted in its November 2021 ratings report that a rating downgrade could be prompted by a deterioration in Abu Dhabi's sovereign credit profile, substantial erosion of the external position of the UAE and or the individual emirates' fiscal position, for example due to a sustained period of low oil prices or a materialisation of contingent liabilities or a geopolitical shock that impacts economic, social or political stability.

Any future downgrade or withdrawal at any time of a credit rating assigned to the UAE by any rating agency could have a material adverse effect on its cost of borrowing and could limit its access to debt capital markets. A downgrade may also adversely affect the market price of Notes issued under the Programme and cause trading in such Notes to be volatile. Unsolicited ratings may not benefit from government input but could also negatively impact the UAE's cost of borrowing. Furthermore, a rating downgrade in any of the individual emirates or other regional issuers may result in a downgrade in the credit rating assigned to the UAE.

A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. Ratings may not reflect the potential impact of all risks related to structure, market, the risk factors discussed in this section and others that may affect the value of Notes issued under the Programme.

The UAE cannot be certain that a credit rating will remain for any given period of time or that a credit rating will not be downgraded or withdrawn entirely by the relevant rating agency if, in its judgment, circumstances in the future so warrant.

2. AMENDMENTS TO DESCRIPTION OF THE UNITED ARAB EMIRATES

2.1 On page 74 of the Base Offering Circular, the subsection headed "*Introduction*" shall be deemed deleted and replaced with the following:

The Federation of the United Arab Emirates (the "**Federation**" or the "**UAE**") is a federation of seven emirates along the eastern coast of the Arabian Peninsula. The Federation was established on 2 December 1971. On formation, the Federation comprised the following emirates: Abu Dhabi, Dubai, Sharjah, Ajman, Umm Al Quwain and Fujairah. Ras Al Khaimah joined in February 1972. Abu Dhabi is the capital city of the UAE. The President of the UAE is His Highness ("**H.H.**") Sheikh Mohamed bin Zayed Al Nahyan, who is also the ruler of Abu Dhabi, the capital city of the UAE.

2.2 On page 76 of the Base Offering Circular, the last paragraph of the subsection headed "*History*" shall be deemed deleted and replaced with the following:

In May 1976, the seven emirates agreed to merge their armed forces. In 1979, the ruler of Dubai, H.H. Sheikh Rashid bin Saeed Al Maktoum, became Prime Minister of the UAE. H.H. Sheikh Zayed bin Sultan Al Nahyan of Abu Dhabi served as President of the UAE from 1971 until his death in November 2004. He was succeeded by his son, H.H. Sheikh Khalifa bin Zayed Al Nahyan, as ruler of Abu Dhabi and President of the UAE until his death in May 2022. H.H. Sheikh Khalifa bin Zayed Al Nahyan was succeeded by H.H. Sheikh Mohamed bin Zayed Al Nahyan in May 2022.

- 2.3 On page 80 of the Base Offering Circular, the subsection headed "*Saudi Arabia*" under the section headed "*Relations with Gulf Co-Operation Council and Other Arab Countries*" shall be deemed deleted and replaced with the following:

Saudi Arabia

The UAE and Saudi Arabia have enjoyed a strong relationship since the establishment of the Federation and are close allies on matters relating to foreign policy and geopolitical interests. The relationship was further strengthened in 2017 as the UAE and Saudi Arabia signed a cooperation agreement relating to the development of joint strategic projects in the UAE and in Saudi Arabia in sectors including renewable energy, petrochemicals, agriculture, artificial intelligence, military, food security, space and infrastructure.

In addition to their strategic alliance, the UAE and Saudi Arabia share a strong trade relationship, with imports from Saudi Arabia accounting for 2.9 per cent. of the UAE's total imports, and exports to Saudi Arabia accounting for 11.2 per cent. of the UAE's total non-oil exports for the year ended 31 December 2021. Imports and exports from Saudi Arabia accounted for 6.5 per cent. of the UAE's total imports and exports for the first quarter of 2022. See also "*Balance of Payments and Foreign Trade—Foreign Trade*" for further detail.

- 2.4 On page 80 of the Base Offering Circular, the subsection headed "*United States*" under the section headed "*Relations with Other Countries and the European Union*" shall be deemed deleted and replaced with the following:

The UAE and the United States have enjoyed a strong relationship since the establishment of the Federation, with the United States becoming only the third country to establish formal diplomatic relations with the UAE in 1971. Since then, the UAE and the United States have built a close alliance founded on a shared commitment to promote peace and security in the Middle East, improve growth in bilateral trade and economic cooperation and develop a future-oriented outlook of tolerance, gender equality, diversity, educational advances and the promotion of arts and culture.

The UAE and the United States work closely together to resolve security challenges in the region. As a result, the UAE is one of only three countries and the only Arab nation to participate with the United States in six military coalition actions over the last 25 years, including the 1990 Gulf War, in which the UAE was one of the first countries to support the United States. The UAE also joined the United States' military coalition actions in Somalia in 1992, in Afghanistan in 2004 and in Libya in 2011. In support of the two countries' cooperation on regional security, the UAE and United States militaries regularly collaborate on joint-training missions.

In addition, the UAE and the United States enjoy a strong trade relationship, with imports from the United States accounting for 6.1 per cent. of the UAE's total imports, and exports to the United States accounting for 4.0 per cent. of the UAE's total non-oil exports for the year ended 31 December 2021. Imports and exports from the United States accounted for 5.2 per cent. of the UAE's total imports and exports for the first quarter of 2022. In 2021, the UAE was the largest export market in the Middle East for the United States for the thirteenth year in a row. See also "*Balance of Payments and Foreign Trade—Foreign Trade*" for further detail.

- 2.5 On page 81 of the Base Offering Circular, the subsection headed "*Israel*" under the section headed "*Relations with Other Countries and the European Union*" shall be deemed deleted and replaced with the following:

On 13 August 2020, President Donald Trump of the United States, Prime Minister Benjamin Netanyahu of Israel and H.H. Sheikh Mohamed bin Zayed Al Nahyan, Crown Prince of Abu Dhabi

and Deputy Supreme Commander of the UAE Armed Forces released a joint statement confirming that the UAE and Israel had agreed to normalise relations. In doing so, the UAE became the third Arab country, after Egypt in 1979 and the Hashemite Kingdom of Jordan in 1994, to agree to formally establish its relationship with Israel. The Abraham Accords Peace Agreement: Treaty of Peace, Diplomatic Relations and Full Normalisation between the United Arab Emirates and the State of Israel (the "**Abraham Accords**") was officially signed in Washington D.C. on 15 September 2020. In addition, Bahrain announced the establishment of diplomatic ties with Israel on 11 September 2020, and became the fourth Arab country to officially sign the Abraham Accords: Declaration of Peace, Cooperation, and Constructive Diplomatic and Friendly Relations to Normalise Diplomatic and Other Relations between the Kingdom of Bahrain and Israel.

The Abraham Accords seek to advance comprehensive Middle East peace, stability and prosperity. To that extent, the UAE and Israel have agreed to join with the United States to develop and launch a "Strategic Agenda for the Middle East" in order to expand regional diplomatic, trade, stability and other cooperation. The Abraham Accords also identify sectors in which the UAE and Israel have signed bilateral agreements, including finance and investment, civil aviation, healthcare, tourism, environment, education and agriculture and food security.

Since the announcement on 13 August 2020, the first direct commercial flight from Israel to the UAE landed in Abu Dhabi International Airport on 31 August 2020.

In April 2022, Israel and the UAE concluded negotiations for a free trade agreement. The agreement included that 95 per cent. of traded products would be customs free either immediately or gradually including on products such as food, agriculture, medicine and medical equipment. The agreement also included certain regulations, customs, services, government procurement and electronic trade that will gradually come into effect, although no express timetable for these measures has been released yet.

2.6 On page 81 of the Base Offering Circular, the subsection headed "*Switzerland*" under the section headed "*Relations with Other Countries and the European Union*" shall be deemed deleted and replaced with the following:

Switzerland recognised the UAE in 1971. In 1976, Switzerland opened a trade office in Abu Dhabi, which became an embassy in 1982. In 1987, a consulate opened up in Dubai, which has been converted to a consulate general responsible for trade relations with the UAE. A Swiss Business Hub opened in Dubai in 2005 and, currently, Switzerland has a defence attaché, a regional development advisor and a Swiss tourism representation in the UAE. Relations between the UAE and Switzerland are primarily of an economic nature. The two have engaged in high-level visits as well as bilateral agreements and memorandums of understanding and bilateral cooperation. The UAE signed a free trade agreement with Switzerland, the GCC and the other member states of the European Free Trade Association in June 2009. This agreement entered into force on 1 July 2014 and was fully implemented on 1 July 2015.

There are also a series of previous agreements governing the bilateral relations between the UAE and Switzerland, such as:

- a double taxation agreement (2011);
- a memorandum of understanding on waiving the visa requirement for the holders of diplomatic or service passports (2010);
- an investment protection agreement (1998); and
- an air traffic agreement (1999).

Switzerland is also one of the UAE's most important partners in terms of foreign trade. In December 2020, it was announced that following approximately AED 58.8 billion (U.S.\$16.6 billion) Swiss investments in the UAE and an annual bilateral trade worth AED 77.1 billion (U.S.\$21 billion), the UAE is Switzerland's largest trade partner in the MENA region. There are more than 200 Swiss companies in the UAE and precious metals and jewellery constitute the biggest part of trade between the two countries.

- 2.7 On page 82 of the Base Offering Circular, the subsection headed "*India*" under the section headed "*Relations with Other Countries and the European Union*" shall be deemed deleted and replaced with the following:

The UAE and the India have also enjoyed strong diplomatic relations since the UAE opened its Embassy in Delhi in 1972 and India opened its Embassy in Abu Dhabi in 1973, and the two countries have had strong trade ties for several decades. Indian nationals constitute approximately 30 per cent. of the UAE's population. In May 2020, the UAE sent seven tonnes of medical supplies to India to fight the COVID-19 pandemic. In 2020, relations between India and the UAE were further strengthened, as demonstrated by two high-level visits from External Affairs Minister S Jaishankar in November 2020 and Chief of Army Staff General MM Naravane in December 2020. The meetings focused on enhanced cooperation and building a strategic partnership including trade, investment, infrastructure, energy, food security and defence in the post-COVID-19 era. In addition, on 14 December 2020 it was announced that the International Federation of Indo-Israel Chambers of Commerce ("**IFICC**") has been launched in the UAE to broaden the relationship between the Indian diaspora and Israel.

In 2020, the UAE import value with India was approximately AED 60.5 billion and the export value was approximately AED 19.7 billion. For the six months ended 30 June 2021, the value of the UAE's imports from India was approximately AED 18.1 billion and the export value was approximately AED 12.0 billion. The UAE was India's third largest trading partner in each of 2018, 2019 and 2020. The UAE is also the second largest export destination for India (after the US) as exports and re-exports amounted to over U.S.\$27 billion (approximately AED 99.2 billion) between 2018 and 2019. India was the second highest export destination for the UAE for the year ended 31 December 2021 with 10.2 per cent. of total non-oil exports being sent to India. In addition, India is also one of the top sources of the UAE's imports. The UAE received 8.5 per cent. of total imports based on value from India for the year ended 31 December 2021.

In addition, a consortium led by India's state-owned Oil and Natural Gas Corporation (ONGC) including Indian Oil and Bharat PetroResources, were awarded a 10 per cent. stake in the Lower Zakum Concession in February 2018. The deal marked the first time that Abu Dhabi had awarded a stake in a functioning oil field to an Indian group.

On 18 February 2022, the UAE signed a Comprehensive Economic Partnership Agreement ("**CEPA**") with India. The agreement entered into force on 1 May 2022 and is expected to result in simpler customs procedures, clear and transparent rules on trade, greater information and guidance for SMEs, lower tariffs, enhanced market access and government procurement opportunities between the two countries.

- 2.8 On page 83 of the Base Offering Circular, the last paragraph under the subsection headed "*IMF*" shall be deemed deleted and replaced with the following:

During the course of 2020, the IMF mission team held informal meetings with policy makers to discuss the economic developments and challenges that were caused by the COVID-19 pandemic. On 22 November 2021, the IMF concluded the 2021 Article IV consultation with the UAE. The report summarising this consultation was published on 17 February 2022. The 2021 consultation summary commended the UAE on its successful COVID-19 vaccination programme and swift response to the COVID-19 pandemic, noting that there were still risks to the UAE's macro-economic stability as a result of the pandemic. The IMF team welcomed the UAE's ambitious structural reform agenda, including recent initiatives to support private sector development that could help lift productivity and potential growth and facilitate economic diversification. The main policy recommendations included ensuring the recovery and protecting the most vulnerable, safeguarding financial stability, strengthening fiscal policy frameworks, and fostering economic diversification and higher productivity growth.

- 2.9 On page 84 of the Base Offering Circular, the subsection headed "*COVID-19 Impact and Response Measures Adopted in the UAE*" shall be deemed deleted and replaced with the following:

Overview

In December 2019, the emergence of a new strain of COVID-19 was reported in Wuhan, Hubei Province, China. In March 2020, the UAE, alongside the United States, certain EU countries and many other countries worldwide imposed restrictions on travel and on the freedom of movement of people as well as other restrictions intended to reduce in person interactions.

General and Epidemiological Response Measures

On 29 January 2020, the UAE reported its first case of the virus and cases increased significantly thereafter. As of 7 June 2022, total cases were 912,086 of which 895,099 have recovered and 2,305 have died (source: Ministry of Health and Prevention). The Federal Government has been continuously monitoring the situation relating to the spread of the COVID-19 pandemic and has taken significant steps to address the complex public health and economic impacts of the pandemic. At the heart of the UAE's efforts to combat the virus has been one of the world's most extensive testing programmes, with more than 163 million tests conducted by 7 June 2022 (source: Ministry of Health and Prevention). COVID-19 has now been detected in almost every country around the world.

In 2020, the Federal Government allocated AED 1,302 million from the Federal Budget to the Ministry of Health and Prevention to respond to the COVID-19 pandemic. As a result, other government entities had their budget allocations cut in order to maintain a balanced budget.

On 14 September 2020, the UAE announced the emergency approval for the use of the COVID-19 vaccine and on 3 November 2020, the Prime Minister of the UAE, H.H. Sheikh Mohammed bin Rashid Al Maktoum, received a COVID-19 vaccine developed by China's Sinopharm Group. As of August 2021, there are four vaccines in the UAE for use on eligible individuals: Sinopharm, Pfizer-BioNTech, Sputnik V and Oxford AstraZeneca. The UAE is offering these vaccines to its citizens and residents free of charge and on an optional basis after ensuring that the person has no condition or symptom that makes it inadvisable. On 28 March 2021, the UAE launched COVID-19 vaccine production with China's Sinopharm vaccine. In May 2021, the Ministry of Health and Prevention approved the emergency use of the Pfizer-BioNTech vaccine for children between the ages of 12 and 15. The UAE started vaccinations on 12 December 2020 and, as of 7 June 2022, 24,922,054 vaccine doses have been given. In May 2022, Bloomberg announced that the UAE had ranked fifth on its COVID-19 resilience ranking.

Social and Economic Response Measures

During the course of 2020, the Federal Government enacted several measures to limit the spread of the virus, including closure of schools, nurseries, shopping malls, parks, dine-in restaurants, and various tourist attractions. The Federal Government implemented a six month suspension of work permit fees to cut the cost of doing business, support SMEs and accelerate major infrastructure projects. As part of their National Epidemic Control Plan, the Federal Government also imposed wide-ranging travel restrictions (including grounding of flights and halting visa issuance), which had an adverse impact on tourism, suspended prayers at mosques and other large gatherings, and enacted teleworking arrangements in government offices. On 5 April 2020, some emirates announced a 24-hour curfew. Alongside this, the Federal Government increased testing and scaled up disinfection efforts, established a dedicated task force to ensure uninterrupted supply of consumer goods and prevent manipulative pricing practices, and launched remote learning initiatives to ensure continuity of education. The Federal Government closed private and public sector offices, and employees were encouraged to work from home. As a response, the Ministry of Human Resources and Emiratization published Ministerial Resolution No. 281 of 2020 regulating remote working whereby employers were obliged to provide the necessary technical tools to perform work remotely. The Federal Government also launched an "Early Leave" initiative for all expatriate private sector employees.

On 24 April 2020, the Federal Government began the gradual reopening of shopping centres and other businesses, subject to social distancing requirements, and began facilitating repatriation of expatriate workers wishing to return to their home countries. Several airlines resumed a limited number of regular passenger flights. Curfews were also shortened across the individual emirates. Most government employees returned to work as of mid-June 2020. Dubai reopened to international tourists on 7 July 2020. On 29 July 2020, restaurants, coffee shops, cafes and other licensed food outlets in Abu Dhabi were allowed to operate at 80 per cent. capacity. On 30 August

2021, the UAE started issuing tourist visas to fully vaccinated people from all countries, provided that they are fully vaccinated with one of the WHO-approved COVID-19 vaccines. On 25 February 2022, the National Emergency Crisis and Disasters Management Authority, in coordination with its main partners, announced updating the COVID-19 countermeasures from 26 February 2022. In the UAE, mask-wearing is mandatory in public indoor spaces and optional outdoors. However, there are no longer quarantine requirements for individuals who come into contact with someone infected with COVID-19. Those working in the state sectors are required to have a PCR test daily for five days after coming in contact with someone who is infected. Those who have COVID-19 are still required to isolate. At the local level, each emirate has the flexibility to determine the duration of the quarantine period and PCR tests in their respective sectors and professions.

The UAE economy has also been affected by the spread of COVID-19 as well as the sharp decline in oil prices. An extensive economic stimulus package for UAE businesses was introduced first in March 2020 and later in July 2020 to support services hit by the decline of revenue. In March 2020, the Federal Government announced an AED 16 billion fiscal stimulus programme. The programme included reducing operational costs for businesses through fee reductions and exemptions. For example, water and electricity bills were reduced by 20 per cent. for shopping malls, commercial shops and hotels. There was also a 20 per cent. to 50 per cent. reduction on work permits and contractual arrangements and fees were reduced by 30 per cent. to 95 per cent. for company registration. The Federal Government also refunded 50 per cent. of the cash guarantees paid by individuals and business in coordination with the Ministry of Human Resources and Emiratisation and the Federal Authority for Identity and Citizenship. 68 per cent. of the stimulus programme went to the completion of ongoing infrastructure projects as part of the UAE's ongoing commitment to the UAE Vision 2021.

As of June 2021, the Federal Government, UAE Central Bank and individual emirates have cumulatively committed a total of AED 289.1 billion in financial support packages to combat the economic and social effects of the COVID-19 pandemic since March 2020. Of the AED 289.1 billion that was provided, AED 256 billion was monetary support by the UAE Central Bank, AED 17.1 billion was monetary support by the individual emirates and AED 16 billion was monetary support by the Federal Government.

Some of the measures that were put into place in 2020 included: (i) AED 16.0 billion approved by the Federal Government to support the private sector by reducing various government fees and accelerating existing infrastructure projects; (ii) AED 6.5 billion in measures by the government of Dubai to reduce government fees, provide additional water and electricity subsidies, and simplify business procedures; and (iii) AED 9 billion announced by the government of Abu Dhabi as part of the ongoing "Ghadan-21" fiscal stimulus program. Abu Dhabi, Dubai and Ras Al Khaimah have also announced measures to support the tourism sector by reducing or suspending various government fees and penalties, as well as a rebate on commercial lease payments in the tourism and hospitality sectors. The other individual emirates also implemented a number of COVID-19 measures. For example, in 2020, Umm Al Quwain businesses were exempted from fees and fines, Sharjah launched its own stimulus package, the Ras Al Khaimah Economic Zone Authority introduced an economic relief package of AED 50 million for SMEs and industrial companies as well as announced several initiatives to support tourism development and the Ajman government adopted a relief package. Dubai also announced a three-month stimulus package amounting to AED 1.5 billion that incorporated specific measures to support the tourism sector which includes a 50 per cent. reduction of the municipality fee on hotel sales. Dubai has also cancelled certain fines and implemented a reduction of fees, implemented tax and fee reimbursements to the leisure sector and renewed commercial licenses without the renewal of lease contracts.

Additional initiatives for 2021 included providing for water and electricity subsidies as well as credit guarantees and liquidity support to SMEs. As of May 2020, Abu Dhabi scaled up its existing Ghadan-21 stimulus package to include an additional AED 5 billion subsidy for utilities for citizens and commercial and industrial activities, an additional AED 3 billion allocation to the SME credit-guarantee scheme, as well as waivers and exemptions from government fees including vehicle registration, traffic tariffs and industrial land leasing.

The COVID-19 pandemic has also had a significant impact on supply chain, logistics and transportation. In response to this, the Emirates Food Security Council developed mechanisms to

ensure a steady and sustainable food supply to the UAE and increased the total food inventory by 30 per cent. Additionally, the Ministry of Community Development and the Ministry of Economy have collaborated to launch the Al Meer Initiative to provide essential food supplies to 12,000 vulnerable and foreign workers.

The Ministry of Human Resources and Emiratisation created a 'virtual labour market' to facilitate the provision of job opportunities for suspended employees while the Ministry of Education activated virtual learning for nearly 1.2 million students from various educational institutions, with service providers offering free mobile internet connection to families without home internet services in order to assist with students remote learning needs. As of the date of this Base Offering Circular, students have physically returned to schools and employees in the public sector are no longer working remotely. Private sector employers have embraced remote working with some employers allowing their employees to physically return to the office and others allowing their employees to continue working from home.

Financial Sector Response Measures

Effective from 15 March 2020, the UAE Central Bank implemented the Temporary Economic Support Scheme (the "**TESS**"), which includes a range of measures aimed at mitigating the economic effects of COVID-19 within the UAE. Such measures include allowing banks operating in the UAE access to loans and advances extended from the UAE Central Bank at zero cost against collateral to be used by the banks to grant temporary loan deferral relief to private sector corporate and SME customers and retail clients. In addition (subject to the terms of the TESS), banks are allowed to tap into the capital conservation buffer up to a maximum of 60 per cent. without supervisory consequences and the domestic systemically important banks (the "**D-SIBs**") are allowed to use 100 per cent. of their D-SIB buffer without supervisory consequences (in each case, until 15 March 2021). Furthermore, on 7 April 2020, the UAE Central Bank effectively more than doubled the size of the TESS from AED 100 billion to AED 256 billion and allowed banks and finance companies in the UAE to extend deferrals of principal and interest. The UAE Central Bank has reduced its policy interest rate twice by a combined 125 basis points in 2020.

In total, the UAE Central Bank announced AED 256 billion (approximately 22 per cent. of GDP in 2019) TESS measures which comprised of: (i) halving of banks' required reserve requirements from 14 per cent. to 7 per cent.; (ii) zero-interest rate collateralised loans to banks (AED 50 billion); (iii) allowing the use of banks' excess capital buffers (AED 50 billion); (iv) 15 to 25 per cent. reduction in provisioning for SME loans; (v) increase of loan-to-value ratio for first-time home buyers by 5 percentage points; (vi) limiting bank fees for SMEs; (vii) waiver of all payment service fees charged by the UAE Central Bank for six months; (viii) raising the limit on banks' exposure to the real estate sector to 30 per cent. of risk-weighted assets, subject to adequate provisioning; and (ix) allowing banks to defer loan repayments until the end of 2020.

On 8 August 2020, the UAE Central Bank announced further measures to facilitate banks' lending to the economy and the relaxation of the Net Stable Funding Ratio and the Advances to Stable Resources Ratio effective through the end of 2021 (source: IMF – Policy Responses to COVID-19). On 16 November 2020, the UAE Central Bank announced the TESS would be extended until 30 June 2021 to continue to support individuals and businesses affected by COVID-19. In April 2021, the UAE Central Bank announced that a number of measures will be extended until 31 December 2021 and in some instances 30 June 2022. The measures that have been extended to 30 June 2022 include temporary lowering of the capital conservation buffer and the capital buffer for systemically important domestic banks as well as temporary prudential relief with respect to the liquidity coverage ratio, eligible liquid assets ratio, net stable funding ratio, and advances to stable resources ratio. The programme to support new lending and financing will also continue until 30 June 2022. As of the third quarter of 2021, approximately one third of the TESS deferral programme utilisation and the cost drawdown of the zero-cost collateralised liquidity facility have been utilised. As of April 2021, more than 320,000 customers, including individual clients, SMEs and other private entities benefited from TESS. For more information on TESS see "*Monetary and Financial System—Banking and Financial Services—Banking System Support—Targeted Economic Support Scheme ("TESS")*". In addition, see "*Risk Factors—Factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme—Risks relating to the Issuer—The COVID-19 pandemic has caused and is likely to continue to cause significant disruption to both the global economy and the UAE's economy*".

Expected Impact of the COVID-19 Pandemic

While the economic and fiscal cost of COVID-19 is difficult to predict, the Federal Government anticipates a time-limited negative impact of the pandemic on the economy. There is considerable uncertainty in respect to the further development of the pandemic (including any additional "waves" and "variants") and its macroeconomic consequences, as well as any related shocks in the financial markets. The Federal Government did not make budget cuts in 2021 as a result of COVID-19. The Federal Budget for the cycle 2022-2026, has been approved, which is the largest budget in the UAE's history. The COVID-19 pandemic also encouraged the Federal Government to merge a number of entities and reduce costs. For example, an overall plan has been developed to merge 50 per cent. of Federal agencies into other agencies in order to reduce the overall number of agencies as well as the merger of the energy and infrastructure ministries under a single portfolio and the placement of national water, electric, post, transport and real estate entities under the EIA. In addition, in the long-term, the UAE expects COVID-19 to have a positive effect on the economy given that it has encouraged a greater focus on digitalisation, diversification, structural reforms and a move towards a knowledge and high-value added activity based economy.

Ratings

The UAE has been assigned a credit rating of Aa2 by Moody's with a stable outlook and AA- by Fitch with a stable outlook.

The UAE's rating was most recently reaffirmed by Moody's in April 2022. Moody's noted in its April 2022 report that upward pressure on the rating would develop if regional geopolitical tensions were to decline significantly and durably. Material improvements in policy transparency and data availability at both the federal and emirate level would also put upward pressure on the rating. Further, an upgrade of Abu Dhabi's rating may lead to an upgrade of the UAE's rating, given the strong interlinkages between the two. In turn, downward pressure on the rating would be likely to emerge from an escalation in regional political tensions that significantly affected the UAE's ability to produce or export oil, or both. A prolonged period of low oil prices, potentially resulting in a long-lasting deterioration in credit metrics that the Federal Government was unable to reverse, would also put downward pressure on the rating, as well as any downgrade of Abu Dhabi's rating.

The UAE's rating was most recently reaffirmed by Fitch in November 2021. In its rating report, Fitch cited moderate consolidated public debt level, strong net external asset position and high GDP per capita. Fitch also noted that a rating downgrade could be prompted by a deterioration in Abu Dhabi's sovereign credit profile, substantial erosion of the external position of the UAE and or the individual emirates' fiscal position, for example due to a sustained period of low oil prices or a materialisation of contingent liabilities or a geopolitical shock that impacts economic, social or political stability.

3. AMENDMENTS TO THE ECONOMY OF THE UNITED ARAB EMIRATES

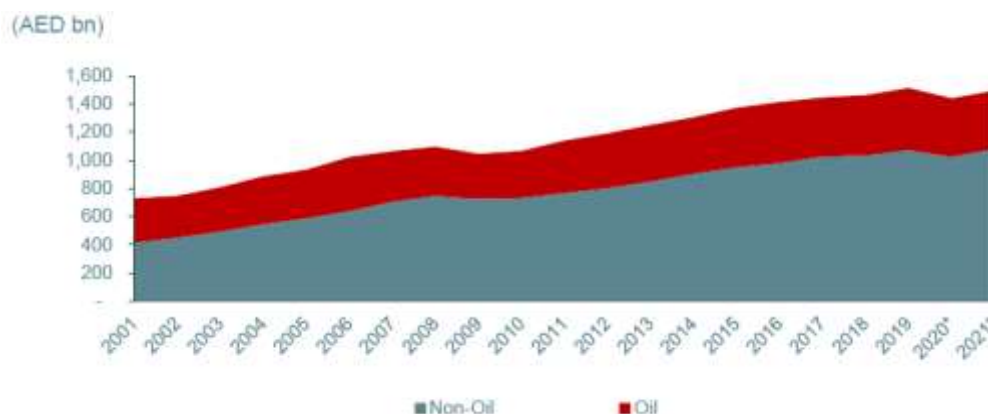
- 3.1 On page 88 of the Base Offering Circular, the entirety of the subsection headed "*Economy of the United Arab Emirates*" shall be deemed deleted and replaced with the following:

Overview

The UAE has one of the largest economies in the MENA region, with a nominal GDP of approximately AED 1,489 billion in 2021. According to the FCSC, real GDP growth in the UAE was 2.4 per cent. in 2017, 1.2 per cent. in 2018, 3.4 per cent. in 2019, negative 4.8 per cent. in 2020 and 3.8 per cent. in 2021.

Since the discovery of oil, the economy has been influenced mainly by the following sectors: mining and quarrying (includes crude oil and natural gas), wholesale and retail trade; repair of motor vehicles and motorcycles; manufacturing; financial and insurance activities; public administration and defence (including compulsory social security); construction; transportation and storage; and real estate activities.

The UAE's policy of economic diversification has led to development in key sectors such as tourism, air transport, trade, financial services, manufacturing and alternative energy. The UAE has made progress towards ending its economic dependence on hydrocarbons. The mining and quarrying sector, which includes crude oil and natural gas, accounted for approximately 27.7 per cent. of the UAE's constant GDP in 2021, down from 79 per cent. of GDP in 1980. The historic evolution in non-oil GDP contributions to the UAE's constant GDP for the years ended 31 December 2001 to 31 December 2021 is shown below:



Gross Domestic Product

The table below shows nominal GDP growth and the real GDP growth rate as at 31 December for the years indicated.

	For the year ended 31 December						
	2015	2016	2017	2018	2019	2020*	2021*
Nominal GDP.....	1,315	1,311	1,416	1,551	1,532	1,312	1,489
Real GDP growth rate (%)	-	3.0	2.4	1.2	3.4	(4.8)	3.8

(*) Data 2020 and 2021 Preliminary
Source: FCSC

Economic activity in the UAE continued its recovery in 2021. The FCSC estimates that real GDP grew by 3.8 per cent. during 2021. In its fourth quarter 2021 economic review, the Central Bank projected real GDP growth of 4.2 per cent. in 2022 with the non-oil real GDP and real oil GDP increasing by 3.9 per cent. and 5.0 per cent. respectively. However, these projections include a high level of uncertainty amidst the potential repercussions of the COVID-19 pandemic and ongoing conflict between Russia and Ukraine. See "Risk Factors—Factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme—Risks relating to the Issuer—The COVID-19 pandemic has caused and is likely to continue to cause significant disruption to both the global economy and the UAE's economy".

The non-oil sector continued to improve in 2021 largely reflecting increased spending and tourism related to the delayed Expo 2020. According to the IMF, real GDP growth is projected to rise to 3.5 per cent. in 2022. Non-oil growth is expected to accelerate to 3.4 per cent. in 2022, boosted by Expo 2020 and reform momentum, and to improve further over the medium-term with increased foreign investment and the benefit of announced structural reforms. Oil GDP is expected to grow by 3.5 percent on average in the medium-term as production increases to meet the authorities' plans of producing 5.0 mb/d by 2030. The adjusted non-oil primary deficit is expected to improve, albeit gradually, to 22.1 per cent. of non-oil GDP in 2026 from 26.7 per cent. of non-oil GDP in 2021. In the long-term, the UAE Central Bank expects GDP to increase due to the continued diversification of the UAE's economy away from hydrocarbons and towards a more knowledge-based economy, manufacturing and other high-value add activities.

The following tables show the UAE GDP by economic activities at nominal prices and constant prices, respectively, and economic indicators per capita for the years indicated:

GDP by Economic Sector at Nominal Prices

Economic Sectors/Activities	For the year ended 31 December						
	2015	2016	2017	2018	2019	2020*	2021*
	(AED Millions)						
Non-Financial Corporations	1,106,290	1,090,929	1,182,780	1,313,507	1,291,543	1,076,030	1,251,876
Agriculture, Forestry and Fishing.....	9,746	10,176	10,912	11,145	11,448	12,107	13,036
Mining and Quarrying (includes crude oil and natural gas).....	286,970	253,148	289,986	402,935	347,387	217,780	356,429
Manufacturing.....	116,180	117,808	129,640	135,420	134,639	136,222	151,036
Electricity, gas, and Water Supply; Waste Management Activities.....	46,471	48,719	55,448	58,402	61,804	61,058	67,637
Construction.....	127,693	123,820	127,840	132,529	137,392	131,186	118,977
Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles.....	160,969	170,458	188,309	190,491	202,405	178,715	195,777
Transportation and Storage.....	89,983	80,434	84,730	86,895	89,705	60,869	63,760
Accommodation and Food Service Activities.....	32,402	31,631	31,831	32,117	32,553	23,607	27,456
Information and Communication.....	37,929	40,162	42,460	43,338	46,087	45,672	45,684
Financial and Insurance Activities.....	125,221	131,646	133,948	132,219	135,750	119,056	120,055
Real Estate Activities.....	81,184	89,357	90,410	82,718	80,380	79,373	79,982
Professional, Scientific and Technical Activities and Administrative and Support Service Activities.....	86,160	72,052	72,091	75,752	79,798	71,274	71,426
Public Administration and Defence; Compulsory Social Security.....	83,740	88,673	99,408	104,858	104,931	106,153	106,523
Education.....	16,487	18,312	21,398	21,984	25,838	26,618	26,672
Human Health and Social Work Activities... Arts, Recreation and Other Service Activities.....	16,879	18,162	18,644	19,821	21,521	23,677	26,269
.....	7,012	7,836	9,601	9,843	9,785	7,196	7,707
Activities of Households as Employers.....	8,225	8,854	9,480	10,145	10,801	10,646	10,625
Total GDP	1,315,251	1,311,248	1,416,136	1,550,585	1,531,224	1,311,885	1,489,080
Total Non-oil GDP	1,028,280	1,058,101	1,126,150	1,147,650	1,184,838	1,094,105	1,132,651

(*) Data 2020 and 2021 Preliminary.

Source: FCSC

GDP by Economic Sectors at Constant (2010) Prices, 2015 – 2021

Economic Sectors/Activities	For the year ended 31 December						
	2015	2016	2017	2018	2019	2020*	2021*
	(AED Millions)						
Non-Financial Corporations	1,177,591	1,213,012	1,244,535	1,264,663	1,314,131	1,231,138	1,280,537
Agriculture, Forestry and Fishing.....	8,899	9,204	9,508	10,022	10,403	11,249	13,594
Mining and Quarrying (includes crude oil and natural gas).....	421,382	432,360	418,524	428,781	439,836	413,148	412,866
Manufacturing.....	108,776	114,054	123,381	122,330	125,007	128,032	137,651
Electricity, gas, and Water Supply; Waste Management Activities.....	40,131	42,316	41,956	42,183	43,460	43,286	45,888
Construction.....	123,467	121,140	124,291	127,275	130,726	120,911	113,970
Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles.....	160,040	165,792	181,798	184,359	195,917	185,566	211,684
Transportation and Storage.....	77,310	74,417	80,050	81,693	85,316	62,906	65,856
Accommodation and Food Service Activities.....	26,704	28,533	30,838	32,312	33,841	26,227	31,786
Information and Communication.....	36,815	39,330	41,896	43,115	44,300	43,606	43,162
Financial and Insurance Activities.....	116,073	120,492	122,140	119,051	119,544	118,642	123,030
Real Estate Activities.....	73,888	79,028	82,013	79,322	81,973	84,201	89,002

Economic Sectors/Activities	For the year ended 31 December						
	2015	2016	2017	2018	2019	2020*	2021*
	(AED Millions)						
Professional, Scientific and Technical Activities and Administrative and Support Service Activities	58,078	61,653	60,954	62,659	66,148	62,265	61,956
Public Administration and Defence; Compulsory Social Security	75,485	77,553	77,874	78,023	77,929	79,358	79,683
Education	11,746	13,025	14,926	14,776	19,315	19,710	19,656
Human Health and Social Work Activities.....	16,283	16,894	17,043	18,108	19,561	21,516	24,494
Arts, Recreation and Other Service Activities.....	6,532	7,208	8,841	8,838	8,831	8,516	8,973
Activities of Households as Employers	7,541	8,059	8,517	8,889	9,497	9,299	9,390
Total GDP	1,369,148	1,411,057	1,444,549	1,461,737	1,511,605	1,438,437	1,492,639
Total Non-oil GDP.....	947,766	978,697	1,026,025	1,032,956	1,071,769	1,025,289	1,079,774

(*) Data 2020 and 2021 Preliminary
Source: FCSC

Economic Indicators Per Capita, 2015-2021

Economic Sectors/Activities	For the year ended 31 December						
	2015	2016	2017	2018	2019	2020*	2021*
	(AED Thousands)						
Gross Domestic Product	144.5	143.8	152.2	165.5	161.2	141.3	155.8
GDP (At Constant 2010 Prices).....	150.4	154.7	155.3	156.1	159.1	155.0	156.1
Gross National Income.....	145.2	144.6	153.3	166.1	162.0	140.6	154.5
Net National Income.....	139.1	138.6	147.4	159.7	155.6	134.5	148.6
Disposable Income.....	123.1	122.9	131.1	141.6	137.3	113.3	127.1
Final Consumption Expenditure:.....	69.1	70.0	76.9	83.0	83.1	76.5	87.0
Government Final Consumption	18.0	18.0	20.1	19.6	19.8	21.0	23.5
Private Final Consumption	51.2	52.0	56.8	63.4	63.3	55.5	63.5
National Saving	54.0	52.8	54.2	58.6	54.2	36.8	40.1
Gross Fixed Capital Formation.....	37.0	37.4	38.5	38.9	36.2	34.1	39.0
Total Exports.....	145.7	145.2	151.6	154.0	156.1	139.0	163.3
Total Imports.....	139.3	141.1	136.4	130.9	134.3	108.3	133.5

(*) Data 2020 and 2021 Preliminary
Source: FCSC

The table below shows the real petroleum GDP, real non-petroleum GDP and real GDP growth rates for the periods shown.

	For the year ended 31 December						
	2015	2016	2017	2018	2019	2020*	2021*
	(%)						
Real Petroleum GDP.....	-	2.6	(3.2)	2.5	2.6	(6.1)	(0.1)
Real Non Petroleum GDP	-	3.2	4.8	0.7	3.8	(4.3)	5.3
Real GDP	-	3.0	2.4	1.2	3.4	(4.8)	3.8

(*) Data 2020 and 2021 Preliminary
Source: FCSC

For the year ended 31 December 2021, nominal GDP increased by 13.5 per cent. compared to the year ended 31 December 2020. This increase in nominal GDP in 2021 was primarily the result of the recovery in the oil economy and increases in the various sectors, particularly tourism and trade compared to 2020, which was negatively impacted by the COVID-19 pandemic. The oil sector is included in "mining and quarrying" in the calculation of GDP. In 2021, the various non-oil sectors accounted for 76.1 per cent. of nominal GDP, while the mining and quarrying sector accounted for 23.9 per cent. of nominal GDP. Among the non-oil sectors, the "wholesale and retail trade: repair of motor vehicles and motorcycles" sector accounted for the largest share; 13.1 per cent. of nominal GDP, followed by "manufacturing", "financial

and insurance activities" and "construction", which accounted for 10.1 per cent., 8.1 per cent. and 8.0 per cent. of GDP, respectively. GDP for oil depends on oil prices.

For the year ended 31 December 2020, nominal GDP decreased by 14.4 per cent. compared to the year ended 31 December 2019. This decrease in nominal GDP in 2020 was primarily the result of the contraction in the oil economy and varying degrees of unemployment and supply chain disruptions across various sectors, particularly tourism and trade, as a result of the COVID-19 pandemic. In 2020, the various non-oil sectors accounted for 83.5 per cent. of nominal GDP, while the mining and quarrying sector accounted for 16.6 per cent. of nominal GDP. Among the non-oil sectors, the "wholesale and retail trade: repair of motor vehicles and motorcycles" sector accounted for the largest share; 13.6 per cent. of nominal GDP, followed by "manufacturing", "construction" and "financial and insurance activities", which accounted for 10.4 per cent., 10.0 per cent. and 9.1 per cent. of GDP, respectively.

For the year ended 31 December 2019, nominal GDP decreased by 1.2 per cent. compared to the year ended 31 December 2018. This decrease in nominal GDP in 2019 was primarily the result of a decrease in mining and quarrying GDP as a result of a decline in oil prices in 2019 compared to 2018. In 2019, the various non-oil sectors accounted for 77.4 per cent. of nominal GDP, while the "mining and quarrying" sector accounted for 22.6 per cent. of nominal GDP. Among the non-oil sectors, the "wholesale and retail trade: repair of motor vehicles and motorcycles" sector accounted for the largest share; 13.2 per cent. of nominal GDP, followed by "construction", "manufacturing" and "financial and insurance activities", which accounted for 9.0 per cent., 8.8 per cent. and 8.9 per cent. of GDP, respectively.

For the year ended 31 December 2018, nominal GDP increased by 9.5 per cent. compared to the year ended 31 December 2017. This growth in nominal GDP in 2018 was due to growth in the "mining and quarrying" sector as a result of an increase in oil prices from 2017 to 2018, as well as growth in the non-oil sectors except for "real estate activities" and "financial and insurance activities". In 2018, the various non-oil sectors accounted for 74.0 per cent. of GDP, while the "mining and quarrying" sector accounted for 26 per cent. of nominal GDP. Among the non-oil sectors, the "wholesale and retail trade: repair of motor vehicles and motorcycles" sector accounted for the largest share; 12.3 per cent. of nominal GDP, followed by the "financial and insurance activities", "manufacturing" and "construction" sectors, which accounted for 8.5 per cent., 8.7 per cent. and 8.5 per cent. of GDP, respectively.

For the year ended 31 December 2017, nominal GDP rose by 8.0 per cent. in 2017 compared to the year ended 31 December 2016. This was primarily the result of the growth of the UAE's economic performance in general, which primarily was the result of successful economic diversification policies adopted by the UAE, expanding the economy's productive base and the initiatives to increase reliance on non-oil sectors and enhancing their contribution to the GDP of the UAE. In 2017, GDP for the non-oil sectors of the economy amounted to about AED 1,126.2 million, an increase of 6.4 per cent. compared to 2016, representing 79.5 per cent. of nominal GDP. In 2017, the "mining and quarrying" sector amounted to AED 289,986 million representing 20.5 per cent. of nominal GDP.

Principal Sectors of the Economy

The UAE's economy is well diversified with its biggest sector, mining and quarrying (including oil and natural gas) contributing 23.9 per cent. of nominal GDP in 2021. Recent economic growth has been broad-based across multiple sectors. Most GDP sectors are controlled at the local level as opposed to the federal level.

The UAE has a world leading position in hydrocarbons. According to OPEC's 2021 Statistical Bulletin, the UAE has the fifth largest proven oil reserves (107 billion barrels) and seventh largest natural gas reserves (273 trillion scf).

In 2020, Abu Dhabi's Supreme Petroleum Council approved a U.S.\$122 billion capital spending plan for oil and natural gas over the next five years. The plan aims to lift production capacity by 5 million barrels per day by 2030 and expand the downstream sector to support the development of ADNOC's refining and petrochemicals capacity. Despite, the hydrocarbon sector of the economy still growing, the UAE has tried to diversify and grow its non-oil sector of the economy.

The economy has been influenced mainly by the following sectors over the last few years: mining and quarrying (includes crude oil and natural gas), wholesale and retail trade (including repair of motor vehicles

and motorcycles), manufacturing, financial and insurance activities, public administration and defence (including compulsory social security), construction, transportation and storage, and real estate activities.

Mining and quarrying (includes crude oil and natural gas)

The mining and quarrying sector, which includes crude oil and natural gas, contributed 23.9 per cent. to the UAE's nominal GDP in 2021, 16.6 per cent. in 2020, 22.6 per cent. in 2019 and 26.0 per cent. in 2018. The mining and quarrying sector's contribution to GDP reflected the decline in oil prices in 2020 resulting from the COVID-19 pandemic, partially offset by increased production. Changes in the rates of growth of the hydrocarbon sector principally reflect oil and gas production increases over the period as adjusted by the GDP deflator for the year concerned, which is calculated by weighting inflation in different sectors of the economy. The Federal Government does not have control over this sector of the economy and mining and quarrying is controlled by the individual emirates.

Wholesale and retail trade (including repair of motor vehicles and motorcycles)

The wholesale and retail trade sector contributed 13.2 per cent. to the UAE's nominal GDP in 2021, 13.6 per cent. in 2020, 13.2 per cent. in 2019 and 12.3 per cent. in 2018. The sector's growth in 2019 was primarily driven by the growth in the UAE's economy and population as well as an increase in the number of new malls and the number of expatriates choosing to reside in the UAE. Wholesale and retail trade decreased in 2020 primarily due to the decrease in tourism, supply chain disruptions and a decrease in demand as a result of the COVID-19 pandemic, which was partially offset by an increase in e-commerce. The wholesale and retail trade sector was 13.6 per cent. of non-real hydrocarbon GDP in 2020.

The UAE is also a base for wholesalers due to its attractive tax environment and connections to the MENA region. With no domestic manufacturing industry, the repair of motor vehicles and motorcycles aspect of this sector focuses on the import for local sale and re-export of vehicles and the associated sub-sectors of auto parts and accessories supply; vehicle maintenance and repair; trading, maintenance and repair of motorcycles and auto finance.

Manufacturing

The manufacturing sector contributed 10.1 per cent. to the UAE's nominal GDP in 2021, 10.4 per cent. in 2020, 8.8 per cent. in 2019 and 8.7 per cent. in 2018. The UAE's manufacturing sector is dominated by refining and petrochemical production which both experience volatility in demand and output. The most significant sub-sectors include cement, glass, petrochemicals, paint, dried food and household goods. Additionally, the Khalifa Industrial Zone (KIZAD) has attracted a range of companies in the aluminium, engineered metals, glass, paper, petrochemical, chemical product, high technology, food and beverage and trade and logistics sectors. The positive growth rates between 2017 and 2019 reflected growth in the export of manufactured products such as chemicals, machinery, transport and communication equipment during these periods. However, the manufacturing sector decreased by 1.2 per cent. in 2020 compared to 2019 primarily as a result of the COVID-19 pandemic. Manufacturing was one of the most impacted sectors as a result of COVID-19 due to low domestic consumption, limited access of manufacturing firms to affordable finance and business, supply chain and demand disruptions.

Financial and insurance activities

The financial and insurance activities sector contributed 8.1 per cent. to the UAE's nominal GDP in 2021, 9.1 per cent. in 2020, 8.9 per cent. in 2019 and 8.5 per cent. in 2018. This sector principally reflects the financial activities of banks within the UAE as well as financial intermediation activities, insurance activities, insurance intermediation activities and the activities of the UAE Central Bank. The growth in this sector principally reflected the effect of generally good economic conditions in the UAE banking sector. The growth rate of the financial and economic sector is dependent on the movement in the other economic sectors. The positive rate of growth in 2019 reflected the positive growth rates in the other economic sectors. Financial and insurance activities decreased in 2020 primarily as a result of the COVID-19 pandemic. Insurance activities were the most affected due to restrictions on meeting in person, which reduced the contact and marketing opportunities that brokers were able to have with individual insurance clients and/or potential clients in 2020. In addition, the Insurance Authority decreased motor vehicle insurance tariffs in response to COVID-19, which had a further impact on insurance activities overall. For more information please see "*Monetary and Financial System - Banking and Financial Services*". The financial and insurance sector as a percentage of the UAE's nominal GDP decreased in 2021, however, this sector increased overall

in 2021 as a result of improved economic conditions in the banking sector and positive growth rates in the other economic sectors compared to 2020.

Construction

The construction sector contributed 8.0 per cent. to the UAE's nominal GDP in 2021, 10.0 per cent. in 2020, 9.0 per cent. in 2019 and 8.5 per cent. in 2018. The construction sector is largely driven by activity in the private real estate market and by public projects to construct infrastructure and government buildings. The UAE conducts construction activities on a federal level, which are independent from the individual emirates. The construction sector GDP growth in 2018 and 2019 reflected real estate demand and public sector expansion. The construction sector decreased by 4.5 per cent. in 2020 compared to 2019. The negative rates of growth in the construction sector in 2020 reflected job losses due to the COVID-19 pandemic, a decline in real estate prices, which in turn, resulted in delayed or cancelled construction projects, rent deferrals and waivers and the delay of Dubai Expo 2020, which adversely affected developers who were contracted to work on the site of Dubai Expo 2020. The construction sector further decreased in 2021, primarily as a result of reduced spending on construction projects in 2021.

Public administration and defence (including compulsory social security)

The public administration and defence (including compulsory social security) sector contributed 7.2 per cent. to the UAE's nominal GDP in 2021, 8.1 per cent. in 2020, 6.9 per cent. in 2019 and 6.8 per cent. in 2018. This sector includes government services such as basic healthcare and education for UAE nationals, defence and foreign policy initiatives, UAE-wide police and civil defence initiatives, the postal services, a large public works programme which covers infrastructure and housing as well as business licensing and policing.

Real estate activities

The real estate activities sector, contributed 5.4 per cent. to the UAE's nominal GDP in 2021, 6.1 per cent. in 2020, 5.2 per cent. in 2019 and 4.5 per cent. in 2018. The real estate activities sector primarily consists of real estate sales and leasing. The longer-term decline in nominal real estate activities GDP reflects decreases in the average prices of the UAE housing market accompanied by a fall in rents as well as the negative impacts of COVID-19 in 2020.

As a response to the weakened housing market, the Abu Dhabi government removed all real estate fees for all industries until the end of 2020 and removed requirements/fees related to the real estate sector such as the suspension of bid bonds, a 25 per cent. reduction in land leasing, industrial and commercial fees. In addition, Federal initiatives have been put in place to aid recovery, such as the Higher Committee for Real Estate, long-term residence visas, the reduction in real estate fees and changes in foreign ownership rules, including freehold ownership in certain areas of Abu Dhabi. The real estate market in Dubai has also shown signs of recovery, with 84,772 transactions recorded in 2021. S&P Global reported that there was a strong demand for residential real estate in 2021 compared to 2020 as transaction numbers surged by 60% with record pre-sales for developers. According to the real estate data platform, Property Monitor, the Dubai property market recorded its strongest ever start to the year in 2022 with 12,119 sales transactions as of 26 March 2022. S&P expects that there will be an ongoing rise in property transaction volumes in 2022 and a strong demand for off-plan properties.

Individual Emirates' GDP and Principal Economic Sectors

The UAE is made up of seven individual emirates, each of which produce GDP and principal economic sectors data.

Emirate of Abu Dhabi

Abu Dhabi had a nominal GDP of approximately AED 840.5 billion in 2021 based on preliminary estimates. The hydrocarbon sector is the largest sector of GDP for Abu Dhabi. Abu Dhabi is the federal capital of the UAE and is continuing to diversify its economy and reduce its reliance on the hydrocarbon sector. Abu Dhabi invests in infrastructure, tourism, transport, health and education in line with the Abu Dhabi government's 2030 economic plan, which was announced in 2009. For example, Abu Dhabi has invested in new luxury resorts and business hotels and has become a centre for sporting events such as the Abu Dhabi Golf Championship and the Formula One Abu Dhabi Grand Prix.

Emirate of Dubai

Dubai had a nominal GDP of approximately AED 393.2 billion in 2020 based on preliminary estimates (29.8 per cent. of emirates' GDP for the year ended 31 December 2020). One of the principal economic sectors for Dubai is tourism. For example, Dubai has invested in hotels, entertainment and shopping centres. Dubai is also heavily reliant on trade and its services and finance sectors. Real estate, logistics and financial services are also key economic sectors in Dubai.

Emirate of Sharjah

Sharjah had a nominal GDP of approximately AED 112.6 billion in 2020 based on preliminary estimates (8.5 per cent. of emirates' GDP for the year ended 31 December 2020). Sharjah's principal economic sectors are manufacturing and entrepreneurship and innovation. There are also almost 45,000 SMEs in Sharjah that contribute to Sharjah's real estate, gas and tourism sectors.

Emirate of Ras Al Khaimah

Ras Al Khaimah had a nominal GDP of approximately AED 29.3 billion in 2020 based on preliminary estimates (2.2 per cent. of emirates' GDP for the year ended 31 December 2020). Its principal economic sectors are pharmaceuticals and cement. Ras Al Khaimah also has its own economic zone, the Ras Al Khaimah Economic Zone (RAKEZ), which offers solutions to free zone and non-free zone businesses in over 50 industries.

Emirate of Ajman

Ajman had a nominal GDP of approximately AED 27.7 billion in 2020 based on preliminary estimates (2.1 per cent. of emirates' GDP for the year ended 31 December 2020). Its principal economic sector is tourism which is aided by the Ajman Port and Ajman Free Zone. In 2014, Ajman unveiled Ajman Vision 2021 for the emirate's development, a strategy that is in harmony with the UAE Vision 2021.

Emirate of Fujairah

Fujairah had a nominal GDP of approximately AED 22.0 billion in 2021 based on preliminary estimates. The Fujairah Free Zone, surrounding the port of Fujairah contributes to the emirates' foreign investment in banking and trade. The emirate's principal economic sectors are fishing, agriculture, mining and stone crushing.

Emirate of Umm Al Quwain

Umm Al Quwain had a nominal GDP of approximately AED 3.5 billion in 2020 based on preliminary estimates (0.3 per cent. of emirates' GDP for the year ended 31 December 2020). In 2014, The construction of Ahmed Bin Rashid Port and the Free Trade Zone are contributing to the emirate's commercial and investment base. The principal economic sectors are fishing and tourism.

Inflation

The table below shows the CPI and inflation for the periods indicated.

Economic Variables	For the year ended 31 December						
	2015	2016	2017	2018	2019	2020	2021
			<i>(AED Millions)</i>				
C.P.I (2014 = 100)	104.1	105.8	107.8	111.1	109.0	106.7	106.9
Inflation	4.1	1.6	2.0	3.1	(1.9)	(2.1)	2.3

The inflation rate for 2021 was 2.3 per cent. This was the result of an increase in price of both tradeables and non-tradeables, particularly in the transportation tradeable basket as a result of the increase in oil prices in the fourth quarter of 2021. The UAE Central Bank projects the average headline CPI inflation for 2022 to be around 2.7 per cent., for which the main drivers are expected to be the increase in energy prices, imported inflation that is expected to increase, rising wages, and the continuation of the declining trend of rents. These drivers may be further exacerbated by the war in Ukraine, with potential disruption in the oil markets and supply chains, in addition to higher food prices.

The UAE experienced a decrease in CPI in 2020 by 2.1 per cent., compared to a drop of 1.9 per cent. in 2019. This was the result of a fall of 3.3 per cent. in the price of non-tradables - goods and services that are not traded across borders. The price of non-tradeables are mainly determined by domestic supply and demand conditions, which were negatively impacted by COVID-19. Meanwhile, prices of tradables rose by 0.3 per cent. Tradables' prices, accounting for 34 per cent. of the CPI consumption basket, increased due to the rise in the price of food and soft drinks, beverages and tobacco, and textile, clothing and footwear, which was likely due to the disruptions in the global supply chains during the year. The decline in the housing component by 3.7 per cent., transportation by 5.8 per cent., and recreation and culture by 17.3 per cent. were the drivers of the significant drop in the non-tradables prices. (*source: UAE Central Bank Annual Report 2020*). Tradeables 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. Non-tradeables include the following categories of goods and services: housing; medical care; transportation; communications; recreation and culture; education; restaurants and hotels; and miscellaneous goods and services.

The CPI in the UAE declined by 1.9 per cent. in 2019, which was the first negative annual change in CPI inflation since the CPI index was first reported by the FCSC in 2009. Deflation was driven by the continued decline in rents and utilities prices, which represent 34 per cent. of the consumption basket, the appreciating UAE Dirham (in nominal terms) and the fading effect of the VAT introduced at the beginning of 2018. Moreover, the CPI was influenced by the drop in oil prices, which was transmitted to the domestic fuel prices through the transportation prices, assumed to be split equally between the tradeable and non-tradeable. Inflation in tradable prices reversed from 6.9 per cent. in the previous year to a deflation of 1.5 per cent. in 2019. Similarly, non-tradeable prices decreased by 2.2 per cent. in 2019 compared to an increase by 1.2 per cent. in 2018.

In 2018, annual inflation in the UAE rose to 3.1 per cent. in 2018 compared to 2.0 per cent. in the previous year. The rise in inflation occurred despite the continued decline in housing prices due to the implementation of VAT at the beginning of 2018. Moreover, CPI inflation was influenced by the increase in oil prices in 2018, which was transmitted to the domestic fuel prices through the transportation prices, split equally between tradeable and non-tradeable prices. Therefore, inflation in tradeable prices rose from 3.0 per cent. in 2017 to 6.9 per cent. in 2018. In contrast, non-tradeable price inflation decreased to 1.2 per cent. in 2018 compared to 1.8 per cent. in 2017. The rise in the tradeable prices in 2018 was mainly due to the base year effect of the implementation of the VAT, as well as the excise tax in October 2017. For example, the prices of beverages and tobacco rose by 57 per cent. in 2018 compared to the 18.3 per cent. increase in 2017. In addition, prices of food and soft drinks increased as compared to 2017 due to the implementation of the VAT as well as the increase in prices of agricultural commodities in international markets. Non-tradeable prices continued declining in 2018, similar to its 2017 trend, owing to the decline in housing cost by 3.1 per cent. as rents continued their downward trajectory throughout 2018. The housing group accounted for 34 per cent. of the UAE standard consumption basket, of which around 26 per cent. represented the actual rents paid by tenants.

Inflation in 2017 and 2016 was 2.0 per cent. and 1.6 per cent. respectively. These inflation levels reflected increases in tradeables reflecting the recovery of oil prices offset by the drop in non-tradeable price inflation. Non-tradeables accounted for 66 per cent. of the standard consumption basket in the UAE in 2017, of which housing and utilities costs cover around 52 per cent. Housing excess supply and slower employment growth in the labour market exerted a downward pressure on rental prices in both the emirates of Dubai and Abu Dhabi in 2017 and 2016.

Economic Policy

UAE Vision 2021

The UAE launched its first national strategy in 2007 and since then has launched a number of strategies with the aim of strengthening the UAE's economic position globally. In 2010, the Federal Government launched the UAE Vision 2021, which charts the next stage of the UAE's journey until the year 2021. The vision aims to position the UAE among the best countries in the world by the Golden Jubilee of the Federation in 2021.

In 2014, H.H. Sheikh Mohammed bin Rashid Al Maktoum launched a seven-year National Agenda in order to guide efforts towards UAE Vision 2021. The National Agenda was the result of a series of workshops

attended by over 300 officials from 90 federal and UAE local government entities, participants from civil society organizations and the private sector and experts from academia and research institutions.

The National Agenda specifies a wide-ranging work programme centred around six national priorities, as the key focus of government strategy in the coming years, and 52 National Key Performance Indicators ("NKPIs") in the sectors of education, healthcare, economy, police and security, justice, society, housing, infrastructure and government services. The six national priorities are:

- cohesive society and preserved identity;
- safe public and fair judiciary;
- competitive knowledge economy;
- first-rate education system;
- world-class healthcare; and
- sustainable environment and infrastructure.

The NKPIs are long-term, measurable performance outcomes in each of the national priorities and generally compare the UAE against global benchmarks. The NKPIs for UAE Vision 2021 include revenue budget execution, expenditure budget execution and budget accuracy. The Federal Government is continuing to work on the NKPIs with all of the relevant entities in all relevant sectors. These objectives will be continued after 2021 as part of the UAE Centennial Plan 2071 and a new set of objectives for the Federal Government's strategy for 2022-2026. The Federal Government is working on a new set of goals for 2022-2026.

UAE Centennial Plan 2071

The UAE Centennial Plan 2071 was announced in October 2017. This is a long-term plan that will replace UAE Vision 2021 and will extend for five decades after 2021. The objectives of the Federal Government under the UAE Centennial Plan 2071 include establishing the government of the UAE as the best government in the world, with a long-term vision and inspirational leadership that anticipates and prepares for the future. Other government objectives include achieving happiness in society and spreading positive messages internally and to the world and developing mechanisms for monitoring long-term variables in various sectors. Some objectives include creating a more cohesive society and promoting women's participation in all sectors.

The UAE Centennial Plan 2071 also outlines various education and economic goals. In terms of education, the UAE Centennial Plan 2071 highlights the importance of education in advanced science, technology, space science, engineering innovation and health sciences. The plan seeks to encourage education institutions to be centres of entrepreneurship, innovation and international research centres. The plan has a number of economic objectives which include increasing the productivity of the national economy, supporting national companies, investing in science research and other sectors, focusing on innovation, entrepreneurship and advanced industries, diversifying imports and exports by relying less on oil and developing a national strategy to shape the future of the UAE's economy and industry with a view to place the UAE among international important economies.

UAE's 50 Projects Initiative

In September 2021, the UAE announced that it plans to launch 50 new economic initiatives to boost the country's competitiveness and attract AED 550 billion in FDI over the next nine years. The projects are founded on the following principles:

- strengthening of the union, its institutions, legislations, capacity and budgets;
- building a competitive and dynamic economy;
- using foreign policy as a tool that aims to serve the UAE's economic interests;
- developing the educational system, attracting talent and retaining specialists;

- developing stable and positive economic, political and social relationships;
- creating one unified nation;
- encouraging digital, technical and scientific excellence;
- encouraging openness and tolerance;
- providing foreign humanitarian aid; and
- resolving political disputes.

Initially, AED 5 billion from the Emirates Development Bank is expected to be allocated to support projects by Emiratis in new economic sectors. Another AED 5 billion is expected to be allocated to reform the industrial sector towards the Fourth Industrial Revolution over the next five years. Teenagers will also be able to work from the age of 15 for the first time.

UAE Strategy for the Fourth Industrial Revolution

In September 2017, the Federal Government launched the UAE Strategy for the Fourth Industrial Revolution. The UAE Strategy for the Fourth Industrial Revolution aims to strengthen the UAE's position as a global hub for the Fourth Industrial Revolution and to increase its contribution to the national economy by means of advancing innovation and future technologies. The strategy also outlines the path to achieve the future experience of government services by providing intelligent and interactive government services around the clock to achieve customer happiness and to position the UAE as a model for interactive cities using artificial intelligence to achieve sustainability.

The UAE Strategy for the Fourth Industrial Revolution focuses on a number of key fields; some of them are innovative education, artificial intelligence, intelligent genomic medicine and robotic healthcare:

- innovative education will provide a smart and enhanced learning experience to develop advanced technologies such as science, nanotechnology and artificial intelligence;
- the adoption of intelligent and personal genomic medicine will lead to personalised medical technologies, improved health care levels and boost the UAE's position as a global centre for healthcare; and
- the adoption of robotic healthcare and research in nanotechnology will facilitate the application of telemedicine and introduce cutting-edge medical solutions such as wearable and implantable technologies.

The plan also aims to:

- achieve future security of water and food supply by using bioengineering sciences and advanced renewable energy technologies;
- enhance economic security by adopting digital economy and blockchain technologies in financial transactions and services;
- optimise the utilisation of satellite data in planning future cities; and
- develop advanced defence industries by developing national industries in the field of robotics and autonomous vehicle technologies.

Investment in these projects is ongoing and these projects contribute to the UAE's plan to move towards a knowledge-based economy. These projects include, among others, moving to a digital economy and developing artificial intelligence and remote working applications. Half of the Federal Government service centres are set to be converted to digital platforms in the short to medium-term. The Advanced Technology Research Council is the overarching advanced technology body in Abu Dhabi and the UAE. The Advanced

Technology Research Council has been established to further research and development in the UAE and is responsible for consolidating funds for efficient investment and policy in the UAE's scientific community.

Islamic Economic Sector

The Federal Government has recognised the importance of the Islamic economic sector, driven by the increase in the global Muslim population that numbers approximately 1.6 billion. For example, Dubai was the first to establish Islamic banks worldwide with the opening of Dubai Islamic Bank (DIB) in the 1970s, in addition to having the Dubai Financial Market, which is the first global *Shari'a* compliant exchange.

According to the 2021-22 Global Islamic Economy Indicator report, which measures the strength of the Islamic economy for 81 countries, across supply and demand drivers, governance, awareness and social considerations, the UAE was ranked third overall. .

The UAE's post-oil strategy

In 2015, the Federal Government implemented a AED 300 billion programme to foster a knowledge economy, driven by innovation to prepare the UAE for a world after oil. The Emirates Science, Technology and Innovation Higher Policy launched 100 initiatives with major investments in education, health, energy, transport, space and water. It includes fields such as robotics, solar power, developing intellectual property, stem cell research and biotechnology. As part of the UAE Centennial Plan 2071, the UAE plans to continue to support these programmes to work towards a knowledge-based economy and encourage innovation.

The UAE retreat on post-oil phase was held in January 2016. Federal and UAE local government officials took part in the retreat and discussed ideas and initiatives that would contribute in diversifying the UAE's economy and ensuring its sustainability with an emphasis on human capital, knowledge and innovation.

The UAE's strategy to decrease reliance on hydrocarbon revenue includes promoting a knowledge-based economy, strengthening the competitiveness of the current economic sectors such as manufacturing and gradually introducing new high-value added sectors related to, among others, SMEs and start-up businesses. The Federal Government believes this will drive improvements in the UAE's economy with the ultimate goal of achieving a nominal GDP of AED 3 trillion by 2031.

The UAE Soft Power Strategy

The Soft Power Council reports directly to the Cabinet and is in charge of the National Agenda. In September 2017, the Soft Power Council launched the UAE Soft Power Strategy, which aims to increase the country's global reputation abroad by highlighting its identity, heritage, culture and the contributions of the UAE to the world. The integrated national strategy is based on four main objectives:

- to develop a unified direction for various sectors including the economy, humanities, tourism media and science;
- to promote the UAE's position as a gateway to the region;
- to establish the UAE as a regional capital for culture, art and tourism; and
- to establish the UAE's reputation as a modern and tolerant country that welcomes people from across the world.

National Food Security Strategy 2051

The National Food Security Strategy 2051 aims to implement resilient agricultural practices that increase productivity and production that help maintain ecosystems. The strategy is geared by five strategic goals focusing on:

- facilitating the global food trade;
- diversifying food import sources; and
- identifying an alternative supply scheme, covering three to five sources for each major food category.

By launching this strategy, the UAE aims to:

- make the UAE the world's best in the Global Food Security Index by 2051 (the UAE was ranked 9 in 2021 up from 31 in 2015);
- enhance local production;
- develop international partnerships to diversify food sources;
- activate legislation and policies that contribute to improving nutrition;
- activate legislation and policies to reduce waste; and
- develop a national system based on enabling sustainable food production through the use of modern technology.

The UAE also achieved a ten place increase on the Global Food Security Index between 2012 and 2021, moving from a score of 61 to a score of 71.

Global Comparison

The UAE has a track record of improvement in rankings with an intention to remain one of the most business-friendly nations in the world. In 2021, the UAE ranked 10th overall in the IMD World Competitiveness Yearbook, 31st in the Human Development Report by the United Nations Development Programme in 2020 and ranked 37 out of 139 countries in the WJP Rule of Law Index 2021. In the IMD World Competitiveness Yearbook for 2021, the UAE was in the top five among the 64 countries surveyed in the following sub factors: international experience; foreign highly-skilled personnel; management of cities; net flow of international students; immigration laws; wireless broadband; internet users attitudes towards globalization; opportunities and threats in relation to business agility; use of big data and analytics; agility of companies; and future readiness for cyber security.

In 2021, the UAE ranked 33 in the Global Innovation Index out of 132 countries. The Global Innovation Index also gave the UAE a regulatory quality ranking of 36, an information and communication technology ranking of 12 and a rule of law ranking of 33.

In 2020, in the World Bank World Wide Governance Indicators, the UAE had a percentile rank of 88.0 in government effectiveness, a percentile rank of 79.3 in rule of law, a percentile rank of 82.7 in regulatory quality and a percentile rank of 83.2 in control of corruption.

In 2019, in the Global Competitiveness Index, out of 141 countries, the UAE ranked 25 in global competitiveness, second in information and communications technology adaptation and 31 in business dynamism.

The UAE's nominal GDP per capita for 2021 was U.S.\$42,884, which was higher than Chile (U.S.\$16,070), Saudi Arabia (U.S.\$23,507), Kuwait (U.S.\$28,579) and Korea (U.S.\$34,801). The UAE had a lower nominal GDP per capita than Qatar and Israel in 2021, which had a nominal GDP per capita of U.S.\$65,581 and U.S.\$51,416, respectively. On a quantitative basis, the UAE is stronger or on par with its peers on key economic metrics as shown below for 2021.

Economic Indicators	UAE	Chile	Saudi Arabia	Kuwait	Korea	Israel	Qatar
Real GDP Growth (% change)	2.3%	11.7%	3.2%	1.3%	4.0%	8.2%	1.5%
Nominal GDP (U.S.\$ billion).....	410.0	316.9	833.5	135.4	1,798.5	481.6	179.6
Nominal GDP Per Capita (U.S.\$).....	42,884	16,070	23,507	28,579	34,801	51,416	65,581
Current Account Balance (% of GDP)	11.7%	(6.7)%	6.6%	16.1%	4.9%	4.6%	14.7%
Fiscal Balance (% of GDP)	0.3%	(7.5)%	(2.4)%	(0.5)%	(0.6)%	(4.2)%	4.1%
Government Gross Debt (% of GDP).....	38.3%	36.3%	30.0%	8.7%	49.8%	68.9%	58.4%

Employment and Wages

The labour market in the UAE encompasses three main local markets: Abu Dhabi, Dubai and the remaining emirates. Based on FCSC data, in 2020, the UAE had 6,886,484 people employed. Of those employed in 2020, 4,450,828 workers were employed in the private sector. The number of people working in all economic sectors was 2,435,656 and the number of unemployed individuals was 306,789.

The UAE workforce increased in 2019 to 7.56 million workers from 7.38 million workers in 2018. Of those employed in 2019, approximately 5.23 million workers were employed in the private sector of which 27 per cent. were based in Abu Dhabi, 52 per cent. were in Dubai and 21 per cent. were in the remainder of the emirates. These figures reflect the number of people employed and unemployed. The number of people working in all economic sectors also increased to 7.34 million in 2019 compared to 7.22 million in 2018. The total number of workers unemployed in 2019 was 168,284. The rate of unemployment decreased from 2.5 per cent. in 2017 to 2.2 per cent. in 2018. According to the World Bank, the unemployment rate for the UAE was 2.3 per cent. in 2019, 5.0 per cent. in 2020 and 3.4 per cent. in 2021. The rate of unemployment data reflects the number of UAE nationals who are unemployed in either the public or private sector as opposed to the rate of unemployment for both UAE nationals and expatriates. In September 2021, the UAE announced subsidies and a salary support scheme for certain Emirati groups working in the private sector.

Unemployment benefits are payable to UAE nationals only and the responsibility for the payment lies with the Federal Government. Expatriates who are unemployed lose their working visas and do not remain in the UAE, although the "golden visa" and reformed visa system described further below is expected to encourage longer-term residence.

The table below shows the growth rate of national income and wages in the UAE for the periods shown.

Economic Variables	For the year ended 31 December							
	2015	2016	2017	2018	2019	2020*	2021*	
			(%)					
Gross National Income.....	(10.9)	(0.2)	8.1	9.1	(0.1)	(15.3)	13.2	
Net National Income	(11.5)	(0.1)	8.5	9.1	(1.1)	(15.5)	13.8	
Disposable Income	(15.6)	0.0	8.9	8.7	(1.6)	(19.4)	15.5	
National Saving	(21.8)	(1.9)	4.7	8.8	(6.2)	(33.7)	12.4	
Wages And Salaries ⁽¹⁾	5.7	2.7	11.0	4.2	2.9	(6.3)	-	

(*) Data 2020 and 2021 Preliminary

(1) 2021 data for wages and salaries is not available.

Source: FCSC

The table below shows the national income and compensation in the UAE for the periods shown.

Economic Variables	For the year ended 31 December							
	2015	2016	2017	2018	2019	2020*	2021*	
			(AED Millions)					
Population (Millions)	9.1	9.1	9.3	9.4	9.5	9.3	9.6	
Gross National Income.....	1,321,651	1,318,948	1,426,336	1,555,815	1,539,824	1,304,985	1,476,800	
Net National Income	1,266,228	1,264,439	1,371,436	1,495,613	1,478,685	1,248,759	1,420,573	
Disposable Income	1,120,628	1,120,839	1,220,136	1,326,283	1,305,085	1,051,859	1,214,773	
Compensation of Employees.....	430,447	441,936	490,616	511,204	526,072	493,093	-	

(*) Data 2020 and 2021 Preliminary

(1) 2021 data for compensation of employees is not available.

Source: FCSC

The table below shows the national income per capita for the periods shown.

Indicators	For the year ended 31 December							
	2015	2016	2017	2018	2019	2020*	2021*	
			(AED Thousands)					
Gross National Income.....	145.2	144.6	153.3	166.1	162.0	140.6	154.5	
Net National Income	139.1	138.6	147.4	159.7	155.6	134.5	148.6	

Indicators	For the year ended 31 December						
	2015	2016	2017	2018	2019	2020*	2021*
Disposable Income.....	123.1	122.9	131.1	141.6	137.3	113.3	127.1

(*) Data 2020 and 2021 Preliminary
Source: FCSC

The table below shows the estimate of wages for employees by economic sector for each of the years indicated:

	For the year ended 31 December							
	2017	% of total	2018	% of total	2019	% of total	2020	% of total
	(U.S.\$ Mil llions)	%	(U.S.\$ Mil lions)	%	(U.S.\$ M illions)	%	(U.S.\$ Mi llions)	%
Agriculture, Forestry and Fishing	1,032	0.8	1,057	0.8	1,079	0.8	1,125	0.8
Extractive Industries (includes crude oil and natural gas).....	5,288	3.9	5,563	4.0	5,539	3.9	5,189	3.9
Manufacturing	12,451	9.3	12,279	9.0	12,781	8.9	12,206	9.1
Electricity, Gas, Water and Waste Management Activities	2,021	1.5	2,266	1.6	2,679	1.9	2,677	2.0
Construction and Building	14,575	10.9	15,368	11.0	16,073	11.2	14,859	11.1
Wholesale and Retail Trade and Repair of Motor Vehicles and Motorcycles.....	18,544	13.8	18,781	13.5	19,507	13.6	17,623	13.1
Transport and Storage.....	11,521	8.6	12,011	8.6	11,573	8.1	9,253	6.9
Accommodation and Food Service Activities	4,588	3.4	4,779	3.4	5,272	3.7	4,381	3.3
Information and Communications.....	3,573	2.7	3,846	2.8	4,101	2.9	3,916	2.9
Financial Activities and Insurance Activities.....	6,965	5.2	6,806	4.9	6,770	4.7	6,539	4.9
Real Estate Activities.....	2,371	1.8	2,430	1.8	2,421	1.7	2,217	1.7
Professional, Scientific and Technical Activities ...	7,276	5.4	8,231	5.9	8,263	5.8	7,771	5.8
Administrative and Support Services Activities.....	4,533	3.4	4,758	3.4	5,554	3.9	5,386	4.0
Public Administration, Defence & Compulsory Social Security.....	24,656	18.5	26,065	18.7	25,974	18.1	25,345	18.9
Education	5,186	3.6	5,299	3.8	5,538	3.9	5,663	4.2
Activities of Human Health and Social Service	4,769	3.6	5,118	3.7	5,253	3.7	5,542	4.1
Arts, Entertainment, Promotion and Other Service Activities	1,662	1.2	1,778	1.3	1,927	1.3	1,803	1.3
Household Activities as Employer.....	2,581	1.9	2,762	2.0	2,941	2.1	2,770	2.1
Total	133,592	100.0	139,198	100.0	143,246	100.0	134,266	100.0

Source: FCSC, Preliminary Figures, 2020.

Negative macroeconomic developments during 2020 as a result of the COVID-19 pandemic were reflected in the labour market as the total wages for employees decreased by 6.3 per cent. as compared to 2019. All sectors except agriculture, forestry and fishing and education recorded a decrease in average wages during the period indicated. Public administration, defence and compulsory social security, wholesale and retail trade and repair of motor vehicles and motorcycles and construction and building made up approximately 43.1 per cent. of wages in the UAE for 2020. Employment in public administration, defence and compulsory social security wages decreased by 2.4 per cent. in 2020 compared to 2019. Employment in wholesale and retail trade and repair of motor vehicles and motorcycles decreased by 9.7 per cent. in 2020 compared to 2019. Construction and building decreased by 7.6 per cent. in 2020 as compared to 2019. The decrease in employment across the non-oil sectors of the economy in 2020 compared to 2019 was primarily the result of disruptions in international travel and tourism, regional and global trade and supply chains as a result of the COVID-19 pandemic.

Positive macroeconomic developments during 2019 were reflected in the labour market as total wages by sector increased by 1.2 per cent. as compared to 2018. All sectors except information and communications and construction and building recorded an increase in wages. Wages related to public administration, defence and compulsory social security, wholesale and retail trade and repair of motor vehicles and motorcycles and construction and building together made up approximately 43 per cent. of wages in the UAE for 2019. Wages for public administration, defence and compulsory social security wages increased by 0.4 per cent. in 2019 compared to 2018. Employment wages in wholesale and retail trade and repair of motor vehicles and motorcycles increased by 2.1 per cent. in 2019 compared to 2018. Construction and

building wages decreased by 0.7 per cent. in 2019 as compared to 2018. This primarily was the result of decreased demand for construction projects.

In November 2018, the Ministry of Human Resources and Emiratisation launched the National Employment Strategy 2031.

The strategy aims to support the Federal Government's efforts to build a knowledge-based economy by:

- empowering labour productivity and providing national human resources with the skills required for the labour market;
- increasing the number of research and development personnel;
- promoting entrepreneurship;
- promoting lifelong learning programmes;
- supporting training on future skills and skill development programmes; and
- focusing on attracting talent by enhancing knowledge and cultural diversity.

The strategy also seeks to increase the participation of the UAE nationals in the labour market by enhancing women's participation and increasing Emiratisation rates in value-added economic sectors such as:

- energy;
- communications;
- technology;
- transport;
- storage sectors;
- financial, health and educational sectors;
- artificial intelligence;
- space;
- digital transactions; and
- advanced science.

In 2019, the UAE implemented a new system for long-term residence visas known as the "golden visa" system. The new system enables foreigners to live, work and study in the UAE without the need of a national sponsor. The visas will be issued for five or 10 years and will be renewed automatically. In April 2022, the Cabinet approved further changes to the "golden visa" system, expanding the key specialist professions and exceptional students that can qualify for the new visa system, as well as reducing the investment thresholds. In addition, the Cabinet introduced various new categories of visas, including a job exploration entry visa and a business entry visa, to encourage visitors and foreign workers to the UAE. The Federal Government expects that the total national force working in the government and private sectors will grow to about 610,000 by 2031.

In August 2021, the UAE announced a new resident visa category called the "green visa". The green visa allows residents to sponsor their parents and children up to 25 years old. The green visa will not be linked to any work permits from companies and aims to attract highly-skilled, people investors, entrepreneurs, students and graduates. Green visa holders will also be given 90 to 180 days' grace period when their visas expire, as opposed to the current system of 30 days' grace period. Another category of visa called the

"freelance visa" was also announced to attract highly-skilled people. These visas were announced as part of the UAE's 50 Projects Initiative.

The Federal Government also introduced a retirement visa which effectively allows expatriates to remain resident in the UAE even after retiring if they have sufficient resources (property worth more than AED 2 million or financial savings worth AED 1 million or an active income of AED 20,000 per month).

Pensions

In September 1999, UAE nationals working for private companies became entitled to the same social security and pension benefits as those working for the Federal Government. Under the Federal Government's national pension and social security scheme, nationals who have contributed to the scheme will be eligible for retirement benefits, disability benefits and compensation on death. The General Pension and Social Security Authority ("**GPSSA**"), an independent entity of the Federal Government, which invests employer and employee contributions to fund the social security programme, was established to operate the scheme. Separate social security provision is made for all members of the military and the police force.

Federal Law No. 7 of 1999 Concerning the Issuance of the Law on Pensions and Social Security as amended by Federal Law No. 7 of 2007 applies to UAE and GCC nationals (men and women) working in the government and private sectors (the "**Pensions and Social Security Law**").

The Pensions and Social Security Law also covers the following categories of people working in the UAE:

- Emirati employers; and
- UAE nationals who are self-employed.

The retirement age for UAE nationals is 49 and the retirement age for expatriate residents is 60. Expatriates who are older than 60 are allowed to work up to the age of 65 after obtaining approval of the Minister of Human Resources and Emiratisation or the Undersecretary. After the age of 60, labour cards are renewed annually.

UAE nationals working in government and private sectors are eligible for pensions and other retirement benefits after reaching the retirement age of 49 or after serving for a minimum of 20 years. Contributions that the Federal Government is required to make for pensions and other retirement benefits are reflected in the social benefits line item of the Federal Budget. See "*Public Finance—Federal Budget*". GCC nationals employed in the UAE are entitled for pension in accordance with the schemes established in their home countries. Expatriate workers are not entitled to pension but are entitled to end-of-service benefits also known as gratuity or severance pay.

The entitlement of the insured to the pension commences on the day that follows the termination of service and ceases upon death provided the deceased has no beneficiaries. If the deceased has beneficiaries the entitlement to the pension shall be transferred in accordance with the provisions of the Pensions and Social Security Law. The entitlement of the beneficiaries of the insured or the pensioner commences as of the month that follows the date of death. Article 16 of the Pensions and Social Security Law provides for the cases in which insured nationals are entitled for pensions.

At the federal level, the GPSSA is the federal body responsible for administering the pensions for all of the UAE national working force in the federal ministries and entities and local governments in Dubai, Sharjah, Ras Al Khaimah, Ajman, Umm Al Quwain and Fujairah emirates.

Once a UAE national is registered with GPSSA, funds are deposited in his or her account as follows:

- both employee and employer share in contributing to the pension fund which is eventually used as an end of service benefit for the employee;
- if the employer is a government entity, the insured employee contributes an amount equal to 5 per cent. of the employee's monthly salary;
- in parallel the employer contributes 15 per cent. of the employee's salary; and

- if the employer is a privately owned company, the employer contributes 12.5 per cent. of the employee's salary and the government contributes 2.5 per cent.

UAE nationals who are ineligible for pension scheme will receive end of service benefits in accordance with the provisions of Articles 38 to 42 of the Pensions and Social Security Law. In these circumstances, the benefit will amount to a salary of one and a half months for every year of the first five years of employment, and it will increase to a salary of two months for every year of the following five years, and to a salary of three months for any additional year thereafter.

Abu Dhabi pensions

In Abu Dhabi, the Abu Dhabi Retirement Pensions and Benefits Fund manages pensions on behalf of Abu Dhabi-based and employed UAE nationals. However, it does not manage pensions for GCC nationals and this responsibility lies with GPSSA. In addition, Abu Dhabi has a separate pension law relating to Abu Dhabi and UAE nationals; Law No. 2 of 2000 regarding Civil Retirement Pensions and Benefits in the emirate of Abu Dhabi.

Retirement rules of Dubai Government

H.H. Sheikh Mohammed bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai, has issued Decree No. 21 of 2017 approving the retirement and pension procedures applicable to Dubai government employees. The decree aims to ensure equal opportunities for Dubai government employees and further protect the rights of pensioners.

According to the Decree, the Dubai Government Human Resources Department ("**DGHR**") will form a committee to evaluate the retirement requests of employees. A representative of DGHR will chair the committee. The committee is composed of representatives from Dubai's Department of Finance, the General Secretariat of the Dubai Executive Council and the General Secretariat of Dubai's Supreme Legislation Committee.

The Decree also defines retirement procedures. Pursuant to the Decree, Dubai government entities must refer their employees' retirement requests to DGHR. The application must clarify the reasons for retirement and provide all the required information and documents and meet any other requirements set by the committee. The government entity is responsible for completing the application, satisfying the requirements and completing the documents prior to submission to the committee.

DGHR is responsible for following up the committee's recommendations, including referring its recommendations to the General Secretariat of Dubai's Supreme Legislation Committee to issue the required legislation prior to submission to H.H. Sheikh Mohammed bin Rashid Al Maktoum for final approval.

Pension for GCC nationals

GCC nationals employed in the UAE are entitled for pension in accordance with the schemes established in their home countries. GCC nationals who are working in any GCC member country outside their home country are entitled to a pension. The employers in the UAE are liable to mandatory subscriptions for their GCC employees according to the social security law in their home countries in terms of registration and subscriptions, provided that the same may not exceed the subscription share designated for the employers to UAE nationals.

Social Security Funds

There is a social security regime in the UAE that applies to qualifying UAE and other GCC national employees only. Non-GCC nationals are not subject to social security in the UAE. The majority of the UAE nationals who qualify for the social security regime are members of the military.

For UAE national employees, social security contributions are calculated at a rate of 17.5 per cent. of the employee's gross remuneration as stated in the employee's local employment contract. Social security obligations also apply to employees of companies and branches registered in a free trade zone. Out of the 17.5 per cent., 5 per cent. is payable by the employee and the remaining 12.5 per cent. is payable by the employer. A higher rate of 20 per cent. is applied in the emirate of Abu Dhabi (where the contribution of the employer is 15 per cent.). For other GCC nationals working in the UAE, social security contributions

are determined in accordance with the social security regulations of their home country. The employer is responsible for withholding and remitting employee social security contributions.

Social security funds are paid directly by the employer to the GPSSA and all social security payments are made by the GPSSA. The GPSSA is not part of the Federal Budget.

Labour

The Ministry of Human Resources and Emiratisation ("**MoHRE**"), known before as the Ministry of Labour, is responsible for overseeing the employer-employee relations and maintaining labour rights for the private sector. Federal Law No. 8 of 1980 (as amended) (the "**Labour Law**"), governs the labour rights of employees in the private sector.

The Labour Law handles matters related to working hours, vacation and public holidays, sick leave, employing juveniles, maternity leave, employee records, safety standards, termination of employment and end of service gratuity payments. According to Article 3 of the Labour Law, it applies to all employees working in the UAE, whether UAE nationals or expatriates. However, there are certain categories of employees who are exempt from the law and may have to follow another set of regulations.

The provisions listed in the Labour Law do not apply to the following categories:

- employees and workers of the Federal Government and the UAE local governmental departments;
- employees and workers in public entities and institutions, whether federal or local, and employees and workers appointed for governmental, federal and local projects;
- members of the armed forces, police and security;
- domestic servants in private households and similar occupations; and
- workers in farms or pastures with the exception of persons working in agricultural institutions processing the products thereof or the persons permanently operating or repairing mechanical machines required for agriculture.

Emiratisation in the Private Sector

To overcome the structural division in the labour market, the Federal Government launched the Emiratisation (Tawteen in Arabic) campaign which promotes the inclusion of UAE nationals in the job sector, particularly in the private sector. Emiratisation aims to increase the number of UAE nationals in the job market and their contribution to the economy. The goal of Emiratisation is to promote development-oriented policies that support productive activities and job creation as well as increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, certain jobs and entrepreneurship.

The UAE encourages the public and private sectors to implement Emiratisation policies at all levels through the establishment of a special department, quota and incentives.

Pursuant to the Labour Law, as amended, MoHRE has established a special department dedicated to finding adequate job opportunities for UAE nationals. The department assists employers in finding national workers to meet their needs.

Ministerial Orders 41, 42 and 43 of 2005 impose on private sector employers a quota system, whereby every company with more than 100 employees is obliged to employ UAE nationals at an annual rate of 2 per cent. of total employees in order to ensure participation of UAE nationals in the workforce.

Following a strategic plan to promote Emiratisation, MoHRE decided to localise more jobs in the private sector. Starting from 2017, companies that are registered with the Tas'heel online application services and that employ over 1,000 workers are required to hire UAE nationals for data entry positions. For example,

MoHRE requires all construction facilities with a workforce of 500 or more employees to appoint at least one Emirati occupational health and safety officer from 2017.

To further develop the localisation in the private sector, MoHRE announced the launch of the "Nafis" programme in September 2021. The "Nafis" programme aims to improve the capacity and capability of Emiratis seeking employment in the private sector by offering training and mentoring services across various sectors and incentivises private sector employment by way of salary support schemes and increased pension programmes. The aim of the "Nafis" programme is to enable Emiratis to occupy 75,000 jobs in the private sector by 2026.

Social Protection

The Ministry of Community Development oversees the UAE's social welfare system and makes specific allocations to the country's women's organisations to ensure that all those in need, particularly women in rural areas, have access to both an economic safety net and assistance.

In addition, the Federal Government supports social welfare and rehabilitation centres that provide assistance to the needy and disabled.

According to Federal Law No. 2 of 2001, monthly assistance is provided to the following categories of UAE nationals residing within the UAE: widows, divorcees, disabled or those with special needs, elderly, orphans, children from unknown parents, medically unfit persons, married students, families of prisoners, financially unfit, abandoned women and UAE national women married to expatriate men who cannot earn a living for reasons beyond their control.

The Law stipulates that only UAE nationals residing in UAE can receive the social assistance provided by the Ministry of Community Development subject to certain limited exceptions.

In addition to the above, Cabinet Decision No. 22 for 2008 provides monetary compensation to UAE nationals for their losses because of personal or natural disasters which include fire and drowning besides other calamities. The compensation amounts range from 50 to 80 per cent. of the total estimate of losses in money and properties resulting from the disasters. The Ministry of Community Development is also tasked with providing urgent aid such as food and shelter needed immediately after any disaster. Article 2 of the Law provides that the Ministry of Community Development will provide within two days of notification about the disaster, an urgent cash relief of AED 300 per person affected per day.

In May 2022, the UAE announced that all workers in the public and private sector will have unemployment insurance from 2023. The Cabinet approved the unemployment insurance scheme to provide unemployed individuals with income support for a set period of time while they look for another job. The insurance regime will apply to workers of all nationalities working in the UAE but will not apply to investors, domestic workers, workers with temporary contracts, retired persons with a pension and people under the age of 18 years old. Employees will also be required to contribute a small amount of money for the unemployment insurance scheme through insurance companies on a yearly basis. The scheme is expected to include paying 60 per cent. of an individual's previous basic salary for a certain period of time but the duration of that period has not yet been specified.

Housing and land benefits for UAE nationals

At the federal level, the Ministry of Energy and Infrastructure is responsible for organising the housing sector. The Federal Government provides free housing, housing loans and/or residential facilities and maintenance to certain UAE nationals. The Federal Government also established the Sheikh Zayed Housing Programme ("**SZHP**") in 1999. The programme provides interest-free loans repayable over a 25-year period, grants and non-reimbursable assistance to UAE nationals with low incomes. The programme is principally financed through the Emirates Development Bank but the Federal Government also provides grants for the housing programme as a part of the Federal Budget with a total fixed cap of AED 200 million per year. This is in addition to budgeting approximately AED 168 million for operating costs within the Ministry of Energy and Infrastructure. The SZHP gives priority to orphans, widows, aged people and people with special needs.

Infrastructure

Infrastructure development is considered to be a key component for the UAE's future expansion, economic growth and social connectivity. The Federal Government has committed approximately AED 3.75 billion to infrastructure over the five year period of 2015 to 2020. Approximately AED 751 million was allocated to infrastructure projects in 2020 and 2021, in line with the five-year budget cycle and in 2022, approximately AED 751.5 million was allocated for energy and infrastructure projects at the federal level. Infrastructure projects at the federal level include projects related to security, education, health, federal roads, maintenance projects such as projects for highways and bridges, and housing schemes. In addition to infrastructure projects on the federal level, the individual emirates are also responsible for a number of infrastructure projects and maintenance on a local level.

Roads and Highways

The Federal Government is responsible for building and maintaining inter-emirate highways, notably the E11 and the E311 discussed below, on which major upgrade programmes have recently been completed, including widening of busy portions of the route and junction enhancements to create increased traffic flow. According to the Global Competitiveness Report issued by the World Economic Forum for the year 2019, the UAE occupies the seventh position in the index of road quality. The Ministry of Interior Development finished replacing traditional lights with power-saving LED lamps on all federal roads spanning 710 kilometres in 2019. The LEDs are considered environmentally friendly as they have a longer life and save 50 per cent. of consumed energy compared to the traditional lights.

The UAE continues to construct and maintain roads in accordance with international standards, using the best technology that fits the country's environmental conditions. The UAE's roads' projects aim to improve efficiency of traffic and connect parts of the country with a modern road network. The Federal Government is responsible for the following road networks, which connects different emirates with each other:

- E11 is the longest road in the UAE, with a total length of 558 kilometres; it stretches from Al Silah in the emirate of Abu Dhabi and ends in the emirate of Ras Al Khaimah. It has various alternate names: Sheikh Maktoum Road in Abu Dhabi, Sheikh Zayed Road in Dubai and Sheikh Muhammad bin Salem Road in Ras Al Khaimah;
- E311 or Sheikh Mohammed bin Zayed Road, known as Emirates Road, links Dubai to the rest of the emirates. It is approximately 140 kilometres long;
- E611 or Emirates Bypass road is approximately 110 kilometres long. It provides an alternative route to the E11 and E311 for drivers from the emirates of Ras Al Khaimah, Umm Al Quwain, Ajman and Sharjah, heading to Abu Dhabi without having to go through downtown Dubai;
- Sheikh Khalifa highway, which links the emirates of Dubai and Fujairah;
- Sheikh Khalifa bin Zayed road, which links villages in the eastern region;
- Dubai-Fujairah road, which passes through the Hatta Mountain range and goes through the emirates of Dubai, Sharjah and Ras Al Khaimah;
- Dubai-Al Ain road, which links Dubai with Al Ain City; and
- Sheikh Zayed Bridge, which is 842 metres long and 64 metres high. It is the third traffic route connecting the mainland to the island of Abu Dhabi.

Railways

Ethihad Rail was established in June 2009 by Federal Decree to manage the development, construction and operation of the Federation's national freight and passenger railway network.

The railway network is being built in stages to international standards and will link the principal centres of trade, industry, manufacturing, production, logistics, population and all the major import and export points of the UAE as well as form an integral part of the GCC railway network.

Stage one has been fully operational since January 2016, transporting up to 22,000 tonnes of granulated sulphur each day from Habshan and Shah to Ruwais on behalf of ADNOC. Important milestones have now been achieved in Stage two with full funding agreed, agreements signed with ports and industrial complexes, and design and build contracts awarded for the packages from Ghuweifat to Fujairah. Stage two will extend across the UAE from the border with Saudi Arabia at Ghuweifat, connecting the emirates via Abu Dhabi, the Khalifa Industrial Zone (KIZAD), Khalifa Port, Jebel Ali Port, Dubai, Sharjah, Ras al-Khaimah and to Fujairah on the UAE's east coast. Construction of the second stage of the project began in January 2020 and it is expected that the project will be followed by future route additions to complete the network. The second stage of the project is tentatively expected to be completed in 2023 or 2024.

Ports

The UAE's seaports are international and regional hubs and an essential factor in driving economic growth and facilitating economic diversification. The country's sea transportation sector is developing steadily in terms of ports, operating ships, maintaining and constructing dry docks in accordance with the international standards on maritime safety and protection of the marine environment.

The UAE has several seaports. According to the World Shipping Council, two of the world's top 50 container ports are in the UAE, with Dubai featuring among the top ten.

Overall, approximately 61 per cent. of cargo destined for GCC states arrived via the UAE's seaports as of November 2021. The UAE has 12 commercial trading ports, other than oil ports. These ports contained 310 berths, with cargo tonnage of 80 million tonnes as of November 2021.

Major seaports in the UAE include:

- Mina Rashid and Jebel Ali Port – These ports in Dubai City are operated by DP World and play a pivotal role in the trade in the UAE. Jebel Ali Port deploys the largest quayside cranes in operation in the world.
- Zayed Port – This port in Abu Dhabi City was the emirate's main general cargo port for 40 years. The port handles general cargo, container, roll-on and roll-off as well as break-bulk activities.
- Khor Fakkan Container Terminal – This port in Sharjah is the only natural deep water port in the region, with a strategic geographical position for deep sea container trade.
- Mina Saqr – This port is in Ras Al Khaimah.
- Fujairah Port – This is a multi-purpose port which is strategically located on the Gulf of Oman.
- Khalifa Port – This is in the Al Taweelah area in Abu Dhabi.

International Airports and Aviation

There are a number of airports across the UAE which operate domestically and internationally. Civil aviation in the UAE is regulated by the General Civil Aviation Authority (the "GCAA") which was created in 1996 by Federal Law (No. 4) of 1996. The GCAA provides designated aviation services with a view to the safety and security of the aviation industry within the UAE and is the sole body responsible for regulating, certification and oversight of domestic and international airports in the UAE.

Dubai International Airport

Dubai International Airport was established in 1959 and is operated by the Dubai Airports Corporation ("DAC"). Dubai International Airport covers over 25 square kilometres, with a total built up area of 2.1 million square metres. Dubai International Airport serves more than 100 airlines, connecting to over 240 destinations worldwide and currently comprises three terminals, four concourses, two runways and a number of support facilities. Its current annual passenger capacity is 90 million, increased from 75 million following the opening of the Concourse D in February 2016. Dubai International Airport is the world's number one airport in terms of the number of A380 contact stands, with a total of 37 Code F aircraft gates.

As a result of the COVID-19 pandemic, passenger numbers at Dubai International Airport significantly decreased in 2020 as compared to 2019. Transportation has been one of the worst affected sectors by the

COVID-19 pandemic with the national airline carriers of Emirates and Etihad both grounding flights in March 2020. Airline bookings from Dubai to London in the fourth quarter of 2020 were reported to be 74 per cent. down year-on-year according to travel analytics firm ForwardKeys, and overall arrivals were down 69 per cent. between the first and third quarter of 2020. Furthermore, passenger volumes at the two Dubai airports declined by 70 per cent. in 2020 to 26 million from 88 million in 2019.

In 2021, Dubai International Airport handled approximately 29.1 million passengers, a year on year growth of 12.7 per cent. The total number of flight movements in 2021 was 233,375, a year on year growth of 28.1 per cent. The annual freight volume in 2021 was 2,319,185 tonnes, which was a year on year increase of 20 per cent.

In May 2022, Dubai International Airport reported that it handled over 13.6 million passengers in the first three months of 2022, compared to 5.7 million passengers in the same period of 2020. The quarter's passenger count represents the airport's busiest since the start of the COVID-19 pandemic.

Abu Dhabi International Airport

Abu Dhabi International Airport is located in Khalifa City A, Abu Dhabi. Abu Dhabi International Airport handled approximately 5.26 million passengers in 2021. The airport recorded 74,176 flights during 2021 compared to 61,034 in 2020, an increase of 21.5 per cent. Abu Dhabi International Airport handled 711,715 tonnes of freight in 2021 an increase of 31.8 per cent. compared to the 540,144 tonnes handled in 2020.

Abu Dhabi Airports Company PJSC is undertaking a multi-billion dirham project to develop a new 742,000 m² Midfield Terminal Building. This project is expected to nearly double the airport's capacity, to 45 million, when it is completed. Completion of Abu Dhabi's airport expansion project is also expected to facilitate increased tourism in the emirate. The aim of the expansion project is to increase the annual passenger capacity to 45 million passengers. This is intended to further strengthen Abu Dhabi International Airport's position as a leading global transportation hub, and to contribute to the emirate's development as a destination for business and tourism.

Al Maktoum International Airport

Al Maktoum International Airport, which is located in the Jebel Ali area in Dubai, was officially opened in June 2010 and commenced passenger operations in October 2013. In 2018, the airport's annual passenger capacity was increased to 26 million, following the opening of the Passenger Terminal Building. Al Maktoum International Airport forms the foundation of the Government's strategy to develop Dubai South (formerly known as Dubai World Central), a 145 square kilometres master-planned city and integrated regional logistics hub that will be linked to the Jebel Ali Port.

During 2019, Al Maktoum International Airport handled 911,571 tonnes of cargo, a decrease of 7.7 per cent. compared to 987,986 tonnes recorded in 2018. Al Maktoum International Airport recorded a total of 35,643 aircraft movements in 2019, an increase of 27.9 per cent. from 29,955 recorded in 2018. In 2019, passenger traffic at Al Maktoum International Airport was 1.6 million, an increase of 70.1 per cent. from 2018. The increase in aircraft movements and passenger traffic in 2019 was primarily attributable to the closure of the southern runway at Dubai International Airport from 16 April 2019 until 30 May 2019. Aircraft movements for 2021 was 32,040, which is an average of 88 flights per day. From 1 January 2022 to 30 April 2022 there were 12,398 aircraft movements, which is an average of 104 flights per day.

Al Bateen Executive Airport

Al Bateen Executive Airport is situated on the Abu Dhabi island. It is a world-class executive facility, providing services to chartered flights.

Delma Airport

Delma Airport is located on the Delma island in the emirate of Abu Dhabi. It essentially serves the 6,000 residents of this 45 square kilometre island by connecting them to the city of Abu Dhabi with a 45-minute flight.

Sir Bani Yas Airport

Operating since 2008, Sir Bani Yas Airport caters mainly to the tourists visiting Sir Bani Yas island. It is located 250 kilometres southwest of Abu Dhabi coast in the western region of Al Dhafrah.

Al Ain International Airport

Al Ain International Airport is located in the Al Ain City of the emirate of Abu Dhabi. It is located 18 kilometres northwest of Al Ain City. It has been operating since 1994 and serves nine destinations. The airport was originally built to serve 1,000 passengers per peak hour. It has a 4,000-metre runway and a parallel 4,000-metre taxiway that can double as a runway as needed.

Sharjah International Airport

Sharjah International Airport is home to Air Arabia. It is located 13 kilometres southeast of the emirate of Sharjah.

Ras Al Khaimah International Airport

Air Arabia operates a few flights from Ras Al Khaimah International Airport; mainly to Bangladesh, Egypt, Nepal, Pakistan, Qatar, Saudi Arabia and Oman.

Fujairah International Airport

Fujairah International Airport is the UAE's only airport on the east coast. It became operational on 29 October 1987.

Telecommunications

The UAE has well-developed, technologically-advanced telecommunications infrastructure and has high mobile telephone penetration. Since 1976, the majority Federal Government-owned telecommunications corporation, Etisalat (rebranded as "e&" in 2022), has operated, maintained and developed the national and international fixed-line network, mobile telephony, internet access and cable TV services.

In mid-2004, the Federal Government announced plans to end the monopoly of Etisalat. A regulator, the Telecommunications and Digital Government Regulatory Authority ("**TRDA**") was formed to oversee the process and, in 2006, it granted a licence to Emirates Integrated Telecommunications Company, a new telecom provider (known in the market as "**du**"), owned 39.5 per cent. by the Federal Government (through the EIA), 20.1 per cent. by Mamoura Diversified Global Holding PJSC (formerly known as Mubadala Development Company), 20 per cent. by Emirates Telecommunications and Technology Ltd. and 20.9 per cent. by the public.

According to the TRDA, as at March 2021, there were approximately 2,115,353 fixed lines (including ISDN fixed lines) in operation in the UAE, with 17,075,288 active mobile subscribers and 3,269,359 broadband internet subscribers.

In May 2019, the TRDA published a new "Internet of Things" ("**IoT**") regulatory framework including a new policy and procedures framework and new data protection rules. The TRDA regulates the provision of IoT services in the UAE by individuals, companies or public authorities, who are required to comply with the new framework, whether they are located in the UAE or outside of the UAE. New data protection provisions under the Federal Data Protection Law came into effect in September 2021 and draw on international best practice, placing stricter obligations on those processing and controlling personal data (including collecting, storing and using personal data).

Utilities (Electricity and Water)

Public utilities in the UAE are managed by the individual emirates of Abu Dhabi, Dubai and Sharjah as opposed to on the federal level. The Abu Dhabi Distribution Company is responsible for providing public utility services in Abu Dhabi City and its surroundings, while Al Ain Distribution Company provides electricity and water services in Al Ain City and its surroundings. Dubai Electricity and Water Authority PJSC is responsible for the supply of water and electricity to consumers within the borders of the emirate of Dubai. The Sharjah Electricity and Water Authority is responsible for supplying and operating water,

electricity and gas services for consumers within the borders of the emirate of Sharjah. Etihad Water and Electricity (formerly known as the Federal Electricity and Water Authority) provides electricity and water connection services to the housing units in the northern emirates.

In 2009, the Emirates Nuclear Energy Corporation ("**ENEC**") was established. The UAE has also developed a nuclear power programme and is working closely with the International Atomic Energy Agency. ENEC is working with a South Korean consortium to build four commercial nuclear power plant reactors. ENEC's first nuclear power plant, the Barakah Nuclear Power Plant, was connected to the power grid in August 2020 and began operations in August 2021. Two out of the four reactors at the Barakah Nuclear Power Plant are currently online.

The UAE Water Security Strategy 2036

In September 2017, the Ministry of Energy and Industry unveiled the UAE Water Security Strategy 2036, which aims to ensure sustainable access to water during both normal and emergency conditions in line with local regulations, standards of the WHO, and the UAE's vision to achieve prosperity and sustainability.

The overall objectives of the strategy are to reduce total demand for water resources by 21 per cent., increase the water productivity index to U.S.\$110 per cubic meter, reduce the water scarcity index by three degrees, increase the reuse of treated water to 95 per cent. and increase national water storage capacity up to two days.

The strategy focuses on three main programmes: the Water Demand Management Programme, the Water Supply Management Programme and the Emergency Production and Distribution Programme. The strategy also tackles policy development, legislation, water conservation awareness campaigns, use of advanced technologies, innovation and building national capabilities in the field of water security.

The UAE Water Security Strategy 2036 aims to reduce average consumption per capita by half as well as focus on sustainable practices. The strategy seeks to develop a storage capacity for the water supply system that lasts for two days under normal conditions, which would be equivalent to a capacity of 16 days in emergencies and enough to supply water for more than 45 days in extreme emergencies.

The strategy also includes the establishment of six connecting networks between water and electricity entities across the UAE. Water networks will be required to be capable of producing 91 litres of water per person per day in cases of emergency, or 30 litres per person per day in cases of extreme emergencies. Once implemented, the UAE Water Security Strategy 2036 is expected to achieve savings of AED 74 billion and reduce the emissions of carbon dioxide associated with the water desalination process, by 100 million metric tons.

Education

The education system of the UAE is relatively new. In 1952, there were few formal schools in the country. In the 1960s and 1970s, a school building programme expanded the education system. Now, education at the primary and secondary level is universal. The public schools are Federal Government-funded and the curriculum is created to match the UAE development's goals and values. The medium of instruction in the public school is Arabic and English as a second language is emphasised. There are also many private schools which are internationally accredited. Public schools in the country are free for UAE nationals, while the fees for private schools vary. Education at primary and secondary levels is universal and compulsory up to age of 14.

The Ministry of Education is moving forward to complete the process of developing and comprehensively and radically changing educational frameworks in line with a modern educational philosophy as part of the federation's overall strategy. The Ministry of Education initiated this philosophy with the launch of the Emirati School, which is based on the best international systems and pioneering and successful experiences within a national framework with all leading government and private educational institutions across the UAE. The Cabinet approved an education budget of AED 10.4 billion for the public and higher education sectors in 2020 to develop the educational system in the country and make it compatible with the requirements of the future by instilling the concept of sustainable education as part of the Ministry of Education Strategic Plan 2017-2021. For the 2022 budget, AED 9.6 billion (16.3 per cent. of the total general budget) was allocated to public and university education programmes, AED 6.1 billion (10.4 per cent. of the total general budget) was allocated to public education programmes and AED 3.5 billion (5.9

per cent. of the total general budget) was allocated to university education for the ongoing development of the UAE's education sectors in line with the UAE's goals to become a more knowledge-based economy.

The UAE has a wide range of universities, both public and private. UAE nationals can attend government institutions free of charge. The UAE public universities include:

- UAE University;
- Zayed University; and
- Higher Colleges of Technology.

Some of the key private institutions include:

- American Universities of Sharjah and Dubai;
- Sharjah University;
- Ajman University of Science and Technology;
- Abu Dhabi University;
- Al Hosn University; and
- Khalifa University of Science and Technology.

In addition to the above, the Centre of Excellence for Applied Research and Training was founded in 1997. This is the commercial arm of the Higher Colleges of Technology and provides education, training and applied technology instruction.

While the Federal Government provides basic education for UAE nationals, the UAE local governments often supplement this with their own initiatives and funding in order to enhance the Federal provision. The Constitution also permits individual emirates to elect to maintain their own competencies in certain sectors. Based on this flexibility, Abu Dhabi and Dubai have elected to assume responsibility for their own education and education reforms. In Sharjah, education is overseen by the Education Council, a centralised department of the Sharjah government, which has implemented a "model school" programme, providing equipment, facilities and pedagogic support according to international best practice, initially for a number of pilot schools, but now being rolled out more widely.

Ministry of Education Strategic Plan 2017-2021

The Ministry of Education has put a strategic plan in place in order to develop an innovative education system for a knowledge-based and globally competitive society, that includes all age groups to meet future labour market demand, by ensuring quality of the ministry of education outputs, and provision of best services. The Ministry of Education Strategic Plan 2017-2021 is as follows:

- Ensure inclusive quality education including pre-school education;
- Achieve excellent leadership and educational efficiency;
- Ensure quality, efficiency and good governance of educational and institutional performance, including the delivery of teaching;
- Ensure safe, conducive and challenging learning environments;
- Attract and prepare students to enrol in higher education internally and externally, in light of labour market needs;
- Strengthen the capacity for scientific research and innovation in accordance with the quality, efficiency and transparency standards;

- Provision of quality, efficient and transparent administrative services, in accordance with the quality, efficiency and transparency standards; and
- Establish a culture of innovation in an institutional working environment.

Education continues to be a key strategic priority for the Federal Government and will continue to be a part of the Federal Government's strategy for 2021-2026.

Education 2020 Strategy

The Ministry of Education has developed an Education 2020 strategy, which is a series of ambitious five-year plans designed to bring significant qualitative improvement in the education system, especially in the way teachers teach and students learn. Smart learning programmes, new teachers' codes, licensing and evaluations systems, as well as curriculum revision, including teaching math and science through English, are all part of the strategy. A key area of focus has been to transform K-12 programmes, to ensure that students are fully prepared to attend universities around the world and compete in the global marketplace.

National Strategy for Higher Education 2030

In September 2017, the Ministry of Education launched the National Strategy for Higher Education 2030. The strategy sets out to build and achieve the highest scientific and professional education standards to serve the UAE's future generations.

The strategy seeks to provide future generations with the necessary technical and practical skills to drive the economy in both public and private sectors. It also aims to prepare a generation of Emirati professionals to sustain growth in vital sectors such as knowledge, economy, entrepreneurship and the overall development of the UAE's labour market.

The Federal Government set four main pillars to achieve this strategy: quality, efficiency, innovation and harmonisation. The strategy also identified 33 key initiatives to support the implementation phase. These include:

- the National Quality Framework initiative aims to develop assessment-based standards capable of taking into account the different local needs while applying an effective quality control system;
- the Transparent Classification of Outputs initiative seeks to establish clear classification mechanisms that apply to all institutions and to publish quality reports to ensure transparency;
- the Expanded Professional Experience initiative will provide a variety of career training programmes to students such as on-campus work, job shadowing, joint ventures and vocational trainings;
- the Investment in Knowledge initiative aims to increase the number of Ph.D. students by increasing support for postgraduate funding and creating incentives to pursue higher education by ensuring attractive job opportunities; and
- the Competitive Research Funding initiative will create a platform to provide funding for research in vital sectors and stimulate the collaboration between higher education institutions and the private sector.

Tourism

The total contribution of the travel and tourism sector to the UAE's GDP in 2020 was AED 159.1 billion (U.S.\$43.3 billion), which is 12.1 per cent. of GDP. It is forecast to rise by 4.9 per cent per annum to AED 264.5 billion (U.S.\$72 billion) which would be 12.4 per cent of GDP, in 2027. In 2019, the Federal Government introduced the multi-entry five year tourist visa to encourage tourism and passenger travel into the UAE. Tourism continued to increase in 2021 compared to 2020 but remains below pre-COVID levels.

Dubai re-opened its borders for travel in July 2020. From 26 February 2022, passengers travelling to Dubai from all countries must fulfil one of the following requirements:

- present a valid vaccination certificate reflecting that a passenger is fully vaccinated against COVID-19 with a vaccine approved by the WHO or the UAE and includes a QR code;
- present a valid negative COVID-19 PCR test certificate issued within 48 hours after the sample was collected and issued by an approved health service provider with a QR code; or
- present a valid medical certificate issued by the relevant authorities that the passenger has recovered from COVID-19 within one month from the date of recovery to the date of arrival.

In 2020, the travel and tourism sector directly supported 317,500 jobs in the UAE which is 5.4 per cent. of total employment. This is expected to rise by 2.4 per cent. per annum to 410,000 jobs which would be 5.9 per cent. of total employment in 2027. The total contribution of the travel and tourism sector to employment, including jobs indirectly supported by the industry, was 10.4 per cent. of total employment which was 617,500 jobs. This is expected to rise by 2 per cent. per annum to 770,000 jobs in 2027 which would be 11.2 per cent. of total employment. Investment in the travel and tourism sector was AED 26.2 billion (U.S.\$7.1 billion) which amounted to 7 per cent. of the total investments made in the UAE. Investment in the travel and tourism sector is forecast to rise by 11 per cent. per annum over the next 10 years to AED 74.5 billion (U.S.\$20.3 billion) in 2027 which would be 11.2 per cent. of the total investments. (*source: UAE Government website – Tourism and Economy*).

The two major tourist destinations in the UAE are Dubai and Abu Dhabi. Despite international travel suffering a significant decline in 2020 due to the COVID-19 pandemic, Dubai's share of the global market for travel in 2020 rose by 0.3 per cent. as compared to 2019, which is the only city to register a positive increase when international tourism globally decreased by approximately 74 per cent. According to the latest data published by Dubai's Department of Economy and Tourism, international visits to Dubai were over 7 million in 2021, which means that Dubai has reached 74 per cent. of its total pre-pandemic tourist arrivals for the fourth quarter of 2019. The total number of international tourists arriving in Dubai from January 2022 to March 2022 was approximately 3.97 million compared to 1.27 million for the same period in 2021. The top ten source markets for visitors to Dubai during this period were: Oman, India, Saudi Arabia, the United Kingdom, Russia, France, the United States, Germany, Pakistan and Iran. The number of occupied hotel rooms per night increased during this period in 2022 from an average of 7.19 million occupied rooms per night in 2021 to an average of 10.22 million occupied rooms per night for January 2022 to March 2022. (*source: Dubai Tourism website*).

In November 2013, Dubai was announced as the host city for the 2020 World Expo ("**Dubai Expo 2020**"). The event was originally scheduled to be held from 20 October 2020 to 10 April 2021; however, in May 2020, in response to the COVID-19 pandemic, the member states of the Bureau International des Expositions voted to confirm a one-year postponement to Dubai Expo 2020. Dubai Expo 2020 ran from 1 October 2021 to 31 March 2022. Dubai Expo 2020 was the first World Expo to be held in the MENA and South Asia region. The World Expo is a registered exposition taking place every five years for a maximum of six months and is intended for the global community to promote innovations in the service of human progress. The World Expo attracts millions of visitors attending exhibitions and cultural events staged by hundreds of participants including nations, international and civil society organisations and companies. Dubai Expo 2020 was held under the theme "Connecting Minds, Creating the Future", representing future aspirations of Dubai's society and uniting people from across the globe to share in a common project. The Dubai Expo 2020 showcased a number of initiatives in the areas of sustainability, mobility of people and ideas and opportunities to unlock future potential. Over its 182 days, Dubai Expo 2020 recorded 24,102,967 visits. Visitors from 178 countries were reported and one in every three visitors came from overseas.

In January 2021, the Cabinet approved the formation of Emirates Tourism Council with an aim to strengthen the tourism portfolio by drafting a tourism strategy in line with the nation's aspirations and the UAE Centennial Plan 2071 and local tourism initiatives. In August 2021, it was announced that a coordination system had been adopted at the federal and local levels to develop new and integrated initiatives and solutions for the tourism sector. The Emirates Tourism Council also approved the steps for joint planning of an upcoming tourism campaign and agreed on the process to support the gathering of tourism data in order to promote proactive tourism development efforts. In particular, the Emirates Tourism Council approved a joint action plan of the Ministry of Economy and local tourism departments. The joint initiative aims to increase the inflow of international tourists to the UAE as well as open new tourism markets to attract tourists. The plan includes large-scale promotional campaigns targeting a number of destinations that could encourage tourists to visit the UAE, introducing the long-term and multiple-entry tourist visas and promoting the UAE's distinctive tourism destinations, recreational activities and services.

The table below shows the main indicators for hotel establishments in the UAE for the periods shown.

Indicators	For the year ended 31 December						
	2015	2016	2017	2018	2019	2020	2021
Actual Guest Arrivals (No.)	21,417,611	22,868,489	24,633,790	25,548,966	27,138,846	14,882,258	19,237,022
Guest Nights (No.)	69,766,747	73,854,531	78,179,269	80,343,014	84,963,118	54,322,945	77,014,648
Length of Stay (Avg)	3.26	3.23	3.17	3.14	3.13	3.65	4
Rooms (No.)	148,632	155,704	162,225	173,086	183,193	180,257	193,913
Occupancy room Rate (%)	75%	75%	76%	73%	74%	55%	67%

Source: FCSC

The UAE has launched several initiatives to continue to boost the travel and tourism sector.

Sustainable tourism development in Abu Dhabi

Tourism plays a central role in the emirate of Abu Dhabi's plan to diversify its economy. The Department of Culture and Tourism in Abu Dhabi is mandated with preserving, protecting, managing and promoting the cultural heritage of, and achieving tourism development in the emirate. The Department of Culture and Tourism in Abu Dhabi works towards the sustainable tourism development of the emirate. This involves:

- preparing the annual sustainability report;
- launching and implementing 'green' tourism and hotel initiatives; and
- holding environment-related exhibitions and conferences.

Dubai Tourism Strategy 2020

The Dubai Tourism Strategy 2020 was launched in 2013. It was a strategic roadmap with the key objective of attracting 25 million visitors per year by 2020. The strategy focuses on making Dubai the 'first choice' for the international leisure and business traveller.

This involves broadening Dubai's offering in events, attractions, infrastructure, services and packages and making it appealing to a wider audience. The strategy focuses on three key objectives:

- maintaining market share in existing source markets;
- increasing market share in markets with high growth potential; and
- increasing the number of repeat visits.

In addition, Dubai has announced its tourism targets post-2020 and has declared its ambition to be the world's most-visited city by 2025. In October 2018, Dubai's Department of Tourism and Commerce Marketing announced Dubai's Vision for Tourism 2022-25 ("**Vision 2022-25**"), which is a strategic roadmap with the key target of attracting 21 to 23 million visitors to Dubai per year by 2022, growing to 23 to 25 million visitors by 2025. The initiatives under Vision 2022-25 include 71 key projects to be delivered across a number of categories, with each category assigned a target incremental increase in visitors to Dubai and contribution to Dubai's GDP. Vision 2022-25 envisages achieving its targets by focusing on five key objectives: (i) maintaining Dubai's leadership position in its core tourist markets across the Middle East and South Asia, investing and growing its share in high-volume tourist markets, including Western Europe, Russia and China, diversifying into high-potential markets in Eastern Europe, Central Asia and Africa, and capitalising on transit traffic through Dubai to capture greater share in long-distance markets including the Americas and Australia; (ii) offering "only in Dubai" experiences that are tailored to Dubai's core tourist segments, including millennials, families, retirees and business travellers; (iii) developing deep and granular customer insights through personalised, intelligent data-driven marketing;

(iv) enhancing global attractiveness as a business hub for multinationals, SMEs and start-ups, as well as events; and (v) delivering an agile and responsive tourist ecosystem through active knowledge sharing and collaborative idea generation.

Sharjah Tourism Vision 2021

The Sharjah Tourism Vision 2021 aimed to attract more than 10 million tourists by the year 2021.

Sharjah Commerce and Tourism Development Authority, in collaboration with partners in the tourism sector, has adopted four strategic pillars. They are:

- promoting Sharjah as an ideal family tourism destination by offering distinct packages and offers specially designed for families;
- adopting an innovative tourism approach to improve the tourist experience through the provision of innovative solutions;
- enhancing efficiencies in the tourism sector through partnership and collaborative action to provide world-class tourism facilities and capabilities; and
- promoting the cultural and heritage elements among families to build Sharjah as an international cultural hub.

Notwithstanding the possible challenges arising from any extended impact from COVID-19, the Sharjah government remains committed to its goal to attract 10 million visitors in 2021, increasing from a total of 7.7 million visitors to Sharjah in 2019.

Health

Healthcare is provided for all UAE nationals, as mandated by Article 19 in the Constitution. The Federal Government allocates a significant share of the Federal Budget for the healthcare sector every year in order to provide quality medical services. The following are the amounts allocated for the healthcare sector for the years 2017, 2018, 2019, 2020, 2021 and 2022 from the Federal Budgets for those periods.

For the year ended 31 December

	2017	2018	2019	2020*	2021*	2022*
Budget allocated (AED billions)	4.2	4.5	4.4	4.7	4.7	4.9
Percentage of Federal Budget allocated to health (%)	8.6	7.4	7.3	7.5	8.2	8.4

* Data Preliminary

The Ministry of Health and Prevention ("**MoHAP**") is the federal health authority which provides comprehensive healthcare to all UAE nationals and residents through its preventive and curative health services. Subsequent to the establishment of individual emirate-based health care authorities by Abu Dhabi and Dubai in 2007, the focus of the MoHAP has shifted to the Northern Emirates (Sharjah, Ajman, Umm Al Quwain, Ras Al Khaimah and Fujairah). The emirates of Abu Dhabi and Dubai have health authorities that work towards the vision of MoHAP by regulating and developing the healthcare sector. Even though the emirates have their own mandates for regulating the healthcare sector, they can still contribute to and take advantage of the Federal Government's healthcare initiatives.

The Federal Government is working in collaboration with all health authorities in the country to have all public and private hospitals accredited according to clear national and international quality standards of medical services and staff. Furthermore, the National Agenda emphasises the importance of preventive medicine and seeks to reduce cancer and lifestyle related diseases such as diabetes and cardiovascular diseases to ensure a longer, healthy life for UAE nationals. In addition, the National Agenda aims to reduce the prevalence of smoking and increase the healthcare system's readiness to deal with epidemics and health risks. To achieve such goals, the Federal Government is improving its ranking in 11 indices relating to healthcare and protection. For information related to MoHAP's response to COVID-19 see "*Description of the United Arab Emirates – COVID-19 Impact and Response Measures Adopted in the UAE – General and Epidemiological Response Measures*".

Environment

Climate change is one of the most important environmental issues at the national and global levels, given its economic, social and environmental impacts. This issue has received considerable and early attention in the UAE and the country has focused efforts to address the effects of climate change and to adapt to its potential impacts on ecosystems and economic sectors. In line with these efforts, the UAE has adopted important policies, including, amongst others, the economic diversification policy, focusing on the green economy, on energy sources diversification policy, renewable and clean energy and promoting energy efficiency, on sustainable transport policy and sustainable urban planning.

The Ministry of Climate Change and Environment, in collaboration with its partners in the public and private sectors, is working to bolster efforts to deal with climate change, in terms of mitigation and adaptation, through the National Climate Change Plan 2050, adopted by the Cabinet in June 2017, and the National Climate Change Adaptation Programme, adopted at the first annual meeting of the Federal Government in September 2017, in addition to other relevant policies and programmes.

By virtue of UAE Vision 2021, the UAE is striving to diversify its income resources by moving away from oil. In January 2012, H.H. Sheikh Mohammed bin Rashid Al Maktoum launched the Green Economy initiative under the slogan: A green economy for sustainable development. Under this initiative, the UAE seeks to become a global hub and a successful model of the new green economy, to enhance the country's competitiveness and sustainability and preserve its environment for future generations.

Through this initiative, the UAE aims to become one of the world leaders in this area as well as a centre for the export and re-export of green products and technologies, and to maintain a sustainable environment to support long-term economic growth. The initiative includes a range of programmes and policies in the areas of energy, agriculture, investment and sustainable transport in addition to new environmental and constructional policies.

H.H. Sheikh Mohammed bin Rashid Al Maktoum aims to build an economy that protects the environment as well as an environment that supports the growth of the economy.

The Green Economy initiative includes six major fields covering a wide range of legislation, policies, programmes and projects which are:

- the first field of green energy aims to promote the production and use of renewable energy;
- the second field includes Federal Government policies aimed to encourage investments in the green economy and to facilitate the production, import, export and re-export of green products and technologies;
- the third field relates to developing urban planning policies that preserve the environment and to raise the efficiency of housing and buildings environmentally;
- the fourth field consists of means for dealing with the effects of climate change, promote organic agriculture, maintain biodiversity and protect the ecological balance;
- the fifth field aims at rationalising the use of water resources, electricity and natural resources and recycling waste; and
- the sixth field includes development and promotion of green technology.

UAE Energy Strategy 2050

In 2017, the UAE launched its Energy Strategy 2050, which is considered the first unified energy strategy in the country that is based on supply and demand. The strategy aims to increase the contribution of clean energy in the total energy mix from 25 per cent. to 50 per cent. by 2050 and reduce the carbon footprint of power generation by 70 per cent., thus saving AED 700 billion by 2050. It also seeks to increase consumption efficiency of individuals and corporates by 40 per cent.

The strategy targets an energy mix that combines renewable, nuclear and clean energy sources to meet the UAE's economic requirements and environmental goals as follows:

- 44 per cent. clean energy;
- 38 per cent. gas;
- 12 per cent. clean coal; and
- 6 per cent. nuclear.

The Federal Government aims to invest AED 600 billion by 2050 to meet the growing energy demand and ensure a sustainable growth for the country's economy. In addition, at the end of 2020, the UAE submitted its second nationally determined contribution to the United Nations Framework Convention on Climate Change with targets to reduce greenhouse gas emissions by 23.5 per cent. for 2030, increase clean power capacity by 14 gigawatts and to plant more than 30 million mangrove seedlings to enhance carbon sinks.

National Climate Change Plan of the UAE 2017–2050

The National Climate Change Plan of the UAE 2017–2050 (the "**Climate Change Plan**") is the UAE's comprehensive framework to address the causes and impacts of climate change, plan the transition into a climate resilient green economy and achieve a better quality of life. The primary objectives of the Climate Change Plan are to:

- Manage greenhouse gas ("**GHG**") emissions while sustaining economic growth – the UAE's total GHG emissions are expected to continue rising with the projected economic and population growth. However, the Climate Change Plan aims to manage emissions and ensure that climate action supports achievement of the economic goals.
- Minimise risks and improve capacity of adaptation to climate change – promoting a climate-resilient economy is a prerequisite for the UAE to realise the transformation outlined in the UAE Vision 2021. A systematic and scientific assessment of climate risks and vulnerabilities is at the heart of the Climate Change Plan. It emphasises the need to protect the economy, infrastructure, people and ecosystems from climate-related impacts.
- Enhance the UAE's economic diversification agenda through innovative solutions – as the UAE continues to invest in non-oil sectors with high growth potential, the Climate Change Plan will facilitate a stronger growth momentum in key emerging sectors. This will be achieved by deploying innovative measures to generate high added value for the emerging industries, encouraging job creation in green businesses and leveraging the relationship between climate action and economic diversification.

The Climate Change Plan gathers all local efforts on one platform and establishes a unified framework to measure emissions and provide reports. It seeks to establish an integrated system for monitoring, reporting and verifying the application of world's best practices. A national system of climate information will be created to use emission data in scientific research and climate change forecasts at the national level.

The private sector will play a critical role in advancing the UAE's economic diversification agenda by enhancing the market of environmental goods and services. Businesses can be a source of innovation in addressing sustainability challenges, and they have huge potential to provide the necessary resources to advance the diversification agenda. To fulfil this priority, the Federal Government is required to provide an enabling environment for the private-sector through a combination of regulations and incentives.

Foreign Direct Investment and Free Zones

Foreign Direct Investment

According to the UAE's Economic Report 2020, the UAE was ranked 24th globally in 2019 (up by 3 positions from 2018), in terms of its ability to attract FDI. The value of FDI to the UAE in 2020 was approximately U.S.\$19.9 billion compared to U.S.\$17.9 billion in 2019 with a growth rate of 11.3 per cent.

The FDI in the UAE is mainly in the sectors of:

- wholesale and retail trade;
- real estate activities;
- financial services and insurance;
- manufacturing; and
- mining and quarry exploitation.

The main investors in the UAE historically have been Switzerland, the United Kingdom, India, the United States, France, Austria, Japan, Saudi Arabia, Kuwait and the Netherlands. In recent years, the main investors have been the United Kingdom, India, China, the British Virgin Islands, Saudi Arabia, the United States, France, Austria, Japan and Kuwait.

The share of FDI contribution to GDP at current prices is expected to increase over time reflecting the UAE's policy of diversifying income sources and its vision of building a diverse economy based on knowledge, research and innovation with a secure economic environment, encouraging the business and investment climate, and new projects in the sectors of infrastructure, industry, new and renewable energy, tourism, aviation and space and the adoption of the UAE policy in the fields of science, technology and innovation, which includes 100 national initiatives in the education and health sectors, energy, transport, space and water. For the year ended 31 December 2020, FDI contributions made up approximately 5.5 per cent. of GDP compared to the year ended 31 December 2019 when FDI contributions made up approximately 3.27 per cent. of GDP.

According to the UNCTAD World Investment Report 2021, the value of foreign direct investment inflows to the UAE increased in 2020 by AED 7.38 billion, at a growth rate of 11.24 per cent. The total inflows of foreign investment in 2020 amounted AED 73.04 billion, compared to AED 65.66 billion. In 2020, the UAE ranked first in the West Asia region in terms of FDI, accounting for 54.4 per cent. of the total FDI inflow to the region. The inflows to the region increased by 9.4 per cent. compared to 2019. The UAE ranked first in the Middle East and North Africa region, accounting for 40.2 per cent. of the total FDI inflow to the region. The UAE also ranked 15th globally in terms of FDI inflows and 13th globally in terms of FDI outflows in 2020. ADNOC signed a number of FDI deals in 2020, with an aggregate value of U.S.\$12.8 billion. For example, a consortium consisting of Global Infrastructure Partners, Brookfield Asset Management Inc., Ontario Teachers' Pension Plan, NH Investment & Securities and Snam S.p.A., collectively acquired a 49 per cent. stake in ADNOC Gas Pipeline Assets LLC ("**ADNOC Gas Pipelines**"), a newly formed subsidiary of ADNOC with lease rights to 38 pipelines covering a total of 982.3 kilometres. ADNOC holds a 51 per cent. majority stake in ADNOC Gas Pipelines and, under the terms of the agreement with the consortium, ADNOC has agreed to lease its ownership interest in the assets to ADNOC Gas Pipelines to the consortium for 20 years in return for a volume-based tariff subject to a floor and a cap. In addition, ADNOC also entered into a long-term partnership agreement with a consortium of investment institutions led by Apollo Global Management. The partnership allows ADNOC to benefit from the rental returns of a range of its real estate assets under a lease agreement for 24 years and in return Apollo Global Management acquired a 49 per cent. stake in ADNOC's subsidiary, Abu Dhabi Real Estate Leasing Holding Company Limited. In addition, on 25 May 2021, ADNOC announced the award of a contract worth AED 2.7 billion to develop the fields located in the offshore "Balbazem" concession area through a joint venture between ADNOC's Al Yasat Petroleum Operations Company and the China National Petroleum Corporation.

ADNOC also accessed the equity capital markets in 2021 and 2022, successfully attracting local and international investment in initial public offerings of minority stakes in several subsidiaries and joint ventures, including U.S.\$1.1 billion in October 2021 in ADNOC Drilling Company PJSC, U.S.\$750 million in October 2021 in Fertigllobe plc and U.S.\$2 billion in Borouge plc.

Recent Reforms of Foreign Ownership in the UAE

The UAE has taken various steps in recent years to ease foreign ownership restrictions applicable to onshore companies in the UAE, with the aim of incentivising foreign investment in the UAE.

Historically, Federal Law No. 2 of 2015 on Commercial Companies (the "**2015 CCL**") required a company established in the UAE to have one or more Emirati partners (or a company wholly owned by Emirati nationals) holding at least 51 per cent. of the company's capital (effectively capping the level of foreign ownership in any onshore company at 49 per cent.).

In 2018, the UAE issued Federal Decree Law No. 19 of 2018 regarding Foreign Direct Investment (the "**FDI Law**"), which was followed by Cabinet Decision No. 16 of 2020 (together with the FDI Law, the "**FDI Regime**"). The FDI Regime effectively created an exception to the foreign ownership restrictions under the 2015 CCL by permitting foreign investors to own up to 100 per cent. of onshore companies doing business in any of the economic sectors and activities approved by the Cabinet pursuant to its "Positive List". The FDI Regime also included a "Negative List" of economic sectors and activities requiring Emirati ownership. The FDI Regime also established the Foreign Direct Investment Unit (as part of the Ministry of Economy), to oversee FDI policies, compile a comprehensive database of investment data and information and create an attractive environment for FDI.

The FDI Regime was subsequently repealed by Federal Decree Law No. 26 of 2020 (the "**2020 CCL Amendment Law**"), which substantially amended the 2015 CCL and came into force in various stages between January 2021 and June 2021. One of the most significant amendments introduced by the 2020 CCL Amendment Law was to amend Article 10 of the 2015 CCL to abolish the default requirement for at least 51 per cent. Emirati ownership in a UAE onshore company. Pursuant to the 2020 CCL Amendment Law, all onshore companies were permitted to be 100 per cent. owned by foreign nationals, unless they are engaged in an activity that has a "strategic impact" on the UAE economy.

The list of activities with "strategic impact" was set forth in Cabinet Decision No. 55 of 2021 on the Determination of the List of Strategic Impact Activities, which came into force on 1 June 2021. The list comprises (i) security, defence and military activities; (ii) banks, money-changing establishments, finance companies, and insurance activities; (iii) currency printing; (iv) communications; (v) Hajj and Umrah services; (vi) Quran centres; and (vii) fisheries-related services. Except for the category of fisheries-related services, which does not permit any foreign investor participation, each of the activities described above allow for foreign investor and UAE national participation in a company's capital as determined by the applicable regulatory authority.

Several emirates have also since published lists of business activities that are available for up to 100 per cent. foreign ownership within their jurisdictions (the "**Green Lists**"). The Green List published by the Abu Dhabi Department of Economic Development sets out over 1,100 commercial and industrial activities that include, among other things, retail and wholesale trading, the provision of repair and maintenance services and manufacturing across various sectors and industries. In June 2021, Dubai Economy also announced a Green List of over 1,000 commercial and industrial activities open for 100 per cent. foreign ownership, which includes a wide range of activities across many sectors and industries. Other emirates have either published similar lists or are expected to do so in due course.

The 2015 CCL (as amended by the 2020 CCL Amendment Law) was replaced in its entirety by Federal Decree Law No. 32 of 2021 on Commercial Companies (the "**2021 CCL**"), which was issued in September 2021 and came into force in January 2022. The 2021 CCL reiterates the principle of relaxation of foreign ownership restrictions initially introduced under the 2020 CCL Amendment Law.

Free Zones

Free zones have been established in each of the emirates of the UAE. A free zone is a defined geographical area within each emirate where certain taxes or restrictions on business, employment or trade do not apply in the same way as the rest of the emirate that the free zone is located in. There are many incentives for foreign corporate entities to set up in one of the free zones in the UAE. Foreign corporate entities can operate in the free zones, and free zone incorporated entities can be 100 per cent. foreign owned. The ability to import into the free zones and to export without any import duties, taxes or currency restrictions being levied on the free zone entity has been a key driver for foreign corporate entities that are registered in the free zones. There are more than 40 multidisciplinary free zones across the UAE.

Major free zones in the UAE include:

- The Jebel Ali Free Zone ("**Jafza**"), which is located in the western end of Dubai. Jafza currently supports more than 130,000 jobs and has customers from over 130 countries.

- The Abu Dhabi Global Market ("**ADGM**"), which was established by Federal Decree No. (15) of 2013 and Cabinet Resolution No. (4) of 2013 and opened at the end of October 2015. ADGM's jurisdiction extends across the entire 114 hectares of Al Maryah Island. The ADGM has three independent authorities: the Registration Authority; the Financial Services Regulatory Authority; and the ADGM courts.
- The Dubai International Financial Centre ("**DIFC**"), which was launched in accordance with Federal Decree No. 35 of 2004 as part of Dubai's strategic vision to diversify its economic resources and attract capital and investments in the region. There are three independent authorities that have been established in DIFC: the DIFC Authority, the DFSA and the DIFC Courts. There are over 2,500 registered companies and 25,000 people working in DIFC.

Recent Developments

Legal Reforms

In November 2020, the UAE announced that it would be introducing new legal reforms in order to promote tolerance and multiculturalism in the UAE. As part of these reforms, the UAE plans to criminalise "honour killings", lift the ban on unmarried couples living together and lift certain restrictions on the purchase of alcohol. Under the new laws, expatriates will also be able to follow their home country's laws on divorce and inheritance instead of being required to follow UAE legislation based on *Shari'a* law.

In January 2021, the UAE announced that, for the first time, under certain circumstances, expatriate investors, professionals, special talents and their families will be allowed to acquire Emirati nationality and passports. Each individual would have to meet a set of criteria within their profession to qualify for citizenship. For example, investors would have to own property in the UAE, doctors would need to be specialised in high demand areas and inventors would be required to have a patent approved by the UAE in order to be considered for citizenship. There will be no application process and instead individuals will be nominated for citizenship by Rulers and Crown Princes Courts, Executive Councils and the Cabinet. It is expected that those granted UAE citizenship will have access to most, if not all, of the benefits that are granted by the Federal Government to UAE nationals.

In November 2021, the UAE announced further legislative reforms of the country's legal system. In the largest legal reform in the UAE's history, over 40 new laws and legislative amendments were approved by the President. The new laws aim to develop the legislative structure in various sectors, including investment, trade and industry, as well as commercial company, regulation and protection of industrial property, copyright, trademarks, commercial register, electronic transactions and trust services. The new legislative changes were implemented after a five-month consultation process involving Federal and local emirate authorities, alongside over 100 private sector organisations.

Social Reforms

In December 2021, the UAE announced that all government entities would adopt a new work-week schedule consisting of four and a half days with Friday afternoon, Sunday and Saturday being the new weekend. The change came into effect on 1 January 2022.

In May 2022, the UAE announced that all workers in the public and private sector will have unemployment insurance from 2023. The Cabinet approved the unemployment insurance scheme to provide unemployed individuals with income support for a set period of time while they look for another job. The insurance regime will apply to workers of all nationalities working in the UAE but will not apply to investors, domestic workers, workers with temporary contracts, retired persons with a pension and people under the age of 18 years old. Employees will also be required to contribute a small amount of money for the unemployment insurance scheme through insurance companies on a yearly basis. The scheme is expected to include paying 60 per cent. of an individual's previous basic salary for a certain period of time but the duration of that period has not yet been specified.

Monetary Policy Reforms

On 12 December 2021, the Central Bank signed a memorandum of understanding with the Central Bank of Iraq to enhance co-operation in banking supervision and set out an enhanced framework to supervise bank exposures to the real estate sector. The new standards cover all types of on-balance-sheet loans and

investments and all off-balance-sheet exposures to the real estate sector and entered into effect on 31 December 2021, starting with a one-year observation period.

On 4 May 2022, the UAE Central Bank announced that it would increase its base rate by 50 basis points to 2.25 per cent. effective 5 May 2022 in response to inflationary pressures.

On 15 June 2022, the UAE Central Bank announced that it decided to raise its base rate by 75 basis points effective from 16 June 2022. This decision was taken following the United States Federal Reserve Board's announcement on 15 June 2022 to increase the interest on reserve balances by 75 basis points. The UAE Central Bank also announced that it decided to maintain the rate applicable to borrowing short-term liquidity from the UAE Central Bank through all standing credit facilities at 50 basis points above the base rate.

Appointment of New Cabinet

On 25 September 2021, the late H.H. Sheikh Khalifa bin Zayed Al Nahyan, the then President of the UAE, approved the new Cabinet.

The Cabinet will form ten sectoral transformation teams which will decide on the first ten major projects of the Federal Government for the coming years. A new mechanism for Federal Government work was also put in place and includes the following five pillars:

- Federal Government work will be led by major transformational projects, not just long-term strategic plans;
- the transformational projects will be flexible and rapid (from six months to two years), in contrast to the previous strategic programmes which ranged from five to 10 years;
- sectoral priorities will be identified, followed by the development of clear transformational projects. Ministerial work teams will be formed to implement these projects;
- moving from the sole responsibility of ministries to the joint responsibility of field work teams, contracts will be signed as part of transformational projects and will be reviewed by the Cabinet; and
- incentives and promotions will be approved by the Cabinet and based on the performance of the executive teams and their ability to implement and deliver on the transformational projects.

4. AMENDMENTS TO THE BALANCE OF PAYMENTS AND FOREIGN TRADE

- 4.1 On page 121 of the Base Offering Circular, the entirety of the subsection headed "*Balance of Payments and Foreign Trade*" shall be deemed deleted and replaced with the following:

The UAE has traditionally pursued a free-trade policy for deeper integration into the global trading system. The UAE pursues a free-trade policy by liberalising its trade regime through free-trade agreements ("**FTAs**") with other countries and organisations (including FTAs with Singapore, the European Free-trade Area and New Zealand in 2009). Being a member of the GCC, the UAE's trade policy is closely linked to the trade policy of the other GCC member countries on account of, amongst other things, the GCC Economic Agreement of 2002, which calls for a "collective negotiation strategy" in the conduct of FTAs with major trading partners, and the establishment of the GCC Customs Union in 2003, which was aimed at enhancing economic unity amongst the member states and allowing the member states to engage in FTA negotiations as a unified trading bloc. Data on non-trade flows into and out of the UAE is not complete and is routinely subject to revision, reflecting, in part, weaknesses of the central statistical bodies and, in part, the operations of the large free zones. In general, however, the UAE tends to have a non-trade balance deficit reflecting services outflows underlining the UAE's dependence on foreign services for the development of its industrial and services sectors. In addition, there are significant levels of current transfers out of the UAE principally reflecting expatriate workers' remittances.

The table below shows the UAE Central Bank's policy rates for the years indicated.

Economic Variables	For the year ended 31 December						
	2015	2016	2017	2018	2019	2020	2021
UAE Central Bank Policy Rate (%)(at period end)	<u>1.0</u>	<u>1.0</u>	<u>1.4</u>	<u>2.1</u>	<u>2.5</u>	<u>0.4</u>	<u>0.65</u>

*Source: UAE Central Bank

Balance of Payments

The table below gives the balance of payments for the UAE for each of the years indicated.

	For the year ended 31 December																	
	2015	% change	% GDP	2016	% change	% GDP	2017	% change	% GDP	2018	% change	% GDP	2019	% change	% GDP	2020	% change	% GDP
	(AED Billions)																	
Current Account Balance	64.8	-59.4	4.6	48.5	-170.5	3.4	101.0	108.3	7.1	151.5	50.0	9.9	137.1	-9.5	8.9	77.1	-43.8	5.9
Trade Balance (FOB)	232.8	-31.3	16.4	202.4	-267.5	14.3	246.9	22.0	17.4	314.6	27.4	20.5	295.5	-6.1	19.3	228.9	-22.5	17.4
Trade Balance (CIF)	136.1	-46.5	9.6	104.5	-185.1	7.4	146.3	40.1	10.3	218.6	49.4	14.3	200.3	-8.4	13.1	142.9	-28.7	10.9
Total Exports of Hydrocarbon	225.8	-44.9	15.9	170.6	-268.7	12.0	213.5	25.1	15.1	247.2	15.8	16.1	220.8	-10.7	14.4	140.9	-36.2	10.7
Crude Oil Exports.....	115.9	-65.2	8.2	92.4	-172.0	6.5	115.0	24.5	8.1	117.5	2.2	7.7	109.1	-7.2	7.1	68.4	-37.3	5.2
Petroleum Products Exports.....	81.8	149.4	5.8	56.1	106.2	4.0	71.0	26.6	5.0	95.0	33.9	6.2	83.4	-12.3	5.4	52.5	-37.1	4.0
Gas Exports.....	28.1	-36.4	2.0	22.1	(21)	1.6	27.5	24.4	1.9	34.6	25.9	2.3	28.3	-18.3	1.8	20.0	-29.3	1.5
Total Exports of Non-Hydrocarbon	382.5	47.0	27.0	380.0	-3154.2	26.8	391.5	3.0	27.6	410.6	4.9	26.8	415.0	1.1	27.1	394.5	-4.9	30.1
Free Zone Exports.....	221.3	51.4	15.6	211.4	5876.8	14.9	225.5	6.7	15.9	261.3	15.9	17.1	264.1	1.1	17.2	251.8	-4.7	19.2
Other Exports ¹	161.2	41.4	11.4	168.6	-1155.1	11.9	166.0	-1.5	11.7	149.3	-10.1	9.7	150.9	1.1	9.8	142.7	-5.4	10.9
Re Exports²	495.2	15.5	35.0	532.9	4849.5	37.6	546.5	2.6	38.6	521.2	-4.6	34.0	516.6	-0.9	33.7	467.6	-9.5	35.6
Total Exports & Re Exports (FOB)	1103.5	0.4	77.9	1083.5	-1153.9	76.5	1151.5	6.3	81.3	1179.0	2.4	76.9	1152.4	-2.3	75.2	1003.0	-13.0	76.5
Total Imports (FOB)³	-870.7	14.6	-61.5	-881.1	4793.8	-62.2	-904.7	2.7	-63.9	-864.4	-4.5	-56.4	-856.9	-0.9	-55.9	-774.1	-9.7	-59.0
Total Imports (CIF)	-967.4	14.6	-68.3	-979.0	4793.8	-69.1	-1005.2	2.7	-71.0	-960.4	-4.5	-62.7	-952.1	-0.9	-62.1	-860.1	-9.7	-65.6
Other Imports ⁴	-676.4	12.2	-47.8	-694.9	6032.1	-49.1	-691.6	-0.5	-48.8	-600.6	-13.2	-39.2	-595.7	-0.8	-38.9	-536.1	-10.0	-40.9
Free Zone Imports.....	-275.9	24.6	-19.5	-274.0	2823.3	-19.3	-302.1	10.3	-21.3	-347.0	14.9	-22.6	-343.5	-1.0	-22.4	-314.0	-8.6	-23.9
Imports (gas).....	-15.1	-25.2	-1.1	-10.1	-1545.0	-0.7	-11.5	13.7	-0.8	-12.8	11.7	-0.8	-12.9	0.5	-0.8	-10.0	-22.5	-0.8
Services (NET)	-28.8	-70.8	-2.0	-18.0	-131.0	-1.3	-4.8	-73.5	-0.3	0.9	-119.6	0.1	7.6	711.1	0.5	9.6	26.4	0.7
Credits	224.7	266.6	15.9	240.9	76.9	17.0	258.9	17.0	18.3	321.2	24.1	21.0	331.5	3.2	21.6	228.2	-31.2	17.4
Travel ¹⁰⁰	64.2	89.9	4.5	71.6	587.3	5.1	77.3	8.0	5.5	135.9	75.7	8.9	141.1	3.8	9.2	90.4	-35.9	6.9
Transport	86.0	246.8	6.1	93.6	62.2	6.6	102.5	9.5	7.2	104.0	1.5	6.8	106.7	2.6	7.0	60.8	-43.0	4.6
Air & Ports.....	85.4	(1)	6.0	93.0	9	6.6	101.8	9.5	7.2	103.4	1.5	6.7	106.0	2.6	6.9	60.1	-43.3	4.6
Postal.....	0.6	0	0.0	0.6	2	0.0	0.6	5.0	0.0	0.7	2.5	0.0	0.7	6.0	0.0	0.7	0.0	0.1
Government Services.....	3.2	18.5	0.2	3.3	3206.5	0.2	3.4	-2.8	0.2	3.5	2.9	0.2	3.6	2.9	0.2	3.2	-11.1	0.2
Other services.....	71.3	3	5.0	72.4	4	5.1	75.7	4.6	5.3	77.8	2.7	5.1	80.1	3.0	5.2	73.8	-7.9	5.6
Construction.....	9.0	2	0.6	9.2	2	0.6	9.6	4.0	0.7	9.8	2.4	0.6	10.1	3.1	0.7	7.6	-24.8	0.6
Intellectual property.....	12.4	3	0.9	12.8	3	0.9	13.3	4.0	0.9	13.6	2.5	0.9	14.1	3.3	0.9	11.2	-20.6	0.9
Information-Computer-Telecommunication	21.0		1.5	22.4		1.6	23.7	6.0	1.7	24.7	4.2	1.6	25.4	2.7	1.7	29.1	14.6	2.2
Computer.....	16.0	3	1.1	16.7	4	1.2	17.4	4.0	1.2	18.0	3.9	1.2	18.5	2.5	1.2	21.9	18.4	1.7
Information & Telecom.....	5.0	2	0.4	5.7	14	0.4	6.4	11.7	0.4	6.7	5.0	0.4	6.9	3.2	0.5	7.2	4.3	0.5
Other ⁵	28.9	2	2.0	28.0	2	2.0	29.1	4.0	2.1	29.6	1.8	1.9	30.5	2.9	2.0	25.9	-15.1	2.0
Debits	-253.5	58.6	-17.9	-258.9	231.1	-18.3	-263.7	1.8	-18.6	-320.3	21.5	-20.9	-323.9	1.1	-21.1	-218.6	-32.5	-16.7
Travel.....	-61.1	35.5	-4.3	-62.9	725.0	-4.4	-64.8	3.0	-4.6	-120.8	86.4	-7.9	-122.6	1.5	-8.0	-55.4	-54.8	-4.2
Transport	-50.5	85.0	-3.6	-51.9	63.6	-3.7	-52.9	2.0	-3.7	-54.9	3.8	-3.6	-56.0	2.0	-3.7	-30.5	-45.5	-2.3
Air & Ports.....	-50.1	(16)	-3.5	-51.5	3	-3.6	-52.5	2.0	-3.7	-54.5	3.8	-3.6	-55.5	1.9	-3.6	-30.0	-45.9	-2.3
Postal.....	-0.4	0	0.0	-0.4	3	0.0	-0.4	3.0	0.0	-0.4	4.0	0.0	-0.5	13.6	0.0	-0.5	0.0	0.0
Government Services.....	-4.4	46.7	-0.3	-4.3	1333.3	-0.3	-4.5	4.7	-0.3	-4.8	5.6	-0.3	-4.9	3.2	-0.3	-5.0	2.0	-0.4
Freight & Insurance³	-96.7	14.6	-6.8	-97.9	4793.8	-6.9	-100.5	2.7	-7.1	-96.0	-4.5	-6.3	-95.2	-0.9	-6.2	-86.0	-9.7	-6.6
Other services	-40.8	8	-2.9	-41.9	6	-3.0	-41.0	-2.3	-2.9	-43.8	6.9	-2.9	-45.2	3.2	-2.9	-41.7	-7.7	-3.2
Construction.....	-11.1	8	-0.8	-11.4	3	-0.8	-9.0	-21.3	-0.6	-9.6	6.5	-0.6	-9.9	3.3	-0.6	-7.4	-25.3	-0.6
Intellectual property.....	-8.7	8	-0.6	-9.1	5	-0.6	-9.5	4.8	-0.7	-10.2	7.3	-0.7	-10.6	3.6	-0.7	-6.9	-34.9	-0.5
Information-Computer-Telecommunication	-10.1	8	-0.7	-11.4	13	-0.8	-11.9	4.8	-0.8	-12.7	6.6	-0.8	-13.1	2.9	-0.9	-15.8	20.6	-1.2
Computer.....	-2.0	6	-0.1	-2.3	15	-0.2	-2.4	4.8	-0.2	-2.6	6.3	-0.2	-2.6	1.5	-0.2	-5.8	123.1	-0.4
Information & Telecom.....	-8.1	9	-0.6	-9.1	12	-0.6	-9.5	4.8	-0.7	-10.2	6.6	-0.7	-10.5	3.2	-0.7	-10.0	-4.8	-0.8
Other ⁵	-10.9	9	-0.8	-10.0	3	-0.7	-10.5	4.8	-0.7	-11.2	7.3	-0.7	-11.6	3.2	-0.8	-11.6	0.0	-0.9
Investment Income (NET)	6.4	1137.9	0.5	7.7	1000.0	0.5	10.2	32.5	0.7	5.2	-48.7	0.3	7.6	45.2	0.5	-1.7	-122.4	-0.1
Banking System ⁶	-6.0	20.0	-0.4	-6.8	2166.7	-0.5	-7.1	4.0	-0.5	-6.9	-2.5	-0.5	-5.1	-26.0	-0.3	-2.8	-45.1	-0.2
Private non-banks.....	-5.0	-18.3	-0.4	-4.9	-5000.0	-0.3	-5.0	2.5	-0.4	-4.8	-3.5	-0.3	-6.0	23.8	-0.4	-3.0	-50.0	-0.2

For the year ended 31 December

	2015	% change	% GDP	2016	% change	% GDP	2017	% change	% GDP	2018	% change	% GDP	2019	% change	% GDP	2020	% change	% GDP
	(AED Billions)																	
Enterprises of Public Sector	30.0	19.8	2.1	31.3	10333.3	2.2	34.5	10.2	2.4	35.3	2.2	2.3	35.6	0.9	2.3	15.9	-55.3	1.2
Official Debt Services (Interest). Foreign Hydrocarbon Companies in UAE.....	-5.1	32.0	-0.4	-5.3	2550.0	-0.4	-5.4	1.9	-0.4	-6.5	20.4	-0.4	-6.6	1.5	-0.4	-3.4	-48.5	-0.3
	-7.5	-21.5	-0.5	-6.6	-925.0	-0.5	-6.8	3.0	-0.5	-11.8	73.5	-0.8	-10.3	-12.7	-0.7	-8.4	-18.4	-0.6
Transfers (NET).....	-145.6	80.0	-10.3	-143.6	2059.4	-10.1	-151.3	5.4	-10.7	-169.3	11.9	-11.1	-173.6	2.5	-11.3	-159.7	-8.0	-12.2
Public	-32.3	107.1	-2.3	-22.2	2511.6	-1.6	-22.0	-0.9	-1.6	-28.6	30.1	-1.9	-34.0	18.8	-2.2	-32.0	-5.9	-2.4
Inflows	0.0		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Outflows.....	-32.3		-2.3	-22.2	(31)	-1.6	-22.0	-0.9	-1.6	-28.6	30.1	-1.9	-34.0	18.8	-2.2	-32.0	-5.9	-2.4
Private.....	-113.3	73.5	-8.0	-121.4	1993.1	-8.6	-113.3	6.5	-9.1	-140.7	8.8	-9.2	-139.6	-0.8	-9.1	-127.7	-8.5	-9.7
Inflows.....	36.2		2.6	39.4	9	2.8	35.1	-10.9	2.5	28.5	-18.7	1.9	25.5	-10.6	1.7	22.3	-12.5	1.7
Outflows.....	-149.5		-10.6	-160.8	8	-11.4	-164.4	2.2	-11.6	-169.2	2.9	-11.0	-165.1	-2.5	-10.8	-150.0	-9.1	-11.4
Financial Account	-11.8	-89.4	-0.8	-71.0	1145.3	-5.0	-62.6	-11.9	-4.4	-134.7	115.2	-8.8	-90.4	-32.9	-5.9	-78.5	-13.2	-6.0
Capital Account																		
Financial Account	-11.8	-89.4	-0.8	-71.0	1145.3	-5.0	-62.6	-11.9	-4.4	-134.7	115.2	-8.8	-90.4	-32.9	-5.9	-78.5	-13.2	-6.0
a. Private capital	41.7	4788.6	2.9	-68.0	1316.3	-4.8	-59.6	-12.4	-4.2	-118.0	98.0	-7.7	-75.0	-36.4	-4.9	-67.8	-9.6	-5.2
a-1 Direct Investment	-28.9	-258.8	-2.0	-14.7	153.4	-1.0	-13.6	-7.5	-1.0	-17.2	26.4	-1.1	-12.3	-28.4	-0.8	3.4	-127.6	0.3
a-1-1 Outward	-61.3	666.3	-4.3	-50.0	367.3	-3.5	-51.6	3.2	-3.6	-55.3	7.3	-3.6	-77.9	40.8	-5.1	-69.5	-10.8	-5.3
a-1-2 Inward**	32.4	23.7	2.3	35.3	620.4	2.5	38.0	7.6	2.7	38.2	0.4	2.5	65.6	71.9	4.3	72.9	11.1	5.6
a-2 Portfolio Investment	4.0	60.0	0.3	4.4	780.0	0.3	4.7	7.5	0.3	4.0	-15.4	0.3	4.1	2.5	0.3	4.0	-2.4	0.3
a-3 Banks	91.6	3235.8	6.5	-39.7	-4068.2	-2.8	-33.2	-16.3	-2.3	-76.5	130.4	-5.0	-31.5	-58.8	-2.1	-42.4	34.6	-3.2
a-3-1 Securities.....	-12.4	650.6	-0.9	-11.7	-33.1	-0.8	-12.3	5.1	-0.9	-20.1	63.2	-1.3	-63.8	217.8	-4.2	-34.2	-46.4	-2.6
a-3-1 Other investment (loans, deposits).....	104.0	2264.7	7.3	-28.0	-251.3	-2.0	-20.9	-25.3	-1.5	-56.4	169.9	-3.7	32.3	-157.3	2.1	-8.2	-125.4	-0.6
a-4 Private nonbanks.....	-25.0	10.7	-1.8	-18.0	3500.0	-1.3	-17.5	-2.8	-1.2	-28.3	61.7	-1.8	-35.3	24.7	-2.3	-32.8	-7.1	-2.5
b. Enterprises of Public Sector ...	-53.5	-52.2	-3.8	-3.0	233.3	-0.2	-3.0	0.0	-0.2	-16.7	456.7	-1.1	-15.4	-7.8	-1.0	-10.7	-30.5	-0.8
Errors and omissions	3.2	-109.2	0.2	-3.6	-111.9	-0.3	-1.9	-46.5	-0.1	-3.8	97.2	-0.2	-11.3	196.7	-0.7	-12.2	7.9	-0.9
Overall balance	56.2	297.1	4.0	-27.4	-38.2	-1.9	36.2	-232.1	2.6	13.4	-63.0	0.9	35.7	166.4	2.3	-13.1	-136.7	-1.0
Change in Reserves at the Central Bank**	-56.2	297.1	-4.0	26.1	-41.1	1.8	-36.5	-239.8	-2.6	-13.0	-64.4	-0.8	-35.4	172.3	-2.3	13.6	-138.4	1.0
Change in Reserve Position with IMF & SDR**	0.3	-155.7	0.0	1.3	215.5	0.1	0.3	-76.9	0.0	-0.4	-233.3	0.0	-0.3	-25.0	0.0	-0.5	66.7	0.0
Total change in International Reserves**	-55.9	280.8	-3.9	27.4	-38.8	1.9	-36.2	-232.1	-2.6	-13.4	-63.0	-0.9	-35.7	166.4	-2.3	13.1	-136.7	1.0
UAE Central Bank																		
Foreign Assets (including the IMF)	345.1	152.6	24.4	313.6	731.5	22.1	350.3	11.7	24.7	365.5	4.3	23.9	397.9	8.9	26.0	391.9	-1.5	29.9
Foreign Assets of the Central Bank	341.1	157.8	24.1	310.9	718.8	22.0	347.7	11.8	24.6	362.6	4.3	23.7	394.7	8.9	25.8	388.1	-1.7	29.6
Reserve Position with IMF & SDR	4.0	-6.5	0.3	2.7	-1158.8	-0.2	2.6	-3.7	0.2	2.9	11.5	0.2	3.2	10.3	0.2	3.8	18.8	0.3
Reserve Position with IMF.....	1.3	0.9	0.1	1.9	-2633.3	0.1	1.8	-5.3	0.1	2.1	16.7	0.1	2.4	14.3	0.2	3.0	25.0	0.2
SDR Holding	2.8	-9.6	0.2	0.8	-542.0	0.1	0.8	0.0	0.1	0.8	0.0	0.1	0.8	0.0	0.1	0.8	0.0	0.1
Foreign Liabilities (including the IMF)	8.9	55.7	0.6	4.7	2.2	0.3	5.2	10.6	0.4	7.0	34.6	0.5	3.7	-47.1	0.2	10.8	191.9	0.8
SDR Allocation	336.2	156.9	23.7	2.8	-91.5	0.2	3.0	7.1	0.2	2.9	-3.3	0.2	2.9	0.0	0.2	3.0	3.4	0.2
Foreign Liabilities of the Central Bank	332.1	162.4	23.5	1.9	-94.3	0.1	2.2	15.8	0.2	4.1	86.4	0.3	0.8	-80.5	0.1	7.8	875.0	0.6
Net Foreign Assets (including the IMF)	8.9	55.7	0.6	308.9	6616.7	21.8	345.1	11.7	24.4	358.5	3.9	23.4	394.2	10.0	25.7	381.1	-3.3	29.0
Net Foreign Assets at the Central Bank (Excluding the IMF)	55.9	280.8	3.9	309.0	-790.7	21.8	345.5	11.8	24.4	358.5	3.8	23.4	393.9	9.9	25.7	380.3	-3.5	29.0
Change in Net Foreign Assets (including the IMF)	56.2	297.1	4.0	-27.4	-38.2	-1.9	36.2	-232.1	2.6	13.4	-63.0	0.9	35.7	166.4	2.3	-13.1	-136.7	-1.0
Change in Net Foreign Assets at the Central Bank (Excluding the IMF)	-0.3	-155.7	0.0	-26.1	6235.0	-1.8	36.5	-239.8	2.6	13.0	-64.4	0.8	35.4	172.3	2.3	-13.6	-138.4	-1.0

	For the year ended 31 December																	
	2015	% change	% GDP	2016	% change	% GDP	2017	% change	% GDP	2018	% change	% GDP	2019	% change	% GDP	2020	% change	% GDP
<i>Change in Reserve Position with IMF + SDR.....</i>	16		0.0	-1.3	341	-0.1	-0.3	-76.9	0.0	0.4	-233.3	0.0	0.3	-25.0	0.0	0.5	66.7	0.0

- (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 aggregated 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) UAE Central Bank and all Banks.
- (*) Preliminary Estimates Subject to Revision.
- (**) Negative numbers of international reserves indicate an increase, positive numbers indicate a decrease.
- (***) Source: FCSC.

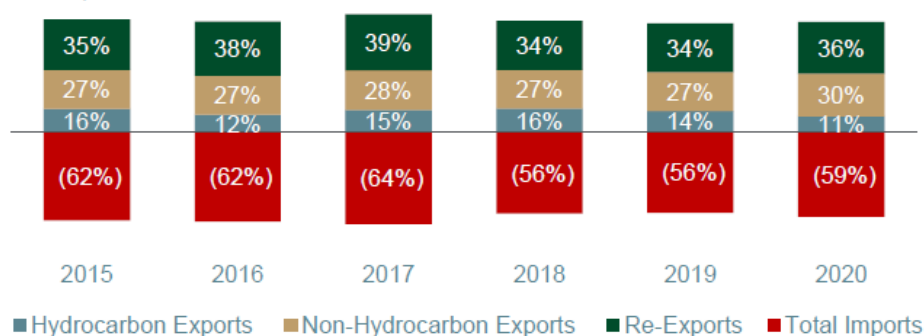
The UAE positive trade balances in each of the periods above reflect the importance of its hydrocarbon exports, its more recent successful diversification into other export industries and its significant volumes of re-exports. The UAE's hydrocarbon exports accounted for 16.1 per cent., 14.4 per cent. and 10.7 per cent. of GDP in 2018, 2019 and 2020, respectively.

The value of the UAE's hydrocarbon exports, the vast majority of which are made by Abu Dhabi, can be volatile as they depend on prevailing oil prices and the prevailing OPEC production quotas policy. Crude oil makes up the largest part of the UAE's hydrocarbon exports, accounting for 48.5 per cent. in 2020.

Abu Dhabi's hydrocarbon exports has been, and remains, a key contributor to the UAE's trade flows as shown below.

Trade Flows

(% of Total)



Changes in the balance of payments to 2020 from 2019

The current account surplus decreased from AED 137.1 billion (8.9 per cent. of GDP) in 2019 to AED 77.1 billion in 2020 (5.8 per cent. of GDP). The decrease in the current account surplus in 2020 is mainly attributable to the decline in trade balance (FOB) by AED 66.6 billion as oil prices declined from an average of U.S.\$64.3 per barrel in 2019 to U.S.\$42.7 per barrel in 2020, which decreased exports and resulted in a lower trade balance surplus.

In 2020, the hydrocarbon exports decreased by 36.2 per cent., or AED 79.9 billion, compared to 2019, primarily due to the decrease in the price of crude oil and other petroleum products. Non-hydrocarbon exports in 2020 decreased by 4.9 per cent. (or AED 20.5 billion). This was mainly attributable to a decrease in global demand and economic activity as a result of the COVID-19 pandemic. Hydrocarbon exports were 10.7 per cent. of GDP in 2020.

Meanwhile, total imports (FOB), i.e., excluding the cost of insurance and freight for the transport of the goods from the importing partners, decreased by AED 82.8 billion or 9.7 per cent. in 2020, contributing to the decrease in the trade balance in FOB prices.

Service balance recorded a decrease in the travel and transport accounts, which led to a narrower increase in both the credit and debit sides of the services balance, where the accounts of travel and transport items (combined) represent 66.3 per cent. of credits and 39.3 per cent. of debits in 2020, in line with the decrease in inbound tourism to the UAE during 2020.

Net investment income recorded outflow of AED 1.7 billion in 2020, compared to an inflow of AED 7.6 billion in 2019, mainly due to a decrease in the outflow of public sector enterprises by AED 19.7 billion. Transfers, however, recorded net outflow of AED 159.7 billion as compared to outflows of AED 173.6 billion in 2019. The deficit of the financial account in 2020 was AED 78.5 billion in 2020 compared to a deficit of AED 90.4 billion in 2019. The change in 2020 was mainly due to an increase in inward FDI by AED 7.3 billion and an increase by AED 2.5 billion in investments by private non-banking institutions abroad.

The overall balance of payments was recorded at a deficit of AED 13.1 billion in 2020. This was primarily the result of the decreases in the current account. The net foreign assets of the UAE Central Bank (including the IMF) decreased by AED 13.1 billion as compared to 2019, primarily as the result of the decrease of

foreign assets and an increase in foreign liabilities. Foreign assets decreased primarily due to a decrease in current account balances and deposits with banks abroad and foreign securities, partially offset by the increase in IMF reserves and position and SDR holdings and other foreign assets.

Changes in the balance of payments to 2019 from 2018

The current account surplus decreased from AED 151.5 billion (9.9 per cent. of GDP) in 2018 to AED 137.1 billion in 2019 (8.9 per cent. of GDP). The decrease in the current account surplus in 2019 is mainly attributable to lower oil prices, which decreased from an average of U.S.\$71 per barrel in 2018 to an average of U.S.\$64 per barrel in 2019, for Brent crude. The decrease in the trade balance surplus was complemented by a wider deficit in the services and transfers balances, despite an increase in the surplus of the investment income.

In 2019, the hydrocarbon exports decreased by 10.7 per cent., or AED 26.4 billion, compared to 2018, primarily due to the decrease in the price of crude oil and other products. Meanwhile, non-hydrocarbon exports in 2019 increased by 1.1 per cent. (or AED 4.4 billion). The relatively slow growth in non-hydrocarbon exports in 2019 was mainly attributed to the slowdown in global economic growth, including in major exporting destinations of the UAE. Hydrocarbon exports were 14.4 per cent. of GDP in 2019.

Meanwhile, total imports (FOB), i.e., excluding the cost of insurance and freight for the transport of the goods from the importing partners, decreased by AED 7.5 billion or 4.5 per cent. in 2019, primarily reflecting the decrease in exports.

The service balance recorded a marginal increase in 2019, primarily reflecting a narrower increase in both the credit and debit sides of the services balance, where the accounts of travel and transport items (combined) represent 74.8 per cent. of credits and 55.1 per cent. of debits in 2019, in line with the increase in inbound tourism in the UAE during 2019.

Net investment income recorded inflow of AED 7.6 billion in 2019, compared to AED 5.2 billion in 2018, mainly due to lower interest rates that resulted in lower outflow in investment income. Transfers, however, recorded net outflow of AED 173.6 billion as compared to AED 169.3 billion in 2018. The deficit of the financial account in 2019 narrowed noticeably by AED 44.3 billion, compared to 2018, reaching AED 90.4 billion in 2019 or 5.9 per cent. of GDP. The change in 2019 was mainly due to the increase in banks' investments abroad.

The combined effects of contraction in the current account surplus and a narrower deficit in the financial account, resulted in larger surplus in the overall balance of payments that was recorded at AED 35.7 billion in 2019 (2.3 per cent. of estimated GDP).

The net foreign assets of the UAE Central Bank, including the reserve position with the IMF, increased by AED 32.4 billion as compared to 2018 reaching AED 397.9 billion.

Changes in the balance of payments to 2018 from 2017

The current account surplus increased from AED 101.0 billion (7.1 per cent. of GDP) in 2017 to AED 151.5 billion in 2018 (9.9 per cent. of GDP). The increase in the current account surplus in 2018 was attributed to the increase in the trade balance associated mainly with the oil price evolution, which increased from an average of U.S.\$54 per barrel in 2017 to an average of U.S.\$71 per barrel in 2018. The increase in the trade balance surplus was complemented with narrower deficit in the services balance, however the surplus of investment income decreased and the deficit in the transfers balance widened.

In 2018, the hydrocarbon exports increased by 15.8 per cent. or AED 33.7 billion compared to 2017, due to the increase in the price of crude oil and other products. This increase was accompanied by a rise in non-hydrocarbon exports by 4.9 per cent. or AED 19.1 billion. Meanwhile, re-exports of imported goods decreased by 4.6 per cent. (AED 25.4 billion). As a result, total exports and re-exports (FOB, in free-on-board prices) increased by AED 27.5 billion or 2.4 per cent. Hydrocarbon exports were 16.1 per cent. of GDP for 2018.

Total imports (FOB), i.e., excluding the cost of insurance and freight for the transport of the goods from the importing partners, decreased by AED 40.3 billion or 4.5 per cent. in 2018, contributing to the substantial increase in the trade balance.

Services balances recorded a decrease, where the travel and transport accounts led to a narrower increase in both the credit and debit sides of the services balance, the sub-accounts of travel and transport items represented 74.7 per cent. of credits and 54.9 per cent. of debits in 2018. Even though inbound tourism in the UAE continued to increase in 2018 the travel account grew at a slower pace due to a decrease in estimated spending per traveller.

Net investment income recorded inflow of AED 5.2 billion in 2018, compared to an inflow of AED 10.2 in 2017, mainly due to higher interest rates and higher oil prices. Transfers, however, recorded net outflow of AED 169.3 billion (increased by AED 18.0 billion).

The deficit of the financial account in 2018 widened noticeably by AED 72.1 billion compared to 2017, reaching AED 134.7 billion or 8.8 per cent. of GDP. The change in 2018 was mainly due to the increase in banks' investments abroad. In addition, the financial outward flows by the public sector entities and private non-banks increased by AED 13.7 billion and AED 10.8 billion, respectively.

The combined effects of expansion in the current account surplus and a wider deficit in the financial account (almost doubled), resulted in smaller surplus in the overall balance of payments that was recorded at AED 13.4 billion in 2018 (0.9 per cent. of estimated GDP).

The net foreign assets of the UAE Central Bank, including the reserve position with the IMF, increased during the same period by AED 15.2 billion reaching AED 365.5 billion.

The International Reserve Position of the UAE Central Bank

The below table shows the International Reserve Position of the UAE Central Bank, including Current Account Balances and Deposits with Banks Abroad and IMF Reserves Position and Special Drawing Rights ("SDR") holdings for the periods shown.

Item	For the year ended 31 December						For the two months ended 28 February
	2016	2017	2018	2019	2020	2021	2022
	<i>(AED Million)</i>						
Gross International Reserves	313,610	350,260	365,426	397,950	391,857	481,528	490,416
Current Account Balances and Deposits with							
Banks Abroad	147,856	256,600	294,058	365,680	348,204	280,385	297,548
Foreign Securities.....	149,771	84,961	55,701	9,294	4,012	135,875	138,259
IMF Reserves Position and SDR Holdings.....	2,696	2,594	2,875	3,220	3,802	15,081	15,030
Other Foreign Assets	13,287	6,105	12,792	19,756	35,839	50,187	39,579
Foreign Liabilities	4,715	5,133	6,984	3,732	10,812	15,388	25,319
Net International Reserves	308,895	345,127	358,442	394,218	381,045	466,140	465,097

(*) Preliminary

The UAE Central Bank's gross international reserves are principally held in deposit accounts with banks outside of the UAE or are invested in securities and treasury bills issued by non-UAE issuers. The Net International Reserve Position of the UAE Central Bank decreased to approximately AED 465.1 billion at the end of the first two months of 2022 compared to AED 466.1 billion at the end of 2021. The Net International Reserve Position of the UAE Central Bank increased to approximately AED 466.1 billion at the end of 2021 compared to AED 381.0 billion at the end of 2020. The Net International Reserve Position of the UAE Central Bank decreased to approximately AED 381.0 billion at the end of 2020 compared to AED 394.2 billion at the end of 2019.

The Net International Reserve Position of UAE Central Bank increased to AED 394.2 billion at the end of 2019 compared to AED 358.4 billion at the end of 2018. As a ratio of the monetary base, the International Reserve Position increased during this period, from 96.2 per cent. to 97.2 per cent.. The high ratio is well above the minimum cover ratio of 70 per cent. required by Federal Decree Law No. 14 of 2018 on the Central Bank and Organisation of Financial Institutions and Activities, as amended (the "2018 Banking Law").

The Net International Reserve Position at the UAE Central Bank, increased to AED 358.4 billion at end of 2018 as compared to AED 345.1 billion at the end of 2017. As a ratio of the monetary base, the International Reserve Position increased from 92.8 per cent. to 96.2 per cent.

In 2017, the Net International Reserve Position, amounted to AED 345.1 billion at the end of 2017 as compared to AED 308.9 billion at the end of 2016. As a ratio of the monetary base, the International Reserve balance remained at 92.8 per cent., i.e. the same level as of the end of 2016.

Capital Account

In general, the size of the UAE's trade and current account surpluses, coupled with the limited capacity of the local economy to absorb capital, ensures that net foreign capital flows have almost always been outward, entrenching the UAE's position as a net international creditor and foreign investor.

Most capital outflows have been directed towards the U.S. and European capital markets although more recently there has also been an increase in direct investment in Europe, Asia, Africa and the wider Middle East. This has included entities wholly or partially owned by the governments of certain emirates purchasing significant stakes in foreign companies as well as major corporations, such as Etisalat, making significant acquisitions in order to boost their regional and international presence.

In 2020, the overall balance of payments registered a deficit of AED 13.1 billion compared to 2019, where the overall balance of payments registered a surplus of AED 35.7 billion, equal to 2.3 per cent. of the UAE's nominal GDP in that year. The decrease in the balance of payments was primarily due to a contraction in exports and net investment income. In 2018, 2019 and 2020, the net deficit in the financial account was AED 134.7 billion, AED 90.4 billion and AED 78.5 billion, respectively.

The surplus in the trade balance (FOB) decreased from AED 314.6 billion in 2018 to AED 295.5 billion in 2019 and 228.9 billion in 2020. Total exports and re-exports (FOB) decreased from AED 1,179.0 billion in 2018 to 1,152.4 billion in 2019 to AED 1,003.0 billion in 2020. The reduction in the surplus in the trade balance (FOB) in 2020 was primarily the result of the contraction in global activities worldwide. The reduction in the surplus in the trade balance (FOB) in 2019 related to the lower value of exported hydrocarbons of all categories, compared with 2018.

According to data from the UAE Central Bank, as at 31 December 2018, 31 December 2019 and 31 December 2020, the UAE Central Bank's foreign asset holdings (including the IMF) amounted to AED 365.5 billion, AED 397.9 billion and AED 391.9 billion, respectively (see "*Monetary and Financial System—Foreign Reserves*").

Foreign Trade

Composition of UAE Foreign Trade

The section below summarises the UAE's foreign trade, using information compiled by the FCSC. Differences in reporting objectives and methodology mean that the aggregated trade data from the FCSC may not match with the trade totals published by the UAE Central Bank.

Top UAE export destinations, percentage of total non-oil exports (export + re-export) based on value ⁽¹⁾	For the year ended 31 December			
	2018	2019	2020	2021
Saudi Arabia.....	15.3%	13.4%	10.0%	11.2%
India.....	8.7%	10.4%	7.8%	10.2%
Switzerland.....	3.9%	9.0%	11.5%	6.6%
Oman.....	8.4%	7.0%	4.8%	4.1%
Kuwait.....	5.1%	4.3%	2.9%	3.9%
Iraq.....	4.4%	4.0%	3.0%	7.7%
Turkey.....	5.2%	3.8%	7.2%	-
China.....	2.5%	3.6%	6.7%	3.1%
United States of America.....	3.9%	3.2%	2.5%	4.0%
Singapore.....	1.8%	2.3%	1.2%	-

⁽¹⁾ 2021 data for Turkey and Singapore is not currently available and as a result this table reflects the top eight non-oil exports (export and re-export) destinations only as opposed to the top 10.

Top sources of UAE imports, percentage of total imports based on value ⁽¹⁾	For the year ended 31 December			
	2018	2019	2020	2021
China.....	15.5%	16.4%	18.4%	17.7%
India.....	9.4%	10.7%	7.7%	8.5%
United States of America.....	8.5%	8.0%	7.7%	6.1%
Japan.....	5.6%	5.1%	4.4%	3.8%
Germany.....	4.5%	4.0%	3.4%	2.6%
United Kingdom.....	3.1%	2.9%	2.7%	-
Vietnam.....	3.1%	2.9%	2.7%	2.5%
Saudi Arabia.....	3.1%	2.7%	3.0%	2.9%
France.....	2.7%	2.7%	2.2%	2.5%
Italy.....	2.7%	2.6%	2.6%	2.6%

⁽¹⁾ 2021 data for the United Kingdom is not currently available and as a result this table reflects the top nine import destinations only as opposed to the top 10.

Top categories of UAE non-oil exports, percentage of total exports based on value	For the year ended 31 December			
	2018	2019	2020	2021
Gold Including Gold Plated With Platinum Unwrought or In Semi-manufactured forms, or In Powder form.....	25.7%	29.0%	41.5%	36.5%
Unwrought Aluminium.....	9.1%	6.8%	4.8%	7.1%
Cigars, Cheroots, Cigarillos and Cigarettes, of tobacco or of tobacco Substitutes.....	5.4%	5.6%	4.6%	4.1%
Petroleum Oils and Oils Obtained from Bituminous Minerals, Other than Crude.....	2.7%	7.2%	3.5%	4.0%
Articles of Jewellery and Parts thereof.....	5.1%	3.8%	2.1%	3.4%
Polyethylene.....	4.0%	3.3%	3.6%	3.4%
Copper Wire.....	4.5%	3.6%	2.6%	3.1%
Polymers of Propylene or of Other Olefins, In Primary forms.....	1.2%	1.9%	2.5%	2.4%
Structures and Parts of Structures eg., Bridges and Bridge Sections, Lock Gates, towers, Lattice Masts, Roofs, Roofing Framework.....	1.6%	1.8%	1.4%	1.3%
Diamonds.....	0.1%	0%	0.001%	0.005%

Top categories of UAE non-oil re-exports, percentage of total re-exports based on value	For the year ended 31 December			
	2018	2019	2020	2021
Telephones for Cellular Networks.....	16.0%	17.2%	20.7%	19.2%
Diamonds.....	11.5%	9.3%	8.8%	13.1%
Motor cars and other motor vehicles.....	7.3%	6.1%	6.0%	5.4%
Articles of Jewellery and Parts thereof.....	10.9%	11.3%	4.9%	5.3%
Automatic data processing machines and units thereof.....	3.5%	3.4%	5.4%	4.9%
Petroleum Oils and Oils Obtained from Bituminous Minerals, Other than Crude.....	2.3%	5.3%	4.2%	4.1%
Parts and accessories of motor vehicles.....	2.0%	1.9%	2.4%	2.3%
Parts of Aircraft.....	3.3%	2.3%	1.8%	1.5%
Perfumes and toilet waters.....	0.7%	0.7%	0.9%	1.0%
Medicaments Consisting of Products for therapeutic or Prophylactic Uses.....	0.7%	0.7%	1.1%	0.9%

Top categories of UAE imports, percentage of total imports based on value	For the year ended 31 December			
	2018	2019	2020	2021
Gold (Unwrought Or In Semi-Manufactured Forms).....	11.3%	12.9%	17.4%	17.8%
Telephones For Cellular Networks.....	8.2%	8.9%	9.5%	10.2%
Diamonds.....	4.9%	4.4%	4.0%	5.5%
Cars.....	6.3%	5.6%	4.8%	4.7%
Articles Of Jewellery And Parts Thereof.....	5.5%	6.0%	2.9%	3.7%
Petroleum Oils Other Than Crude.....	4.7%	5.0%	3.9%	3.3%
Automatic data processing machines and units thereof.....	2.5%	2.3%	3.2%	3.1%
Turbojets, Turbo Propellers And Other Gas Turbines.....	2.6%	2.4%	1.9%	1.6%
Medicaments.....	1.3%	1.3%	1.6%	1.3%
Refined Copper And Copper Alloys, Unwrought.....	1.1%	1.1%	1.1%	1.2%

Source: FCSC

The UAE has diverse export routes. The UAE's exports have principally been to Saudi Arabia, India and Switzerland. Together, these countries accounted for 27.9 per cent. of the UAE's total non-oil exports based on value in 2018, 32.8 per cent. in 2019, 29.3 per cent. in 2020 and 28.0 per cent. in 2021.

The UAE's imports have principally been from China, India and the United States, which together accounted for 33.4 per cent. of the UAE's imports based on value in 2018, 35.1 per cent. in 2019, 33.8 per cent. in 2020 and 32.3 per cent. in 2021.

The UAE's principal non-oil export product types are (i) gold including gold plated with platinum unwrought or in semi-manufactured forms, or in powder form; (ii) unwrought aluminium; and (iii) cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes. Together these product types accounted for 40.2 per cent. of non-oil export product types in 2018, 41.4 per cent. in 2019, 50.9 per cent. in 2020 and 47.7 per cent. in 2021.

The UAE's principal non-oil re-export product types are (i) telephones for cellular networks; and (ii) diamonds. Together these product types accounted for 27.5 per cent. of non-oil re-export product types in 2018, 26.5 per cent. in 2019, 29.5 per cent. in 2020 and 32.3 per cent. in 2021.

The UAE's principal import broad product types are (i) gold (unwrought or in semi-manufactured forms); (ii) telephones for cellular networks; and (iii) cars. Together these three product types accounted for 25.8 per cent. of imports in 2018, 27.4 per cent. in 2019, 31.7 per cent. in 2020 and 32.7 per cent. in 2021.

4. AMENDMENTS TO THE MONETARY AND FINANCIAL SYSTEM

- 4.1 On page 130 of the Base Offering Circular, the entirety of the subsection headed "*Monetary and Financial System*" shall be deemed deleted and replaced with the following:

Monetary and Exchange Rate Policy

The UAE's monetary and exchange rate policy is managed by the UAE Central Bank. The predecessor of the UAE Central Bank was the Currency Board which was established as per Union Law No. (2) of 1973. The Currency Board issued the UAE Dirham which replaced the Bahraini Dinar and the Qatari and Dubai Riyal currencies which were in use at the time. The UAE Central Bank was established as a public institution in 1980. The UAE Central Bank promotes financial and monetary stability, efficiency and resilience in the financial system and the protection of consumers through effective supervision intended to support economic growth for the benefit of the UAE and its people. It has powers to issue and manage the currency, manage the UAE's credit policy, develop and manage the banking system in the UAE and is the UAE's representative to international institutions such as the IMF, the World Bank and the Arab Monetary Fund. In addition, the UAE Central Bank has other regulatory tools at its disposal including macro prudential policies, reserve requirements, leverage caps, laws and reforms to strengthen financial stability and supervise the banking system. The UAE Central Bank supervises the UAE banking system through its Banking Supervision and Examination Department.

The objective of the UAE's monetary policy is to facilitate the fixed exchange rate regime and maintaining a stable and convertible currency is a key policy objective. In common with many other GCC countries, and reflecting the fact that oil and gas revenues are priced in U.S. Dollars, the UAE Dirham is pegged to the U.S. Dollar. In the case of the UAE, the exchange rate has been maintained at AED 3.6725 = U.S.\$1.00 since 22 November 1980. There are no exchange controls in the UAE and the UAE Dirham is freely convertible. Monetary policy beyond the policy rate has focused on removing excess liquidity from oil revenues. The UAE Central Bank closely follows the U.S. Federal rate (due to its peg), maintaining the UAE's interest rate in line with rate cuts in the U.S.

The UAE's monetary policy has been focused on protecting its banking sector and a number of measures have been announced by the UAE Central Bank and Federal authorities in this regard. For example, following the 2008/2009 global financial crisis, the UAE Central Bank took a number of steps to reduce the sector's vulnerability to crises, including lending restrictions, revised mortgage caps and retail lending limitations.

Liquidity and Money Supply

The following table sets out certain liquidity indicators for the UAE as at 31 December in each of the years indicated.

Item	For the year ended 31 December							For the two months ended 28 February
	2015	2016	2017	2018	2019	2020	2021	2022
	(AED Billions)							
Net International Reserves	246.4	258.8	328.4	418.0	485.3	514.6	620.8	623.0
Central Bank (Net)	336.2	308.9	345.2	358.4	394.2	381.1	466.1	465.1
Gross International Reserves	345	314	350.3	365.4	397.9	391.9	481.5	490.4
Foreign Liabilities	9	5	5.1	7	3.7	10.8	15.3	25.3
Banks (Net)	(89.8)	(50.1)	(16.8)	59.6	91.1	133.5	154.7	157.9
Foreign Assets	497	547	579	679.6	771.1	849.1	933.2	886.9
Foreign Liabilities	586	597	595.8	620	680	715.6	778.5	729.0
Net Domestic Assets	940.4	966.6	947.7	890.2	927.9	964.1	942.2	947.3
Claims on Private Sector	1,040	1,100	1,107.7	1,151.8	1,159.1	1,128.4	1,145.8	1,147.5
Net Claims on Government	68	56	64.5	-4.7	51.1	86.7	77.0	57.4
Claims on Official Entities	205	225	212.3	209.2	223.6	261.8	277.9	286.6
Claims on Nonbank Financial Institutions..	49	30	31.4	32.1	25.9	28.2	26.6	28.5
Capital and Reserves	(307)	(329)	(359.5)	(378.5)	(417.9)	(419.4)	(428.61)	(422.5)
Other Items (net)	(116)	(115)	(108.7)	(119.7)	(113.9)	(121.6)	(156.54)	(150.3)
Money Supply M₁	456.9	474.1	492.4	485.7	515	600	701.9	712.1
Currency in Circulation Outside Banks	58	62	67.7	70.5	78.2	94.7	94.1	98.7
Monetary Deposits	399	412	424.7	415.2	436.8	505.3	607.8	613.4
Money Supply M₂	1,187	1,226	1,276.2	1,308.4	1,413.1	1,478.5	1,563.0	1,570.3
Quasi – Money	729.9	751.4	783.8	822.7	898.1	878.5	861.2	858.2
Foreign Currency Deposits	245	271	270.7	304.3	322.5	331.2	340.4	332.1
Dirham Deposits.....	485	481	513.1	518.4	575.6	547.3	520.8	526.1
Money Supply M₃	1,343	1,411	1,487.1	1,602.3	1,717.4	1,769.3	1,856.9	1,867.8
Government Deposits	156	186	210.9	293.9	304.3	290.8	293.9	297.5

Source: UAE Central Bank

Money supply M1 (which consists of currency in circulation outside of banks (i.e. currency issued less cash at banks) plus monetary deposits in local currency with banks) increased from AED 701.9 billion as at 31 December 2020 to AED 712.1 billion as at 28 February 2022. This was primarily due to a rise in monetary deposits by 0.9 per cent. to reach AED 613.4 billion partly offset and a corresponding increase in currency in circulation outside banks by 4.9 per cent. to AED 98.7 billion.

Money supply M1 (which consists of currency in circulation outside of banks (i.e. currency issued less cash at banks) plus monetary deposits in local currency with banks) increased from AED 600 billion as at 31 December 2020 to AED 701.9 billion as at 31 December 2021. This was primarily due to a rise in monetary deposits by 20.3 per cent. to reach AED 607.8 billion partly offset by a decrease in currency in circulation outside banks by 0.6 per cent. to AED 94.1 billion.

Money supply M1 increased from AED 515 billion as at 31 December 2019 to AED 600 billion as at 31 December 2020. This was primarily due to the rise in monetary deposits by 15.7 per cent. to reach AED 505.3 billion and an increase in currency in circulation outside banks by 21.1 per cent. to reach AED 94.7 billion.

Money supply M1 decreased from AED 492.4 billion as at 31 December 2017, to AED 485.7 billion as at 31 December 2018, but increased to AED 515.0 billion as at 31 December 2019. These changes reflected fluctuations in monetary deposits from AED 424.7 billion as at 31 December 2017 and AED 415.2 billion as at 31 December 2018 to AED 436.8 billion as at 31 December 2019. However, currency in circulation outside of banks increased from AED 67.7 billion as at 31 December 2017 to AED 70.5 billion as at 31 December 2018, and AED 78.2 billion as at 31 December 2019. The increases reflected both the changes in money supply M1 as well as growth in quasi-monetary deposits in each period.

Money supply M2 (which consists of money supply M1 plus quasi-monetary deposits (i.e. resident time and savings deposits in UAE Dirhams plus resident deposits in foreign currencies)) increased from AED 1,563.0 billion as at 31 December 2021 to AED 1,570.3 billion as at 28 February 2022 due to the rise in money supply M1 partially offset by a decrease in quasi-monetary deposits.

Money supply M2 increased from AED 1,478.5 billion as at 31 December 2020 to AED 1,563.0 billion as at 31 December 2021 due to the rise in money supply M1 partially offset by a decrease in quasi-monetary deposits.

Money supply M2 increased from AED 1,413.1 billion as at 31 December 2019 to AED 1,478.5 billion as at 31 December 2020 as the rise in money supply in M1 was partially offset by a decrease in quasi-monetary deposits. This was primarily the result of low interest rates making term deposits less attractive.

Money supply M2 increased from AED 1,276.2 billion as at 31 December 2017 to AED 1,308.4 billion as at 31 December 2018, and AED 1,413.1 billion as at 31 December 2019. Generally, median money supply M2 is considered the best indicator for the availability of liquidity in the economy, as it comprises currency in circulation outside banks, in addition to various deposits of all the resident sectors except the government sector in the UAE.

Money supply M3 (which consists of money supply M2, plus government deposits at banks and at the UAE Central Bank) increased to AED 1,867.8 billion as at 28 February 2022 compared to AED 1,856.9 billion as at 31 December 2021. The increase reflects increases in money supply M2 between 31 December 2021 and 28 February 2022.

Money supply M3 increased to AED 1,856.9 billion as at 31 December 2021 compared to AED 1,769.3 billion in 2020. The increase reflects increases in money supply M2 between 31 December 2020 and 31 December 2021.

Money supply M3 increased from AED 1,487.1 billion as at 31 December 2017 to AED 1,602.3 billion as at 31 December 2018, to AED 1,717.4 billion in 2019 to AED 1,769.3 billion in 2020. The increases reflected both increases in money supply M2 as well as increases in government deposits in all annual periods (excluding 2020).

The table below shows the banking sector's balance sheet structure for loans to assets and loans to deposits ratios for each period shown:

	For the year ended 31 December						
	2015	2016	2017	2018	2019	2020	2021
				(%)			
Loans to Assets	59.6	59.9	58.7	57.7	57.0	55.8	54.0
Loans to Deposits	99.6	99.4	97.1	94.3	94.1	94.4	89.9

Gross Bank Assets

The table below shows the total assets held by the UAE Central Bank for each period shown:

	For the year ended 31 December							For the three months ended 31 March
	2015	2016	2017	2018	2019	2020	2021	2022
	(AED Billions)							
Gross Bank Assets.....	2,458.9	2,592.5	2,693.8	2,868.5	3,082.9	3,188.0	3,321.5	3,282.1
Total Banks' Reserves at the Central Bank	291.3	260.0	291.4	293.3	315.2	316.2	371.5	364.1
Reserve Requirements	112	117	121.4	120.6	129.7	89.4	104.0	85.6
Current Accounts of Banks	40	35	34.9	34.5	25.3	97.5	102.8	115.1
Certificates of Deposit held by Banks	140	108	135.1	138.2	160.2	129.3	164.7	163.4
of which: Islamic Certificates of Deposit	21	20	38.3	36.3	37.5	45.3	49.1	44.8
Gross Credit	1,465.8	1,553.7	1,580.3	1,656.2	1,758.6	1,779.0	1,794.0	1,831.9
Domestic Credit	1,362	1,433	1,452.7	1,509.4	1,592.6	1,596.7	1,618.9	1,639.2
Government	167	172	175.4	191.5	257.4	251.9	236.0	226.8
Public Sector (GREs)	171	187	172.3	167.9	185.3	219.9	245.4	263.9
Private Sector	999	1,055	1,086.4	1,130	1,134.6	1,108.3	1,120.7	1,133.0
Business & Industrial Sector Credit ⁽¹⁾	688	728	748.9	792.6	802.2	778.8	773.1	776.2
Individual	311	326	337.5	337.4	332.4	329.5	347.6	356.8
Non-Banking Financial Institutions	25	19	18.6	20	15.3	16.6	16.8	15.5
Foreign Credit ⁽²⁾	104	120	127.6	146.8	166	182.3	175.1	192.7

	For the year ended 31 December							For the three months ended 31 March
	2015	2016	2017	2018	2019	2020	2021	2022
	(AED Billions)							
of which: Loans & Advances to Non-Residents in AED.....	9	15	15.6	20.4	16.7	15.5	14.1	13.8
Total Investments by Banks	250.1	288.9	311.1	332.8	399.0	455.8	473.2	472.7
Debt securities	146	186	206.2	210.9	246.1	290.5	295.7	275.2
Equities.....	14	12	11.3	10.1	10.8	9.2	17.1	16.9
Held to maturity securities.....	62	60	62.5	81.2	99.1	111.4	117.8	135.7
Other Investments.....	28	30	31.1	30.6	43	44.7	42.6	44.9
Other Assets	451.7	489.9	511.0	586.2	610.1	637.0	628.8	667.7
Due from Head Office/Own Branches/Banking								
Subsidiaries.....	84	102	104.4	160.6	154.6	156.0	190.1	136.7
Due from Other Banks.....	205	209	204.1	215	210.6	207.9	243.5	262.2
Other Items ⁽³⁾	162	179	202.5	210.6	244.9	273.1	249.2	268.8
NPLs	73.7	78.8	82.4	91.4	111.6	142.4	139.6	138.9
Specific provisions & Interest in Suspense.....	72	79	79.7	90.4	99.3	116.6	121.5	121.7
General provisions.....	27	29	29.7	31.2	33.1	38.3	34.8	35.5

⁽¹⁾ Includes lending to (Resident): Trade Bills Discounted and Insurance Companies.

⁽²⁾ Includes lending to (Non Resident): Loans to Non-Banking Financial Institutions, Trade Bills Discounted and Loans & Advances Government & Public Sector, Private Sector (corporate and Individuals) in Local and Foreign Currency.

⁽³⁾ Includes Cash in Hand, Fixed Assets, Inter-Branch Position, Positive Fair Value of Derivatives and Other Accounts Receivables.

For the three months ended 31 March 2022, the UAE's Central Bank's gross assets were AED 3,282.1 billion compared to AED 3,321.5 billion for the year ended 31 December 2021. Total banks' reserves at the UAE Central Bank amounted to AED 364.1 billion a decrease of AED 7.4 billion compared to 31 December 2021. Gross credit amounted to AED 1,831.9 billion, an increase of AED 37.9 billion compared to 31 December 2021. Total investments by banks amounted to AED 472.7 billion, a decrease of AED 0.5 billion compared to 31 December 2021. Other assets amounted to AED 667.7 billion, an increase of AED 38.9 billion compared to 31 December 2021.

For the year ended 31 December 2021, the UAE's Central Bank's gross assets were AED 3,321.5 billion compared to AED 3,188.0 billion for the year ended 31 December 2020. This primarily was the result of increases in total banks' reserves at the central bank (AED 55.3 billion increase) and investments (AED 17.4 billion increase), partially offset by a decrease of AED 8.8 billion in other assets. Total banks' reserves at the UAE Central Bank amounted to AED 371.5 billion an increase of AED 55.3 billion compared to 31 December 2020. Gross credit amounted to AED 1,794.0 billion, an increase of AED 15.0 billion compared to 31 December 2020. Total investments by banks amounted to AED 473.2 billion, an increase in AED 17.4 billion compared to 31 December 2020. Other assets amounted to AED 628.8 billion, a decrease of AED 8.8 billion compared to 31 December 2020.

For the year ended 31 December 2020, the UAE Central Bank's gross assets were AED 3,188.0 billion compared to AED 3,082.9 billion for the year ended 31 December 2019. This was primarily the result of increases in total banks' reserves at the central bank (AED 1.0 billion increase), gross credit (AED 20.4 billion increase), investments (AED 56.8 billion increase) and other assets (AED 26.9 billion increase). Total banks' reserves at the UAE Central Bank amounted to AED 316.2 billion, an increase of AED 1.0 billion as compared to 2019. Gross credit amounted to AED 1,779.0 billion, an increase of AED 20.4 billion as compared to 2019. Total investments by banks amounted to AED 455.8 billion, an increase of AED 56.8 billion compared to 2019. Other assets amounted to AED 637.0 billion, an increase of AED 26.9 billion compared to 2019.

For the year ended 31 December 2019, the UAE Central Bank's gross bank assets were AED 3,082.9 billion compared to AED 2,868.5 billion for the year ended 31 December 2018. This was primarily the result of increases of total banks' reserves at the central bank (AED 21.9 billion increase), gross credit (AED 102.4 billion increase), investments (AED 66.2 billion increase) and other assets (AED 23.9 billion increase). Total banks' reserves at the UAE Central Bank amounted to AED 315.2 billion, an increase of AED 21.9 billion compared to 2018. Gross credit amounted to AED 1,758.6 billion, an increase of AED 102.4 billion compared to 2018. Total investments by banks amounted to AED 399.0 billion, an increase of AED 66.2

billion compared to 2018. Other assets amounted to AED 610.1 billion, an increase of AED 23.9 billion compared to 2018.

For the year ended 31 December 2018, the UAE Central Bank's gross bank assets were AED 2,868.5 billion compared to AED 2,693.8 billion for the year ended 31 December 2017. This was primarily the result of an increase in total banks' reserves at the central bank (AED 1.9 billion increase), gross credit (AED 75.9 billion increase), investments (AED 21.7 billion increase) and other assets (AED 75.2 billion increase). Total banks' reserves at the UAE Central Bank amounted to AED 293.3 billion, an increase of AED 1.9 billion compared to 2017. Gross credit amounted to AED 1,656.2 billion, an increase of AED 75.9 billion compared to 2017. Total investments by banks amounted to AED 332.8 billion, an increase of AED 21.7 billion compared to 2017. Other assets amounted to AED 586.2 billion, an increase of AED 75.2 billion compared to 2017.

The table below shows UAE bank assets as a percentage of GDP and net interest margin for the years presented.

	For the year ended 31 December						
	2015	2016	2017	2018	2019	2020	2021
Assets % of GDP (at period end).....	187%	198%	190%	185%	201%	243%	223.1%
Net Interest Margin	69.6%	68.9%	66.5%	71.5%	67.9%	68.5%	62.7%

Foreign Reserves

The table below shows the foreign asset holdings of the UAE Central Bank at period end for each of the periods presented.

	As at 31 December						
	2015	2016	2017	2018	2019	2020	2021
	<i>(AED Billions)</i>						
Foreign Assets of the Central Bank.....	341.1	310.9	347.7	362.6	394.7	388.1	466.5

Source: UAE Central Bank Balance of Payments

The table below shows the UAE Central Bank's gross foreign exchange reserves expressed in months of imports that the reserves would cover as at 31 December for the years presented.

	For the year ended 31 December						
	2015	2016	2017	2018	2019	2020	2021
	<i>(Months of imports)</i>						
CBUAE Gross FX Reserves.....	8.4	11.2	10.3	12.2	13.1	16	15

The UAE Central Bank's gross international reserves are principally held in deposit accounts with banks outside the UAE or are invested in securities and treasury bills issued by non-UAE issuers. The official reserves figure, however, excludes the stock of publicly controlled foreign assets held in other accounts in investment bodies controlled by individual emirates as well as the EIA.

Foreign currency reserves increased between 2017 and 2020, notwithstanding the lower international oil price environment since mid-2014 and the volatility of oil prices over the last few years.

The credibility of the fixed peg arrangement requires the UAE Central Bank to hold sufficient foreign currency reserves. To this end, Article 63 of the 2018 Banking Law, states that the market value of the balance of foreign reserves "shall not, at any time, be less than seventy percent (70 per cent.) of the value of the monetary base." Article 62 of the 2018 Banking Law defines Reserves of Foreign Assets as follows:

- gold bullion and other precious metals;
- cash, deposits and other monetary and payment instruments denominated in foreign currencies, freely convertible in global markets; and
- securities denominated in foreign currencies and issued or guaranteed by foreign governments and their related companies, entities, institutions, and agencies, by international monetary and financial institutions, or by multinational corporations, and are tradable in global markets.

The UAE Central Bank's foreign assets decreased by 20.2 per cent. in 2021 to reach AED 466.5 billion due to a decrease of current account balances and deposits with banks abroad by 19.5 per cent. The UAE Central Bank's foreign assets decreased by 1.7 per cent. in 2020 to reach AED 388 billion due to a decrease of current account balances and deposits with banks abroad and foreign securities by 4.8 per cent. and 56.8 per cent. respectively, partially offset by the increase in other foreign assets by 81.4 per cent. The UAE Central Bank's foreign assets increased by 8.9 per cent. in 2019 to reach AED 395 billion, due mostly to an increase in current account balances and deposits at banks abroad by AED 71.7 billion. The balance of foreign assets at the UAE Central Bank increased from AED 348 billion at the end of 2017 to AED 363 billion at the end of 2018. The balance of foreign assets held at the UAE Central Bank increased from AED 311 billion at end of 2016 to AED 348 billion at end of 2017 owing to an increase by AED 108.7 billion in current account balances and deposits at banks abroad, while held-to-maturity foreign securities declined.

Banking and Financial Services

All banks in the UAE operate under the supervision of the UAE Central Bank.

The table below provides a statistical analysis of the UAE banking sector as at 31 December for the years presented and as at 28 February 2022.

	As at 31 December							As at 28
	2015	2016	2017	2018	2019	2020	2021	February 2022 ⁽¹⁾
	(AED Millions)							
Total assets.....	2,478,225	2,613,611	2,693,807	2,868,516	3,082,934	3,188,014	3,321,488	3,282,069
Foreign assets.....	496,450	546,890	578,989	679,647	771,092	849,077	933,169	886,890
Foreign assets to total assets (%).....	20.0%	20.9%	21.5%	23.7%	25.0%	26.6%	28.1%	27.0%
Foreign liabilities.....	586,270	596,969	595,831	619,990	679,979	715,606	778,461	728,988
Foreign liabilities to total liabilities (%).....	23.7%	22.8%	22.1%	21.6%	22.1%	22.4%	23.4%	22.2%
Deposits ⁽²⁾	1,471,618	1,562,949	1,627,277	1,755,650	1,870,184	1,884,545	1,996,527	1,988,354
Residents.....	1,300,126	1,363,899	1,435,600	1,542,237	1,648,812	1,682,102	1,765,533	1,770,864
of which: Corporate.....	563,100	592,181	604,435	590,877	607,023	606,207	671,422	678,487
Non-residents.....	171,492	199,050	191,677	213,413	221,372	202,443	230,994	217,490
of which: Corporate.....	72,807	88,352	88,310	91,889	87,964	72,250	82,170	86,540
Bank credit (domestic).....	1,381,181	1,454,414	1,452,696	1,509,437	1,592,609	1,596,786	1,618,957	1,620,032
of which: credit to private sector ⁽³⁾	1,043,202	1,094,632	1,105,007	1,150,018	1,149,953	1,124,913	1,137,528	1,140,334
Total number of national banks and branches.....	1024	978	880	832	741	619	596	596
Total number of foreign banks and branches.....	161	154	147	140	140	134	133	133
Number of employees in banks (UAE)⁽⁴⁾.....	40,159	36,971	34,675	36,629	35,637	33,444	33,491	33,491

⁽¹⁾ Preliminary.

⁽²⁾ Excluding inter-bank deposits.

⁽³⁾ Including claims on other financial institutions.

⁽⁴⁾ Excluding auxiliary staff.

Source: UAE Central Bank

The table below provides a statistical analysis of the banking sector in the UAE for the periods shown.

	For the year ended 31 December							For the three months ended 31 March
	2015	2016	2017	2018	2019	2020	2021	2022
	(AED Billions)							
Bank Deposits	1,471.6	1,562.9	1,627.3	1,755.6	1,870.2	1,884.5	1,966.5	2,006.2
Resident Deposits.....	1,300	1,364	1,435.6	1,542.2	1,648.8	1,682.1	1,765.5	1,791.4
Government Sector.....	157	187	212.0	290.3	301.3	287.3	288.2	291.4
GREs (Govt. ownership of more than 50%).....	191	168	191.5	207.1	245.3	254.8	247.9	239.3
Private Sector.....	924	981	1,001.0	1,009.3	1,057.9	1,100.1	1,191.3	1,219.8

	For the year ended 31 December							For the three months ended 31 March
	2015	2016	2017	2018	2019	2020	2021	2022
	(AED Billions)							
Non-Banking Financial Institutions.....	28	28	31.1	35.5	44.3	39.9	38.1	40.9
Non-Resident Deposits.....	172	199	191.7	213.4	221.4	202.4	231.0	214.8
Average Cost on Bank Deposits⁽¹⁾.....	1.0%	1.2%	1.3%	1.8%	1.6%	1.0%	0.8%	0.8%
Average Yield on Credit⁽²⁾...	5.0%	5.0%	5.1%	5.5%	5.0%	3.8%	3.6%	3.8%
Capital & Reserves⁽³⁾.....	286	308	337.3	355.2	392.9	392.8	402.5	395.5
Specific provisions & Interest in Suspense.....	72	79	79.7	90.4	99.3	116.6	121.5	121.7
General provisions.....	27	29	29.7	31.2	33.1	38.3	34.8	35.5
Lending to Stable Resources Ratio⁽⁴⁾.....	87.1%	86.2%	84.5%	82.3%	81.0%	77.6%	77.3%	79.4%
Eligible Liquid Assets Ratio (ELAR)⁽⁵⁾.....	17.4%	16.2%	18.3%	17.5%	18.1%	18.4%	19.6%	19.0%
Capital Adequacy Ratio - (Tier 1 + Tier 2)⁽⁶⁾.....	18.3%	18.9%	18.1%	17.5%	17.7%	18.1%	17.2%	17.1%
of which: Tier 1 Ratio.....	16.6%	17.3%	16.6%	16.2%	16.5%	17.0%	16.1%	16.0%
Common Equity Tier 1(CET 1) Capital Ratio.....	-	-	14.6%	14.3%	14.7%	14.9%	14.2%	14.2%

^(*) Preliminary data subject to revision.

⁽¹⁾ Weighted average of costs on Demand, Savings & Time Deposits at varying maturities.

⁽²⁾ Weighted average of yield on all types of outstanding credit.

⁽³⁾ Excluding subordinated borrowings/deposits, but including current year profit.

⁽⁴⁾ The Ratio of the Total Advances (Net Lending + Net Financial Guarantees & Stand-by LC + Interbank Placements more than 3 months) to the sum of (Net Free Capital Funds + Total Other Stable Resources).

⁽⁵⁾ The Ratio of Total Banks' Eligible Liquid Assets (Consist of Cash in Hand, Liquid Assets at the UAE Central Bank and Eligible Bonds/Sukuks as prescribed by UAE Central Bank Circular No. 33/2015 & Basel Principles but excludes interbank positions) to Total Liabilities.

⁽⁶⁾ Capital Adequacy Ratio, Tier 1 Ratio and CET 1 Ratio for the period starting from December 2017 are calculated according to Basel III Guidelines issued by the UAE Central Bank through UAE Central Bank Circular No. 52/2017. Whereas for the period prior to December 2017 they are calculated following Basel II Guidelines.

Supervision of Banks

The UAE Central Bank, established in 1980, is the governing body that regulates and supervises all banks operating in the UAE. The UAE Central Bank has supervisory responsibility for all banking institutions in the UAE. Supervision is carried out through on-site and off-site inspections and review of periodic submissions from the banks. The frequency of inspection follows a risk-based approach and is determined by an impact and inherent risk matrix. Inspections for most banks occur at least once every 18 months. Returns are made daily, weekly, fortnightly, monthly, quarterly, semi-annually or annually, depending on the nature of the information they are required to contain.

The UAE Central Bank has adopted a Risk Based Supervision ("RBS") approach to bank supervision. This approach is forward-looking and is designed to identify, assess, measure, monitor and control key risks that licensed institutions in the UAE banking and financial markets are exposed to. Under the RBS approach, the Enforcement Division of the UAE Central Bank assesses the risk management policies and practices that licensed institutions use to control, reduce and mitigate risk. The Enforcement Division specifically focuses on risk areas that pose the greatest risk to the banks' safety and institutional soundness.

The UAE Central Bank's activities are currently dictated by the 2018 Banking Law, which came into force in the UAE on 30 September 2018. The 2018 Banking Law repealed two of the UAE's older banking laws including the Federal Law No. 10 of 1980 concerning the status of the UAE Central Bank and its roles managing the currency and supervising the activities of banks and finance companies. The second was the Federal Law No. 6 of 1986 in relation to Islamic banking activities. The 2018 Banking Law reconfirms the UAE Central Bank's role in supervising the banking system in the UAE, directing monetary policy and ensuring economic stability through adequate fiscal policies and consumer protection mechanisms. The 2018 Banking Law also extends the scope of authority of the UAE Central Bank through changes designed to modernise the framework for the licensing and supervision of financial services activities in the state to bring regulation in line with international best practice.

Although the UAE Central Bank is responsible for regulating all banks, exchange houses, investment companies and other financial institutions in the UAE, the DFSA regulates all banking and financial services activities in the DIFC except for onshore activities which are still regulated by the UAE Central Bank. Similarly, in the ADGM, the FSRA regulates activity in the financial services sector except for onshore activities.

Since 1999, regulated banks in the UAE have been required to report in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

Characteristics of the Banking System

The UAE banks are predominantly focused on the domestic market. With much of the economy directly or indirectly dependent on the oil sector, the UAE banks are vulnerable during long periods of low oil prices. In particular, oil revenues tend to drive levels of liquidity. There is a high degree of state involvement in the UAE banking sector, with the five-largest banks having some degree of ownership by the governments and/or ruling families of individual emirates.

Additionally, a number of banks have developed in the Islamic world, including in the UAE, to serve customers who wish to observe *Shari'a* principles, including the prohibition on the charging of interest on any financial transaction. These institutions offer a range of products, which broadly correspond to conventional banking transactions but are structured to ensure that all relevant *Shari'a* principles are complied with.

Anti-Money Laundering Legislation and Measures

The UAE Central Bank is also responsible for regulating anti-money laundering activities in the UAE. It has established a Financial Intelligence Unit and hosted teams from the Financial Action Task Force ("**FATF**") and the IMF which reviewed, discussed and tested existing UAE laws and regulations. The FATF is an independent inter-governmental body that develops and promotes policies to protect the global financial system against money laundering, terrorist financing and the financing of proliferation of weapons of mass destruction. The FATF Recommendations are recognised as the global anti-money laundering ("**AML**") and counter-terrorist financing ("**CTF**") standard.

The UAE takes an active part in the fight against money laundering and the financing of terrorism. The crimes of money laundering and financing of terrorism and the financing of illegal organisations are covered under federal criminal statutes and the federal penal code. Federal legislation and the implementation of regulations to combat these crimes are in force throughout the UAE, including the Free Zones and their implementation and enforcement are the responsibility of the relevant regulatory and supervisory authorities in either the federal or local jurisdictions.

The principal AML and CTF legislation within the UAE is Federal Decree Law No. (20) of 2018 on Anti-Money Laundering and Combatting the Financing of Terrorism and Financing of Illegal Organisations and implementing regulation, Cabinet Decision No. (10) of 2019 Concerning the Implementing Regulation of Decree Law No. (20) of 2018 on Anti-Money Laundering and Combatting the Financing of Terrorism and Illegal Organisations. The legislative and regulatory framework of the UAE is part of a larger international AML/CTF legislative and regulatory framework made up of a system of intergovernmental legislative bodies and international and regional regulatory organisations.

In 2019, the supervisory authorities of the UAE published Anti-Money Laundering and Combatting the Financing of Terrorism and the Financing of Illegal Organisations for Financial Institutions ("**Guidelines**"), to provide guidance and assistance to supervised financial institutions such as the UAE Central Bank and aid their understanding and effective performance of their statutory obligations under the legal and regulatory framework in force in the UAE. These Guidelines do not constitute additional legislation or regulation and are not intended to set legal, regulatory or judicial precedent. They are intended instead to be read in conjunction with the relevant laws, cabinet decisions, regulations and regulatory rulings which are currently in force in the UAE and their respective Free Zones. The Guidelines apply to all financial institutions established and/or operating in the UAE and their respective Free Zones, whether they establish or maintain a business relationship with a customer, or engage in any of the financial activities and/or transactions or the trade and/or business activities outlined in Articles (2) and (3) of Cabinet Decision No. (10) of 2019 Concerning the Implementing Regulation of Decree Law No. (20) of 2019 on Anti-Money

Laundering and Combating the Financing of Terrorism and Illegal Organisations. These Guidelines are also applicable to the members of these financial institutions' boards of directors, management and employees.

Specifically, they are applicable to all such natural and legal persons in the following categories:

- banks, finance companies, exchange houses, money service business (including *hawaladar* or other monetary value transfer services);
- insurance companies, agencies and brokers;
- securities and commodities brokers, dealers, advisors, investment managers; and
- other financial institutions not mentioned above.

From 1 July 2019 to 18 July 2019, the FATF conducted an on-site visit in the UAE in which it analysed the UAE's level of compliance with FATF 40 Recommendations and the level of effectiveness of the UAE's AML and CTF policies. The FATF concluded in its "Mutual Evaluation Report" in April 2020 that the UAE has taken some significant steps in strengthening its AML and CTF framework since its last evaluation in 2008. Most notably the UAE had undertaken a National Risk Assessment and enacted an AML Law in 2018 and AML By-Law in 2019. The FATF noted that the elements of an effective AML and CTF system are in place but given that the required framework is relatively new it was not possible to determine the overall effectiveness of the system but that terrorist financing offences and activities are investigated and prosecuted to a large extent, and the role of the terrorist financier is generally identified. However, the FATF also noted that fundamental and major improvements are needed across the UAE in order to demonstrate that the system cannot be used for money laundering, terrorism financing and the financing of proliferation of weapons of mass destruction. In March 2022, the FATF announced that the UAE was added to its "grey list" of high-risk jurisdictions noting that the UAE has made significant progress in relation to anti-money laundering and counter-terrorism financing since May 2020 but is still expected to make improvements in several areas including in relation to financial crime investigations. This grey list designation means that even though the UAE is under increased monitoring by the FATF, the UAE has committed to resolve the identified strategic deficiencies within agreed time frames.

Structure of the Banking System

Banking institutions in the UAE fall into a number of categories. Domestic commercial banks, of which there were 22 as at 31 December 2021, are required to be public shareholding companies with a minimum share capital of AED 40 million. These domestic commercial banks held 87.5 per cent. of the UAE's total banking assets as at 31 December 2021.

Licensed foreign commercial banks, of which there were 37 as at 31 December 2021, need to demonstrate that at least AED 40 million has been allocated as capital funds for their operations in the UAE. The legislative framework also licenses financial institutions (institutions whose principal functions are to extend credit, carry out financial transactions, invest in moveable property and other activities but are not permitted to accept funds in the form of deposits), investment banks (institutions which may not accept deposits with maturities of less than two years but which may borrow from their head office or other banks and the financial markets) and financial and monetary intermediaries (money and stock brokers).

Since 2019, a number of banks in the UAE have announced increases in their foreign ownership limits, including First Abu Dhabi Bank (from 25 per cent. to 40 per cent.), Dubai Islamic Bank (from 25 per cent. to 40 per cent.), Abu Dhabi Islamic Bank (from 25 per cent. to 40 per cent.), Emirates NBD (from 5 per cent. to 20 per cent.) and Mashreqbank (from 25 per cent. to 49 per cent.). Along with the recent reforms of foreign ownership requirements in the UAE (as further described under "*The Economy of the United Arab Emirates—Foreign Direct Investment and Free Zones—Recent Reforms of Foreign Ownership in the UAE*"), these changes appear to signal a broader trend for UAE companies to seek foreign investment.

The table below shows the types of banks operating in the UAE for the periods indicated.

	For the year ended 31 December						
	2015	2016	2017	2018	2019	2020	2021
	(AED Billions)						
Banks Operating in the UAE							
National Banks.....	23	23	22	22	21	21	22
Foreign Banks.....	26	26	27	38	38	37	37
of which GCC banks ⁽¹⁾	6	6	6	7	7	7	7
Share of Foreign Banks in Total Assets	15.8%	14.5%	13.4%	12.3%	12.8%	12.6%	12.5%
Conventional Banks	41	41	41	52	51	48	49
Islamic Banks.....	8	8	8	8	8	10	10
Share of Islamic Banks in Total Assets	18.9%	19.5%	20.4%	20.3%	18.6%	18.9%	17.8%

⁽¹⁾ Representing one branch each from Saudi Arabia, Bahrain, Oman and Qatar and two branches from Kuwait.

Banking System Support

The UAE Central Bank has three different facilities available to banks which are described in more detail below.

Interim Marginal Lending Facility ("IMLF")

Historically, the UAE Central Bank has not acted as a lender of last resort, a role which has tended to fall on the individual emirates. However, the introduction by the UAE Central Bank in 2014 of IMLF enables non-Islamic UAE banks to use certain rated or Federal Government entity issued assets as collateral to access UAE Central Bank liquidity overnight in order to help their liquidity management. Initially, the IMLF was used for testing purposes but as a result of COVID-19, the IMLF is being used more often.

Collateralized Murabahah Facility ("CMF")

In addition to the IMLF, the UAE Central Bank established the CMF for Islamic banks in the UAE. The CMF is a *Shari'a*-compliant facility, which accepts the UAE Central Bank's Islamic Certificate of Deposits as collateral and was introduced to allow Islamic UAE banks to access UAE Central Bank liquidity overnight.

Targeted Economic Support Scheme ("TESS")

Effective from 15 March 2020, the UAE Central Bank implemented TESS which included a range of measures aimed at mitigating the economic effects of COVID-19. Such measures include allowing banks operating in the UAE access to loans and advances extended at zero cost against collateral by the UAE Central Bank, to be used to grant temporary relief to private sector corporate and SME customers and retail clients. The loan book of the UAE banking system consists of the following: private sector business and industrial (43.8 per cent.); private sector individual (18.5 per cent.); public sector government (14.2 per cent.); public sector GREs (12.4 per cent.); foreign credit (10.2 per cent.); and non-banking financial institutions (0.9 per cent.). In addition (subject to the terms of the TESS), banks were allowed to tap into their capital conservation buffer up to a maximum of 60 per cent. without supervisory consequences and D-SIBs were allowed to use 100 per cent. of their D-SIB buffer without supervisory consequences (in each case, these measures ended on 31 December 2021). The requirement to maintain a minimum LCR (as defined below) was also reduced from 100 per cent. to 70 per cent. and the reserve requirement for banks to maintain 14 per cent. of customer deposits with the UAE Central Bank has been reduced to 7 per cent. and these measures are expected to free up additional liquidity. In addition, in view of the expected volatility resulting from COVID-19, the UAE Central Bank has issued a requirement for banks to apply a prudential filter to expected credit losses provisions, which is aimed at minimising the effect of IFRS 9 provisions on regulatory capital. The filter allows for any increase in provisioning compared to the position as at 31 December 2019 to be partially added back to a bank's regulatory capital, which has the effect of improving such bank's capital position and providing improved consistency. IFRS 9 provisions are intended to be gradually phased-in during the five year period ending on 31 December 2024.

The majority of measures under TESS are expected to remain in effect until 30 June 2022. Measures related to capital buffers and liquidity requirements relief under TESS ended on 31 December 2021.

Capital Adequacy

All banks are required to follow the principles of the Basel accord in calculating their capital adequacy ratios. Basel II was introduced effective 17 November 2009 by way of UAE Central Bank Circular No. 27/2009. Since 1993, the UAE Central Bank had imposed a 10 per cent. minimum total capital ratio on all UAE banks. In a circular dated 30 August 2009, the UAE Central Bank announced amendments to its capital adequacy requirements, such that UAE banks were required to have a total capital adequacy ratio of at least 11 per cent., with a Tier 1 ratio of not less than 7 per cent., by 30 September 2009. Furthermore, the UAE Central Bank required banks operating in the UAE to increase their Tier 1 capital adequacy ratio to at least 8 per cent., with a minimum total capital adequacy ratio of at least 12 per cent., by 30 June 2010. Thereafter, through its circular dated 17 November 2009 introducing Basel II, the UAE Central Bank stated that it was expected that the main banks in the UAE would move to the Foundation Internal Rating Based approach under Basel II in due course. Through this circular, the UAE Central Bank reiterated that all banks operating in the UAE were required to maintain a minimum capital adequacy ratio of 11 per cent. at all times, increasing to 12 per cent. by 30 June 2010 and also laid out its expectations in relation to Pillar II and Pillar III of the Basel II framework. Profits for the current period, goodwill, other intangibles, unrealised gains on investments and any shortfall in loan loss provisions were deducted from regulatory capital.

Whilst the calculation of capital adequacy ratios in the UAE follows the Bank of International Settlements guidelines, claims on or guaranteed by GCC central governments and central banks are risk-weighted at zero per cent. and claims on GCC government non-commercial public sector entities are risk-weighted at 50 per cent. Under the 2018 Banking Law, the UAE Central Bank may determine reserve requirements for UAE banks. All dividends paid by UAE banks have to be authorised in advance by the UAE Central Bank.

The Basel Committee put forward a number of fundamental reforms to the regulatory capital framework for internationally active banks. On 16 December 2010 and on 13 January 2011, the Basel Committee issued the Basel III reforms, constituting guidance on the eligibility criteria for Tier 1 and Tier 2 capital instruments as part of a package of new capital and liquidity requirements intended to reinforce capital standards and to establish minimum liquidity standards for credit institutions. The implementation of the Basel III reforms began on 1 January 2013. However, the requirements are subject to a series of transitional arrangements and will be phased in over a period of time. The Basel Committee's press release dated 13 January 2011 entitled "Minimum requirements to ensure loss absorbency at the point of non-viability" (the "**January 2011 Press Release**") included an additional Basel III requirement (the "**Non-Viability Requirement**") as follows:

"The terms and conditions of all non-common Tier 1 and Tier 2 instruments issued by an internationally active bank must have a provision that requires such instruments, at the option of the relevant authority, to either be written off or converted into common equity upon the occurrence of the trigger event unless:

- (a) the governing jurisdiction of the bank has in place laws that:
 - (a) require such Tier 1 and Tier 2 instruments to be written off upon such event; or
 - (b) otherwise require such instruments to fully absorb losses before tax payers are exposed to loss;
- (b) a peer group review confirms that the jurisdiction conforms with clause (a); and
- (c) it is disclosed by the relevant regulator and by the issuing bank, in issuance documents going forward, that such instruments are subject to loss under clause (a).

The trigger event is the earlier of: (1) a decision that a write-off, without which the firm would become non-viable, is necessary, as determined by the relevant authority; and (2) the decision to make a public sector injection of capital, or equivalent support, without which the firm would have become non-viable, as determined by the relevant authority."

The January 2011 Press Release stated that instruments issued after 1 January 2013 must meet the Non-Viability Requirement in order to be recognised as Tier 1 or Tier 2 instruments for regulatory capital

purposes. The recognition of instruments issued before 1 January 2013 which do not meet these requirements will be phased out from 1 January 2013.

On 3 February 2017, the UAE Central Bank published regulations, which introduced Basel III requirements for all banks operating in the UAE (the "**February 2017 Regulations**"). The February 2017 Regulations are intended to ensure that the capital adequacy of all banks operating in the UAE is in line with the Basel III requirements, whilst implementing the measures contained in the UAE Central Bank's May 2016 published consultation document. The February 2017 Regulations are supported by the accompanying standards (which were published by the UAE Central Bank on 17 January 2018 and which elaborate on the supervisory expectations of the UAE Central Bank with respect to the relevant Basel III capital adequacy requirements) and by the Standard re Tier Capital Instruments (which requires that a periodic distribution on an additional tier 1 instrument should be cancelled if the relevant UAE bank does not have sufficient "Distributable Items" on the relevant date for payment of (i) such periodic distribution and (ii) certain other payment obligations). While the February 2017 Regulations and the accompanying standards confirm that the Non-Viability Requirement is a pre-requisite for any capital instruments issued by UAE banks to achieve regulatory capital classification from the UAE Central Bank, the Non-Viability Requirement must be provided for contractually in the absence of a statutory loss absorption framework in the UAE.

In November 2020, the UAE Central Bank issued the "Regulations re Capital Adequacy" standards (the "**November 2020 Regulations**"). The following standards of the November 2020 Regulations are effective as of August 2021: Tier Capital Supply, Tier Capital Instruments, Pillar 2 - ICAAP, Credit Risk, Market Risk and Operational Risk.

The standards on credit risk, market risk, operational risk and other remaining capital standards were initially issued on 7 January 2020 and were supposed to become effective on 30 June 2020 but were postponed due to COVID-19. The UAE Central Bank decided to implement the remaining capital standards in a phased-in approach instead, starting with the standards on credit, market and operational risk, which became effective in the second quarter of 2021 (phase 1). The standards on counterparty credit risk, equity investment in funds, securitisations, leverage ratio and Pillar 3 (except for credit value adjustment ("CVA")) became effective in the fourth quarter of 2021 (phase 2). The remaining standard on CVA and Pillar 3 for CVA is expected to become effective in the second quarter of 2022 (phase 3). This will complete the Basel III implementation in the UAE.

As part of the TESS, D-SIB banks were able to utilise 100 per cent. of their D-SIB buffer and 60 per cent. of their capital conservation buffer without supervisory consequences until 31 December 2021. In addition, the UAE Central Bank will allow banks to apply a prudential filter to IFRS 9 expected loss provisions. The prudential filter will allow any increase in IFRS 9 provisioning compared to 31 December 2019 to be partially added back to regulatory capital. This will allow IFRS 9 provisions to be gradually phased-in over a five year period until 31 December 2024.

The following table sets out the capital adequacy ratio of all UAE national banks as at 31 December of each of the years presented.

	As at 31 December				
	2017	2018	2019	2020	2021*
	<i>(per cent.)</i>				
Total capital adequacy ratio.....	18.1	17.5	17.7	18.2	17.2
Tier I capital adequacy ratio.....	16.6	16.2	16.5	17.1	16.1

* Preliminary data subject to revision.

Source: UAE Central Bank

Liquidity

The UAE Central Bank closely monitors the level of liquidity in the banking system. It also requires that banks have in place adequate systems and controls to manage their liquidity positions, as well as contingency funding plans to cope with periods of liquidity stress.

Banks must also adhere to a maximum loan to deposit ratio of 100 per cent. set by the UAE Central Bank. In this context, loans comprise loans and advances to customers and inter-bank assets maturing after three months.

UAE banks are mostly funded through on demand or time based customer deposits made by private individuals or private sector companies based in the UAE. According to preliminary data made available by the UAE Central Bank, resident deposits constituted approximately 89.3 per cent. of total deposits of the UAE banking sector (excluding inter-bank deposits and bank drafts but including commercial prepayments and borrowings under repurchase agreements) as at 31 March 2022. Of these, government and GRE deposits constituted approximately 26.5 per cent. of total resident deposits within the UAE banking sector (excluding inter-bank deposits but including commercial prepayments and borrowings under repurchase agreements) as at 31 March 2022.

In response to the global 2008 financial crisis, the UAE Central Bank announced a number of measures aimed at ensuring that adequate liquidity is available to banks operating in the UAE. In September 2008, the UAE Central Bank established an AED 50 billion liquidity facility which banks can draw upon subject to posting eligible debt securities as collateral. The liquidity facility is available only for the purpose of funding existing commitments. New lending is required to be based on growth in the customer deposit base. The UAE Central Bank also established a certificates of deposit ("CD") repurchase facility under which banks can use CDs as collateral for UAE Dirham or U.S. Dollar funding from the UAE Central Bank. Further, banks can access funds through the IMLF.

In addition to these measures, the Federal Government also provided AED 50.0 billion in deposits to UAE banks (as part of a larger AED 70.0 billion package) which, at the option of the banks, can be converted into Tier II capital in order to enhance capital adequacy ratios. A number of banks in the UAE exercised this option and converted the Federal Government deposits made with them into Tier II capital.

The UAE Central Bank is expected to tighten regulations on how banks in the UAE manage liquidity through the introduction of new qualitative, quantitative and reporting requirements on liquidity risk management. In line with Basel III requirements, the UAE Central Bank has issued UAE Central Bank Notice No. 33/2015 on liquidity requirements (which was issued by the UAE Central Bank on 27 May 2015 and which entered into force with effect from 1 July 2015, replacing Central Bank Notice No. 30/2012) (the "**Liquidity Notice**") which includes a set of qualitative and quantitative liquidity requirements for UAE banks. The qualitative requirements set out in the Liquidity Notice elaborate on the responsibilities of a UAE bank's board of directors and senior management as well as the overall liquidity risk framework. The regulations are intended to ensure that liquidity risks are well managed at banks operating in the UAE and are in line with the Basel Committee's recommendations and international best practices.

The quantitative requirements set out in the Liquidity Notice are intended to ensure that each UAE bank holds a minimum level of liquid assets which allow it to sustain a short-term liquidity stress (in circumstances both specific to that bank and market wide). In particular, the requirements include two interim ratios which are intended to apply until the Basel III LCR and NSFR (each as defined in the table below) come into effect. These include the following:

	Ratio	Applicability Period
Interim ratios:	Liquid Asset Ratio (LAR > =10%)	1 January 2013 – 30 June 2015
	Eligible Liquid Assets Ratio (ELAR > = 10%)	1 July 2015 – December 2017
	Advances to Stable Resources Ratio (ASRR < 100%)	1 June 2013 – December 2017
Basel III ratios:	Liquidity Coverage Ratio (LCR > 100%)	January 2018 onwards
	Net Stable Funding Ratio (NSFR < 100%)	January 2018 onwards

The liquid asset ratio (the "**LAR**") was an interim ratio designed to apply until the LCR comes into effect (as described below). Following the entering into force of the Liquidity Notice on 1 July 2015, the LAR was replaced with the eligible liquid assets ratio (the "**ELAR**"). Under the ELAR, UAE banks were required to hold an amount equivalent to at least 10 per cent. of their liabilities in high-quality liquid assets (including cash held with the UAE Central Bank, the UAE Central Bank CDs and certain UAE local government and public sector entity publicly traded instruments).

The Liquidity Notice also included the option for UAE banks to apply to the UAE Central Bank to move to assessment of bank liquidity as against the LCR, in addition to the ELAR, with effect from 1 January 2016. Any UAE banks taking up this option were required to comply only with the ELAR until 1 January 2016, after which date they were required to move to a dual-compliance regime as to liquidity as against the ELAR and the LCR (subject to receipt of UAE Central Bank approval).

The liquidity coverage ratio (the "**LCR**") represents a 30-day stress scenario with combined assumptions covering both bank-specific and market-wide stresses. These assumptions are applied to contractual data

representing the main liquidity risk drivers at banks to determine cash outflows within the 30-day stress scenario. The LCR requires that UAE banks should always be able to cover the net cash outflow with high quality liquid assets at the minimum LCR determined by the UAE Central Bank. The Basel III accord requires that this minimum is 100 per cent. The Liquidity Notice describes in detail high quality liquid assets for this purpose.

The advances to stable resources ratio (the "ASRR") is an interim ratio that recognises both the actual uses as well as the likely uses of funds in terms of contractual maturity and behavioural profile of the sources of funds available to the bank, in order to ensure that there are limited maturity mismatches and cliff effects.

The net stable funding ratio (the "NSFR") is a structural ratio that aims to ensure that banks have adequate stable funding to fund the assets on their balance sheets. It also requires an amount of stable funding to cover a portion of the relevant UAE bank's contingent liabilities. The NSFR mirrors the Basel III NSFR standard. The NSFR identifies the key uses of funds and the different types of funding sources used by the UAE banks. It assigns available stable funding ("ASF") factors to the sources of funds and required stable funding (usage) factors to asset classes and off balance sheet contingent exposures. The assigned ASF factor depends on the terms of funding and the perceived stability of the funding sources. The assigned ASF factor will depend on the liquidity of the asset being funded under a market-wide stress. Both factors will follow the Basel III NSFR standard.

To mitigate the repercussions of the COVID-19 pandemic, the UAE Central Bank temporarily reduced from 14 per cent. to 7 per cent. the reserve requirements for demand deposits for all banks. Banks participating in TESS were able to use a third of their current regulatory liquidity buffers (approximately AED 95 billion reduction in liquidity buffer requirements). Banks also had the flexibility to maintain a minimum LCR of 70 per cent. and a minimum ELAR of 7 per cent. This is expected. This temporary measure ended on 31 December 2021. The planned implementation of certain Basel III capital standards was postponed due to the COVID-19 pandemic. The implementation of the Basel III capital standards started in the second quarter of 2021 with the implementation of the standard on credit, market and operational risk. In the fourth quarter of 2021, phase 2 of the implementation was completed. The remaining standards, which is phase 3 of the implementation are expected to become effective in the second quarter of 2022.

Provisions for Loan Losses

The UAE Central Bank stipulates that non-performing credits should be classified as either substandard, doubtful or loss, depending on the likelihood of recovery, with provisions charged at a minimum of 25 per cent., 50 per cent. and 100 per cent. on the relevant amount (net of any eligible credit protection), respectively. Any retail and consumer loans with either interest or principal in arrears by more than 90 days must be placed on a non-accrual basis and classified as non-performing. In addition, pursuant to Circular 28/2010 concerning regulations for classification of loans and their provisions issued by the UAE Central Bank on 11 November 2010, all banks in the UAE were required to make general provisions for unclassified loans and advances equal to 1.5 per cent. of their risk-weighted assets by 2014. In practice, several banks operate more stringent policies and place loans on a non-accrual basis as soon as their recovery is in doubt.

The table below shows the non-performing loans ratio and the net non-performing loans ratio for the years indicated.

	For the year ended 31 December						For the	
	2015	2016	2017	2018	2019	2020	2021	three months ended 31 March 2022
Non-performing loans ratio	5.0	5.1	5.3	5.6	6.5	8.1	7.9	7.7
Net non-performing loans ratio	1.5	1.5	1.8	1.8	2.6	3.6	3.3	3.2

* Presented in compliance with the latest Financial Soundness Indicators Compilation Guide (2019 FSI Guide) issued by the IMF.

UAE banks generally do not write off non-performing loans from their books until all legal avenues of recovery have been exhausted. This factor tends to inflate the level of impaired loans and/or financings carried on the balance sheets of UAE banks when compared to banks operating in other economies.

In response to COVID-19, the UAE Central Bank reduced the amount of capital banks were required hold for their loans to SMEs by 15 to 25 per cent. This temporary measure concluded on 31 December 2021.

Large Exposures

The UAE Central Bank defines large exposures as any funded or unfunded exposures (less provisions, cash collaterals and deposits under lien) to a single borrower or group of related borrowers exceeding prescribed limits. On 11 November 2013, the UAE Central Bank published a notice amending certain of the large exposure limits (the "**Large Exposure Notice**"). The Large Exposure Notice was published in the Official Gazette on 30 December 2013 and entered into force on 30 January 2014. The Large Exposure Notice introduced new limits of 100 per cent. of the bank's capital base for all lending to UAE local governments and their non-commercial entities, together with a 25 per cent. limit to any single such non-commercial entity. Exposures above these limits are subject to approval by the UAE Central Bank. Set out below is a table showing a summary of the changes introduced by the Large Exposure Notice (defined as a percentage of the bank's capital base calculated under Basel II):

	New Limit		Old Limit	
	Individual	Aggregate	Individual	Aggregate
Federal Government and its non-commercial entities..	Exempt	Exempt	Exempt	Exempt
UAE local government and its non-commercial entities	No cap for UAE local government; 25% for each non-commercial entity	100%	Exempt	Exempt
Commercial entities of Federal Government and UAE local government	25%	100%	25%	None
Commercial or other (non-commercial) private sector entities and individuals	25% max	None	7%	None
Shareholders who own 5 per cent. or more of the bank's capital and related entities	20%	50%	7%	None
Exposure to bank's subsidiaries and affiliates	10%	25%	20%	60%
Board members	5%	25%	5%	25%

Mortgage Cap Regulation and Consumer Loan Regulation

The UAE Central Bank introduced regulations regarding bank loans and other services offered to individual customers by way of a circular dated 23 February 2011 on retail banking (the "**Retail Circular**") and Notice No. 31/2013 dated 28 October 2013 (the "**Mortgage Regulations**"). These regulations, amongst other things, limit the fees and interest rates which banks in the UAE can charge to retail customers and impose maximum loan/income and loan to value ratios for retail products such as residential mortgage loans. For example, the Retail Circular requires that the amount of any personal consumer loan shall not exceed 20 times the salary or total income of the borrower with the repayment period not exceeding 48 months.

The Mortgage Regulations provide that the amount of mortgage loans for non-nationals should not exceed 75 per cent. of the property value for a first purchase of a home with a value of less than AED 5 million and, for a first purchase of a home with a value greater than AED 5 million, should not exceed 65 per cent. of the property value. For the purchase of a second or subsequent home, the limit for non-nationals is set at 60 per cent. of the property value (irrespective of the value of the property in question). The corresponding limits for UAE nationals are set at 80 per cent. in respect of a first purchase of a home with a value less than or equal to AED 5 million, 70 per cent. for a first home with a value greater than AED 5 million and 65 per cent. of the property value for a second or subsequent purchase (irrespective of the value of the property).

In response to COVID-19, through the TESS facility, the UAE Central Bank allowed for banks to defer expected payments from their clients to a later date. The TESS facility allowed banks to draw down on funds provided by the UAE Central Bank at no cost. The funds could then be substituted for payments the banks are expecting from their clients. The UAE Central Bank directed banks to actively offer their retail clients affected by COVID-19 the opportunity to defer payments of principal and interest on existing loans. In addition, the UAE Central Bank increased the loan-to-value ratios for first time buyers by five percentage points. There was also an increase in the maximum exposure banks could have to the real estate sector from 20 per cent. to 30 per cent. with banks being required to hold additional capital if they surpass the 20 per cent. threshold. Interest rates were cut by 125 basis points. These temporary policy measures concluded on

31 December 2021. On 4 May 2022, the UAE Central Bank announced that it would increase its base rate by 50 basis points to 2.25 per cent. effective 5 May 2022 in response to inflationary pressures.

On 27 March 2020, the UAE Central Bank issued its statement that the majority of workforce in banks, financial institutions and exchange houses under their supervision should work remotely with the exception of 30 per cent. of those working in critical positions. The UAE Central Bank also introduced a remote working priority system for employees to protect those most vulnerable. In 2021, most banks adopted a hybrid model for their staff, which allows for more flexibility to work from home as necessary to ensure the safety and well-being of bank employees.

Reserve Requirements

Reserve requirements are used by the UAE Central Bank as a means of prudential supervision and to control credit expansion. The reserve requirements are 1 per cent. for term deposits and 14 per cent. for all other customer balances.

In response to COVID-19, the UAE Central Bank from 7 April 2020 cut the reserve requirements for banks by 50 per cent., from 14 per cent. to 7 per cent. This temporary measure ended on 31 December 2021.

Position of Depositors

There is no formal deposit protection scheme in the UAE. While no bank has, so far, been permitted to fail, during the 1980s and early 1990s a number were restructured by the relevant government authorities. In October 2008, in response to the global financial crisis, the Federal Government announced that it intended to guarantee the deposits of all UAE banks and foreign banks with core operations in the UAE. Following therefrom, in May 2009, the Federal National Council approved a draft law guaranteeing federal deposits. However, until such time as the law is passed, there is no guaranteed government support.

Establishment of a Credit Bureau in the UAE

Al Etihad Credit Bureau ("**AECB**") is a Federal Government company specialised in providing UAE based credit reports and other financial information. AECB commenced operations in 2014 upon receiving formal approval from the Cabinet of its regulations and its charges for producing credit reports. AECB has approached all UAE based banks to sign data sharing agreements to enable the provision of customer credit information, with the majority having entered into such agreements and/or made successful initial data submissions to AECB by the time AECB commenced operations.

Fintech Initiatives

The UAE Banking Federation ("**UBF**"), through its digital banking and information security committees, is playing a leading role in the expansion of fintech solutions into the UAE's banking sector. Key initiatives from the UBF include the introduction of blockchain technology to enhance KYC processes, boosting cybersecurity, the use of artificial intelligence in areas such as customer service, data analysis and decision-making, and Emirates Digital Wallet – a company owned by 16 shareholding banks and fully sponsored by the UBF, which aims to facilitate a society-wide transformation from physical money to digital transactions. In April 2018, the Federal Government launched the Emirates Blockchain Strategy 2021 and the Dubai Blockchain Strategy. The Emirates Blockchain Strategy 2021 aims for 50 per cent. of government transactions to be effected on a blockchain platform. This process is ongoing.

In 2014, the UAE's first bitcoin exchanged launched in Dubai and, in July 2021, it was announced that the UAE Central Bank had an interest in issuing a central bank digital currency (the "**CBDC**"). The launch of the CBDC was announced a part of the UAE Central Banks' 2023-2026 strategy. The UAE Central Bank also intends to promote digital transformation in the UAE's financial services sector and increase financial inclusion through the use of digital IDs and artificial intelligence to improve monitoring and compliance.

Shari'a compliance

The 2018 Banking Law entered into force with effect from 23 September 2018 and requires *Shari'a* compliant financial institutions licensed by the UAE Central Bank to operate their business activities in compliance with the rules, standards and general principles established by the Higher Shari'a Authority and, in certain circumstances, requires such financial institutions to obtain the consent of the Higher Shari'a Authority before undertaking certain licensed financial activities.

Capital Markets

The capital markets in the UAE are regulated by a number of entities including the Securities and Commodities Authority (the "**SCA**"), which licenses intermediaries to trade on the Dubai Financial Market (the "**DFM**") and the Abu Dhabi Securities Exchange ("**ADX**"). The SCA is a Federal Government organisation but has financial, legal and administrative independence.

The other significant stock exchange in the UAE is Nasdaq Dubai (formerly known as the Dubai International Financial Exchange or DIFX) which commenced operations in September 2005 and, as an entity based in the DIFC, is separately regulated by the DFSA.

On 1 June 2014, the UAE was included in MSCI Inc.'s ("**MSCI**") Emerging Markets Index which captures large and mid-cap representation across 26 emerging market countries. The MSCI Emerging Markets Index is based on the MSCI Global Investable Indexed Methodology – a comprehensive and consistent approach to index construction that allows for meaningful global views and cross regional comparisons across all market capitalisation size, sector and style segments and combinations.

In May 2018, the SCA issued Chairman Decision No. 20/R.M. of 2018 on the Offering or Issuance of Islamic Securities (the "**ISRs**"), in order to add an additional layer of disclosure and transparency to the UAE's sukuk market and strengthen investor protection. The ISRs apply to (i) domestic issuers of Shari'a-compliant securities seeking to offer those securities either within or outside the UAE, and (ii) foreign issuers of certain Shari'a-compliant securities seeking to offer those securities into the UAE. The ISRs outline a number of key disclosure requirements that must be included in the offering document, a number of specific requirements in respect of the fatwa as well as the continuing obligations that apply to Shari'a-compliant securities, including the provision of an annual Shari'a report.

In February 2019, the SCA introduced new rules allowing UAE public joint stock companies to use technology to streamline governance procedures, including enabling shareholders to attend and vote in general meetings electronically and allowing public joint stock companies to call general meetings using text messages or emails. The rules also enhance rules on insider trading, directors' conflicts of interests and independence.

In March 2019, the SCA, the DFSA and the FSRA (the ADGM's financial services regulator) announced new fund passporting rules enabling UAE-wide promotion of investment funds licensed by the three financial markets regulators (both onshore and in the financial free zones of DIFC and ADGM), without the need for further authorisation or approval by any authority.

In October 2020, the operational and executive power of the SCA was transferred to local licensed stock markets.

In March 2021, the SCA approved Board Resolution No. (08/R.M) of 2020 concerning amendment to the Corporate Governance Guide for Public Joint Stock Companies. As a result, it is now mandatory for Public Joint Stock Companies listed on ADX or DFM to appoint at least one female member to their respective boards.

In January 2022, the SCA issued Chairman of the Board Resolution No. 1 of 2022 on the Regulations for Special Purpose Acquisition Companies ("**SPACs**"), which enables SPACs to now list on a securities market in the UAE (namely, the ADX or the DFM). Under the SPAC framework, the broad admission criteria for a SPAC listing includes minimum market capitalisation, public float requirements and other regulations seeking to protect investors and set minimum standards for sponsors and SPACs. These rules are largely similar to the obligations imposed by SPAC frameworks in other jurisdictions.

Dubai Financial Market

The DFM, which is now, along with Nasdaq Dubai, owned by Borse Dubai, was established by the Government of Dubai in 2000 as an independent entity and operates as a market for the listing and trading of shares, bonds and investment units issued by companies, investment funds and other local or foreign financial institutions that conform to its listing requirements.

The DFM was upgraded to the MSCI Emerging Markets Index with effect from 1 June 2014, which has led to an increase in interest and investment from international institutional investors in Dubai. The DFM is regulated by the SCA.

The following table sets out the number of traded shares, the value of traded shares, and the number of executed transactions on the DFM and the closing price of the DFM Index for the periods indicated.

	For the year ended 31 December				
	2017	2018	2019	2020	2021
Number of traded shares (billions)	82.5	45.4	40.0	65.5	50
Value of traded shares (AED billions).....	115.1	59.7	53.1	65.6	72.3
Number of trades (millions)	1.1	0.6	0.6	0.9	0.8
Market capitalisation (AED billions)(period end)	394.0	343.3	375.5	341.5	410
DFM Index year-end index closing price (period end).....	3,370	2,530	2,765	2,492	3,196

Sources: Dubai Statistics Centre, DFM.

Nasdaq Dubai

Nasdaq Dubai (formerly known as the Dubai International Financial Exchange or DIFX) commenced operations in September 2005. On 22 December 2009, DFM announced that it had made an offer to Borse Dubai Limited and the NASDAQ OMX Group to acquire Nasdaq Dubai. The offer was valued at U.S.\$121 million and comprised U.S.\$102 million in cash and 40 million DFM shares. The merger was approved by Borse Dubai Limited and the OMX Group and was completed on 11 July 2010. Subsequent to the transaction, both Nasdaq Dubai and DFM are operating as two distinct markets that are subject to different regulatory frameworks. Nasdaq Dubai is regulated by the DFSA.

Nasdaq Dubai's standards are comparable to those of leading international exchanges in New York, London and Hong Kong. Nasdaq Dubai allows regional and international issuers access to regional and international investors through primary or dual listings. Investors can access Nasdaq Dubai through a unique mix of regional and international brokers.

Nasdaq Dubai currently lists equities, equity derivatives, Dubai gold securities, structured products, sukuk and conventional bonds. As of November 2020, the total value of sukuk listed in Dubai was U.S.\$74.05 billion, maintaining its position as one of the world's largest exchanges for sukuk by value.

The following table sets out the number of traded shares, the value of traded shares and the number of executed transactions on Nasdaq Dubai, the market capitalisation of Nasdaq Dubai and the closing price as at 31 December of the FTSE Nasdaq Dubai UAE 20 Index (which tracks 20 liquid stocks listed on the DFM, the ADX and Nasdaq Dubai) in each of the years 2017, 2018, 2019, 2020 and 2021:

	For the year ended 31 December				
	2017	2018	2019	2020	2021
Trading volume (millions).....	273	165	151	189	35
Trading value (AED millions).....	4,884	4,234	5,921	5,746	78,057
Number of transactions	29,518	26,882	40,724	16,345	1,518
Market capitalisation (AED millions)	82,822	57,496	44,220	3,436	2,990
FTSE Nasdaq Dubai UAE 20 year-end closing price.....	3,289	3,074	3,184	3,062	4,285

Sources: Dubai Statistics Centre, Nasdaq Dubai.

Abu Dhabi Securities Exchange

ADX was established by the Federal Government in November 2000 as an independent entity and operates as a market for trading securities, including shares issued by public joint stock companies, bonds or sukuku issued by governments or corporations, exchange traded funds, and any other financial instruments approved by the SCA.

The table below shows the number of traded shares, the value of traded shares and the number of executed transactions for the years indicated.

	For the year ended 31 December				
	2017	2018	2019	2020	2021
Number of traded shares (millions)	28,241	15,408	31,052	21,831	60,796
Value of traded shares (AED millions).....	48,089	39,642	113,636	72,771	369,513
Number of executed transactions	347,329	275,357	775,381	513,080	1,386,313

Sources: ADX.

ADX is classified an 'Emerging Market' by each of MSCI index (Morgan Stanley Capital International), S&P Dow Jones, FTSE, S&P and Russell Investments.

ADX has the authority to establish centres and branches outside the emirate of Abu Dhabi. To date it has done so in the emirates of Fujairah, Ras al Khaimah and Sharjah.

Insurance

The insurance sector plays an important role in the UAE economy, not only through its direct contribution to the economy but also by facilitating the operation of other sectors such as logistics, services, health and transport. The investment of premiums by the insurance sector in the UAE economy supports economic development and maintains positive competitiveness between insurance companies.

The insurance sector in the UAE was originally overseen by the Insurance Authority, which was established by Federal Law No. 6 of 2007 Regarding the Establishment of the Insurance Authority and Regulation of Insurance Operations (the "**Insurance Law**") as an independent authority with responsibility to organise and regulate the UAE insurance sector and to ensure implementation of international best standards in the insurance market and to monitor the solvency of insurance companies by applying laws and regulations aimed at protecting the rights of the beneficiaries of insurance policies. In September 2019, the Ministry of Justice issued a resolution forming a committee to investigate the potential merger of the Insurance Authority into the SCA, to form a single financial services regulator. The committee was responsible for identifying the implications of the merger and submitting its recommendations to the Cabinet, along with the proposed legislation. The merger between the two took place in July 2020.

In January 2015, the Insurance Authority issued new regulations governing the financial, technical, investment, and accounting operations of insurers operating in the UAE. The regulations aim to protect the rights of policyholders and shareholders of insurance companies, as well as protecting insurance companies from potential risks by monitoring the solvency of insurance companies and the integrity of their financial procedures. The regulations are also intended to promote the establishment of modern and advanced regulatory principles for the UAE insurance market in accordance with the best international practices.

Federal Law No. 3 of 2018 (the "**Insurance Law Amendment**") was issued in 2018 to amend certain provisions of the existing Insurance Law. It grants the Insurance Authority increased regulatory issuing powers and inspection powers, prohibits entities from combining life insurance and property and liability insurance operations and establishes the Emirates Insurance Association, a professional union that will regulate professional aspects of the insurance sector.

In July 2019, the Insurance Authority issued a resolution pursuant to the Insurance Law, providing for a system for settlement of insurance claims in the UAE. Pursuant to the resolution, new specialist insurance disputes committees were established with effect from October 2019, with the authority to settle and resolve insurance disputes between insureds, beneficiaries, and interested parties against insurers. In March 2020, the Insurance Authority issued a further resolution clarifying the jurisdiction of the disputes committees.

In November 2019, the Insurance Authority issued new regulations for life insurance and family takaful insurance. The new regulations are in line with international standards and improve disclosure and transparency for customers on the terms and conditions of life insurance policies. The new regulations also provide for a 30-day cooling-off period for customers as well as a cap on commissions payable to financial advisers, amongst other changes. The new regulations came into force on 16 October 2020.

In October 2020, the powers and responsibilities of the Insurance Authority were assumed by the UAE Central Bank. The UAE Central Bank now has the power to regulate and supervise the insurance sector as well as propose and implement legislation to regulate it. The UAE Central Bank is responsible for protecting the rights of the insured and monitoring the solvency of the UAE's insurance companies.

According to the UAE Central Bank, gross written premiums of all types of insurance amounted to AED 44.6 billion in 2021 based on preliminary estimates, an increase of 4.9 per cent. compared to AED 42.5 billion in 2020. Gross written premiums of all types of insurance amounted to AED 44.0 billion in 2019.

As at 31 March 2022, there were 62 insurance companies operating in the UAE (comprising 35 national insurance companies and 27 foreign insurance companies), with 481 total related insurance professions, including 169 insurance broker companies, 30 insurance agents companies, 46 insurance consultants, 136 loss and damage adjusters, 69 actuaries, 21 third-party administrators and 10 insurance policies price comparison websites.

As at 31 December 2021, there were 62 insurance companies operating in the UAE (comprising 35 national insurance companies and 27 foreign insurance companies), with 465 total related insurance professions, including 168 insurance broker companies, 30 insurance agents companies, 46 insurance consultants, 129 loss and damage adjusters, 67 actuaries, 21 third-party administrators and four insurance policies price comparison websites.

As at 31 December 2020, there were 62 insurance companies operating in the UAE (comprising 35 national insurance companies and 27 foreign insurance companies) with a total employee count of 8,655, as well as 22 insurance agents, 166 insurance brokers (comprising 161 national brokers and five foreign brokers), 21 insurance consultants, 46 loss adjusters, 65 actuaries, 24 third-party administrators and two insurance policies price comparison websites.

The following table sets out the UAE total written premiums by value for each of the years 2017 to 2021:

	As at 31 December				
	2017	2018	2019	2020	2021
	<i>(AED Millions)</i>				
General insurance premiums	33,079	31,748	32,535	32,166	33,277
Life insurance premiums	11,745	11,971	11,495	10,331	11,418
Total premiums	<u>44,824</u>	<u>43,718</u>	<u>44,021</u>	<u>42,497</u>	<u>44,695</u>

Source: UAE Central Bank

UAE Bankruptcy Law

In September 2016, Federal Decree Law No. 9 of 2016 Concerning Bankruptcy (the "**Bankruptcy Law**") was issued implementing new measures to safeguard the rights of creditors and debtors. The Bankruptcy Law offers creditors and debtors increased flexibility in dealing with financial distress, while ensuring certainty and security for business owners and investors. It primarily regulates commercial companies and traders. The Bankruptcy Law also sets out the procedures of bankruptcy aimed at assisting a debtor to reach reconciliation with its creditors pursuant to a plan of bankruptcy under the supervision of a court and assistance of a justice of the peace appointed in accordance with the provisions of the Bankruptcy Law.

In March 2018, pursuant to Cabinet Resolution No. 4 of 2018, the Financial Restructuring Committee was established, which is responsible for overseeing the implementation of the Bankruptcy Law. Among other things, the Financial Restructuring Committee is responsible for supervising out-of-court restructuring processes for licensed financial institutions, approving and managing the role of experts and trustees to oversee bankruptcy processes, and maintaining registers of disqualified directors and bankrupt companies inspected under the Bankruptcy Law.

UAE Insolvency Law

In November 2019, Federal Decree Law No. 19 of 2019 (the "**Insolvency Law**") came into effect. The Insolvency Law provides protections to individuals that are in financial distress and unable to settle their debts (as opposed to the Bankruptcy Law, which regulates commercial companies and sole traders). The Insolvency Law introduces the "voluntary settlement" process, which protects the debtor from insolvency by putting in place a settlement plan, while enabling the debtor to continue to have control over managing its estate and to carry out its activities during the settlement process. The Insolvency Law also provides streamlined insolvency procedures, which can either be initiated by the court (if it rejects or orders the voluntary settlement plan to be void), the insolvent debtor or creditors with claims amounting to AED 200,000 or more. Once the court issues an order to commence the insolvency proceedings, all debts, whether secured or not, become due and payable. The court may order, upon its discretion or based on the request of the debtor, the suspension of all criminal proceedings pertaining to any bounced cheques issued by the debtor and suspension of all enforcement and legal claims filed against the debtor. Proceeds of the liquidation of assets are distributed to creditors pursuant to their ranking.

5. AMENDMENTS TO PUBLIC FINANCE

- 5.1 On page 149 of the Base Offering Circular, the entirety of the subsection headed "*Public Finance*" shall be deemed deleted and replaced with the following:

Federal Government Finance

Government Financial Policy Coordination Council

The Government Financial Policy Coordination Council (the "FPCC") was formed by Cabinet Decision No. 39 of 2008. The FPCC coordinates the financial policies at the federal level. Members of the FPCC consist of the Undersecretary to the Ministry of Finance, representatives from the UAE local governments and a representative of the UAE Central Bank. The FPCC collects and prepares government financial statements at the state level and consolidates them in line with international standards. The FPCC also coordinates with the IMF, World Bank and other international financial institutions on applying standards and consolidating financial statements and also implements recommendations issued by the IMF on coordinating financial policies at the state level. Annual reports of work undertaken by the FPCC are submitted to the Cabinet.

The main tasks and responsibilities of the FPCC are as follows:

- overseeing the collection of government financial data and reports at state level;
- overseeing the preparation of government financial policies;
- seeking a mutual consultation on the balance sheet and budget at the state level;
- coordinating on policies related to increasing revenues and tax policies;
- coordinating on the identification of project financing mechanisms (lending or bond issuance);
- coordinating on the sovereign credit rating of the Federal Government and UAE local governments;
- seeking mutual consultation on emerging financial matters pertaining to the UAE's economy; and
- coordinating on requirements of Global Competitiveness Indicators and state-level government efficiency.

Federal Budget and Financial Information

The process for preparing the Federal Budget

The general budget is the financial programme of the Federal Government used to achieve economic and social development. This is accomplished through the optimal distribution and efficient use of resources within the framework of the federal strategy on the expected spending by federal authorities during the coming fiscal year, provided that income and expenditure are balanced.

According to the Federal Decree Law No. 26 of 2019, a separate budget for federal service authorities may be earmarked, and submitted to the Ministry of Finance for approval within budget law. Also, all federal authorities may - by virtue of a Cabinet resolution - be assigned to prepare a draft medium-term budget. The Cabinet resolution shall determine the budget's terms in years provided that it includes annual estimates for both income and expenditure as approved by the Ministry of Cabinet Affairs.

The Minister of Finance issues a circular that specifies the necessary steps for the preparation of the next year's draft budget during the third month of the present fiscal year. The circular includes a budget cap, approved strategic objectives, financial indicators, revenue forecast and the fixed deadline for submitting a draft budget to the Ministry of Finance. The Minister of Finance then issues another circular on closure of accounts and preparing the final account of the previous fiscal year.

Based on the general strategic objectives of the Federal Government (UAE Vision 2021), all ministries and federal authorities prepare plans for their annual budgets, under the supervision of the Cabinet. This is to ensure that these plans are in line with the overall vision of the country as a reference for sectoral plans and

programmes. Each federal authority determines its programmes, plans and key performance indicators according to the strategic plan approved by the Cabinet within the budget cap. All authorities must also submit their initial forecasts for revenue and expenses allocated to chapters, line items, programmes and activities agreed upon, along with performance measures and efficiency indicators according to the circular issued by the Minister, which specifies submission deadlines. Based on the circular, the Ministry of Finance prepares an annual draft budget law and a draft resolution of the medium-term plan and submits it to the Ministry of Cabinet Affairs. The Ministry of Cabinet Affairs discusses and prepares both drafts for final approval which gets submitted to the Federal National Council. The Federal National Council then discusses and provides feedback on the draft and submits this to the Supreme Council for approval. The Supreme Council reviews the draft law along with the Federal National Council's feedback and notifies the Ministry of Finance on the readiness of its budget law. The budget law is then submitted to the Ministry of Finance which in turn informs all federal authorities regarding their allocations.

Five-year Federal Budget

The Federal Budget follows a medium-term budget cycle. The budget cycle lasts for five years and consists of a five-year budget strategy (the "**Five-year Federal Budget**"). Every five years the Five-year Federal Budget is reviewed and the strategy is amended based on the needs of the Federation.

In October 2016, the Cabinet approved the Five-year Federal Budget draft for 2017-2021, with an estimated spending of AED 247.3 billion over five years, making the UAE the first Arab country to prepare a periodic five-year budget. In coordination with the Ministry of Cabinet Affairs, the Ministry of Finance has cooperated with all federal entities to ensure that the developed plans and programmes are in line with the strategic plan for 2017-2021. Previously, the Cabinet term of the budget plan was three years but this was extended to five years for the 2017-2021 budget. The next budget will also be five years and will be from 2022-2026. The objectives of the Federal budgeting system are to identify main and complementary services for each Federal Government entity, compare similar activities in various government authorities, enhance performance efficiency and maximise the use of government spending and to promote the principles of transparency and the open data approach.

This Five-year Federal Budget is in line with the directives of Vice President and Prime Minister of the UAE and Ruler of Dubai, H.H. Sheikh Mohammed bin Rashid Al Maktoum, to prepare a budget draft with plans for every five years to improve the level of social services, and upgrade the smart services of the government with the aim of increasing UAE national satisfaction regarding the Federal Government's efforts to enhance the welfare, prosperity, happiness and security of community members.

The Annual Federal Budget

For each year during the five-year period, annual budgets are prepared by the Federal Government that are in line with the five-year strategy. The annual Federal Budget is prepared before the start of the next fiscal year. The fiscal year is composed of 12 months, starting from January 1 and ending on December 31 of each year. The Federal Government has measures in place to proactively review expenditures and direct them to strategic sectors, such as healthcare and education.

Federal Budget

The table below shows the Federal Government's annual Federal Budget for 2022 as well its actual results for the prior years indicated. The Federal Government aims to achieve a broadly balanced current budget (i.e. excluding capital expenditure and receipts) over a period of time. However, if throughout the year it appears that the Federal Government will run a deficit then it will either seek to increase revenue or decrease expenditure in order to reduce the likelihood that a deficit will occur. The Federal Government has limited contingent liabilities.

The numbers presented below reflect the actual revenues and expenditures of the federal ministries as well as additional federal entities covered by the budget law. This does not include the General Aviation Authority, the Emirates Real Estate Corporation, the Federal Tax Authority or the Federal pension fund. These other entities finance their expenditures separately as opposed to out of the Federal Budget. The below table shows revenues and expenditures for each of the years ended 31 December 2016, 2017, 2018, 2019, 2020 and 2021 as well as the budgeted revenues and expenditures for 2022.

	For the year ended 31 December						
	2016	2017	2018	2019	2020	2021	2022 B ⁽¹⁾
	<i>(AED Millions)</i>						
Revenues and Grants							
Total revenues and grants	47,494	48,501	52,290	65,416	49,947	54,543	56,707
Taxes.....	5	4	2	14,321	8,290	9,219	9,164
Other revenues	29,999	30,459	34,250	37,707	31,201	34,645	29,142
Grants.....	17,490	18,038	18,038	13,388	10,456	10,679	18,401
Expenditures							
Total expenditures	47,604	48,572	51,513	55,322	52,880	51,964	58,931
Current expenditure	46,829	47,922	50,346	51,317	51,117	49,822	56,551
Wages and Benefits.....	16,564	17,260	17,752	16,918	16,847	21,869	22,224
Goods and Services.....	13,168	13,349	13,585	14,350	15,051	15,945	14,799
Interest	-	-	-	-	24	71	559
Subsidies.....	2,740	2,880	2,887	2,897	2,945	3,057	3,256
Grants.....	7,828	7,466	7,457	9,508	9,052	1,150	1,706
Social Benefits	4,113	4,375	4,469	4,581	4,625	4,709	4,839
Other Expenses	565	771	2,428	1,279	939	1,165	7,405
Assets.....	1,851	1,821	1,768	1,783	1,658	1,857	1,763
Investment expenditure	775	650	1,167	4,006	1,763	2,143	2,380
Surplus/Deficit	(110)	(71)	777	10,093	(2,933)	2,579	(2,224)

⁽¹⁾ Approved Budget 2022.

Federal Government Revenues

Since 2018, the Federal Government has worked towards diversifying and expanding its revenue base as well as reviewing its fee structures and other opportunities for revenue in order to maintain a sustainable revenue structure that aims to support the Federal Government's budget without burdening businesses and individuals.

At the federal level, for the year ended 31 December 2021, revenue mainly consisted of the category referred to as "other revenues" (63.5 per cent.) (principally comprising dividend revenue from the EIA), grants (19.6 per cent.) and taxes (16.9 per cent.). For the year ended 31 December 2021, contributions from Abu Dhabi were approximately AED 9.3 billion (17 per cent. of revenues) and contributions from Dubai were approximately AED 1.2 billion (2 per cent. of revenues). These figures reflect cash contributions received by Abu Dhabi and Dubai. In addition to the AED 9.3 billion in cash contributions from Abu Dhabi to the Federal Government, Abu Dhabi also provides direct funding for a number of Federal Government initiatives, which consist of, among other things, contributions to the UAE's defence, military and infrastructure projects. Abu Dhabi does not provide this funding to the Federal Budget but instead provides resources and/or funding directly to the Federal Government programmes or departments, as applicable. In 2020, emirate contributions and grants, primarily from Abu Dhabi and Dubai, made up 30 to 35 per cent. of gross revenues in the Federal Budget. For the year ended 31 December 2020, Abu Dhabi provided an aggregate of AED 96.3 billion in contributions to the Federal Government, including both the cash grants to the Federal Budget as well as the direct funding of Federal Government initiatives that are not reflected in the Federal Budget.

Dividends and royalties (included within "other revenues"), are the largest source of revenues with tax revenues being the second largest. The dividends and royalties that the Federal Government receives are primarily from Etisalat. The introduction of the 5 per cent. VAT tax (approximately AED 25 billion), the introduction of a 50 per cent. excise tax on carbonated drinks and a 100 per cent. excise tax on tobacco products in 2019 has broadened the Federal Government's tax base, with the Federal Government retaining 30 per cent. of collected revenues from each of these taxes, with the remainder of the revenue being allocated among the relevant emirates.

In certain circumstances, the Federal Government may achieve a surplus if its spending is lower than expected in any given year. In such circumstances, the surplus amount is carried as a reserve which can be used to cover deficits in future periods. For example, over the last five financial years, the Federal

Government achieved surpluses of AED 2,579 million, AED 10,093 million and AED 777 million in 2021, 2019 and 2018, respectively.

Other Revenues

Other revenues consists primarily of dividends and royalties from EIA investments, principally, Etisalat. See "*Federal Government Investments*". Other revenues also consists of visas, fees, fines and other charges such as licensing charges, property income and the sale of goods and services.

Taxes

Given the introduction of Value Added Tax in 2018 (see "*Taxation*" below), the UAE in 2020 and 2021 saw a significant increase in taxes as a source of revenue.

In April and May 2020, in response to the COVID-19 pandemic, the Federal Government put a number of measures in place to reduce taxes on individuals and businesses. For example, in April 2020 the UAE Federal Tax Authority extended the tax period for excise tax registrants and extended deadlines for VAT filing and payments. In May 2020, the Federal Tax Authority extended the decision on banning the supply, transfer and storage of waterpipe tobacco and electrically heated cigarettes in the UAE that do not carry Digital Tax Stamps and the Ministry of Finance announced reduced fees for federal entities across the UAE. In January 2021, the Cabinet issued Cabinet Decision No. 9/12 of 2020 concerning the temporary application of VAT at 0 per cent. on certain supplies and imports of medical equipment. The medical equipment refers to temporary zero-rating rules for personal protective equipment used for the protection of COVID-19 that was supplied or imported between 1 September 2020 to 28 February 2021. This was extended in April 2021 until 31 December 2021. In 2021, the Ministry of Finance has also reduced the administrative penalties for violations of tax laws in the UAE and extended the timeline for tax notification from 10 to 40 working days. These tax measures were intended to offer relief and flexibility to tax payers and the business community. These tax measures did not impact revenues for 2021.

Grants

The Federal Government is partially funded by grants primarily from two of the largest emirates: Abu Dhabi (AED 9.3 billion; 17 per cent. of 2021 revenue from grants) and Dubai (AED 1.2 billion; 2 per cent. of 2021 revenue from grants), although each individual emirate is constitutionally obligated to provide grants to the Federal Government under Article 126 of the Constitution. A portion of Abu Dhabi's revenue helps the Federal Government cover security and defence expenditures as described above. These grants are set every five years as part of the five-year budget cycle. When preparing the five-year budget cycle, if it is anticipated that expenditures are expected to exceed revenues, the Federal Government engages in discussions with local emirates and asks for contributions to cover the shortfall. This is reviewed on an annual basis and if needed more money may be contributed in grants. These contributions are also reviewed on an annual basis as well in order to help maintain a balanced budget. If the emirates cannot provide enough grant funding to help maintain a balanced budget, the Federal Government reviews and adjusts expenditures. These grants have remained stable in recent years, except for when VAT was introduced. At this point, Abu Dhabi decreased the amount of grants it was providing to the Federal Government and that revenue was simultaneously replaced with VAT income. Dubai's contribution to grant revenue has been relatively stable for the most recent five-year period. For the next five-year period, grant revenue is expected to remain stable or increase based on budget requirements related to strategic Federal Government programmes.

Federal Government Expenditures

The Federal Government has prioritised expenditures related to public expenditures with a strong focus on key sectors such as health and education. The Ministry of Finance has reduced utilities (water and electricity tariffs) and fuel subsidies over time to contain spending. The Federal Government also has capital transfers to Federal Government related entities and aid payments. These grants include current or capital transfers from the Federal Government to government authorities, international organisations and foreign governments. International organisations that receive government grants include, amongst others, the International Fund for Economic Development, the OPEC Fund for International Development, the IMF, the International Bank for Reconstruction and Development and the Islamic Development Bank. The key Federal Government expenditures are wages and benefits and goods and services.

Wages and benefits consist of basic salaries, allowances and other related benefits for Federal Government employees.

Goods and services consist of current expenses which include, amongst other things, repairs and maintenance of Federal Government land and property, fuels, oils and energy for Federal Government property and other buildings services such as cleaning and gardening. Goods and services also covers, amongst other things, transport and spare parts for the maintenance of Federal Government vehicles, supplies and services for public support services, Federal Government telecommunications and computing, payments for tools and equipment for Federal Government use, federal agriculture expenses, education and training for Federal Government employees, tourism, insurance and defence security expenses.

The Federal Budget for the fiscal year 2022

The UAE has approved an annual Federal Budget of AED 56.7 billion for the fiscal year 2022 (the "**2022 Federal Budget**"). This amount reflects an increase of 6.8 per cent. compared to the AED 53.1 billion budget of the fiscal year 2021 but is still well below revenue of AED 65.4 billion recorded in the fiscal year 2019. Even though the general principle is that the Federal Government budget should be balanced, the 2022 Federal Budget has not been balanced at the outset and has higher expenditures than revenues. The largest share of the 2022 Federal Budget has been allocated to the development and social benefits sector, focusing on raising the nation's education, healthcare, and social affairs sectors to the highest standards. The 2022 Federal Budget is prepared on a cash basis. The 2022 Federal Budget provides support from and to the individual emirates. In order to improve living standards for UAE nationals and residents in the UAE, the allocations for the social development and social benefits sectors have been allotted to programmes, projects and initiatives that will enhance the education sector in the country, improve the quality of healthcare, support housing programmes for UAE nationals, and improve the quality of life for special groups in society.

2022 Budgeted Revenues

For the year ending 31 December 2022, the Federal Government has budgeted AED 56,707 million for total revenues and grants. Within total revenues and grants, the Federal Government has budgeted AED 9,164 million related to tax revenues (16.2 per cent.), AED 29,142 million related to other revenues (which consists primarily of property income, sales of goods and services and other miscellaneous items) (51.4 per cent.) and AED 18,401 related to grants (32.4 per cent.). Other revenues is expected to decrease by AED 5,503 million in 2022 compared to 2021 where other revenues were AED 34,645 million (63.5 per cent. of revenues). Grants is expected to increase by AED 7,722 million in 2022 compared to 2021 where grants were AED 10,679 (19.6 per cent. of revenues).

2022 Budgeted Expenditures

For the year ending 31 December 2022, the Federal Government has budgeted for total expenditures in the amount of AED 58,931 million. The increase in expenditures compared to the year ended 31 December 2021 is primarily due to an increase in grants and other expenses. Within the total expenditures, AED 56,551 million is budgeted for current expenditure and AED 2,380 million is budgeted for investment expenditure. The three largest contributions to current expenditure budget are from wages and benefits, goods and services and other expenses. Wages and benefits accounted for the largest total share of current expenditures in the budget (39.3 per cent.) followed by goods and services (26.2 per cent.) and other expenses (13.1 per cent.). Wages and benefits is budgeted at AED 22,224 million which would represent a 1.6 per cent. increase compared to 2021. Goods and services is budgeted at AED 14,799 million, which would represent a 7.2 per cent. decrease compared to 2021. Grants for expenditure for 2022 are expected to be AED 1,706 million.

Federal Government Revenues and Expenditures for the fiscal years 2018-2021

For the year ended 31 December 2021, total revenues and grants on the Federal Government level amounted to AED 54,543 million. For the year ended 31 December 2020, total revenues and grants on the Federal Government level amounted to AED 49,947 million. For the year ended 31 December 2019, total revenues and grants on the Federal Government level amounted to AED 65,416 million. For the year ended 31 December 2018, total revenues and grants on the Federal Government level amounted to AED 52,290 million.

Other revenues increased by AED 3,444 million to AED 34,645 in 2021 compared to 2020 where other revenues were AED 31,201 (62.5 per cent. of revenues). This was primarily the result of higher dividend and royalty revenue from telecommunication companies. Other revenues decreased by AED 6,506 million in 2020 compared to 2019 where other revenues were AED 37,707 (57.6 per cent. of revenues). This was primarily the result of the COVID-19 pandemic. Other revenues increased by AED 3,457 million in 2019 compared to 2018 where other revenues were AED 34,250 million (65.5 per cent. of revenues). This was primarily as a result of revenues from the Federal Authority for Identity and Citizenship ("ICA") being re-assigned to a new revenue class as well as tax revenues from 2018 and 2019. On average, the ICA provides AED 7.2 billion to AED 7.8 billion in revenue to the Federal Government per year.

Grants decreased by AED 223 million to AED 10,649 in 2021 compared to 2020 where other revenues were AED 10,456 million (20.9 per cent. of revenues). Grants decreased by AED 2,932 million in 2020 compared to 2019 where grants were AED 13,388 million (20.5 per cent. of revenues). Grants also decreased by AED 4,650 million in 2019 compared to 2018 where grants were AED 18,038 (35.6 per cent. of revenues). The decrease in grants between 2018 and 2020 was primarily the result of a decrease in the cash contribution received by Abu Dhabi in response to the increase in VAT revenue received by the Federal Government.

For the year ended 31 December 2021, total expenditures on the Federal Government level amounted to AED 51,964 million. For the year ended 31 December 2020, total expenditures on the Federal Government level amounted to AED 52,880 million. For the year ended 31 December 2019, total expenditures on the Federal Government level amounted to AED 55,322 million. For the year ended 31 December 2018, total expenditures on the Federal Government level amounted to AED 51,513 million.

Wages and benefits increased by 29.8 per cent. in 2021 compared to 2020. The increase was due to certain grant expenditures being reclassified into wages and benefits in 2021 and the suspension of promotions and new hiring in 2020 due to COVID-19. Wages and benefits decreased by 0.4 per cent. in 2020 compared to 2019 due to a suspension of promotions and employee benefits as a result of the COVID-19 pandemic. Wages and benefits in 2019 decreased by 4.7 per cent. compared to 2018.

Goods and services increased by 5.9 per cent. in 2021 compared to 2020. Goods and services increased by 4.9 per cent. in 2020 compared to 2019 due to an increase in medical expenses as a result of COVID-19. Medical expenses included management of therapeutic services, medical supplies, medical drugs and laboratory tools. Goods and services in 2019 increased by 5.6 per cent. compared to 2018.

Social benefits increased by 1.8 per cent. in 2021 compared to 2020. Social benefits increased by 1.0 per cent. in 2020 compared to 2019 due to an increase in pensions and compensation paid to military personnel as well as an increase in the number of UAE nationals who are entitled to receive social benefits. Social benefits in 2019 increased by 2.5 per cent. compared to 2018.

Grants for expenditures include current or capital transfers from the Federal Government to government authorities, international organisations and foreign governments. In 2021, grants for expenditures decreased by 87.3 per cent. compared to 2020. The change in the amount of grant expenditures from 2020 to the 2021 was primarily the result of certain grant expenditures being reclassified into other expenditures line items in 2021, primarily the expenditures line items wages and benefits and other expenses. In 2020, grants for expenditures decreased by 4.8 per cent. compared to 2019 due to a decrease in actual cash grants from Abu Dhabi and a decrease in expenditures as a result of COVID-19. Instead, Abu Dhabi increased funding to service grants outside the Federal Budget, which were provided directly from the Abu Dhabi Department of Finance to Federal entities. The funding was used to help implement Federal strategic programmes. Grants for expenditures in 2019 increased by 27.5 per cent. compared to 2018 as a result of the inclusion of grant payments to the Federal Authority for Identity and Citizenship being reflected in the "grants for expenditures" line item in 2019.

Other expenses in 2021 increased by 24.1 per cent. compared to 2020. One reason for the increase was certain grant expenditures being reclassified into other expenses in 2021. Other expenses in 2020 decreased by 26.6 per cent. compared to 2019. Other expenses in 2019 decreased by 47.3 per cent. compared to 2018. This primarily due to the reclassification of EIA payments from the "other expenses" line item to the "investment expenditure" line item in 2019.

Federal Government Investments

The Emirates Investment Authority ("**EIA**") is an integral part of the Federal Government and was established through Federal Decree Law No. 4 of 2007 as amended by Federal Decree Law No. 13 of 2009 and Federal Decree Law No. 11 of 2018. Its primary directive is to manage the sovereign wealth of the UAE by investing in a diversified portfolio of assets in key economic sectors and industries with the aim of delivering sustained financial gains and long-term value for the UAE. The EIA also supports and advises the Federal Government in matters pertaining to economic and industry policy.

The EIA is the only sovereign wealth fund of the Federal Government of the UAE and is the sole authority responsible for the investment and reinvestment of funds allocated by the Cabinet for investment purposes in order to generate viable returns that contribute to the provision of adequate resources for the Federal Budget. As a custodian of the federal assets of the UAE, the EIA is mandated to strategically invest funds allocated by the Federal Government to create long-term value for the UAE and contribute to the future prosperity of the country. The EIA's annual budget is presented by its Board of Directors to the Cabinet for approval. The Federal Government exercises oversight over the EIA through a Board of Directors. An executive committee approves all investment decisions and meets bi-monthly. The following general investment principles are designed to establish a framework for the operation of the EIA:

- provide for appropriate and competitive returns compared to its approved benchmarks;
- seek to diversify its assets to achieve a desired rate of return at a prudent level of risk; and
- operate in compliance with all applicable law and regulations concerning the investments of the Federal Government and the jurisdictions in which it is active.

The Cabinet allocates appropriate funds to the EIA for investment, in strict accordance with its mandate and directives. The EIA's portfolio includes a number of key regional players across sectors, leaders in their respective industries. Two of the EIA's most notable investments are significant holdings in Etisalat (60 per cent.) and du (50.12 per cent.), two of the more prominent telecommunications companies in the MENA region. The portfolio is diverse with a number of equity stakes across sectors and ranges from majority to strong-minority shareholding. For example, the EIA has invested in Al Masaraf (42.28 per cent.), Emirates Transport (100 per cent.) and Emirates Post (100 per cent.). Historically, the EIA has contributed the dividends from its portfolio companies to the Federal Budget. The two most significant dividend contributors historically have been Etisalat and du. For more information related to the Federal Budget see "*Public Finance – Federal Budget*". Even though the EIA has contributed these dividends to the Federal Budget in the past, the EIA is under no legal obligation to do so and, if the EIA's funding model were to change, there would be no guarantee that the EIA would contribute these dividends to the annual Federal Budget.

The EIA's investment strategy and approach has developed and evolved significantly since its establishment in 2007. Given its mandate, asset base, and funding sources, the EIA is able to implement a truly long-term investment approach when allocating capital to its portfolio. This ability to invest for the long-term allows the EIA to operate using a different set of investment criteria from other investors. Backed by a strong and growing investment team, the EIA is able to identify and assess emerging investment opportunities, looking beyond short-term cycles to focus on more fundamental, long-term economic trends.

The investment team at the EIA works hand-in-hand with portfolio companies to support their respective growth plans and to improve their performance. The institution:

- actively participates as a member to the board of directors;
- assists in improving accountability, corporate governance and organisational oversight; and
- seeks to support and enhance management investment and decision-making skills and capabilities.

In doing so, the EIA contributes to the development of the portfolio companies, in order to protect and enhance value to achieve growth.

The EIA invests in listed equities, fixed income, private equity and other alternative investments. In particular, the EIA seeks to invest in strategic assets and endowments. The EIA has a right to subscribe to any new public joint-stock company incorporated in the UAE as per Article 127 of the 2021 CCL. The EIA's long-term objectives are to prudently grow the assets entrusted to it by the Ministry of Finance and

to achieve a competitive return in line with its peers and its capital markets benchmarks. The EIA's two main pillars are (i) strategic assets, which are holdings in public and private corporations including Etisalat and du; and (ii) asset management, which is the accumulated cash funding received from the Ministry of Finance.

The below table shows the EIA's asset allocation framework:

Asset Class	Minimum	Maximum
Public Equities	15%	35%
Fixed Income.....	10%	30%
Hedge Funds	5%	25%
Private Equity.....	10%	25%
Real Estate	3%	12%
Multi-Asset	5%	30%
Cash	0%	10%
Risk Hedging	0%	20%

The EIA's strategic assets ("**Portfolio Companies**") consist of small, medium and large equity stakes in several important companies and businesses across a mix of industrial and economic sectors. Currently, the EIA's strategic asset allocation is 58 per cent. alternatives, 29 per cent. equities, 12 per cent. fixed income and 1 per cent. cash. As an investment manager, the EIA has developed its own variety of ownership and investment models and frameworks. For example, the EIA is a 100 per cent. shareholder of certain strategic federal assets while in others it is a strong minority-shareholder alongside other investor(s). The EIA continuously builds on its established operating model. As such, the EIA operates in accordance with an active shareholder approach, in which the Portfolio Companies are classified and monitored based on the level of involvement required to maximise value creation from the assets. The EIA is a long-term shareholder in the Portfolio Companies. In all its shareholdings, the EIA aims to ensure that each investment reaches its maximum potential and returns.

The EIA's asset management portfolio is a globally diversified portfolio utilising the so-called endowment model. As a result, the EIA invests in multiple asset classes including equities, fixed income, and other alternatives. The expected return is determined by the returns of its underlying benchmarks and the capital markets it invests in. As of 31 December 2021, the 10-year annualised return of the EIA's portfolio, calculated on a time-weighted return basis, is 15.20 per cent. Having undertaken prudent investment strategies in accordance with global best practice, the EIA has built a now highly diversified investment portfolio, spread broadly across a variety of asset classes and investment instruments. All investments are carefully and thoroughly managed to ensure superior risk-adjusted returns and to deliver long-term and sustainable financial value and returns to the Federal Government. The EIA has a clearly defined and structured investment and risk management framework which includes a strategic asset allocation programme with a seven to 10 years' time horizon. Each year, the EIA formulates a policy portfolio designed to best capture current market trends and take advantage of the EIA's unique position as a truly long-term investor and source of capital. As such, the EIA follows an asset allocation approach that is intended to be in line with top-performing endowments globally. The EIA combines asset classes in such a way as to provide the highest expected return for a given level of risk.

The Ministry of Finance may apply up to 85 per cent. of the proceeds from Notes issued under the Programme for the purposes of investment by the EIA. For more information see "*Use of Proceeds*".

Taxation

The Constitution specifically reserves to the Federal Government the right to raise taxes on a federal basis for the purpose of funding its budget. The UAE does not levy income tax on individuals. However, it levies corporate tax on oil companies and foreign banks. Excise tax is levied on specific goods which are typically harmful to human health or the environment.

Excise Tax

Excise tax was introduced across the UAE in 2017. Excise tax is a form of indirect tax levied on specific goods which are typically harmful to human health or the environment. These goods are referred to as "excise goods". From 1 December 2019, the excise tax is levied on the following goods:

- carbonated drinks;

- energy drinks;
- tobacco and tobacco products;
- electronic smoking devices and tools;
- liquids used in such devices and tools; and
- sweetened drinks.

According to Cabinet Decision No. 52 of 2019 on Excise Goods, Excise Tax Rates and the Methods of Calculating the Excise Price, the rate of excise tax is as follows:

- 50 per cent. on carbonated drinks;
- 100 per cent. on tobacco products;
- 100 per cent. on energy drinks;
- 100 per cent. on electronic smoking devices;
- 100 per cent. on liquids used in such devices and tools; and
- 50 per cent. on any product with added sugar or other sweeteners.

The Federal Government levies an excise tax to reduce consumption of unhealthy and harmful commodities while also raising revenues for the Federal Government that can be spent on beneficial public services.

Under the Federal Decree Law No. 7 of 2017 on Excise Tax, registering for excise tax is the responsibility of any business engaged in:

- the import of excise goods into the UAE;
- the production of excise goods where they are released for consumption in the UAE;
- the stockpiling of excise goods in the UAE in certain cases; and
- anyone who is responsible for overseeing an excise warehouse or designated zone i.e. a warehouse keeper.

Value Added Tax

Pursuant to Federal Decree Law No. 8 of 2017 on Value Added Tax (the "**VAT Law**"), and in accordance with the consensus reached in November 2016 between the GCC states through the Common VAT Agreement of the States of the Gulf Cooperation Council, VAT on certain goods and services became effective across the UAE as of 1 January 2018. The VAT Law outlines, among other things, the tax rate, responsibility for tax and taxable goods and services.

The Federal Tax Authority is the authority responsible for managing and collecting VAT and related fines, distributing tax generated revenues and applying tax related procedures in force in the UAE.

Pursuant to the VAT Law, the VAT rate is currently fixed at 5 per cent. and the VAT Law also outlines specifically exempted sectors, zero-rated services and exempted designated zones. The VAT Law contemplates that the specific details relating to the application of VAT will be prescribed in supplementary implementing regulations issued from time to time. One such implementing regulation, issued by Cabinet Decision No. 59 of 2017, relates to the clarification of exempted designated free zones. These are fenced free zones with special controls on goods and services in which VAT will not apply and include seven free zones in Dubai: (1) Jebel Ali Free Zone (North-South); (2) Dubai Cars and Automotive Zone; (3) Dubai Textile City; (4) Free Zone Area in Al Quoz; (5) Free Zone Area in Al Qusais; (6) Dubai Aviation City; and (7) Dubai Airport Free Zone.

In January 2018, the Cabinet announced that distribution of the UAE's VAT revenues would be split on a 70:30 ratio between the UAE's local and federal governments. 70 per cent. of total VAT revenues would be distributed among the local governments and would primarily be used for facilitating services supporting UAE residents and enhancing community development. In 2021, the largest share of VAT revenues distributed to the individual emirates was allocated to Abu Dhabi (32 per cent. of the 70 per cent. allocated to the individual emirates) and Dubai (52 per cent. of the 70 per cent. allocated to the individual emirates). The balance of VAT revenues are used by the UAE Federal Government as part of the Federal Budget. In 2019, the Federal Government received 30 per cent. of VAT collections which amounted to AED 8 billion. In 2020, the Federal Government received 30 per cent. of VAT collections which amounted to AED 6.2 billion. The decrease between 2020 and 2019 was the result of the 2018 VAT being collected in 2019. In 2021, the Federal Government received 30 per cent. of VAT collections, which amounted to AED 7.7 billion.

Income Tax

The UAE does not levy income tax on individuals.

Corporate Tax

The UAE levies corporate tax on oil companies and foreign banks only. It has not yet applied corporate tax on other industries. On 31 January 2022, the Ministry of Finance announced that a federal corporate income tax ("CIT") is expected to be introduced in the UAE. The CIT is expected to apply for fiscal years starting on or after 1 June 2023. The CIT regime is expected to apply to all businesses in the UAE except for the extraction of natural resources, which will remain subject to taxation at an emirate-level. The CIT will also apply to individuals to the extent they hold a business license or permit to carry out professional business activities in the UAE as well as to banking operations in the UAE. However, corporate tax incentives currently offered to free zone businesses will remain in place. The three proposed rates are as follows:

- 0 per cent. rate on taxable income up to AED 375,000;
- 9 per cent. rate on taxable income above AED 375,000; and
- a different rate (which has not been announced yet) for large multinationals that generate consolidated global revenues above approximately AED 3.15 billion in line with the Pillar Two of the OECD Base Erosion and Profit Shifting project.

Businesses registered in the free zones are exempt from corporate tax for a certain time and such time can be extended. Rules and regulations of independent free zones apply.

Double Taxation

The UAE has 94 agreements in place with other nations to avoid double taxation on investments overseas. The agreements on the avoidance of double taxation are aimed to:

- promote the country's development goals and diversify its sources of national income;
- eliminate double taxation as well as additional, indirect taxes and tax evasion;
- eliminate any obstacles related to cross-border trade and investment flows;
- provide protection to taxpayers from double taxation, whether direct or indirect; and
- promote the exchange of goods and services and the free movement of capital.

Taxes in tourist facilities

Restaurants, hotels, hotel apartments, resorts etc. in the UAE might charge one or more of the following taxes:

- 10 per cent. room rate;
- 10 per cent. service charge;

- 10 per cent. municipality fees;
- city tax (ranging from 6 to 10 per cent.); and
- 6 per cent. tourism fee.

In Dubai, hotels charge "Tourism Dirham Fee" per room per night of occupancy (for a maximum of 30 consecutive nights) ranging from AED 7 to AED 20 depending on the category/grade of the hotel. In May 2016, it was announced that hotels in Abu Dhabi would charge a new additional fee of 4 per cent. of hotel stay bill and AED 15 charges per room per night. In Ras Al Khaimah, hotels charge AED 15 tourism fee per room per night. Revenue from these emirate-level taxes does not go to the Federal Government.

Relationship with the Individual Emirates

Despite a lack of financial flows, each of the emirates benefits significantly from a range of public services provided at the federal level including:

- basic education for UAE nationals;
- healthcare for UAE nationals;
- defence and foreign policy initiatives;
- some UAE-wide police and civil defence initiatives; and
- postal services.

In addition, the Federal Government maintains a large public works programme, which covers, in particular, infrastructure and housing.

Aggregated UAE Revenues and Expenditures

The table below consolidates the financial information of the Federal Government and all the seven emirate governments, netting out intra-flows and obligations among them, to represent an effort to match the overall fiscal account of the UAE economy as a whole. The financial information has been consolidated on a Government Finance Statistics basis, which conforms with the IMF's manual for reporting countries.

	For the year ended 31 December					
	2015	2016	2017	2018	2019	2020
	<i>(AED Millions)</i>					
Revenue	281,261	403,295	401,164	477,735	476,472	367,865
Taxes.....	160,031	108,588	162,253	213,034	228,540	151,184
<i>Taxes on income, profits, and capital gains</i>	10,478	11,796	13,781	15,060	13,122	6,983
<i>Taxes on goods and services</i>	138,278	86,095	138,711	189,501	206,653	137,003
<i>Taxes on international trade and transactions</i>	11,180	10,228	9,343	7,996	8,090	6,728
<i>Other taxes</i>	96	469	418	478	675	471
Social contributions	4,297	4,730	4,622	4,836	4,584	12,908
Other revenue.....	116,932	289,976	234,289	259,865	243,348	203,773
<i>Property income</i>	44,885	211,083	146,811	148,713	156,635	127,914
<i>Interest</i>	1,517	2,493	5,848	5,760	5,121	5,343
<i>Dividends</i>	18,145	196,964	132,281	133,648	142,328	112,152
<i>Rent</i>	25,223	11,625	8,682	9,306	9,187	10,419
<i>Sales of goods and services</i>	59,301	62,136	59,826	64,726	70,459	60,030
<i>Fines, penalties, and forfeits</i>	5,606	6,688	6,673	6,194	5,302	4,333
<i>Transfers not elsewhere classified</i>	7,140	10,069	20,978	40,231	10,952	11,495
Expense	335,334	393,109	358,471	388,209	383,041	353,023
Compensation of employees.....	63,010	65,225	76,069	83,235	107,722	109,995
Use of goods and services.....	59,800	62,272	90,930	86,608	119,428	105,210
Consumption of fixed capital.....	4,591	5,940	5,027	4,645	5,305	6,498
Interest.....	2,791	1,989	1,926	3,663	4,533	3,827
Subsidies.....	12,286	8,791	21,850	32,931	26,922	36,404
Grants.....	8,771	17,595	9,859	13,303	16,291	3,976
Social benefits.....	42,595	35,263	41,225	65,760	74,631	64,933
Other expense.....	141,490	196,033	111,587	98,065	28,209	22,180
Net operating balance	(54,073)	10,186	42,693	89,526	93,430	14,842

Source: United Arab Emirates Ministry of Finance Government Finance Statistics (GFS) data

At the UAE level, the proportion of hydrocarbon revenues has declined significantly from 67.8 per cent. in 2014 to 42.4 per cent. of gross revenues in 2019. One change to note is that social contributions increased to AED 12,908 million in 2020 from AED 4,584 in 2019 due to the addition of Abu Dhabi pension fund coverage to the line item in 2020.

Between the years 2001 and 2008, UAE level revenues were characterised as a period of saving with strong oil prices and surplus used to build reserves. Between the years 2016 and 2020 aggregated UAE revenues were characterised by a period of fiscal adjustment, increasing non-oil revenues and fiscal stimulus to grow the economy.

In recent years, aggregated UAE expenditures have been controlled to offset low oil revenues, with a focus on key development projects. Recurrent expenditures comprise wages and salaries as well as payments for goods and services used by the various government departments. Government subsidies and capital transfers to related entities include government spending on wellbeing of the national population, subsidies, payments to other emirates, foreign aid payments and grants to wholly owned companies. Principal line items for social benefits and capital expenditures include housing and community centres, transport and communications and general administration. There are also a number of loan advances and equity participation payments that are provided to wholly owned companies on a UAE level. Aggregated UAE expenditures are characterised as being pro-cyclical spending in line with revenues and oil prices.

Indebtedness

The Federal Government (through the Ministry of Finance) established the Programme in September 2021. In October 2021, the Federal Government issued U.S.\$4.0 billion in principal amount of the Notes under the Programme across three tranches: (i) U.S.\$1.0 billion 2.000 per cent. Notes due 2031; (ii) U.S.\$1.0 billion 2.875 per cent. Notes due 2041; and (iii) U.S.\$2.0 billion 3.250 per cent. Notes due 2061.

In addition, in May 2022, the Federal Government (through the Ministry of Finance), established a UAE dirham Treasury Bonds Programme ("**T-Bond**") under which the Federal Government has issued AED 1.5 billion T-Bonds in two and three year tenors. The Federal Government anticipates undertaking primary market auctions of T-Bonds on a periodic basis, with a total of AED 9 billion T-Bonds expected to be issued in 2022.

In addition to debt at the Federal Government level, the individual emirates incur their own debt. The aggregate debt of the emirates is less than 30 per cent. of the UAE's GDP. The Federal Government does not guarantee or otherwise have any obligation in respect of this debt.

Government bonds have been issued at the emirate level by Abu Dhabi, Dubai, Ras Al Khaimah and Sharjah since 1999. Material liabilities include Abu Dhabi's indebtedness which was AED 161.2 billion as at 31 December 2020, Sharjah's indebtedness which was approximately AED 41.3 billion as at 31 December 2020 and Dubai's indebtedness which was AED 123.5 billion as at 30 June 2020.

Federal Debt Management

In October 2018, Federal Decree Law No. 9 of 2018 Concerning Public Debt (the "**Public Debt Law**") was issued. The Public Debt Law permits the Federal Government to issue sovereign debt through the sale of bonds or other debt instruments, which is intended to support the UAE Central Bank in liquidity management in the UAE banking system and is intended to help the UAE banking sector meet international liquidity rules, provide another level of funding for the Federal Government in achieving a diversified financing strategy, provide a Federal mechanism for financing infrastructure projects, cover governmental financial guarantees and emergency financial obligations and support, and develop financial markets in the UAE. The Public Debt Law further established that the total amount of outstanding UAE federal public debt shall not, at any time, exceed the amount determined by the Cabinet, at a maximum of 250 per cent. of the Federal Government's revenue. In addition, the Public Debt Law is intended to enable banks operating in the UAE to purchase government bonds in AED or foreign currencies, which is intended to help them comply with Basel III requirements. The Public Debt Law also expressly permits the Federal Government to provide guarantees on behalf of Federal Government authorities and corporations which are wholly owned by the Federal Government. Public debt that can be allocated for infrastructure projects cannot exceed 15 per cent. of the total outstanding public debt at any time.

The Public Debt Law further established a federal Public Debt Management Office in 2019, which has various support roles within the Ministry of Finance, including the following:

- responsibility for proposing public debt management strategies and policies in coordination with the UAE Central Bank, implementing the strategies and policies approved by the Cabinet, and providing recommendations on issuance of public debt instruments;
- monitoring financial risks as well as other risks associated with issuing and trading any public debt instruments, and proposing solutions to manage and control these risks;
- advising the Minister of Finance on investments involving any public debt surplus, identifying risk levels on borrowing or issuing any guarantees for government projects as well as playing an important role in the development of policies and procedures created to manage and reduce risks in the public debt portfolio;
- working closely with the UAE Central Bank with regard to the management of the issuance and sales operations of government bonds, treasury bills, and any other public debt instruments;
- setting short and long-term objectives for the UAE's public debt management;
- issuing reports on the management and implementation of public debt;
- preparing the annual debt issuance plan; and
- coordinating with UAE local governments in each emirate to support and develop a highly efficient primary and secondary financial market by issuing public debt instruments.

Decretal Law No. 11 of 2021 on Issuing Foreign Public Debt of the Federal Government further authorises the Minister of Finance to determine the purposes and terms of foreign public debt to be issued in accordance with the public debt strategy of the Federal Government approved by the Cabinet for the years 2021-2023 (the "**Public Debt Strategy**").

6. **NO SIGNIFICANT CHANGE**

On page 187 of the Base Offering Circular, the subsection headed "*No Significant Change*" under the section headed "*General Information*" shall be deemed to be deleted and replaced with the following:

There has been no significant change in the financial performance or financial position of the Issuer and there has been no significant change in tax and budgetary systems, foreign exchange reserves, gross public debt and income and expenditure figures of the Issuer, in each case, since 31 December 2021.