Looking to the Future
with Confidence

EMIRATES NBD BANK PJSC
BASEL III – PILLAR III
DISCLOSURES

FOR THE YEAR ENDED
31 DECEMBER 2022

Emirates NBD

BASEL III – PILLAR III DISCLOSURES

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INTRODUCTION

The Central Bank of the UAE (CBUAE) supervises Emirates NBD P.J.S.C. (the Bank) and its subsidiaries (together referred to as the "Group") on a consolidated basis, and therefore receives information on the capital adequacy of, and sets capital requirements for, the Group as a whole. The capital requirements are computed at a Group level using the Basel III framework of the Basel Committee on Banking Supervision (Basel Committee), after applying the amendments advised by the CBUAE, within national discretion. The Basel framework is structured around three 'pillars', with the Pillar 1 minimum capital requirements and Pillar 2 supervisory review process complemented by Pillar 3 market discipline.

Pillar 3 disclosures 2022

Pillar 3 disclosures complement the minimum capital requirements and the supervisory review process. Its aim is to encourage market discipline by developing disclosure requirements which allow market participants to assess specified information on the scope of application of Basel III, capital, particular risk exposures and risk assessment processes, and hence the capital adequacy of the Group. Disclosures consist of both qualitative and quantitative information and are provided at the consolidated level.

The CBUAE issued Basel III capital regulations, which came into effect from 1 February 2017 introducing minimum capital requirements at three levels, namely Common Equity Tier 1 (CET1), Additional Tier 1 (AT1) and Total Capital. Additional capital buffers (Capital Conservation Buffer and Countercyclical Capital Buffer - maximum up to 2.5% for each buffer) introduced are over and above the minimum CET1 requirement of 7%.

In November 2020, CBUAE issued revised standards and guidelines for Capital Adequacy in UAE. The new version to the Standards also includes additional Guidance on the topics of Credit Risk Market Risk, and Operational Risk. In December 2022 CBUAE published revised capital guidelines mainly focused on updates on Pillar 2.

Following are the changes in the revised standards which have been adopted either prior to or during 2022:

- The Tier Capital Supply Standard
- Tier Capital Instruments Standard
- Pillar 2 Standard: Internal Capital Adequacy Assessment Process (ICAAP)
- Credit Risk, Market Risk and Operational Risk
- Equity Investment in Funds, Securitisation, Standardised approach for Counterparty Credit Risk, Leverage Ratio
- Credit Value Adjustment (CVA).

CBUAE requires the Pillar 2 - Supervisory Review Process to focus on each bank's Internal Capital Adequacy Assessment Process (ICAAP) in addition to Pillar 1 Capital calculations. The ICAAP should include a risk based forward looking view of, but not limited to, Credit, Market and Operational Risk Capital.

The revised Pillar 3 disclosures, based on a common framework, are an effective means of informing the market about the risks faced by the Group, and provide a consistent and understandable disclosure framework that enhances transparency and improves comparability and consistency.

In compliance with the CBUAE Basel III standards and guidelines, these disclosures include qualitative and quantitative information on the Group's risk management objectives and policies, risk assessment processes, capital management and capital adequacy. The Group's Pillar 3 disclosures are in line with the key elements governed by the disclosure policy framework consistent with CBUAE Basel III standards which is approved by the Group Board Audit Committee.

INTRODUCTION (continued)

Verification

The Pillar 3 Disclosures for the year 2022 have been reviewed by the Group's internal and statutory auditors.

Implementation of Basel III standards and guidelines

The Group is compliant with Standardised Approach for Credit, Market and Operational Risk (Pillar 1) as applicable in 2022.

The Group also assigns capital on other than Pillar 1 risk categories which are part of the Pillar 2 framework.

Group Structure

The Bank was incorporated in the United Arab Emirates on 16 July 2007 consequent to the merger between Emirates Bank International PJSC (EBI) and National Bank of Dubai PJSC (NBD), under the Commercial Companies Law (Federal Law Number 8 of 1984 as amended) as a Public Joint Stock Company (PJSC).

The Bank is listed on the Dubai Financial Market (TICKER: "EMIRATESNBD"). The Group's principal business activities are corporate and institutional banking, retail banking, treasury and Islamic banking. The Bank's website is www.emiratesnbd.com.

The direct subsidiaries of the Group are as follows:

Subsidiaries:	Group % Shareholding	Nature of Business	Country of Incorporation	Description of Accounting Treatment (Consolidation/ Investment Accounting)	Description of Regulatory Capital Treatment (Consolidation/ Deduction from capital/neither)
Buzz Contact Centre Solutions LLC	100	Call center management services	Dubai, U.A.E.	Consolidation	Consolidation
DenizBank Anonim Sirketi	100	Banking	Turkey	Consolidation	Consolidation
Emirates Funds LLC	100	Asset Management	Dubai, U.A.E.	Consolidation	Consolidation
Emirates Funds Managers (Jersey) Limited	100	Asset management	Jersey, England	Consolidation	Consolidation
Emirates Islamic Bank PJSC	99.9	Islamic banking	Dubai, U.A.E.	Consolidation	Consolidation
Emirates Money Consumer Finance LLC	100	Consumer Finance	Dubai, U.A.E.	Consolidation	Consolidation
Emirates NBD Asset Management Limited	100	Asset management	Dubai, U.A.E.	Consolidation	Consolidation
Emirates NBD Capital (KSA) LLC	100	Investment Services	KSA	Consolidation	Consolidation
Emirates NBD Capital PSC	100	Investment Services	Dubai, U.A.E.	Consolidation	Consolidation
Emirates NBD Egypt S.A.E.	100	Banking	Egypt	Consolidation	Consolidation
Emirates NBD Global Funding Limited	100	Medium term borrowing and money market transactions	Cayman Islands	Consolidation	Consolidation
Emirates NBD Properties LLC	100	Real Estate Management	Dubai, U.A.E.	Consolidation	Neither - Included in gross credit exposure as investment at carrying value
Emirates NBD Securities LLC	100	Brokerage services	Dubai, U.A.E.	Consolidation	Consolidation
Emirates NBD Trust Company (Jersey) Limited	100	Trust administration services	Jersey, England	Consolidation	Consolidation
ENBD London Branch Nominee Company	100	Asset Management	England	Consolidation	Consolidation
Tanfeeth LLC	100	Shared services organisation	Dubai, U.A.E.	Consolidation	Consolidation
The Emirates National Dubai Real Estate Company LLC	100	Nominee Company for Mortgage Business	KSA	Consolidation	Consolidation

The direct subsidiaries of the Group are as follows: (continued)

Subsidiaries:	Nature of Business	Description of Accounting Treatment (Consolidation/ Investment Accounting)	Description of Regulatory Capital Treatment (Consolidation/ Deduction from capital/neither)
Group Tranche of Emblem Finance Company No. 2 Limited	SPE for asset securitisation	Consolidation	Consolidation
Emirates NBD Global Markets Limited	SPE for funding purpose	Consolidation	Consolidation
ENBD Asset Finance Company No.1 DAC (under liquidation)	SPE for asset securitisation	Consolidation	Consolidation
ENBD Asset Finance Company No.2 Limited	SPE for asset securitisation	Consolidation	Consolidation
Emirates NBD Tier 1 Limited	SPE for funding purpose	Consolidation	Consolidation
Emirates NBD 2014 Tier 1 Limited	SPE for funding purpose	Consolidation	Consolidation
EIB Sukuk Company Limited	SPE for asset securitisation	Consolidation	Consolidation
EI Funding Limited	SPE for asset securitisation	Consolidation	Consolidation

KEY METRICS FOR THE GROUP (KM1)

Key prudential regulatory metrics have been included in the following table:

	Available capital (amounts) [2]	31 December 2022 AED 000	30 September 2022 AED 000	30 June 2022 AED 000	31 March 2022 AED 000	31 December 2021 AED 000
1	Common Equity Tier 1 (CET1)	76,581,939	76,034,442	71,681,260	68,505,436	67,463,976
1a	Fully loaded ECL accounting model [1]	73,358,859	73,211,027	69,650,413	66,682,594	64,994,509
2	Tier 1	85,710,591	85,163,094	80,809,912	77,634,089	76,592,628
2a	Fully loaded ECL accounting model Tier 1	82,487,511	82,339,679	78,779,065	75,811,247	74,123,161
3	Total capital	91,180,293	90,599,399	86,113,160	82,677,555	81,504,429
3a	Fully loaded ECL accounting model total capital	87,957,213	87,775,984	84,082,313	80,854,713	79,034,962
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	498,870,030	489,852,518	479,210,815	457,949,275	446,381,860
	Risk-based capital ratios as a percentage of RWA					
5	Common Equity Tier 1 ratio (%)	15.35%	15.52%	14.96%	14.96%	15.11%
5a	Fully loaded ECL accounting model CET1 (%)	14.71%	14.95%	14.53%	14.56%	14.56%
6	Tier 1 ratio (%)	17.18%	17.39%	16.86%	16.95%	17.16%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	16.53%	16.81%	16.44%	16.55%	16.61%
7	Total capital ratio (%)	18.28%	18.50%	17.97%	18.05%	18.26%
7a	Fully loaded ECL accounting model total capital ratio (%)	17.63%	17.92%	17.55%	17.66%	17.71%
	Additional CET1 buffer requirements as a percentage of RWA					
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.50%	2.50%	2.50%	2.50%	2.50%
9	Countercyclical buffer requirement (%)	0.00%	0.00%	0.00%	0.00%	0.00%
10	Bank D-SIB additional requirements (%)	1.50%	1.50%	1.50%	1.50%	1.50%
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9+ row 10)	4.00%	4.00%	4.00%	4.00%	4.00%
12	CET1 available after meeting the bank's minimum capital requirements (%)	7.78%	8.00%	7.47%	7.55%	7.76%
	Leverage Ratio					
13	Total leverage ratio measure	799,149,369	770,468,112	769,925,662	748,153,569	746,832,311
14	Leverage ratio (%) (row 2/row 13)	10.73%	11.05%	10.50%	10.38%	10.26%
14a	Fully loaded ECL accounting model leverage ratio (%) (row 2A/row 13)	10.32%	10.69%	10.23%	10.13%	9.93%
14b	Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	10.73%	11.05%	10.50%	10.38%	10.26%
	Liquidity Coverage Ratio					
15	Total HQLA	141,550,758	135,747,539	140,623,385	138,722,024	138,634,283
16	Total net cash outflow	84,921,238	83,887,571	86,232,295	85,784,704	83,347,234
17	LCR ratio (%)	166.68%	161.82%	163.08%	161.71%	166.33%
	Net Stable Funding Ratio					
18	Total available stable funding	493,475,090	480,886,723	471,290,197	470,122,758	463,127,079
19	Total required stable funding	406,372,194	393,909,338	387,224,893	388,411,483	381,872,177
20	NSFR ratio (%)	121.43%	122.08%	121.71%	121.04%	121.28%

[1] "Fully Loaded" means Group's regulatory capital compared with a situation where the transitional arrangement had not been applied. CBUAE introduced transitional arrangements as per circular no. 04/2020 "Regulation Regarding Accounting Provisions and Capital Requirements - Transitional Arrangements".

Key metrics for the Group (KM1) (Continued)

Pursuant to the above regulation, CBUAE issued a regulation for a 'Prudential Filter' that permits Banks to add back increase in IFRS 9 provisions (stage 1 and stage 2) to the regulatory capital over a transition period of 5 years, on a proportionate basis. The increase in IFRS 9 provision requirements is determined by calculating the difference between the IFRS 9 provision as of 31 December 2019 and the IFRS 9 provision as at the respective reporting date. The proportion of the increase in IFRS 9 provisions that is permitted to be added-back to regulatory capital from 1 January 2020 onwards will be phased out over a 5-year transition period (100%, 100%, 75%, 50%, 25% for the years 2020 to 2024 respectively).

[2] Impacts of implementing IAS 29 - Hyperinflation accounting in Financial Statements are excluded from regulatory ratios calculations.

Quarter on Quarter CET1 capital increased by AED 0.5 billion. Pre-hyperinflation profit for the quarter of AED 4.5 billion was offset by proposed Dividend of AED 3.8 billion and other regulatory deductions of AED 0.2 billion.

Year on year CET1 capital increased by AED 9.0 billion. Mainly pre-hyperinflation profit for the year of AED 16.1 billion was offset by proposed Dividend of AED 3.8 billion and adverse movement of currency translation reserve of AED 3.0 billion.

Refer overview (OV1) disclosure for further details on Risk Weighted Assets (RWAs).

Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories (LI1)

Below table splits the financial balance sheet into each regulatory risk category. The regulatory risk category drives the approach applied in the calculation of regulatory exposures and RWA.

	a	b	c	d	e	f	g
			Carrying values of items:				
31 December 2022 AED 000	**Carrying values as reported in published financial statements**	**Carrying values under scope of regulatory consolidation**	**Subject to credit risk framework**	**Subject to counterparty credit risk framework**	**Subject to the securitisation framework**	**Subject to market risk framework**	**Not subject to capital requirements or subject to deduction from capital**
Assets							
Cash and deposits with central bank	74,617,905	74,617,905	74,617,905	-	-	-	-
Due from banks	73,466,575	73,466,575	73,466,575	-	-	-	-
Investment securities	125,806,964	126,382,764	126,382,764	-	-	6,197,144	-
Loans and receivables	416,604,392	416,604,392	416,604,392	-	-	-	-
Positive fair value of derivatives	17,205,811	17,205,811	-	17,205,811	-	16,754,646	-
Customer acceptances	9,029,309	9,029,309	9,029,309	-	-	-	-
Property & equipment	4,105,853	3,619,404	2,786,831	-	-	-	832,573
Goodwill & intangibles	5,779,053	5,779,053	-	-	-	-	5,779,053
Other assets	15,345,691	15,149,337	15,106,199	-	-	-	43,139
Total assets	**741,961,553**	**741,854,550**	**717,993,975**	**17,205,811**	**-**	**22,951,790**	**6,654,765**
Liabilities							
Due to banks	37,278,985	37,278,985	-	-	-	-	37,278,985
Customer deposits	502,953,216	502,953,216	-	-	-	-	502,953,216
Debt issued and other borrowed funds	53,486,827	53,486,827	-	-	-	-	53,486,827
Sukuk payable	3,672,500	3,672,500	-	-	-	-	3,672,500
Negative fair value of derivatives	20,205,915	20,205,915	-	20,205,915	-	15,334,137	-
Customer acceptances	9,029,309	9,029,309	-	-	-	-	9,029,309
Other liabilities	22,030,652	23,008,074	-	-	-	-	23,008,074
Total liabilities	**648,657,404**	**649,634,826**	**-**	**20,205,915**	**-**	**15,334,137**	**629,428,911**

Emirates NBD
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Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories (LI1) (Continued)

31 December 2021 AED 000	a Carrying values as reported in published financial statements	b Carrying values under scope of regulatory consolidation	c Carrying values of items: Subject to credit risk framework	d Carrying values of items: Subject to counterparty credit risk framework	e Carrying values of items: Subject to the securitisation framework	f Carrying values of items: Subject to market risk framework	g Carrying values of items: Not subject to capital requirements or subject to deduction from capital
Assets							
Cash and deposits with central bank	70,753,613	70,753,613	70,753,613	-	-	-	-
Due from banks	45,343,248	45,343,248	45,343,248	-	-	-	-
Investment securities	106,156,886	106,732,686	106,732,686	-	-	2,492,360	-
Loans and receivables	422,272,390	422,272,390	422,272,390	-	-	-	-
Positive fair value of derivatives	10,658,925	10,658,925	-	10,658,925	-	10,133,018	-
Customer acceptances	11,343,522	11,343,522	11,343,522	-	-	-	-
Property & equipment	3,747,621	3,747,621	3,747,621	-	-	-	-
Goodwill & intangibles	5,981,491	5,981,491	-	-	-	-	5,981,491
Other assets	11,178,922	11,019,803	10,825,747	-	-	-	194,056
Total assets	**687,436,618**	**687,853,299**	**671,018,827**	**10,658,925**	**-**	**12,625,378**	**6,175,547**
Liabilities							
Due to banks	43,755,207	43,755,207	-	-	-	-	43,755,207
Customer deposits	456,483,888	456,483,888	-	-	-	-	456,483,888
Debt issued and other borrowed funds	63,387,228	63,387,228	-	-	-	-	63,387,228
Sukuk payable	3,672,500	3,672,500	-	-	-	-	3,672,500
Negative fair value of derivatives	9,186,321	9,186,321	-	9,186,321	-	7,966,273	-
Customer acceptances	11,343,522	11,343,522	-	-	-	-	11,343,522
Other liabilities	16,028,263	16,357,340	-	-	-	-	16,357,340
Total liabilities	**603,856,929**	**604,186,006**	**-**	**9,186,321**	**-**	**7,966,273**	**594,999,685**

The amounts shown in the column 'Carrying values under scope of regulatory consolidation' do not equal the sum of the amounts shown in the remaining columns of this table for line items 'Derivatives', and Investment Securities' as the assets in this column are subject to regulatory capital charges for credit risk, counterparty credit risk and market risk. Variances between the financial and regulatory consolidated balance sheets in LI1 arise primarily from differences in the basis of consolidation. Non-financial subsidiaries are not consolidated for regulatory purposes. Impact from IAS 29 - Hyperinflation is not considered in scope of regulatory consolidation.

Main sources of differences between regulatory exposure amounts and carrying values in financial statements (LI2)

	31 December 2022 AED 000	a Total	b Items subject to: Credit risk framework	c Items subject to: Securitisation framework	d Items subject to: Counterparty credit risk framework	e Items subject to: Market risk framework
1	Asset carrying value amount under scope of regulatory consolidation (as per template LI1)	735,199,785	717,993,975	-	17,205,811	22,951,790
2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	20,205,915	-	-	20,205,915	15,334,137
3	Total net amount under regulatory scope of consolidation	714,993,870	717,993,975	-	(3,000,104)	7,617,653
4	Off-balance sheet amounts excluding derivatives	62,811,173	62,811,173	-	-	-
6	Differences due to different netting rules, other than those already included in row 2	-	-	-	-	-
7	Differences due to consideration of provisions and interest in suspense	52,365,079	52,365,079	-	-	-
8	Differences due to prudential filters	-	-	-	-	-
9	Derivatives	16,341,669	-	-	16,341,669	-
10	**Exposure amounts considered for regulatory purposes**	**846,511,791**	**833,170,227**	**-**	**13,341,565**	**7,617,653**

Impact of IAS 29 – Hyperinflation accounting is not considered in scope of regulatory consolidation.

Main sources of differences between regulatory exposure amounts and carrying values in financial statements (LI2) (Continued)

		a	b	c	d	e
			Items subject to:			
	31 December 2021 AED 000	Total	Credit risk framework	Securitisation framework	Counterparty credit risk framework	Market risk framework
1	Asset carrying value amount under scope of regulatory consolidation (as per template LI1)	681,677,752	671,018,827	-	10,658,925	12,625,378
2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	9,186,321	-	-	9,186,321	7,966,273
3	Total net amount under regulatory scope of consolidation	672,491,431	671,018,827	-	1,472,604	4,659,105
4	Off-balance sheet amounts excluding derivatives	56,513,466	56,513,466	-	-	-
6	Differences due to different netting rules, other than those already included in row 2	-	-	-	-	-
7	Differences due to consideration of provisions and interest in suspense	48,179,883	48,179,883	-	-	-
8	Differences due to prudential filters	-	-	-	-	-
9	Derivatives	16,988,053	-	-	16,988,053	-
10	**Exposure amounts considered for regulatory purposes**	**794,172,833**	**775,712,176**	**-**	**18,460,657**	**4,695,105**

Major differences between carrying values and amounts considered for regulatory purposes are:

- Off-balance sheet amounts subject to credit risk including undrawn portions of committed facilities, trade finance commitments and guarantees post credit conversion factor (CCF). Further potential future exposures (PFE) are added for counterparty credit risk on derivative exposures.
- Credit risk adjustments, including Expected Credit Losses (ECL) and interest in suspense (IIS) which are grossed up for regulatory exposures.

Capital Management

The Group's approach to capital management is driven by strategic and organisational requirements, taking into account the regulatory, economic and commercial environment. The Group aims to maintain a strong capital base to support the risks inherent in the business and invest in accordance with strategy, meeting both consolidated and local regulatory capital requirements consistently.

Additional capital buffers (Capital Conservation Buffer (CCB) and Countercyclical Capital Buffer (CCyB) - maximum up to 2.5% for each buffer) introduced over and above the minimum CET1 requirement of 7%.

Over and above additional capital buffers, the Group as a Domestic Systemically Important Bank (D-SIB) is required to keep an additional D-SIB buffer of 1.5% of the capital base.

Regulatory Capital

The Group's capital base is divided into three main categories, namely CET1, AT1 and Tier 2, depending on their characteristics.

- CET1 capital is the highest quality form of capital, comprising share capital, share premium, legal, statutory and other reserves, fair value reserve, retained earnings, non-controlling interest after deductions for goodwill and intangibles and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes under CBUAE guidelines.

- AT1 capital comprises eligible non-common equity capital instruments.

- Tier 2 capital comprises qualifying subordinated debt, and undisclosed reserve.

Details of the Group's qualifying Equity and AT1 instruments are set out in Appendix A.

Composition of regulatory capital (CC1)

This provides a breakup of the elements constituting the Group's capital.

		31 December 2022 AED 000	31 December 2021 AED 000	CC2 Reference
	Common Equity Tier 1 capital: instruments and reserves			
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	24,270,762	24,270,762	b
2	Retained earnings	64,680,367	52,399,381	f
3	Accumulated other comprehensive income (and other reserves)	(6,452,360)	(2,921,388)	
4	Directly issued capital subject to phase-out from CET1 (only applicable to non-joint stock companies)	-	-	
5	Common share capital issued by third parties (amount allowed in group CET1)	-	55,018	
6	**Common Equity Tier 1 capital before regulatory deductions**	**82,498,769**	**73,803,773**	
	Common Equity Tier 1 capital regulatory adjustments	**-**	**-**	
7	Prudent valuation adjustments	-	-	
8	Goodwill (net of related tax liability)	(5,779,053)	(5,981,491)	a
9	Other intangibles including mortgage servicing rights (net of related tax liability)	(832,573)	-	

Composition of regulatory capital (CC1) (Continued)

		31 December 2022 AED 000	31 December 2021 AED 000	CC2 Reference
10	Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of related tax liability)	(43,139)	(194,056)	
11	Cash flow hedge reserve	784,110	(118,075)	
12	Securitisation gain on sale	-	-	
13	Gains and losses due to changes in own credit risk on fair valued liabilities	-	-	
14	Defined benefit pension fund net assets	-	-	
15	Investments in own shares (if not already subtracted from paid-in capital on reported balance sheet)	(46,175)	(46,175)	
16	Reciprocal cross-holdings in CET1, AT1, Tier 2	-	-	
17	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	
18	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-	
19	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-	
20	Amount exceeding 15% threshold	-	-	
21	Of which: significant investments in the common stock of financials		-	
22	Of which: deferred tax assets arising from temporary differences	-	-	
23	CBUAE specific regulatory adjustments	-	-	
24	**Total regulatory adjustments to Common Equity Tier 1**	**(5,916,830)**	**(6,339,797)**	e
25	**Common Equity Tier 1 capital (CET1)**	**76,581,939**	**67,463,976**	
	Additional Tier 1 capital: instruments			
26	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	9,128,652	9,128,652	c
27	Of which: classified as equity under applicable accounting standards	9,128,652	9,128,652	
28	Of which: classified as liabilities under applicable accounting standards	-	-	
29	Directly issued capital instruments subject to phase-out from additional Tier 1	-	-	
30	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in AT1)	-	-	
31	*Of which: instruments issued by subsidiaries subject to phase-out*	-	-	
32	**Additional Tier 1 capital before regulatory adjustments**	**9,128,652**	**9,128,652**	

Composition of regulatory capital (CC1) (Continued)

		31 December 2022 AED 000	31 December 2021 AED 000	CC2 Reference
	Additional Tier 1 capital: regulatory adjustments			
33	Investments in own Additional Tier 1 instruments	-	-	
34	Investments in capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	
35	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	
36	CBUAE specific regulatory adjustments	-	-	
37	*Total regulatory adjustments to Additional Tier 1 capital*	-	-	
38	**Additional Tier 1 capital (AT1)**	**9,128,652**	**9,128,652**	
39	**Tier 1 capital (T1= CET1 + AT1)**	**85,710,591**	**76,592,628**	
	Tier 2 capital: instruments and provisions			
40	Directly issued qualifying Tier 2 instruments plus related stock surplus	-	-	
41	Directly issued capital instruments subject to phase-out from Tier 2	-	-	
42	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 30) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	-	-	
43	Of which: instruments issued by subsidiaries subject to phase-out	-	-	
44	Provisions	5,469,702	4,911,801	d
45	**Tier 2 capital before regulatory adjustments**	**5,469,702**	**4,911,801**	
	Tier 2 capital: regulatory adjustments			
46	Investments in own Tier 2 instruments	-	-	
47	Investments in capital, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	-	
48	Significant investments in the capital, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	-	
49	CBUAE specific regulatory adjustments	-	-	
50	Total regulatory adjustments to Tier 2 capital	-	-	
51	**Tier 2 capital (T2)**	**5,469,702**	**4,911,801**	
52	**Total regulatory capital (TC = T1 + T2)**	**91,180,293**	**81,504,429**	
53	**Total risk-weighted assets**	**498,870,030**	**446,381,860**	
	Capital ratios and buffers			
54	Common Equity Tier 1 (as a percentage of risk-weighted assets)	15.35%	15.11%	
55	Tier 1 (as a percentage of risk-weighted assets)	17.18%	17.16%	
56	Total capital (as a percentage of risk-weighted assets)	18.28%	18.26%	
57	Institution specific buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus higher loss absorbency requirement, expressed as a percentage of risk-weighted assets)	4.00%	4.00%	
58	Of which: capital conservation buffer requirement	2.50%	2.50%	
59	Of which: bank-specific countercyclical buffer requirement	0.00%	0.00%	

Composition of regulatory capital (CC1) (Continued)

		31 December 2022 AED 000	31 December 2021 AED 000	CC2 Reference
60	Of which: higher loss absorbency requirement (e.g., D-SIB)	1.50%	1.50%	
61	Common Equity Tier 1 (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirement.	7.78%	7.76%	
	The CBUAE Minimum Capital Requirement			
62	Common Equity Tier 1 minimum ratio	7.00%	7.00%	
63	Tier 1 minimum ratio	8.50%	8.50%	
64	Total capital minimum ratio	10.50%	10.50%	
	Amounts below the thresholds for deduction (before risk weighting)	-	-	
65	Non-significant investments in the capital and other TLAC liabilities of other financial entities	-	-	
66	Significant investments in common stock of financial entities	-	-	
67	Mortgage servicing rights (net of related tax liability)	-	-	
68	Deferred tax assets arising from temporary differences (net of related tax liability)	-	-	
	Applicable caps on the inclusion of provisions in Tier 2	-	-	
69	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	12,604,583	10,776,610	
70	Cap on inclusion of provisions in Tier 2 under standardised approach	5,469,702	4,911,801	d
71	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-	
72	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-	
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)	-	-	
73	Current cap on CET1 instruments subject to phase-out arrangements	-	-	
74	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	-	
75	Current cap on AT1 instruments subject to phase-out arrangements	-	-	
76	Amount excluded from AT1 due to cap (excess after redemptions and maturities)	-	-	
77	Current cap on T2 instruments subject to phase-out arrangements	-	-	
78	Amount excluded from T2 due to cap (excess after redemptions and maturities)	-	-	

Accumulated other comprehensive income has moved adversely due to Turkish Lira and Egyptian Pound depreciation year on year. Increase in pre-hyperinflation profit of AED 16.1 billion for the year was offset by proposed dividend of AED 3.8 billion.

Reconciliation of regulatory capital to balance sheet (CC2)

The following table enables users to identify the differences between the scope of accounting consolidation and the scope of regulatory consolidation, and to show the link between the bank's balance sheet in its published financial statements and the numbers that are used in the composition of capital disclosure template set out in Template CC1. Variances between the financial and regulatory consolidated balance sheets are consistent with LI1 disclosure.

31 December 2022 AED 000	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference (CC1)
Assets			
Cash and deposits with central bank	74,617,905	74,617,905	
Due from banks	73,466,575	73,466,575	
Investment securities	125,806,964	126,382,764	
Loans & receivables	416,604,392	416,604,392	
Positive fair value of derivatives	17,205,811	17,205,811	
Customer acceptances	9,029,309	9,029,309	
Property & equipment	4,105,853	3,619,404	
Goodwill & intangibles	5,779,053	5,779,053	a
Other assets	15,345,691	15,149,337	
Total assets	**741,961,553**	**741,854,550**	
Liabilities			
Due to banks	37,278,985	37,278,985	
Customer deposits	502,953,216	502,953,216	
Debt issued and other borrowed funds	53,486,827	53,486,827	
Sukuk payable	3,672,500	3,672,500	
Negative fair value of derivatives	20,205,915	20,205,915	
Customer acceptances	9,029,309	9,029,309	
Other liabilities	22,030,652	23,008,074	
Total Liabilities	**648,657,404**	**649,634,826**	
Issued capital	6,316,598	6,316,598	b
Treasury shares	(46,175)	-	
Tier 1 capital notes	9,128,652	9,128,652	c
Share premium reserve	17,954,164	17,954,164	b
Legal and statutory reserve	3,158,299	3,158,299	
Other reserves	2,945,393	2,945,393	
Fair value reserve	(1,296,468)	(1,296,467)	
Currency translation reserve	(7,308,184)	(11,259,585)	
Retained earnings	62,345,938	64,680,367	f
Common equity Tier 1 capital regulatory deductions	-	(5,916,830)	e
Non-controlling interest	105,932	-	
Provisions eligible for inclusion in Tier 2	-	5,469,702	d
Total Capital	**93,304,149**	**91,180,293**	

Variances between financial and regulatory consolidated balance sheets arise primarily from difference in basis of consolidation. Non-financial subsidiaries are not consolidated for regulatory purposes. Also impacts of implementing IAS 29 - Hyperinflation accounting are excluded from regulatory calculations as of 31 December 2022.

Reconciliation of regulatory capital to balance sheet (CC2) (Continued)

31 December 2021 AED 000	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference (CC1)
Assets			
Cash and deposits with central bank	70,753,613	70,753,613	
Due from banks	45,343,248	45,343,248	
Investment securities	106,156,886	106,732,686	
Loans & receivables	422,272,390	422,272,390	
Positive fair value of derivatives	10,658,925	10,658,925	
Customer acceptances	11,343,522	11,343,522	
Property & equipment	3,747,621	3,747,621	
Goodwill & intangibles	5,981,491	5,981,491	a
Other assets	11,178,922	11,019,803	
Total assets	**687,436,618**	**687,853,299**	
Liabilities			
Due to banks	43,755,207	43,755,207	
Customer deposits	456,483,888	456,483,888	
Debt issued and other borrowed funds	63,387,228	63,387,228	
Sukuk payable	3,672,500	3,672,500	
Negative fair value of derivatives	9,186,321	9,186,321	
Customer acceptances	11,343,522	11,343,522	
Other liabilities	16,028,263	16,357,340	
Total Liabilities	**603,856,929**	**604,186,006**	
Issued capital	6,316,598	6,316,598	b
Treasury shares	(46,175)	-	
Tier 1 capital notes	9,128,652	9,128,652	c
Share premium reserve	17,954,164	17,954,164	b
Legal and statutory reserve	3,158,299	3,158,299	
Other reserves	2,945,393	2,945,393	
Fair value reserve	(725,815)	(725,815)	
Currency translation reserve	(8,299,265)	(8,299,265)	
Retained earnings	53,088,213	52,399,381	f
Common equity tier 1 capital regulatory deductions	-	(6,339,797)	e
Non-controlling interest	59,625	55,018	
Provisions eligible for inclusion in tier 2	-	4,911,801	d
Total Capital	**83,579,689**	**81,504,429**	

Geographical distribution of credit exposures used in the countercyclical capital buffer (CCyB1)

Following table provides an overview of the geographical distribution of private sector credit exposures relevant for the calculation of countercyclical buffer.

31 December 2022	a	b	c	d	e	f	g
		Exposure values and/or risk-weighted assets used in the computation of the countercyclical capital buffer					
Geographical breakdown	Counter cyclical capital buffer rate	Exposure values AED 000	Risk-weighted assets AED 000	Minimum Capital Requirement AED 000	Share of Minimum Capital (%)	Bank-specific counter cyclical capital buffer rate (%)	Counter cyclical buffer amount AED 000
Norway	2.00%	527	398	58	0.00%	0.00%	-
Hong Kong	1.00%	616,981	584,523	84,756	0.21%	0.00%	12
Luxembourg	0.50%	220,033	226,768	32,881	0.08%	0.00%	1
Sweden	1.00%	11,752	4,355	632	0.00%	0.00%	-
UK	1.00%	6,096,004	5,590,576	810,634	2.02%	0.02%	1,128
Others	0.00%	379,965,475	270,724,672	39,255,077	97.69%	0.00%	-
Sum [1]		**6,945,297**	**6,406,620**				
Total [2]		**386,910,772**	**277,131,292**				**1,141**

31 December 2021	a	b	c	d	e	f	g
		Exposure values and/or risk-weighted assets used in the computation of the countercyclical capital buffer					
Geographical breakdown	Counter cyclical capital buffer rate	Exposure values AED 000	Risk-weighted assets AED 000	Minimum Capital Requirement AED 000	Share of Minimum Capital (%)	Bank-specific counter cyclical capital buffer rate (%)	Counter cyclical buffer amount AED 000
Norway	1.00%	3,289	758	110	0.00%	0.00%	-
Hong Kong	1.00%	12,054	2,487	361	0.00%	0.00%	-
Luxembourg	0.50%	95,605	1,066,368	154,623	0.39%	0.00%	21
Others	0.00%	377,057,537	273,401,197	39,643,173	99.61%	0.00%	-
Sum [1]		**110,948**	**1,069,613**				
Total [2]		**377,168,485**	**274,470,810**				**21**

Geographical distribution of credit exposures used in the countercyclical capital buffer (CCyB1) (Continued)

Amount of Group specific countercyclical capital buffer	31 December 2022	31 December 2021
Total Credit risk weighted assets on Private Exposures (AED 000)	**277,131,292**	**274,470,810**
Group specific countercyclical capital buffer requirement (AED 000)	**1,141**	**21**
Group specific countercyclical capital buffer rate (%)	**0.00%**	**0.00%**

[1]Sum of private sector credit exposures and related RWA in jurisdictions with a non-zero countercyclical buffer rate only.
[2]Total of private sector credit exposures and related RWA across all jurisdictions.

Leverage Ratio

Summary comparison of accounting assets versus leverage ratio exposure (LR1)

The following table reconciles the total assets in the published financial statements to the leverage ratio exposure measure.

		31 December 2022 AED 000	30 September 2022 AED 000	31 December 2021 AED 000
1	Total consolidated assets as per published financial statements	741,961,553	720,523,057	687,436,618
2	Adjustments for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	1,677,354	542,403	(543,515)
3	Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference	-	-	-
4	Adjustments for temporary exemption of central bank reserves (if applicable)	-	-	-
5	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-	-	-
6	Adjustments for regular-way purchases and sales of financial assets subject to trade date accounting	-	-	-
7	Adjustments for eligible cash pooling transactions	-	-	-
8	Adjustments for derivative financial instruments	(3,864,246)	(3,441,975)	7,801,732
9	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	-	-	-
10	Adjustments for off-balance sheet items (i.e., conversion to credit equivalent amounts of off-balance sheet exposures)	76,469,848	69,276,594	74,281,499
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	-	-	-
12	Other adjustments[1]	(17,095,140)	(16,431,967)	(22,144,023)
13	**Leverage ratio exposure measure**	**799,149,369**	**770,468,112**	**746,832,311**

[1]This includes Assets deducted from CET1 capital, customer acceptances (considered as off-balance sheet) and Impact of IAS 29 Hyperinflation accounting excluded.

Leverage Ratio (Continued)

Leverage ratio common disclosure template (LR2)

The table below provides a breakdown of the components of the leverage ratio denominator, as well as information on the actual leverage ratio, minimum requirements and buffers as of period end.

		31 December 2022 AED 000	30 September 2022 AED 000	31 December 2021 AED 000
	On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	704,641,589	683,220,087	660,265,702
2	Gross-up for derivatives collateral provided where deducted from balance sheet assets pursuant to the operative accounting framework	-	-	-
3	Deductions of receivable assets for cash variation margin provided in derivatives transactions	-	-	-
4	Adjustment for securities received under securities financing transactions that are recognised as an asset	-	-	-
5	Specific and general provisions associated with on-balance sheet exposures that are deducted from Tier 1 capital	-	-	-
6	Asset amounts deducted in determining Tier 1 capital	(6,654,765)	(6,039,162)	(6,175,547)
7	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)**	**697,986,824**	**677,180,925**	**654,090,155**
	Derivative exposures			
8	Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	4,152,404	5,465,627	4,183,473
9	Add-on amounts for PFE associated with all derivatives transactions	5,377,285	5,745,824	9,002,711
10	Exempted CCP leg of client-cleared trade exposures	-	-	-
11	Adjusted effective notional amount of written credit derivatives	-	-	-
12	Adjusted effective notional offsets and add-on deductions for written credit derivatives	-	-	-
13	**Total derivative exposures (Calculated as rows 8 to 12)*1.4**	**13,341,565**	**15,696,031**	**18,460,657**
	Securities financing transactions			
14	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	11,351,132	8,314,562	4,624,954
15	Netted amounts of cash payables and cash receivables of gross SFT assets	-	-	(4,624,954)
16	CCR exposure for SFT assets	-	-	-
17	Agent transaction exposures	-	-	-
18	**Total securities financing transaction exposures (sum of rows 14 to 17)**	**11,351,132**	**8,314,562**	**-**
	Other off-balance sheet exposures			
19	Off-balance sheet exposure at gross notional amount	198,729,581	180,987,165	192,194,594
20	Adjustments for conversion to credit equivalent amounts	(122,259,733)	(111,710,571)	(117,913,095)
21	Specific and general provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital	-	-	-
22	**Off-balance sheet items (sum of rows 19 to 21)**	**76,469,848**	**69,276,594**	**74,281,499**
	Capital and total exposures			
23	**Tier 1 capital**	**85,710,591**	**85,163,094**	**76,592,628**
24	**Total exposures (sum of rows 7, 13, 18 and 22)**	**799,149,369**	**770,468,112**	**746,832,311**
	Leverage ratio	-	-	-
25	**Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)**	10.73%	11.05%	10.26%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	10.73%	11.05%	10.26%
26	CBUAE minimum leverage ratio requirement	3.50%	3.50%	3.50%
27	**Applicable leverage buffers**	7.23%	7.55%	6.76%

OVERVIEW OF RISK MANAGEMENT AND RISK WEIGHTED ASSETS (RWA)

Risk management approach

Please refer Note 46 of the Group's annual financial statements for the risk management framework including: risk governance structure, risk profile and risk measurement systems of the Group, risk reporting to the board and senior management and risk mitigation.

The Group operates a wide-ranging stress testing programme that support risk management and capital planning. It includes execution of stress tests mandated by regulators. The Group's stress testing is supported by dedicated teams and infrastructure. The testing programme assesses capital strength and enhances resilience to external shocks, thereby helping to understand and mitigate risks and informed decision making on capital levels.

Overview of Risk Weighted Assets (RWAs) (OV1)

The following table provides an overview of total RWAs forming the denominator of the risk-based capital requirements. Further breakdowns of RWA are presented in subsequent parts.

		31 December 2022 AED 000	30 September 2022 AED 000	31 December 2021 AED 000	Minimum capital requirements 31 December 2022 AED 000
1	Credit risk (excluding counterparty credit risk)	419,870,117	414,596,526	380,513,816	60,881,167
2	Of which: standardised approach (SA)	419,870,117	414,596,526	380,513,816	60,881,167
3	Counterparty credit risk (CCR)	8,669,836	10,125,464	11,335,237	1,257,126
4	Of which: standardised approach for counterparty credit risk	8,669,836	10,125,464	11,335,237	1,257,126
5	Credit valuation adjustment (CVA)	8,010,170	9,151,719	-	1,161,475
6	Equity investments in funds - look-through approach	-	-	-	-
7	Equity investments in funds - mandate-based approach	-	-	-	-
8	Equity investments in funds - fall-back approach	1,026,015	1,030,643	1,095,047	148,772
9	Settlement risk	-	-	-	-
10	Securitisation exposures in the banking book	-	-	-	-
11	Of which: securitisation external ratings-based approach (SEC-ERBA)	-	-	-	-
12	Of which: securitisation standardised approach (SEC-SA)	-	-	-	-
13	Market risk	12,970,243	12,455,710	10,945,304	1,880,685
14	Of which: standardised approach (SA)	12,970,243	12,455,710	10,945,304	1,880,685
15	Operational risk	48,323,649	42,492,456	42,492,456	7,006,929
16	**Total (1+3+5+8+13+15)**	**498,870,030**	**489,852,518**	**446,381,860**	**72,336,154**

The regulatory minimum capital requirement is calculated at 14.5% of the RWA including CBUAE assigned capital buffers.

Credit risk weighted assets (excluding CCR) increased by AED 5.3 billion quarter on quarter due to increase in foreign sovereign exposures, growth in retail lending, interbank placements and other off-balance sheet commitments.

Reduction in CCR & CVA during the quarter is driven by reduced notionals.

Operational risk increased due to increase in average operating income.

Credit Risk

Please refer Note no. 46D in the annual financial statements for criteria, approach, structure, and organization of credit risk management and reporting of risk exposures, risk mitigation and stress testing related to credit risk. For definition of default please refer Note 5(i) of annual financial statements.

Credit quality of assets – (CR1)

The table provides a comprehensive picture of the credit quality of the Group's (on- and off-balance sheet) assets.

	31 December 2022 AED 000	a	b	c	d	e	f
		Gross carrying values of			Of which ECL accounting provisions for credit losses on SA exposures		
		Defaulted exposures[3]	Non-defaulted exposures	Allowances/ Impairments	Allocated in regulatory category of Specific	Allocated in regulatory category of General	Net values (a+b-c)
1	Loans	27,253,983	428,755,181	39,404,772	26,800,189	12,604,583	416,604,392
2	Debt securities[1]	-	118,810,385	67,805	-	67,805	118,742,580
	Total	**27,253,983**	**547,565,566**	**39,472,577**	**26,800,189**	**12,672,388**	**535,346,972**
3	Off-balance sheet exposures[2]	2,750,088	1,114,165,305	-	-	697,047	

[1] Debt Securities Includes only Banking Book Securities
[2] Includes Letter of credit, Guarantees, Liability on risk participations, customer acceptances, Irrevocable loan commitments and notional amount of Derivatives
[3] Defaulted exposures are net of Interest in suspense (IIS)

Credit quality of assets (CR1) (continued)

31 December 2021 AED 000		a	b	c	d	e	f
		Gross carrying values of			Of which ECL accounting provisions for credit losses on SA exposures		
		Defaulted exposures[3] AED 000	Non-defaulted exposures AED 000	Allowances/ Impairments AED 000	Allocated in regulatory category of Specific AED 000	Allocated in regulatory category of General AED 000	Net values (a+b-c) AED 000
1	Loans	29,159,717	430,298,149	37,185,476	26,408,866	10,776,610	422,272,390
2	Debt securities[1]	-	102,891,135	40,417	-	40,417	102,850,718
	Total	**29,159,717**	**533,189,284**	**37,225,893**	**26,408,866**	**10,817,027**	**525,123,108**
3	Off-balance sheet exposures[2]	1,889,375	942,695,584	632,100	-	632,100	

[1] Debt Securities Includes only Banking Book Securities
[2] Includes Letter of credit, Guarantees, Liability on risk participations, customer acceptances, Irrevocable loan commitments and notional amount of Derivatives
[3] Defaulted exposures are net of Interest in suspense (IIS)

Changes in stock of defaulted loans and debt securities (CR2)

The following table identifies the changes in the bank's stock of defaulted exposures, the flows between non-defaulted and defaulted exposure categories and reductions in the stock of defaulted exposures due to write-offs.

		31 December 2022 AED 000	31 December 2021 AED 000
1	Defaulted loans and debt securities at the end of the previous reporting period	29,159,717	29,817,914
2	Loans and debt securities that have defaulted since the last reporting period	3,250,354	4,665,107
3	Returned to non-default status	(626,619)	(360,866)
4	Amounts written off	(1,901,860)	(1,246,876)
5	New financial assets, net of repayments and others	(2,627,609)	(3,715,562)
6	**Defaulted loans and debt securities at the end of the reporting period**	**27,253,983**	**29,159,717**

Additional Disclosure Related to The Credit Quality of Assets (CRB)

Definition of Default

Please refer Note 7 in the annual financial statements for scope and definitions of 'past due' and 'impaired' exposures.

Past due exposures not impaired

As at 31 December 2022 nil (2021: nil) past due exposures were not impaired.

The methods used for determining accounting provisions for credit losses and adopting an ECL accounting model for categorisation of ECL accounting provisions in general and specific categories for standardised approach exposures has been detailed in the annual financial statements Note 7(j).

Restructured Financial Assets

Please refer Note 7(j) of the annual financial statements for the year ended 31 December 2022 for policy on restructured financial assets details.

As at 31 December 2022, impaired restructured loans constituted AED 16.5 billion (2021: AED 15.5 billion).

Gross Credit Exposure - Currency Classifications

The Group's gross credit exposure by foreign and local currency, both funded and non-funded is detailed below:

31 December 2022	Loans and receivables AED 000	Debt securities AED 000	Other assets AED 000	Total funded AED 000	Commitments AED 000	Derivatives AED 000	Other off-balance sheet exposures AED 000	Total non-funded AED 000	Grand Total AED 000
Foreign Currency	160,541,811	75,395,584	109,281,803	**345,219,198**	5,364,521	9,025,039	37,015,619	**51,405,179**	**396,624,377**
AED	308,427,660	43,414,801	64,268,084	**416,110,545**	8,242,601	4,316,526	21,217,742	**33,776,869**	**449,887,414**
Total	**468,969,471**	**118,810,385**	**173,549,887**	**761,329,743**	**13,607,122**	**13,341,565**	**58,233,361**	**85,182,048**	**846,511,791**

31 December 2021	Loans and receivables AED 000	Debt securities AED 000	Other assets AED 000	Total funded AED 000	Commitments AED 000	Derivatives AED 000	Other off-balance sheet exposures AED 000	Total non-funded AED 000	Grand Total AED 000
Foreign Currency	154,591,294	64,738,081	82,230,319	**301,559,694**	5,588,387	14,918,002	43,639,411	**64,145,800**	**365,705,494**
AED	315,860,979	38,153,054	52,281,461	**406,295,494**	4,629,451	3,542,655	13,999,739	**22,171,845**	**428,467,339**
Total	**470,452,273**	**102,891,135**	**134,511,780**	**707,855,188**	**10,217,838**	**18,460,657**	**57,639,150**	**86,317,645**	**794,172,833**

Other Assets include Cash & Deposits with Central Bank, Due from Banks, Trading securities, Investment securities (net of Debt Securities), Investment Properties, Investment in associate, Property & Equipment, and Other Assets.

Gross Credit Exposure by Maturity

The following table lists the Group's gross exposures by Residual Maturity:

31 December 2022	Loans and receivables AED 000	Debt securities AED 000	Other assets AED 000	Total funded AED 000	Commitments AED 000	Derivatives AED 000	Other off-balance sheet exposures AED 000	Total non-funded AED 000	Grand Total AED 000
Less than 3 months	176,949,852	27,122,968	132,582,226	**336,655,046**	1,245,494	2,373,576	27,238,620	**30,857,690**	**367,512,736**
3 months to 1 year	48,033,612	23,040,252	21,748,020	**92,821,884**	11,909,588	3,930,339	20,748,430	**36,588,357**	**129,410,241**
1 year to 5 years	147,789,728	37,154,768	5,526,052	**190,470,548**	160,563	6,642,037	6,584,238	**13,386,838**	**203,857,386**
Over 5 years	43,831,200	31,492,397	13,693,589	**89,017,186**	291,477	395,613	3,662,073	**4,349,163**	**93,366,349**
Add: Grossing up of interest in suspense & provisions	52,365,079	-	-	**52,365,079**	-	-	-	**-**	**52,365,079**
Total	**468,969,471**	**118,810,385**	**173,549,887**	**761,329,743**	**13,607,122**	**13,341,565**	**58,233,361**	**85,182,048**	**846,511,791**

Other Assets include Cash & Deposits with Central Bank, Due from Banks, Trading securities, Investment securities (net of Debt Securities), Investment Properties, Property & Equipment, and Other Assets.

Emirates NBD بنك الإمارات دبي الوطني

Gross Credit Exposure by Maturity (Continued)

31 December 2021	Loans and receivables AED 000	Debt securities AED 000	Other assets AED 000	Total funded AED 000	Commitments AED 000	Derivatives AED 000	Other off-balance sheet exposures AED 000	Total non-funded AED 000	Grand Total AED 000
Less than 3 months	203,296,817	33,023,939	104,483,761	**340,804,517**	1,846,932	5,159,465	29,451,236	**36,457,633**	**377,262,150**
3 months to 1 year	46,955,260	21,124,194	17,356,183	**85,435,637**	8,063,108	4,709,090	15,311,130	**28,083,328**	**113,518,965**
1 year to 5 years	133,592,880	22,615,637	1,781,442	**157,989,959**	71,079	5,297,829	7,241,355	**12,610,263**	**170,600,222**
Over 5 years	38,427,433	26,127,365	10,890,394	**75,445,192**	236,719	3,294,273	5,635,429	**9,166,421**	**84,611,613**
Add: Grossing up of interest in suspense & provisions	48,179,883	-	-	**48,179,883**	-	-	-	**-**	**48,179,883**
Total	**470,452,273**	**102,891,135**	**134,511,780**	**707,855,188**	**10,217,838**	**18,460,657**	**57,639,150**	**86,317,645**	**794,172,833**

Other Assets include Cash & Deposits with Central Bank, Due from Banks, Trading Securities, Investment Securities (net of Debt Securities), Investment Properties, Investment in associate, Property & Equipment and Other Assets.

Gross Credit Exposure by Geography

The Group's gross credit exposure by Geography and Economic activity, both funded and non-funded is detailed below:

31 December 2022	Loans and receivables AED 000	Debt securities AED 000	Other assets AED 000	Total funded AED 000	Commitments AED 000	Derivatives AED 000	Other off-balance sheet exposures AED 000	Total non-funded AED 000	Grand Total AED 000
United Arab Emirates	347,988,019	66,314,464	71,241,464	**485,543,947**	8,056,899	6,325,856	31,983,459	**46,366,214**	**531,910,161**
GCC excluding UAE*	20,756,458	14,713,398	15,650,583	**51,120,439**	1,868,649	1,919,429	4,588,982	**8,377,060**	**59,497,499**
Arab League (excluding GCC)	10,684,635	4,481,527	13,083,610	**28,249,772**	63,229	884,519	1,739,657	**2,687,405**	**30,937,177**
Asia	71,356,788	4,772,195	36,958,142	**113,087,125**	1,838,104	1,034,315	16,910,402	**19,782,821**	**132,869,946**
Africa	906,539	-	1,016,218	**1,922,757**	-	14,032	133,139	**147,171**	**2,069,928**
North America	242,883	4,996,992	4,192,405	**9,432,280**	5,308	53,918	117,183	**176,409**	**9,608,689**
South America	7,436	-	473,286	**480,722**	-	-	36,725	**36,725**	**517,447**
Caribbean	3,058,978	-	87,261	**3,146,239**	136,406	63,047	-	**199,453**	**3,345,692**
Europe	12,979,829	22,398,406	28,120,761	**63,498,996**	1,638,527	2,774,126	2,244,095	**6,656,748**	**70,155,744**
Australia	262,244	-	1,982,094	**2,244,338**	-	32,533	477,902	**510,435**	**2,754,773**
Others	725,662	1,133,403	744,063	**2,603,128**	-	239,790	1,817	**241,607**	**2,844,735**
Total	**468,969,471**	**118,810,385**	**173,549,887**	**761,329,743**	**13,607,122**	**13,341,565**	**58,233,361**	**85,182,048**	**846,511,791**

Other Assets include Cash & Deposits with Central Bank, Due from Banks, Trading securities, Investment securities (net of Debt Securities), Investment Properties, Property & Equipment, and Other Assets.

*This includes Saudi Arabia, Bahrain, Kuwait, Oman and Qatar.

Gross Credit Exposure by Geography (Continued)

31 December 2021	Loans and receivables AED 000	Debt securities AED 000	Other assets AED 000	Total funded AED 000	Commitments AED 000	Derivatives AED 000	Other off-balance sheet exposures AED 000	Total non-funded AED 000	Grand Total AED 000
United Arab Emirates	371,744,288	57,818,769	56,670,635	**486,233,692**	5,572,604	6,733,604	40,802,903	**53,109,111**	**539,342,803**
GCC excluding UAE*	14,587,413	19,535,667	15,497,257	**49,620,337**	922,621	1,523,821	1,808,110	**4,254,552**	**53,874,889**
Arab League (excluding GCC)	10,905,966	6,802,045	9,422,780	**27,130,791**	11,027	1,878,752	433,131	**2,322,910**	**29,453,701**
Asia	60,321,501	2,753,097	23,321,014	**86,395,612**	924,358	3,172,991	12,311,836	**16,409,185**	**102,804,797**
Africa	27,435	-	1,166,140	**1,193,575**	20,426	12,845	38,590	**71,861**	**1,265,436**
North America	60,332	1,798,801	2,038,647	**3,897,780**	6,599	160,788	3,378	**170,765**	**4,068,545**
South America	66,638	-	163,183	**229,821**	-	-	429	**429**	**230,250**
Caribbean	20,482	-	-	**20,482**	-	-	-	**-**	**20,482**
Europe	11,226,135	13,567,151	25,650,209	**50,443,495**	2,742,178	4,894,500	2,238,752	**9,875,430**	**60,318,925**
Australia	195,364	-	32,509	**227,873**	-	72,124	10	**72,134**	**300,007**
Others	1,296,719	615,605	549,406	**2,461,730**	18,025	11,232	2,011	**31,268**	**2,492,998**
Total	**470,452,273**	**102,891,135**	**134,511,780**	**707,855,188**	**10,217,838**	**18,460,657**	**57,639,150**	**86,317,645**	**794,172,833**

Other Assets include Cash & Deposits with Central Bank, Due from Banks, Trading Securities, Investment Securities (net of Debt Securities), Investment Properties, Property & Equipment and Other Assets.

*This includes Saudi Arabia, Bahrain, Kuwait, Oman and Qatar.

Gross Credit Exposure by Economic Activity

The Group's gross credit exposure by Geography and Economic activity, both funded and non-funded is detailed below:

31 December 2022	Loans and receivables AED 000	Debt securities AED 000	Other assets AED 000	Total funded AED 000	Commitments AED 000	Derivatives AED 000	Other off-balance sheet exposures AED 000	Total non-funded AED 000	Grand Total AED 000
Agriculture, fishing & related activities	5,024,302	-	596,747	**5,621,049**	19,804	42,360	661,203	**723,367**	**6,344,416**
Crude, oil gas, mining & quarrying	2,685,837	1,159,702	125,310	**3,970,849**	197,105	63,784	1,313,775	**1,574,664**	**5,545,513**
Manufacturing	23,822,022	18,568	303,692	**24,144,282**	1,550,966	138,300	6,114,009	**7,803,275**	**31,947,557**
Electricity & Water	9,790,292	1,072,287	115,643	**10,978,222**	42,758	-	229,793	**272,551**	**11,250,773**
Construction	12,424,792	-	17	**12,424,809**	386,818	57,963	13,773,056	**14,217,837**	**26,642,646**
Trade	30,464,816	137,894	-	**30,602,710**	2,490,012	140,150	9,046,649	**11,676,811**	**42,279,521**
Transport, Storage & Communication	16,906,203	464,195	939,435	**18,309,833**	1,726,868	156,265	1,902,336	**3,785,469**	**22,095,302**
Financial Institutions and Investment companies	38,416,529	10,230,215	75,904,147	**124,550,891**	2,141,839	10,202,990	12,032,237	**24,377,066**	**148,927,957**
Real Estate	48,201,074	-	2	**48,201,076**	2,039,725	753,471	2,878,787	**5,671,983**	**53,873,059**
Services	29,017,498	687,327	1,274,293	**30,979,118**	652,917	178,564	2,179,844	**3,011,325**	**33,990,443**
Sovereign	112,037,387	104,442,270	74,872,060	**291,351,717**	730,273	189,489	6,269,901	**7,189,663**	**298,541,380**
Personal	114,031,013	108,710	12,343	**114,152,066**	975,693	805,881	1,585	**1,783,159**	**115,935,225**
All Others	13,187,399	489,217	19,406,198	**33,082,814**	652,344	612,348	1,830,186	**3,094,878**	**36,177,692**
Add: Grossing up of interest in suspense	12,960,307	-	-	**12,960,307**	-	-	-	**-**	**12,960,307**
Total	**468,969,471**	**118,810,385**	**173,549,887**	**761,329,743**	**13,607,122**	**13,341,565**	**58,233,361**	**85,182,048**	**846,511,791**

Other Assets include Cash & Deposits with Central Bank, Due from Banks, Trading securities, Investment securities (net of Debt Securities), Investment Properties, Property & Equipment, and Other Assets.

Emirates NBD بنك الإمارات دبي الوطني

Gross Credit Exposure by Economic Activity (Continued)

31 December 2021	Loans and receivables AED 000	Debt securities AED 000	Other assets AED 000	Total funded AED 000	Commitments AED 000	Derivatives AED 000	Other off-balance sheet exposures AED 000	Total non-funded AED 000	Grand Total AED 000
Agriculture, fishing & related activities	5,802,243	-	463,349	**6,265,592**	19,847	94,700	1,944,090	**2,058,637**	**8,324,229**
Crude, oil gas, mining & quarrying	8,348,438	215,619	97,682	**8,661,739**	329,532	124,843	1,067,411	**1,521,786**	**10,183,525**
Manufacturing	20,427,774	566,206	404,817	**21,398,797**	466,870	241,088	6,210,296	**6,918,254**	**28,317,051**
Electricity & Water	2,342,500	398,736	74,951	**2,816,187**	28,373	155,836	1,989,182	**2,173,391**	**4,989,578**
Construction	16,047,501	340,839	3	**16,388,343**	259,678	287,847	12,282,440	**12,829,965**	**29,218,308**
Trade	32,588,415	139,972	787,178	**33,515,565**	794,035	2,493,467	11,321,123	**14,608,625**	**48,124,190**
Transport, Storage & Communication	12,841,664	1,163,485	69,939	**14,075,088**	209,055	145,872	1,979,308	**2,334,235**	**16,409,323**
Financial Institutions and Investment companies	33,459,946	6,247,497	66,264,294	**105,971,737**	1,612,838	11,413,519	9,682,268	**22,708,625**	**128,680,362**
Real Estate	49,143,744	-	2,938	**49,146,682**	4,541,378	498,901	1,647,767	**6,688,046**	**55,834,728**
Services	23,708,192	930,444	127,575	**24,766,211**	609,691	662,759	3,411,069	**4,683,519**	**29,449,730**
Sovereign	151,816,978	91,840,242	46,891,276	**290,548,496**	11,208	1,107,240	200,774	**1,319,222**	**291,867,718**
Personal	97,798,467	-	-	**97,798,467**	542,781	273,382	2,989,284	**3,805,447**	**101,603,914**
All Others	5,132,004	1,048,095	19,327,778	**25,507,877**	792,552	961,203	2,914,138	**4,667,893**	**30,175,770**
Add: Grossing up of interest in suspense	10,994,407	-	-	**10,994,407**	-	-	-	**-**	**10,994,407**
Total	**470,452,273**	**102,891,135**	**134,511,780**	**707,855,188**	**10,217,838**	**18,460,657**	**57,639,150**	**86,317,645**	**794,172,833**

Other Assets include Cash & Deposits with Central Bank, Due from Banks, Trading Securities, Investment Securities (net of Debt Securities), Investment Properties, Property & Equipment and Other Assets

Impaired Loans by Geography

The details of impaired loans by Geography and Economic Activity are as below:

31 December 2022	Overdue (Gross of Interest in Suspense/ECL)			Expected Credit Losses (ECL)		Adjustments			
	Less than 90 days AED 000	90 days and above AED 000	Total AED 000	Specific* AED 000	General** AED 000	Write-offs AED 000	Write-backs AED 000	Interest in Suspense AED 000	Total Impaired Assets AED 000
United Arab Emirates	-	33,688,945	**33,688,945**	22,050,780	-	1,014,380	1,446,889	11,726,952	**(88,787)**
GCC excluding UAE***	-	2,451,707	**2,451,707**	1,631,621	-	-	20,250	986,583	**(166,497)**
Arab League (excluding GCC)	-	572,701	**572,701**	350,174	-	28,357	257,089	102,032	**120,495**
Asia	-	2,983,875	**2,983,875**	2,467,858	-	859,123	554,791	128,393	**387,624**
Africa	-	73	**73**	40	-	-	-	23	**10**
North America	-	45	**45**	35	-	-	-	20	**(10)**
South America	-	-	**-**	-	-	-	-	-	**-**
Caribbean	-	78,968	**78,968**	2,937	-	-	-	2,861	**73,170**
Europe	-	148,835	**148,835**	112,995	-	-	9,638	13,443	**22,397**
Australia	-	39	**39**	16	-	-	-	-	**23**
Others	-	289,102	**289,102**	183,733	-	-	-	-	**105,369**
Total	**-**	**40,214,290**	**40,214,290**	**26,800,189**	**12,604,583**	**1,901,860**	**2,288,657**	**12,960,307**	**453,794**

*Specific provisions represent Stage 3 Expected Credit Losses (ECL).
**General provisions represent Stage 1 and Stage 2 Expected Credit Losses (ECL).
*** This includes Saudi Arabia, Bahrain, Kuwait, Oman and Qatar.

Impaired Loans by Geography (Continued)

31 December 2021	Overdue (Gross of Interest in Suspense/ECL)			Expected Credit Losses (ECL)		Adjustments			
	Less than 90 days AED 000	90 days and above AED 000	Total AED 000	Specific* AED 000	General** AED 000	Write-offs AED 000	Write-backs AED 000	Interest in Suspense AED 000	Total Impaired Assets AED 000
United Arab Emirates	-	33,571,255	**33,571,255**	21,978,475	-	1,157,757	422,375	10,266,085	**1,326,695**
GCC excluding UAE***	-	1,835,557	**1,835,557**	1,404,511	-	-	142,493	612,005	**(180,959)**
Arab League (excluding GCC)	-	539,641	**539,641**	357,908	-	39,057	14,213	72,932	**108,801**
Asia	-	3,844,309	**3,844,309**	2,377,404	-	47,952	465,718	24,266	**1,442,639**
Africa	-	10	**10**	7	-	-	-	-	**3**
North America	-	11	**11**	8	-	-	-	-	**3**
South America	-	-	**-**	-	-	-	-	-	**-**
Caribbean	-	-	**-**	-	-	-	-	-	**-**
Europe	-	363,209	**363,209**	289,703	-	2,110	-	19,119	**54,387**
Australia	-	-	**-**	-	-	-	-	-	**-**
Others	-	132	**132**	850	-	-	-	-	**(718)**
Total	**-**	**40,154,124**	**40,154,124**	**26,408,866**	**10,776,610**	**1,246,876**	**1,044,799**	**10,994,407**	**2,750,851**

*Specific provisions represent Stage 3 Expected Credit Losses (ECL).
**General provisions represent Stage 1 and Stage 2 Expected Credit Losses (ECL).
*** This includes Saudi Arabia, Bahrain, Kuwait, Oman and Qatar.

Impaired Loans by Economic Activity

31 December 2022	Overdue (Gross of Interest in Suspense/ECL)			Expected Credit Losses (ECL)		Adjustments			
	Less than 90 days AED 000	90 days and above AED 000	Total AED 000	Specific* AED 000	General** AED 000	Write-offs AED 000	Write-backs AED 000	Interest in Suspense AED 000	Total Impaired Assets AED 000
Agriculture, fishing & related activities	-	255,773	**255,773**	217,651	-	168,068	13,625	14,726	**23,396**
Crude, oil gas, mining & quarrying	-	21,546	**21,546**	20,971	-	-	-	-	**575**
Manufacturing	-	1,480,686	**1,480,686**	1,236,503	-	5,669	319,344	268,938	**(24,755)**
Electricity and Water	-	299,307	**299,307**	234,830	-	-	-	-	**64,477**
Construction	-	6,180,351	**6,180,351**	5,282,458	-	5,960	60,206	2,107,718	**(1,209,825)**
Trade	-	3,799,561	**3,799,561**	2,835,954	-	24,962	146,974	947,193	**16,414**
Transport, Storage & Communication	-	304,821	**304,821**	269,643	-	3,102	11,428	30,968	**4,210**
Financial Institutions	-	9,286,744	**9,286,744**	6,364,663	-	3,127	82,811	2,192,282	**729,799**
Real Estate	-	8,336,112	**8,336,112**	4,480,069	-	559	781,556	2,678,447	**1,177,596**
Services	-	2,943,929	**2,943,929**	1,647,912	-	269,510	271,633	1,463,032	**(167,015)**
Sovereign	-	-	**-**	-	-	-	-	-	**-**
Personal	-	5,520,337	**5,520,337**	2,423,469	-	1,123,188	236,719	2,670,915	**425,953**
All Others	-	1,785,123	**1,785,123**	1,786,066	-	297,715	364,361	586,088	**(587,031)**
Total	**-**	**40,214,290**	**40,214,290**	**26,800,189**	**12,604,583**	**1,901,860**	**2,288,657**	**12,960,307**	**453,794**

*Specific provisions represent Stage 3 Expected Credit Losses (ECL).
**General provisions represent Stage 1 and Stage 2 Expected Credit Losses (ECL).

Impaired Loans by Economic Activity (Continued)

31 December 2021	Overdue (Gross of Interest in Suspense/ECL)			Expected Credit Losses (ECL)		Adjustments			
	Less than 90 days AED 000	90 days and above AED 000	Total AED 000	Specific* AED 000	General** AED 000	Write-offs AED 000	Write-backs AED 000	Interest in Suspense AED 000	Total Impaired Assets AED 000
Agriculture, fishing & related activities	-	535,454	**535,454**	378,719	-	90	45,550	37	**156,698**
Crude, oil gas, mining & quarrying	-	54,360	**54,360**	33,226	-	-	-	319	**20,815**
Manufacturing	-	1,564,006	**1,564,006**	1,363,649	-	3,394	60,721	220,941	**(20,584)**
Electricity and Water	-	497,769	**497,769**	361,241	-	-	-	364	**136,164**
Construction	-	5,772,429	**5,772,429**	4,387,777	-	1,555	56,056	1,618,188	**(233,536)**
Trade	-	3,480,846	**3,480,846**	2,501,074	-	-	228,215	596,086	**383,686**
Transport, Storage & Communication	-	486,699	**486,699**	332,262	-	20,715	41,709	37,593	**116,844**
Financial Institutions	-	9,279,182	**9,279,182**	6,722,506	-	50,386	76,628	2,040,074	**516,602**
Real Estate	-	8,358,598	**8,358,598**	4,686,464	-	2,973	140,647	2,351,444	**1,320,690**
Services	-	4,625,409	**4,625,409**	2,798,384	-	13,550	70,195	1,378,562	**448,463**
Sovereign	-	-	**-**	-	-	54	83	-	**-**
Personal	-	4,863,859	**4,863,859**	2,652,187	-	1,129,012	304,670	2,617,317	**(405,645)**
All Others	-	635,513	**635,513**	191,377	-	25,147	20,325	133,482	**310,654**
Total	**-**	**40,154,124**	**40,154,124**	**26,408,866**	**10,776,610**	**1,246,876**	**1,044,799**	**10,994,407**	**2,750,851**

*Specific provisions represent Stage 3 Expected Credit Losses (ECL).
**General provisions represent Stage 1 and Stage 2 Expected Credit Losses (ECL).

Qualitative Disclosure Requirements Related to Credit Risk Mitigation Techniques – (CRC)

Please refer Note 46 in the annual financial statements for criteria, approach, structure and organization of credit risk management and reporting of risk exposures, risk mitigation and stress testing related to credit risk.

The Group has adopted comprehensive approach for collateral valuation assessment. Categories of collaterals include cash/fixed deposits, shares, guarantees (corporate and bank guarantees) and gold. As at 31 December 2022, total eligible collaterals held by the Group amounted to AED 38.7 billion (2021: AED 29.7 billion). CR3 table below discloses collaterals securing loans and debt securities only. Out of these, AED 16.08 billion (2021: AED 14.7 billion) were held as cash collaterals.

Credit risk mitigation techniques – overview (CR3)

The following table discloses the extent of use of credit risk mitigation techniques.

	a	b	c	d	e	f	g
31 December 2022 AED 000	Exposures unsecured: carrying amount	Exposures secured by collateral	Exposures secured by collateral of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1 Loans	361,201,247	51,388,565	19,870,357	4,014,580	728,558	-	-
2 Debt securities	118,742,580	-	-	-	-	-	-
3 Total	**479,943,827**	**51,388,565**	**19,870,357**	**4,014,580**	**728,558**	**-**	**-**
4 Of which defaulted	134,603	289,667	113,743	29,524	29,524	-	-

	a	b	c	d	e	f	g
31 December 2021 AED 000	Exposures unsecured: carrying amount	Exposures secured by collateral	Exposures secured by collateral of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1 Loans	360,833,964	55,837,027	24,065,031	5,601,399	1,075,069	-	-
2 Debt securities	102,850,718	-	-	-	-	-	-
3 Total	**463,684,682**	**55,837,027**	**24,065,031**	**5,601,399**	**1,075,069**	**-**	**-**
4 Of which defaulted	2,713,101	37,750	11,205	-	-	-	-

Qualitative Disclosures on Banks' Use Of External Credit Ratings Under The Standardised Approach For Credit Risk (CRD)

Recognition of External Credit Assessment Institutions (ECAI)

The standardised approach requires banks to use risk assessments prepared by ECAIs to determine the risk weightings applied to rated counterparties. As advised by CBUAE; Moody's Investor Service (Moody's), Standard and Poor's rating agency (S&P) and Fitch Ratings (Fitch) have been used for ratings purpose.

The Group in line with CBUAE guidelines follows below rating matrix in determining the risk weights.

Long term rating correspondence

S & P	Fitch	Moody's
AAA to AA-	AAA to AA-	Aaa to Aa3
A+ to A-	A+ to A-	A1 to A3
BBB+ to BBB-	BBB+ to BBB-	Baa1 to Baa3
BB+ to BB-	BB+ to BB-	Ba1 to Ba3
B+ to B-	B+ to B-	B1 to B3
Below B-	Below B-	Below B-
Unrated	Unrated	Unrated

If there is only one rating, that rating is used to determine the risk weight of the exposure. If there are two ratings that map to different risk weights, the higher risk weight is applied.

If there are three ratings with different risk weights, the ratings corresponding to the two lowest risk weights is referred to. If these give rise to the same risk weight, that risk weight is applied. If different, the higher risk weight is applied.

ECAIs risk assessments are used within the Group as part of the determination of risk weightings for the following classes of exposure:

- Sovereigns
- Public Sector Enterprises
- Banks
- Corporates

All other exposure classes are assigned risk weightings as prescribed in the CBUAE standards.

Credit risk exposure and Credit Risk Mitigation (CRM) effects (CR4)

The following table illustrates the effect of CRM on capital calculations and RWA density, providing a synthetic metric on riskiness of each portfolio.

31 December 2022	Exposure before CCF and CRM		Exposure post CCF and CRM		RWA and RWA Density	
Asset Class	**On Balance Sheet AED 000**	**Off Balance Sheet AED 000**	**On Balance Sheet AED 000**	**Off Balance Sheet AED 000**	**RWA AED 000**	**RWA Density**
Sovereigns and their central banks	285,055,364	7,546,195	285,037,420	6,943,357	48,763,928	17%
Public Sector Entities (PSEs)	59,171,481	29,647,331	56,753,562	8,105,173	56,699,716	87%
Multilateral Development Banks (MDBs)	949,782	293	949,782	59	-	0%
Banks	80,791,040	25,521,061	73,393,033	18,584,764	46,971,033	51%
Securities firms	2	2,639	2	2,639	2,641	100%
Corporates	121,540,739	92,307,075	101,558,923	45,654,193	143,196,396	97%
Regulatory retail portfolios	80,087,721	52,660,795	77,725,509	2,886,318	60,804,088	75%
Secured by residential property	23,651,414	1,002,305	23,651,043	281,419	9,832,342	41%
Secured by commercial real estate	40,843,332	1,052,905	39,728,310	604,344	40,332,653	100%
Equity Investment in Funds (EIF)	82,081	-	82,081	-	1,026,015	1250%
Past-due loans	40,214,291	2,750,088	339,850	2,750,088	3,533,519	114%
Higher-risk categories	-	-	-	-	-	-
Other assets	28,942,498	-	28,942,498	-	18,403,637	64%
Total	**761,329,745**	**212,490,687**	**688,162,013**	**85,812,354**	**429,565,968**	**56%**

Credit risk exposure and Credit Risk Mitigation (CRM) effects (CR4) (Continued)

31 December 2021	Exposure before CCF and CRM		Exposure post CCF and CRM		RWA and RWA Density	
	On Balance Sheet AED 000	Off Balance Sheet AED 000	On Balance Sheet AED 000	Off Balance Sheet AED 000	RWA AED 000	RWA Density
Sovereigns and their central banks	305,734,329	1,765,500	305,734,326	1,317,757	45,232,361	15%
Public Sector Entities (PSEs)	35,720,464	13,954,226	35,715,371	5,227,857	37,397,344	91%
Multilateral Development Banks (MDBs)	740,906	5,036	740,906	5,036	-	0%
Banks	51,351,600	24,917,640	50,212,347	16,906,397	35,843,585	53%
Securities firms	-	3,584	-	3,584	3,584	100%
Corporates	120,132,067	89,831,176	95,269,841	56,102,482	147,087,488	97%
Regulatory retail portfolios	69,575,620	43,928,743	65,916,307	2,459,664	53,119,090	78%
Secured by residential property	21,790,376	-	21,790,376	-	10,272,191	47%
Secured by commercial real estate	39,522,049	8,192,505	39,522,049	2,405,493	41,927,542	100%
Equity Investment in Funds (EIF)	87,604	-	87,604	-	1,095,047	1250%
Past-due loans	40,154,122	1,889,375	2,843,221	1,889,375	5,053,537	107%
Higher-risk categories	-	-	-	-	-	-
Other assets	23,046,051	-	23,046,051	-	15,912,331	69%
Total	**707,855,188**	**184,487,785**	**640,878,399**	**86,317,645**	**392,944,100**	**54%**

Exposures by asset classes and risk weights - (CR5)

The following table presents the breakdown of credit risk exposures under the standardised approach by asset class and risk weight.

Exposures amount (post CCF and post CRM)

31 December 2022 AED 000	Risk weights								
Regulatory portfolio	**0%**	**20%**	**35%**	**50%**	**75%**	**100%**	**150%**	**Others**	**Total credit exposure**
Sovereigns	234,655,652	10,277,359	-	1,238,012	-	45,250,364	559,390	-	291,980,777
Public Sector Entities (PSEs)	-	9,800,025	-	637,998	-	54,420,712	-	-	64,858,735
Multilateral development banks (MDBs)	949,841	-	-	-	-	-	-	-	949,841
Banks	80,543	34,267,968	-	35,155,475	-	22,330,199	139,613	3,999	91,977,797
Securities firms	-	-	-	-	-	2,641	-	-	2,641
Corporates	-	1,267,374	-	3,635,704	-	134,146,725	60,813	8,102,500	147,213,116
Regulatory retail portfolios	-	2,090	-	5,519	79,213,227	1,390,991	-	-	80,611,827
Secured by residential property	-	-	20,875,366	-	2,124,529	932,567	-	-	23,932,462
Secured by commercial real estate	-	-	-	-	-	40,332,654	-	-	40,332,654
Equity Investment in Funds (EIF)	-	-	-	-	-	-	-	82,081	82,081
Past-due loans	-	18,890	-	2,243	-	2,149,172	919,633	-	3,089,938
Higher-risk categories	-	-	-	-	-	-	-	-	-
Other assets	12,322,081	312,393	-	-	-	14,342,867	914,600	1,050,557	28,942,498
Total	**248,008,117**	**55,946,099**	**20,875,366**	**40,674,951**	**81,337,756**	**315,298,892**	**2,594,049**	**9,239,137**	**773,974,367**

Exposures by asset classes and risk weights (CR5) (Continued)

31 December 2021
AED 000

Regulatory portfolio	Risk weights								
	0%	20%	35%	50%	75%	100%	150%	Others	Total credit exposure
Sovereigns	254,146,983	8,949,332	-	1,026,552	-	42,929,215	-	-	307,052,082
Public Sector Entities (PSEs)	-	2,830,471	-	2,563,016	-	35,549,741	-	-	40,943,228
Multilateral development banks (MDBs)	745,942	-	-	-	-	-	-	-	745,942
Banks	669	23,824,381	-	23,881,730	-	18,815,505	209,735	386,724	67,118,744
Securities firms	-	-	-	-	-	3,584	-	-	3,584
Corporates	185,900	1,917,190	-	1,386,899	-	135,404,117	-	12,478,217	151,372,323
Regulatory retail portfolios	107,707	-	-	-	60,596,692	7,671,572	-	-	68,375,971
Secured by residential property	-	-	16,777,359	-	2,451,609	2,561,408	-	-	21,790,376
Secured by commercial real estate	-	-	-	-	-	41,927,542	-	-	41,927,542
Equity Investment in Funds (EIF)	-	-	-	-	-	-	-	87,604	87,604
Past-due loans	-	-	-	-	-	4,090,714	641,882	-	4,732,596
Higher-risk categories	-	-	-	-	-	-	-	-	-
Other assets	8,658,143	194,297	-	291,036	-	11,947,781	1,106,812	847,982	23,046,051
Total	**263,845,344**	**37,715,671**	**16,777,359**	**29,149,233**	**63,048,301**	**300,901,179**	**1,958,429**	**13,800,527**	**727,196,043**

Risk weight composition on banks has improved due to higher quality exposures during the year, coupled with overall increase in exposures across all asset classes.

Counterparty Credit Risk - (CCR)

Counterparty Credit Risk (CCR) is the risk that the counterparty to a transaction could default before the final settlement. The value of derivative transactions will change with fluctuations in factors such as interest rates, foreign exchange rates, equities or commodities. The Group is exposed to CCR from its sales, trading and balance sheet management activities. CCR is managed through the Counterparty Credit Risk Policy and methodology framework.

Counterparty Credit Risk Oversight and Management

The Board Credit and Investment Committee (BCIC) is the board level committee with an oversight on counterparty credit risk. The Group Risk Committee (GRC) and Management Credit Committee (MCC) are the management level committees responsible for the same and have an oversight on policy, methodology and limit framework.

Group Market & Treasury Credit Risk (MTCR) is a group function which is independent from the first line client relationship and product risk taking units. MTCR reports directly to the Group Chief Risk Officer (CRO), has second line responsibility for measuring, monitoring and assisting with managing counterparty credit risk in the Group.

Identification

Existing credit underwriting process, New Products and Process Approvals (NPPA) and ongoing discussions with business units and obligors are the methods adopted by the Group in its CCR management process.

Measurement

Mark-to-Market, Potential Future Exposure, Issuer (Risk) Exposure, Repo Exposure and Settlement (Risk) Exposure are calculated and reported on a daily basis. Approved risk measurement methodology is used to model statistical CCR measures such as the Potential Future Exposure (PFE). For derivative contracts, the total credit exposure of a contract is computed as peak exposure at a specified confidence interval over the remaining term of the contract.

Monitoring, Control and Reporting

Only authorised sales and trading activities for approved products and risk types are used by the Global Markets & Treasury business. Limits are approved to reflect credit exposure amount and tenor appetite. CCR positions are monitored daily against approved and allocated CCR limits. Exceptions, including any temporary breaches, are reported and escalated to senior management. CCR Limits are reviewed annually in accordance with applicable credit policies, processes and approval delegation. Interim reviews are undertaken where necessitated by change in counterparty credit worthiness and/or business plans. Appropriate counterparty credit limits are established for each counterparty based on the Group's assessment of the counterparty's creditworthiness. CCR limits are subject to regular review and are approved within the overarching framework of credit risk management. Counterparties are actively monitored and reviewed. Collateral may be taken to partially or fully cover mark-to-market exposures on outstanding positions. The collateral agreement typically includes a minimum threshold amount where additional collateral is to be posted by either party if the mark-to-market exposures exceed the agreed threshold. Master agreements, such as those from the International Swaps and Derivatives Agreement (ISDA) also allow for closeout netting if either counterparty defaults. The group also uses Central Clearing Counterparty (CCP) through clearing banks to reduce counterparty risk for Over the Counter (OTC) derivatives.

Counterparty Credit Risk Limits

The Group's credit policy focuses on the core credit principles, lending guidelines and parameters, control, monitoring and IFRS 9 reporting requirements, problem loan identification, management of high-risk borrowers and provisioning. Standard procedures specific to businesses are in place to manage various types of risks across different business segments, products and portfolios.

Counterparty Credit Risk Capital Calculation

For regulatory capital charge purposes of Over the Counter (OTC) derivatives, the Group calculates pre-settlement capital adequacy requirement using following counterparty credit risk measures:

Counterparty Credit Risk - (CCR) (Continued)

- Standardised Approach to Counterparty Credit Risk Capital Calculation (SA-CCR) – Transition from current exposure method from December 2021
- Standardised Credit Valuation Adjustment Capital Charge (S-CVA) from 30 June 2022

Risk Category	Approach	Application
Derivatives	Standardised Approach for Counterparty Credit Risk (SA-CCR)	SA-CCR calculates the exposure at default of derivatives and “long-settlement transactions” exposed to counterparty credit risk. It builds EAD as (i) a “Replacement Cost”, were the counterparty to default today; combined with (ii) an “Add On” with its appropriate multiplier, essentially potential future exposure. The SA-CCR EAD is an input to the bank’s regulatory capital calculation where it is combined with the counterparty’s external ratings to derive risk weights.
	Standardised Credit Valuation Adjustment (S-CVA)	Group also provides capital requirement to cover the risk of mark-to-market losses on the expected counterparty risk (such losses being known as CVA) to OTC derivatives.

Wrong Way Risk (WWR)

WWR arises when there is adverse (positive) correlation between a client’s credit worthiness (probability of default) and the Group’s credit exposure to that client. Wrong Way Risk is broadly categorised as either general or specific.

General Wrong Way Risk (GWWR) – GWWR arises where there is adverse (positive) correlation between the client’s credit worthiness (PD) and the Group’s exposure to the client owing to a co-dependency on non-client specific, market driven risk factors such as market levels for Forex, Interest Rates or Commodities. GWWR transactions are strongly discouraged and require pre-approval.

Specific Wrong Way Risk (SWWR) - SWWR arises when there is adverse (positive) correlation between the client’s credit worthiness (PD) and the Group’s exposure to the client owing to the respective counterparty-group specific reasons. These would include trades with direct or indirect reference (including underlying collateral) to the counterparty or related entity’s (parent, holding company, subsidiary, group entity) equity price or credit spread. These also include direct or indirect reference to the Group’s security issuances. SWWR transactions are not permitted unless pre-approved.

Policy guidelines related to WWR are integrated in the Group’s Counterparty Credit Risk Policy Framework. The goal of these guidelines is to provide best practices and guidelines for the identification, approval, reporting and mitigation of specific and general WWR.

Derivative Master Netting Agreements and Margin Agreements

Credit risk from derivatives is mitigated where possible through netting agreements whereby derivative assets and liabilities with the same counterparty can be offset. The Group policy requires all netting arrangements to be legally documented. ISDA (International Swaps and Derivatives Association) master agreements are the Group’s preferred manner for documenting OTC derivatives.

The agreements provide the contractual framework within which dealing activities across a full range of OTC products are conducted and contractually bind both parties to apply close-out netting across all outstanding transactions covered by an agreement if either party defaults or other predetermined events occur.

Counterparty Credit Risk - (CCR) (Continued)

The Group considers the level of legal certainty regarding enforceability of its offsetting rights under master netting agreements and credit support annexes to be an important factor in its risk management process.

In-house legal counsel independently review relevant jurisdictions, counterparties and respective master agreements and advise business and risk units on close-out netting and collateral enforceability.

The SA-CCR and S-CVA capital charge accordingly incorporates the margining impact due to these enforceable netting and margining agreements.

Impact of the Group’s Rating downgrade on Collateral

The liquidity impact of a downgrade on collateral management from the Group’s perspective is not material as the collateral agreements are generally not linked to Group’s rating.

Analysis of counterparty credit risk (CCR) exposure (CCR1)

The following table provides details of counterparty credit risk regulatory requirements and the main parameters. CBUAE requires banks to calculate CCR using standardised approach

SA-CCR (for derivatives)

		a	b	c	d	e	f
	31 December 2022	**Replacement cost AED 000**	**Potential future exposure AED 000**	**EEPE AED 000**	**Alpha used for computing regulatory EAD**	**EAD post-CRM AED 000**	**RWA AED 000**
1	SA-CCR (for derivatives)	4,152,404	5,377,285	-	1.4	13,341,565	8,669,836
2	Simple Approach for credit risk mitigation (for SFTs)	-	-	-	-	-	-
3	Comprehensive Approach for credit risk mitigation (for SFTs)	-	-	-	-	-	-
4	**Total**	**4,152,404**	**5,377,285**	**-**	**-**	**13,341,565**	**8,669,836**

		a	b	c	d	e	f
	31 December 2021	**Replacement cost AED 000**	**Potential future exposure AED 000**	**EEPE AED 000**	**Alpha used for computing regulatory EAD**	**EAD post-CRM AED 000**	**RWA AED 000**
1	SA-CCR (for derivatives)	4,183,473	9,002,711	-	1.4	18,460,657	11,335,237
2	Simple Approach for credit risk mitigation (for SFTs)	-	-	-	-	-	-
3	Comprehensive Approach for credit risk mitigation (for SFTs)	-	-	-	-	-	-
4	**Total**	**4,183,473**	**9,002,711**	**-**	**-**	**18,460,657**	**11,335,237**

Credit valuation adjustment (CVA) capital charge – (CCR2)

	31 December 2022	a	b
		EAD post-CRM AED 000	**RWA AED 000**
1	All portfolios subject to the Standardised CVA capital charge	13,341,565	8,010,170
2	All portfolios subject to the Simple alternative CVA capital charge	-	-

	30 June 2022	a	b
		EAD post-CRM AED 000	**RWA AED 000**
1	All portfolios subject to the Standardised CVA capital charge	18,805,357	8,286,936
2	All portfolios subject to the Simple alternative CVA capital charge	-	-

CCR exposures by regulatory portfolio and risk weights – (CCR3)

The following table presents information on the risk-weighting of CCR exposures under the standardised approach by regulatory portfolio.

31 December 2022 AED 000	a	b	c	d	e	f	g	h
Risk weight Regulatory portfolio	**0%**	**20%**	**50%**	**75%**	**100%**	**150%**	**Others**	**Total credit exposure**
Sovereigns	29,215	-	-	-	167,704	-	-	196,919
Public Sector Entities (PSEs)	-	242,596	-	-	916,344	-	-	1,158,940
Multilateral development banks (MDBs)	-	-	-	-	-	-	-	-
Banks	-	1,876,843	5,228,371	-	1,413,337	3,040	3,999	8,525,590
Securities firms	-	-	-	-	2,639	-	-	2,639
Corporates	-	291,543	176,986	-	2,891,346	-	4,923	3,364,798
Regulatory retail portfolios	-	-	-	31,651	61,028	-	-	92,679
Secured by residential property	-	-	-	-	-	-	-	-
Secured by commercial real estate	-	-	-	-	-	-	-	-
Equity Investment in Funds (EIF)	-	-	-	-	-	-	-	-
Past-due loans	-	-	-	-	-	-	-	-
Higher-risk categories	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Total	**29,215**	**2,410,982**	**5,405,357**	**31,651**	**5,452,398**	**3,040**	**8,922**	**13,341,565**

CCR exposures by regulatory portfolio and risk weights – (CCR3) (Continued)

The following table presents information on the risk-weighting of CCR exposures under the standardised approach by regulatory portfolio.

31 December 2021 AED 000	a	b	c	d	e	f	g	h
Risk weight Regulatory portfolio	**0%**	**20%**	**50%**	**75%**	**100%**	**150%**	**Others**	**Total credit exposure**
Sovereigns	-	-	-	-	1,098,033	-	-	1,098,033
Public Sector Entities (PSEs)	-	-	1,030,276	-	650,895	-	-	1,681,171
Multilateral development banks (MDBs)	5,036	-	-	-	-	-	-	5,036
Banks	-	2,575,853	5,508,260	-	2,046,950	34,324	386,724	10,552,111
Securities firms	-	-	-	-	3,584	-	-	3,584
Corporates	-	1,624,051	149,786	-	3,101,637	-	-	4,875,474
Regulatory retail portfolios	-	-	-	217,889	27,359	-	-	245,248
Secured by residential property	-	-	-	-	-	-	-	-
Secured by commercial real estate	-	-	-	-	-	-	-	-
Equity Investment in Funds (EIF)	-	-	-	-	-	-	-	-
Past-due loans	-	-	-	-	-	-	-	-
Higher-risk categories	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-
Total	**5,036**	**4,199,904**	**6,688,322**	**217,889**	**6,928,458**	**34,324**	**386,724**	**18,460,657**

Composition of collateral for CCR exposure – (CCR5)

Below table provides the breakdown of types of collateral posted or received related to derivative transactions.

31 December 2022 AED 000	a	b	c	d	e	f
	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral			
	Segregated	Unsegregated	Segregated	Unsegregated	Fair value of collateral received	Fair value of posted collateral
Cash - other currencies	1,278,596	354,293	165,307	1,150,819	-	-
Government agency debt	-	-	-	-	-	-
Total	**1,278,596**	**354,293**	**165,307**	**1,150,819**	**-**	**-**

31 December 2021 AED 000	a	b	c	d	e	f
	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral			
	Segregated	Unsegregated	Segregated	Unsegregated	Fair value of collateral received	Fair value of posted collateral
Cash - other currencies	399,619	380,746	74,629	313,387	-	-
Government agency debt	-	-	-	-	-	-
Total	**399,619**	**380,746**	**74,629**	**313,387**	**-**	**-**

Credit derivative exposures – (CCR6)

The below table shows the credit derivative exposures that the Group holds.

	a	b	a	b
	31 December 2022 Protection bought AED 000	**31 December 2022 Protection sold AED 000**	**31 December 2021 Protection bought AED 000**	**31 December 2021 Protection sold AED 000**
Notional				
Single-name credit default swaps	73,450	55,088	36,725	-
Index credit default swaps	-	-	-	-
Total return swaps	894,054	894,054	1,219,554	1,219,554
Credit options	-	-	-	-
Other credit derivatives	-	-	-	-
Total notional	**967,504**	**949,142**	**1,256,279**	**1,219,554**
Fair values				
Positive fair value (asset)	-	250,922	142,263	-
Negative fair value (liability)	254,419	-	-	137,749

Exposures to central counterparties – (CCR8)

		a	b	a	b
		31 December 2022	31 December 2022	31 December 2021	31 December 2021
		EAD (post-CRM) AED 000	RWA AED 000	EAD (post-CRM) AED 000	RWA AED 000
1	**Exposures to QCCPs (total)**	**3,999**	**80**	**386,724**	**7,734**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contribution); of which:	3,999	80	386,724	7,734
3	(i) OTC derivatives	3,999	80	386,724	7,734
4	(ii) Exchange-traded derivatives	-	-	-	-
5	(iii) Securities financing transactions	-	-	-	-
6	(iv) Netting sets where cross-product netting has been approved	-	-	-	-
7	Segregated initial margin	-	-	-	-
8	Non-segregated initial margin	-	-	-	-
9	Pre-funded default fund contributions	-	-	-	-
10	Unfunded default fund contributions	-	-	-	-
11	**Exposures to non-QCCPs (total)**	-	-	-	-
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contribution); of which:	-	-	-	-
13	(i) OTC derivatives	-	-	-	-
14	(ii) Exchange-traded derivatives	-	-	-	-
15	(iii) Securities financing transactions	-	-	-	-
16	(iv) Netting sets where cross-product netting has been approved	-	-	-	-
17	Segregated initial margin	-	-	-	-
18	Non-segregated initial margin	-	-	-	-
19	Pre-funded default fund contributions	-	-	-	-
20	Unfunded default fund contributions	-	-	-	-

Market Risk

Market Risk is the risk that the value of financial instruments in the Group's books – with the inclusion of some other financial assets and liabilities could produce a loss because of changes in future market conditions.

The Group takes on market risks in the pursuit of its strategic and business objectives.

The Group predominantly pursues opportunities in the market that exposes itself to the following categories of market risk - which are actively managed and monitored:

- Interest Rate Risk: losses in value due to changes in the level, slope and curvature of yield curves, the volatility of interest rates and changes in credit spreads.
- FX Risk: losses in value due to exposures to changes in spot prices, forward prices and volatilities of currency rates.
- Credit Spread Risk: Losses in the value due to change in credit spreads driven by associated credit risk of the security issuer/underlying.
- Commodity Price Risk: losses in value due to exposures to changes in spot prices, forward prices and volatilities of commodities such as precious metals.

Respective desk head/managers are accountable for managing market risk within the approved limits. These managers have extensive knowledge of markets and products, their risk exposures and of the financial instruments available to hedge their exposures.

The Group's risk exposures to market risk are segregated into Trading and Banking Books. The Trading Book include those financial instruments held with trading intent arising from market-making, position-taking and other so designated financial instruments accounted for at fair value daily. The Banking Book include financial instruments not held with trading intent that arise from the management of Interest Rate risk and FX risk from the Group's retail and corporate and institutional banking assets and liabilities, and other financial investments designated as either Fair value through other comprehensive income (FVOCI) or Amortised Cost.

Market risk oversight and management process

As part of the Group's enterprise-wide risk management framework, an extensive governance process is applied to the market risk taking activities. This governance framework includes, inter alia:

- Approval by the Board Risk Committee and Group Asset-Liability Committee of a set of risk limits with appropriate monitoring, reporting and limits excesses' escalation procedures;
- Independent valuation of financial instruments in the Trading Book and measurement of market risk;
- A comprehensive set of policies, procedures and limits; and
- Monitoring a wide range of risk metrics appropriate for the respective trading activities - such as risk sensitivities, Gross and Net open positions, Value-at-Risk (VaR) and stop-loss limits.

The Group uses appropriate and independently validated market standard models for the revaluation and risk measurement of its trading book financial products and receives regular market information from independent market data providers in order to measure and monitor market risk.

Trading book oversight by Group Market & Treasury Credit Risk (MTCR)

MTCR is a group risk function which is independent from the first line market risk taking units. MTCR reports directly to the Group CRO, has second line responsibility for measuring, monitoring, and managing market risk in the Group, in co-operation with other independent and support functions across the Group's global businesses.

MTCR monitors the limits' utilisation in the Trading Book of the Group on a daily basis through a multi-layered Limit Monitoring System which uses independently sourced data and reports from the Global Markets & Treasury IT systems.

Market Risk (Continued)

Depending on the trading exposure and as appropriate, MTCR uses appropriate metrics including:

- Non statistical metrics: Interest rate sensitivity, (DV01/PV01), FX sensitivity (FX01), Net open/Net Gross outstanding positions, Maximum notional and tenor measures, Derivatives' Greek sensitivities (Delta, Gamma, Vega), and Stop-Loss limits;
- Statistical metrics: Value-at-Risk (VaR), by Desk as well as total for the whole Trading Book.

At a minimum, Trading Book limits are reviewed and approved by the Board Risk Committee and Group Asset-Liability Committee on an annual basis. Portfolio updates are presented to Group Asset-Liability Committee on a monthly basis as well as to Board Risk Committee on a quarterly basis.

Market Risk Capital

The Group calculates market risk capital requirements using Basel III Standardised Approach. The following risk types are covered by Basel III Standardised Approach:

Interest rate risk:	Risk arising from fluctuations in the level of interest rates in the market environment and impacts prices of interest rate sensitivities financial instruments.
Equity risk:	Risk arising from fluctuations in equity prices, volatilities and dividend yields.
Foreign exchange risk:	Risk arising from fluctuations in foreign exchange rates and impacts transactions denominated in a currency other than the domestic currency of the Group.
Commodity risk:	Risk arising from fluctuations in the prices of commodities.
Options Risk:	Risk arising from fluctuations in the volatilities and prices/rates impacts financial instruments with optionality.

Market risk under the Standardised approach – (MR1)

The following table provides the components of capital requirement under the Standardised Approach for market risk:

		31 December 2022 RWA AED 000	**31 December 2021 RWA AED 000**
1	General Interest rate risk (General and Specific)	11,464,407	7,896,037
2	Equity risk (General and Specific)	-	-
3	Foreign exchange risk	999,383	2,052,365
4	Commodity risk	-	-
	Options		
5	Simplified approach	-	-
6	Delta-plus method	506,453	996,902
7	Scenario approach	-	-
8	Securitisation	-	-
9	**Total**	**12,970,243**	**10,945,304**

Operational Risk - (ORA)

For details of Group's Operational Risk Management, kindly refer Note 46L in the Financial Statements.

Basel III framework outlines three methods for calculating the risk charge for operational risk: Basic Indicator, Standardised Approach and Advanced Measurement Approach. The Group presently follows the Standardised Approach.

The total capital requirement for Operational Risk as at 31 December 2022 is AED 7.0 billion (2021: AED 6.2 billion). This charge is computed by categorising the Group's activities into 8 business lines (as defined by CBUAE guidelines) and multiplying the line's three-year average gross income by a pre-defined beta factor.

Interest Rate Risk in The Banking Book (IRRBB)

IRRBB Risk Management Objectives and Policies – (IRRBBA)

Overview

Interest Rate Risk in the Banking Book (IRRBB) is defined as potential loss of future earnings or economic value due to adverse movement in interest rates, which arises from a mismatch in the repricing profile of assets, liabilities and off-balance sheet items in the banking book.

Management

In order to manage this risk optimally, IRRBB in non-trading portfolios is transferred to Group Treasury under the supervision of the Group ALCO, through Funds Transfer Pricing (FTP) framework. Interest rate risk is managed by Treasury under oversight of Group ALCO and within the Risk Appetite approved by the Board. The interest rate risk management process also involves utilisation of off-balance sheet hedging strategies. The accounting treatment of hedges is described in the Note no.7 of the Financial Statement. The Finance and Risk functions are responsible for measurement, monitoring, formulation of policy framework and provide periodic updates to the Group ALCO and the BRC. The Internal Audit provides an independent opinion to the Board Audit Committee(BAC) on the adequacy and effectiveness of risk governance and internal controls. The Group ALCO regularly monitors the interest rate risk positions and if required directs suitable remediation to ensure this remains within Risk Appetite.

Measurement

The Group uses two key metrics for measuring IRRBB: Net Interest Income (NII) sensitivity, an income measure which quantifies the potential change in projected net interest income over a one-year horizon for defined movements in interest rates and Economic Value of Equity (EVE), a value measure which estimates the potential change in present value of the Group's Assets and Liabilities for defined movements in interest rates. These metrics are measured and monitored on periodic basis.

The NII sensitivity disclosed below is calculated based on a stressed assumption of parallel shifts to the yield curve as recommended by Basel and assessing the corresponding impact on NII over a one-year horizon. The EVE sensitivity disclosed below is calculated based on a stressed assumption of parallel and non-parallel shifts to the yield curve as recommended by Basel. Further, the EVE computations are based on a gap analysis with a repricing schedule that distributes the principal cash flows into granular time buckets and discounted with the equivalent risk-free rate. For December 2021, the sensitivity analysis performed for down rate shocks includes a floor to the market rates at zero, unless the market rates are already negative. The average repricing maturity of retail, wholesale non-maturity deposits are determined based on historical analysis conducted normally over a period of 5 years. Considering the nature, size, and duration of the portfolio, the interest rate risk on account of early settlement would not be significant relative to the portfolio and is excluded from computation assumptions.

Quantitative Disclosure

- Average repricing maturity assigned to NMDs – 2.3 years
- Longest repricing maturity assigned to NMDs – 5 years

Sensitivity of economic value of equity and NII - IRRBB1

The below table indicates the economic value of equity and net interest income under each of the prescribed interest rate shock scenarios.

In reporting currency (AED 000)	ΔEVE		ΔNII	
Period	**2022**	**2021**	**2022**	**2021**
Parallel up	955,690	965,777	3,012,160	3,007,810
Parallel down	723,816	348,133	(4,532,000)	(410,762)
Steepener	1,702,212	1,765,963	-	-
Flattener	289,915	318,773	-	-
Short rate up	572,245	482,950	-	-
Short rate down	2,034,961	1,312,311	-	-
Maximum	2,034,961	1,765,963	-	-
Period	**31 December 2022**		**31 December 2021**	
Tier 1 capital	**85,710,591**		**76,592,628**	

Liquidity

Overview and Governance

Liquidity Risk refers to the inability of the Group to fund an increase in assets and meet obligations as they become due (Structural Funding Risk), or the inability to convert assets into cash at reasonable prices (Market Liquidity Risk). The risk arises from mismatches in the amount and timings of cash flows.

The Group's Board of Directors (BOD), through the Board Risk Committee (BRC), sets out the absolute boundaries of the Group's Risk Appetite. The Group Asset Liability Committee (Group ALCO) is the principal senior management committee supporting the BOD to effectively discharge their oversight function on the Group's liquidity risk. Group ALCO is responsible for managing the liquidity risk within the internally approved Risk Appetite. The Group ALCO executes the liquidity risk management strategies through Treasury and Business units. The Finance and Risk functions are responsible for measurement, monitoring, formulation of policy framework and provide periodic updates to the Group ALCO and the BRC. The subsidiaries and international locations manage the liquidity risk profile through the local ALCOs under the guidance of the Group ALCO.

Management

The objective of the Group's liquidity and funding management framework is to ensure that all foreseeable funding commitments, under both normal and stressed conditions can be met when due. To this end, the Group maintains a diversified funding base comprising core retail and corporate customer deposits and institutional balances. The funding profile is further augmented with Term funding from Capital Market and Wholesale funding sources. The Group maintains a portfolio of High Quality, Liquidity Assets across the geographies to enable the Group to respond quickly and smoothly to unforeseen liquidity requirements. The details of liquidity risk maturity analysis are in the Note 46 N & O of the annual financial statements.

Liquidity (continued)

The Group's ALCO through the Funds Transfer Pricing (FTP) framework incorporates the liquidity costs, benefits and risks in the internal pricing of assets and liabilities to the business lines.

The funding liquidity management process includes:

- projecting cash flows under various stress scenarios and considering the level of liquid assets necessary in relation thereto;
- mismatch analysis between assets and liabilities for different periods with a focus on shorter time frames. These gap reports are based on contractual cash flow with overlays of behavioural assumptions for non-maturing assets and liabilities and potential liquidity demand through undrawn commitments;
- monitoring balance sheet liquidity, advances to deposits ratios, long term funding ratios, Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) against internal and regulatory requirements;
- maintaining a diverse range of funding sources with back-up facilities;
- managing the deposit concentration and profile of debt maturities;
- maintaining debt financing plans;

Stress Testing

Stress Testing is an integral part of the Liquidity Risk Management Framework. The objective of stress testing is to ensure that the Group maintains adequate level of liquidity to be able to withstand a range of severe stress scenario. The Group conducts liquidity stress testing across Systemic, Bank Specific and Combined Scenarios and ensures that the Survival Horizon across these stress scenarios remains within the Board approved appetite. The Stress Tests are conducted on a periodic basis and updated to the Group ALCO and the BRC.

Contingency Funding Plan

The Contingency Funding Plan (CFP) sets out the Group's strategies to respond to a severe disruption of the Group's liquidity or funding position due to internal or external events. The plan designates the CFP Team, which will be activated in the event of a liquidity crisis and establishes allocation of roles within the Team. The CFP includes a set of early warning triggers consisting of internal and external indicators, which are monitored by Group ALCO and updated to the BRC. The plan includes identification, invocation and escalation procedures and details potential actions, available sources of liquidity, mitigations and specifies a communication plan, which could be implemented based on the severity of the liquidity crisis.

Liquidity Coverage Ratio (LCR) (LIQ1)

The Liquidity Coverage Ratio (LCR) is a regulatory ratio introduced as a part of the Basel III reforms with an objective to promote short term resilience of the liquidity risk profile of Banks. The ratio requires the Banks to hold an adequate stock of High Quality Liquid Assets (HQLA) to meet the liquidity needs for a 30-calendar day liquidity stress scenario.

The Group measures and reports its LCR under the Central Bank of UAE liquidity regulations. The Group also meets the local prudential LCR requirements across the international footprint, where applicable. The LCR is calculated as a proportion of the stock of unencumbered HQLA against the Net Cash Outflow over a 30-day period after applying the standardised haircuts.

The HQLA comprises cash or assets that can be converted into cash at little or no loss of value. The HQLA eligible securities fall into three categories viz. level 1, level 2A and level 2B. Level 1 assets are of the highest quality and deemed most liquid e.g., Central Bank reserves. Level 2A and 2B assets are reliable source of liquidity but not to the same extent as level 1 and are capped at a maximum of 40% by the regulations.

The Net Cash Outflow comprise of total expected cash outflow as reduced by total expected cash inflows for the 30-day period. The total expected cashflows are calculated by multiplying the outstanding balances of various categories of liabilities, assets and off-balance sheet commitments by prescribed rate at which they are expected to be run off or drawn down over the 30-day period.

Liquidity (continued)

Liquidity Coverage Ratio (LCR) (LIQ1) (Continued)

The LCR calculated based on CBUAE regulations is included in the following table. The LCR disclosure below is a simple average of the month end Group LCR observations over the last quarter of the year.

	AED 000	December 2022 Total unweighted value (average)	December 2022 Total weighted value (average)	December 2021 Total unweighted value (average)	December 2021 Total weighted value (average)
1	Total HQLA		141,550,758		138,634,283
2	**Retail deposits and deposits from small business customers, of which:**				
3	Stable deposits	5,400,858	270,043	6,482,588	324,129
4	Less stable deposits	249,720,492	22,573,622	219,153,867	20,013,045
5	**Unsecured wholesale funding, of which:**				
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	48,112,594	12,028,149	31,121,887	7,780,472
7	Non-operational deposits (all counterparties)	126,039,686	57,838,280	122,658,797	55,615,589
8	Unsecured debt	-	-	-	-
9	**Secured wholesale funding**	-	36,179	-	145,506
10	**Additional requirements, of which:**				
11	Outflows related to derivative exposures and other collateral requirements	5,202,446	5,202,446	4,710,557	4,710,557
12	Outflows related to loss of funding of debt products	-	-	-	-
13	Credit and liquidity facilities	120,041,873	9,363,161	97,921,508	7,348,259
14	Other contractual funding obligations	8,149,694	8,149,694	7,443,595	7,443,595
15	Other contingent funding obligations	74,174,211	9,192,511	77,531,561	9,644,586
16	**TOTAL CASH OUTFLOWS**		124,654,085		113,025,738
17	Secured lending (e.g., reverse repo)	2,050,564	1,538,095	1,762,516	1,379,927
18	Inflows from fully performing exposures	46,445,951	37,722,169	34,432,713	27,010,206
19	Other cash inflows	472,582	472,582	1,288,370	1,288,370
20	**TOTAL CASH INFLOWS**	**48,969,097**	**39,732,846**	**37,483,599**	**29,678,503**
			Total adjusted value		**Total adjusted value**
21	**Total HQLA**		**141,550,758**		**138,634,283**
22	**Total net cash outflows**		**84,921,239**		**83,347,234**
23	**Liquidity coverage ratio (%)**		**166.68%**		**166.33%**

The Group maintained a LCR of 166.68% on an average during last quarter of the reporting year and 182.34% at the year end, which is in excess of the regulatory minimum of 100%. The LCR is influenced by the amount, profile of the funding base and the deployment of funding into customer lending or HQLA investments. The deployment alternatives are assessed on an ongoing basis and adjusted as per the market opportunities, while maintaining a prudent LCR surplus.

Liquidity (Continued)

Liquidity Coverage Ratio (LCR) (LIQ1) (Continued)

The HQLA over the reporting period was 141.6 billion and 90% of this comprised HQLA Level 1 assets, which represents balances held with Central Bank and other high quality sovereign securities. HQLA Level 2A and 2B assets comprised the remaining 10% of the total HQLA. The HQLA presented excludes excess liquidity held at subsidiaries that is deemed not transferable within the Group.

The retail deposits are prescribed a lower run-off factor and comprise 18% of the total cash outflow, whereas wholesale funding is prescribed a higher run-off and comprise 56% of the total cash outflows.

The Group manages liquidity at currency level and cross currency funding is utilised appropriately to manage the currency gaps. The Group measures LCR for major currencies and meets the local currency LCR as per the applicable local prudential requirements.

Net Stable Funding Ratio (NSFR) (LIQ2)

The Net Stable Funding Ratio (NSFR) is a regulatory ratio introduced as part of Basel III reforms with an objective to promote a sustainable funding structure at the Banks. The ratio requires the Banks to maintain a stable funding profile in relation to the composition of their assets and off-balance sheet activities.

The Group measures and reports its NSFR under the Central Bank of UAE liquidity regulations. The Group also meets the local prudential NSFR requirements across the international footprint, where applicable.

The NSFR is calculated as a proportion of Available Stable Funding (ASF) against the Required Stable Funding (RSF). The ASF is defined as the portion of Capital and Liabilities expected to be stable over the time horizon of one year considered by NSFR. The RSF is measured based on broad characteristic of the liquidity risk profile of the Assets and Off-balance sheet exposures. The regulations prescribe the factor to be applied to the outstanding value of Capital, Liabilities, Assets and Off-balance sheet items for NSFR computation.

Net Stable Funding Ratio (NSFR) (LIQ2) (Continued)

The NSFR computed based on Central Bank of UAE regulations is included in the following table. The NSFR disclosure below is a simple average of the month end Group NSFR observations over the last quarter of the year.

31 December 2022 **AED 000**	a	b	c	d	e
	Unweighted value by residual maturity				
	No maturity*	**<6 months**	**6 months to <1 year**	**≥1 year**	**Weighted value**
Available stable funding (ASF) item					
1 Capital:	-	-	-	97,442,541	97,442,541
2 Regulatory capital	-	-	-	-	-
3 Other capital instruments	-	-	-	-	-
4 Retail deposits and deposits from small business customers:	-	-	-	-	-
5 Stable deposits	-	5,319,920	35,201	981	5,088,346
6 Less stable deposits	-	212,972,665	9,232,282	4,008,641	203,993,093
7 Wholesale funding:	-	-	-	-	-
8 Operational deposits	-	48,112,594	-	-	24,056,297
9 Other wholesale funding	-	195,748,037	33,649,318	63,023,122	162,792,373
10 Liabilities with matching interdependent assets	-	-	-	-	-
11 Other liabilities:	-	-	-	-	-
12 NSFR derivative liabilities				21,735,162	
13 All other liabilities and equity not included in the above categories	-	53,730,315	204,882	-	102,441
14 Total ASF					**493,475,091**

Net Stable Funding Ratio (NSFR) (LIQ2) (Continued)

31 December 2022 AED 000	a	b	c	d	e
	Unweighted value by residual maturity				
	No maturity*	<6 months	6 months to <1 year	≥1 year	Weighted value
Required stable funding (RSF) item					
15 Total NSFR high-quality liquid assets (HQLA)		103,555,078	14,871,410	59,277,505	14,147,791
16 Deposits held at other financial institutions for operational purposes	-	-	-	306,736	306,736
17 Performing loans and securities:	-	-	-	-	-
18 Performing loans to financial institutions secured by Level 1 HQLA	-	74,541	-	-	7,454
19 Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	51,630,182	11,823,474	8,556,223	22,212,487
20 Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	-	83,063,815	30,499,491	218,720,168	242,825,918
21 With a risk weight of less than or equal to 35% under the standardised approach for credit risk	-	-	-	139,184	90,469
22 Performing residential mortgages, of which:	-	-	-	-	-
23 With a risk weight of less than or equal to 35% under the standardised approach for credit risk	-	-	-	106,948,997	69,516,848

Net Stable Funding Ratio (NSFR) (LIQ2) (Continued)

31 December 2022 AED 000	a	b	c	d	e
	Unweighted value by residual maturity				
	No maturity*	<6 months	6 months to <1 year	≥1 year	Weighted value
24 Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	2,124,101	2,580,095	5,623,420	7,132,005
25 Assets with matching interdependent liabilities	-	-	-	-	-
26 Other assets:	-	-	-	-	-
27 Physical traded commodities, including gold	123,273				104,782
28 Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				2,024,068	1,720,917
29 NSFR derivative assets				18,142,466	-
30 NSFR derivative liabilities before deduction of variation margin posted				21,735,163	4,347,033
31 All other assets not included in the above categories	-	381,299	-	24,749,594	24,749,594
32 Off-balance sheet items	194,421,707	-	-	-	19,210,158
33 Total RSF					**406,372,192**
34 Net Stable Funding Ratio (%)					**121.43%**

*Items to be reported in the "No maturity" time bucket do not have stated maturity. These may include, but are not limited to items such as capital with perpetual maturity, non maturity deposit, short positions, open maturity positions, non HQLA equities and physical traded.

The Group maintained a NSFR of 121.43% on an average during last quarter of the reporting year and 122.77% as at the year ended 31 December 2022, which is in excess of the regulatory minimum of 100%. The Group maintains a diversified funding base comprising core retail and corporate customer deposits, institutional balances and capital market term funding. This is illustrated in the composition of Available Stable Funding (ASF) broadly consisting of Capital (20%), Retail deposits (42%) and Wholesale deposits (38%). The Required Stable Funding (RSF) largely comprised the Loan and Advances (82%) whereas the securities held in HQLA assets are prescribed a lower RSF factor.

Net Stable Funding Ratio (NSFR) (LIQ2) (Continued)

The NSFR computed based on Central Bank of UAE regulations is included in the following table. The NSFR disclosure below is a simple average of the month end Group NSFR observations over the last quarter of the year.

31 December 2021 AED 000		a	b	c	d	e
		Unweighted value by residual maturity				
Available stable funding (ASF) item		**No maturity***	**<6 months**	**6 months to <1 year**	**≥1 year**	**Weighted value**
1	Capital:	-	-	-	-	-
2	Regulatory capital	-	-	-	87,844,223	87,844,223
3	Other capital instruments	-	-	-	-	-
4	Retail deposits and deposits from small business customers:	-	-	-	-	-
5	Stable deposits	-	4,937,644	27,522	2,290	4,719,198
6	Less stable deposits	-	189,374,087	9,452,331	3,136,900	182,080,676
7	Wholesale funding:	-	-	-	-	-
8	Operational deposits	-	31,962,354	-	-	15,981,177
9	Other wholesale funding	-	191,547,855	50,545,693	66,834,109	172,453,804
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	-	-	-	-	-
12	NSFR derivative liabilities		-	-	-	
13	All other liabilities and equity not included in the above categories	-	50,457,126	96,002	-	48,001
14	**Total ASF**					**463,127,079**

Net Stable Funding Ratio (NSFR) (LIQ2) (Continued)

31 December 2021 AED 000		a	b	c	d	e
		Unweighted value by residual maturity				
Required stable funding (RSF) item		**No maturity***	**<6 months**	**6 months to <1 year**	**≥1 year**	**Weighted value**
15	Total NSFR high-quality liquid assets (HQLA)		116,192,647	9,978,688	42,571,725	9,741,158
16	Deposits held at other financial institutions for operational purposes	-	-	-	383,871	383,871
17	Performing loans and securities:	-	-	-	-	-
18	Performing loans to financial institutions secured by Level 1 HQLA	-	-	-	-	-
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	35,447,986	7,553,001	4,044,464	13,138,162
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	-	66,372,637	31,132,132	191,327,516	211,904,368
21	With a risk weight of less than or equal to 35% under the standardised approach for credit risk	-	-	-	285,856	185,806
22	Performing residential mortgages, of which:	-	-	-	-	-
23	With a risk weight of less than or equal to 35% under the standardised approach for credit risk	-	-	-	147,148,333	95,646,416

Net Stable Funding Ratio (NSFR) (LIQ2) (Continued)

31 December 2021 AED 000		a	b	c	d	e
		Unweighted value by residual maturity				
		No maturity*	<6 months	6 months to <1 year	≥1 year	Weighted value
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	1,969,003	2,520,131	5,599,544	7,004,179
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	Other assets:	-	-	-	-	-
27	Physical traded commodities, including gold	428,200				363,970
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		-	-	-	-
29	NSFR derivative assets		-	-	11,274,515	3,677,825
30	NSFR derivative liabilities before deduction of variation margin posted		-	-	-	-
31	All other assets not included in the above categories	-	31,480	-	21,336,198	21,336,198
32	Off-balance sheet items	175,455,212	-	-	-	18,490,220
33	**Total RSF**					**381,872,177**
34	**Net Stable Funding Ratio (%)**					**121.28%**

*Items to be reported in the "No maturity" time bucket do not have stated maturity. These may include, but are not limited to items such as capital with perpetual maturity, non maturity deposit, short positions, open maturity positions, non HQLA equities and physical traded.

The Group maintained a NSFR of 121.28% as at the year ended 31 December 2021, which is in excess of the regulatory minimum of 100%. The Group maintains a diversified funding base comprising core retail and corporate customer deposits, institutional balances and capital market term funding. This is illustrated in the composition of Available Stable Funding (ASF) broadly consisting of Capital (20%), Retail deposits (40%) and Wholesale deposits (40%). The Required Stable Funding (RSF) largely comprised the Loan and Advances (84%) whereas the securities held in HQLA assets are prescribed a lower RSF factor.

Remuneration Policy

The Group has a Remuneration Policy designed to ensure the implementation of appropriate remuneration policies and practices across the Group, with a focus on promoting sound and effective risk management. The Remuneration Policy incorporates key aspects which include, but are not limited to, the Group's Compensation Philosophy, Remuneration Governance framework and Remuneration Structure. The Policy was updated in June 2022 with respect to:

- The criteria for Material Risk Taker (MRT) identification
- The application of deferred compensation as part of variable remuneration
- Performance adjustment associated with malus and clawback.

The Group Remuneration Policy covers all international entities and branches, in addition to specific Remuneration Policies applicable in India, the United Kingdom and Turkey to set out the respective remuneration principles and practices which comply with local remuneration regulations.

Composition and functions of the Group Board Nomination Remuneration & ESG Committee (BNRESGC)

The Group BNRESGC (formerly the Board Nomination and Remuneration Committee, BN&RC) is the main body that oversees remuneration at the Group, on behalf of the Board of Directors. The BNRESGC has independent oversight and control to review and approve HR policies and strategies endorsed by the Group Executive Committee (ExCo) or the Group Chief Executive Officer (CEO).

The BNRESGC consists of three Directors of the Board and assembles on a quarterly basis. Management attendance comprises the Group CEO, the Group Chief Human Resource Officer (GCHRO) and other members of executive and senior management who may attend by invitation.

The BNRESGC guides Management on strategic Human Resources (HR) decisions and reviews and approves changes to HR policies, related to for example succession planning, nationalisation strategy, reward, workforce planning, ExCo compensation and HR governance. The BNRESGC also focuses on HR strategic issues associated with Reward including bonus planning and variable pay policies, to ensure an appropriate balance between risk and financial results.

In relation to international locations, the Group CEO has delegated authority from BNRESGC to approve changes in HR policies for international branches in line with the Group BNRESGC 's Terms of Reference.

Identification of Senior Managers and Material Risk Takers

From a Group perspective, for 2022 performance year, 16 Senior Managers (including current and former) have been identified as those responsible and accountable to the BOD for the sound and prudent day-to-day management of the Group and as key staff responsible for the oversight of the Group's key business lines. i.e., the Group CEO, the Group ExCo, Group Heads of the Control Functions and Group Head of Legal.

In addition to Senior Managers, the Group have identified 35 Material Risk Takers (MRTs) in ENBD Group based on appropriately set qualitative and quantitative criteria to capture all categories of staff whose professional activities have a material impact on the risk profile of the Group and in line with the CBUAE Corporate Governance Regulations (September 2019) and Corporate Governance Standards (September 2019). The qualitative criteria capture staff:

- Whose duties involve the assumption of risk or the taking on of exposure
- Who engage in the design, sales and management of either securities or derivative products
- Who are incentivised to meet certain quotas or targets by payment of variable remuneration
- In Control Functions.

Remuneration Policy (continued)

Design and structure of remuneration processes

The Group's general remuneration policies and practices aim to provide a Total Reward offering that recognises and rewards performance aligned to our business strategy, within a sound risk management and governance framework that clearly emphasises 'how' goals are achieved in addition to 'what' is achieved and has the following set objectives:

- Attract, retain and motivate talent through fair and equitable remuneration, with an offering that is clear and easy to understand and appropriately balanced between fixed and variable compensation.
- Foster a pay-for-performance culture, with appropriate differentiation based on performance and contribution aligned to the achievement of business objectives.
- Support a culture that generates sustainable growth and value over the long term to our stakeholders, customers, employees and communities.
- Align, drive and reinforce our culture, values and desired behaviours that are integral to the attainment of individual and team results and the achievement of organisational goals.
- Integrate risk management and compensation, promoting conduct based on prudent decision-making and highest ethical standards and guided by internal controls and regulatory compliance.
- Instil a sense of ownership in our employees by providing them with opportunities to share in the company's success through our competitive total reward offering that is linked to exceptional performance and financial results.

The compensation philosophy is subject to independent oversight and control by the Group BNRESGC.

Specific Remuneration Policies have been formally implemented in India, the UK and Turkey to set out the respective remuneration principles and practices which comply with local remuneration regulations. The policies provide a governance framework to promote sound and effective risk management and create, modify and maintain appropriate compensation programmes and processes with adequate supervision and control.

Remuneration - overview of the key risk and their measurement

The Group has elaborated in its Risk Appetite Statement, its focus on steady/sustainable earnings growth through a good risk-reward balance, appropriate risk management techniques and low cost of funding. In addition, the Group intends to optimise revenue derived from trading activities in order to moderate earnings volatility. In line with this philosophy the organisation by design is geared to:

- Maintain earnings growth with strong Asset Quality through disciplined risk management. This is further emphasised by the independence of the Credit & Market Risk Functions from the Sales/Business/Revenue generation functions.
- Ensure that the appetite for material risks assessed by the Group will be in line with the Group-level appetite for maintaining high credit ratings.

The Enterprise and Regulatory Risk unit provides an overarching view of emerging risks and facilitates coordination between key risk functions, in order to minimise risks and achieve business objectives cohesively and effectively. The Group continues to employ an enterprise-wide approach to risk management.

A key element of our compensation philosophy is the integration of risk management and compensation, promoting conduct based on prudent decision-making and highest ethical standards, guided by internal controls and regulatory compliance. From a governance perspective, the BNRESGC oversees the Group remuneration policies, focusing on ensuring that the policies are consistent with and promote sound and effective risk management and do not encourage excessive risk taking. Compensation is linked to corporate, business and individual performance objectives including performance against metrics set by control functions, including risk.

Any variable remuneration to be awarded, to employees are intended to be subject to Ex-Post Risk Adjustments covered in detail further below.

Remuneration Policy (continued)

Overview of main performance metrics for Group's top-level business lines and individuals

In assessing performance, there is a focus on 'how' goals are achieved in addition to 'what' is achieved and this applies to all levels of the Group, including business units and at the individual levels, with MRTs being held to a higher standard on the 'how'. The assessment of the 'how' is aligned to employee behaviors including but not limited to living the organisational values and demonstration of good conduct or managing conduct risk in line with the Conduct Risk Policy and Framework.

The Group Scorecard and ExCo Scorecards include qualitative and quantitative measures which are set to support the Group's vision to be the most innovative bank for its customers, people and communities.

- The qualitative measures in the Group and ExCo Scorecards are aligned with the Group's vision and set the objectives of the organisation that are cascaded to business units and employees.
- From a quantitative perspective, there are metrics in the Scorecard focused on the following areas: Financials, Customer and Communities, Growth, Transformation and Innovation, and People. There are also benchmark metrics which are focused on promoting the right behaviours associated with the organisation values and separate metrics set by the Control Functions, setting the minimum level of performance relating to governance, controls and risk management across the organisation. Where these metrics have not been met, this has a negative impact on the overall scoring for the ExCo on their Scorecards.

At the employee level, there are roles that may have standard objectives and/or KPIs applied as assessed by the business. Where appropriate, specific customer conduct objectives are included within individual performance objectives.

Individual remuneration linked to Group-wide and individual performance

The Group's compensation approach is a critical tool for the success of its vision and purpose. Group's compensation philosophy aims to provide a Total Reward offering that recognises and rewards performance aligned to our business strategy, within a sound risk management and governance framework that clearly emphasises 'how' goals are achieved in addition to 'what' is achieved.

Fixed remuneration for employees is set to appropriately reflect the level of professional experience, role responsibilities and seniority of the employee.

The BNRESGC approves the bonus pool taking into account financial and non-financial performance of the Group and overall compliance with the risk appetite. The pay-for-performance principle is then applied and bonus pools are allocated based on the performance of business units and employees measured against a range of performance metrics as set out in the relevant Scorecards. The pay for performance principle underpins variable remuneration.

Performance objectives are set by Group, ExCo and employees at the start of the performance year. The attainment of performance metrics is assessed throughout the year, formally at mid-year and year-end.

The bonus pool allocations to the Risk, Audit and Compliance functions are made irrespective of the overall financial performance of the units they support and are based on the function's performance and overall affordability only.

Employee performance is assessed using performance ratings which are designed to support the pay-for-performance principle and enables the organisation to differentiate between varying levels of performance. Individual bonuses are then determined taking into account the bonus pool funding for the relevant business and employee performance rating.

The Group also applies Ex-Post Risk Adjustment in the form of in-year adjustments as part of the year-end remuneration process or via operation of Malus Adjustment and/or Clawback Adjustment on awards made during periods of material restatement or downturn of financial results for the relevant period.

Remuneration Policy (continued)

Variable remuneration

Variable remuneration, by way of the annual discretionary bonus and incentive payments, is awarded in cash which has been aligned to practice in the local market, whilst enabling the Group to reward employees based on Group, business unit and individual performance. In line with UAE regulatory requirements, variable remuneration to be awarded for the 2022 Performance Year (i.e. in Q1 of 2023), to MRTs identified by Group, will include a deferral element in the form of Deferred Cash.

Different forms of variable remuneration and a description of the factors that determine the mix and their relative importance

The Group's bonus scheme applies the pay-for-performance principle and operates on a discretionary basis. Bonus allocations to employees are determined based on the overall risk-adjusted Group performance, business performance and individual performance, the employee's role and responsibilities, and performance assessment based on both financial and non-financial criteria, including conduct and behaviour.

Incentives apply to certain businesses and sales roles (or operations roles which support the sales roles) and/or roles responsible for recoveries against outstanding collections. The incentives also operate on the pay-for-performance principle. Incentives are calculated based on value-add, whether it be associated with the effort made by selling products and growing portfolios or volumes of transactions processed. Quantitative targets are set for specific roles and measurement against the quantitative targets are based on a set formulaic approach. Conduct, quality and risk measures apply to the performance assessment of the employee and impact the overall incentive payout to the employee. Employees who are under an incentive scheme are not also entitled to annual bonuses.

The Group may award a Guaranteed bonus to new hires, for the first year of employment only. The Guaranteed bonus compensates for the loss of an annual bonus award from a prior employer that will be forfeited solely as a result of joining ENBD, in addition to the employee's performance at ENBD for the relevant performance year. In addition to the Guarantee, an employee may also be awarded a discretionary annual bonus subject to their performance at ENBD and in limited cases. Guaranteed bonuses will only be awarded in exceptional circumstances and in line with regulatory requirements. Guarantees will also be subject to deferral where awarded to MRTs.

The Group may grant a Buy-out award to new hires to compensate for the loss of unvested deferred compensation awards from a prior employer that will be forfeited solely as a result of the new hire ceasing employment with their prior employer to join ENBD. The applicable Buy-out would also be taken into account at the time the new hire is selected.

Retention awards are awarded in very limited circumstances. Retention awards are granted to select talent, existing employees based on business requirements with the aim of retaining top talent and/or critical resources to the business and taking into account the scarcity of talent both within the Group and in the marketplace.

Severance payments are considered to be both fixed and variable pay, where fixed payments are contractual such as Gratuity in line with UAE Labour Law, and variable payments are those payments which are discretionary in nature such as Ex-gratia.

Another form of Fixed Remuneration captured is Employer Pension Contributions.

Remuneration Policy (continued)

Remuneration related to risk and compliance employees

As Senior Managers of the Group, the variable remuneration of the Head of Risk and Head of Compliance are directly overseen by the BNRESGC.

Remuneration for Risk and Compliance employees is set at a level to attract and retain suitably qualified and experienced employees and is predominantly fixed remuneration (when considering the fixed:variable remuneration ratio). Performance is assessed based on the objectives of their respective functions and not on the performance of the business units that they oversee/support.

The bonus pool allocations to the Risk and Compliance functions are made irrespective of the overall financial performance of the business units they support and are based on the function's performance and overall affordability of the Group. Individual variable remuneration decisions for Control Function employees are determined independently of the business areas that they oversee/support.

Engagement of External professional consultants

External professional consultants are engaged by the Group HR Reward team and local Compliance teams on a regular basis to ensure Group's remuneration policies, practices and processes are in alignment with the market and compliant with regulatory requirements in each relevant jurisdiction.

Remuneration Policy (continued)

Remuneration awarded during the financial year (REM1)

The following table includes information on fixed and variable remuneration for the financial year.

		31 December 2022 AED 000 Senior Management	31 December 2022 AED 000 Other Material Risk takers
	Fixed Remuneration		
1	Number of employees	16	35
2	Total fixed remuneration (7 + 5 + 3)	54,561	51,219
3	Of which: cash-based	54,186	50,137
4	Of which: deferred	-	-
5	Of which: shares or other share-linked instruments	-	-
6	Of which: deferred	-	-
7	Of which: other forms	375	1,082
8	Of which: deferred	-	-
	Variable Remuneration		
9	Number of employees	15	33
10	Total variable remuneration (15 + 13 + 11)	48,173	34,081
11	Of which: cash-based	48,173	34,081
12	Of which: deferred	2,381	1,100
13	Of which: shares or other share-linked instruments	-	-
14	Of which: deferred	-	-
15	Of which: other forms	-	-
16	Of which: deferred	-	-
17	**Total Remuneration (2+10)**	**102,734**	**85,300**

Special Payments (REM2):

The following table includes quantitative information on special payments for the financial year.

31 December 2022

AED 000	Guaranteed Bonuses		Sign on Awards		Severance Payments	
Special Payments	**Number of employees**	**Total amount**	**Number of employees**	**Total amount**	**Number of employees**	**Total amount**
Senior Management	-	-	-	-	1	3,404
Other Material Risk-takers	-	-	-	-	-	-

Remuneration Policy (continued)

Deferred remuneration (REM3)

During the 2022 performance year, deferrals were only awarded in particular jurisdictions in which the Group have subsidiaries or branches and are subject to local regulatory requirements which require deferrals to be applied to those employees who have a material influence on the risk profile of Group's respective branch or subsidiary. These countries are India and Turkey.

In both of these jurisdictions, deferrals are applied to the regulated population in line with local regulations. The proportion of deferrals is based on a set percentage of bonuses and applied consistently across the said population (subject to de minimis provisions) in the relevant jurisdiction.

In line with UAE regulatory requirements, variable remuneration to be awarded for the 2022 Performance Year (i.e. in Q1 of 2023), to MRTs identified by Group, will include a deferral element in the form of Deferred Cash.

Deferrals were also applied to retention payments awarded during the year with the aim of retaining critical resources to the business.

Policy and criteria for adjusting variable remuneration, including deferrals before vesting and after vesting through clawback arrangements

The specific criteria for Ex-Post Risk Adjustment will be reviewed by the Group BNRESGC annually and applied in each case as determined by the Committee in its sole discretion.

Group will take into account all relevant factors (including, where any of the circumstances described above arise, the proximity of the employee to the failure of risk management in question and the employee's level of responsibility) in deciding whether, and to what extent, it is reasonable to seek recovery of any or all of their variable remuneration.

The Group intends to apply Ex-Post Risk Adjustment in the form of in-year adjustments as part of the year-end remuneration process or via operation of Malus Adjustment and/or Clawback Adjustment on variable awards made.

Remuneration Policy (continued)

Deferred remuneration REM3 (Continued)

The following table includes quantitative information on senior management remuneration and MRTs for the financial year.

31 December 2022 AED 000 Deferred and retained remuneration	Total amount of outstanding deferred remuneration	Of which: Total amount of outstanding deferred and retained remuneration exposed to ex post explicit and/ or implicit adjustment	Total amount of amendment during the year due to ex post explicit adjustments	Total amount of amendment during the year due to ex post implicit adjustments	Total amount of deferred remuneration paid out in the financial year
Senior management	-	-	-	-	-
Cash	3,287	3,287	-	-	7,100
Shares	-	-	-	-	-
Cash-linked instruments	-	-	-	-	-
Other	-	-	-	-	-
Other material risk takers	-	-	-	-	-
Cash	1,507	1,507	-	-	179
Shares	-	-	-	-	-
Cash-linked instruments	-	-	-	-	-
Other	-	-	-	-	-
Total	**4,794**	**4,794**	**-**	**-**	**7,279**

Appendix A: Main features of regulatory capital instruments (CCA)

Sr no	Particulars	Equity Shares	U.S.$1,000,000,000 Perpetual Additional Tier 1 Capital Securities	U.S.$750,000,000 Perpetual Additional Tier 1 Capital Securities	U.S.$750,000,000 Perpetual Additional Tier 1 Capital Securities
1	Issuer	Emirates NBD Bank PJSC	Emirates NBD Bank PJSC	Emirates NBD Bank PJSC	Emirates NBD Bank PJSC
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)		XS1964681610	XS2134363170	XS2342723900
3	Governing law(s) of the instrument	CBUAE, SCA, CCL	English Law	English Law	English Law
	Regulatory treatment				
4	Transitional arrangement rules (i.e. grandfathering)	Common Equity Tier I	NA	NA	NA
5	Post-transitional arrangement rules (i.e. grandfathering)	Common Equity Tier I	Additional Tier I	Additional Tier I	Additional Tier I
6	Eligible at solo/group/group and solo	Solo and Group	Solo and Group	Solo and Group	Solo and Group
7	Instrument type (types to be specified by each jurisdiction)	Common Shares	Perpetual Debt Instruments	Perpetual Debt Instruments	Perpetual Debt Instruments
8	Amount recognised in regulatory capital (AED in Billions, as of 31 December 2022)	6.3	3.7	2.7	2.7
9	Nominal amount of instrument	NA	U.S.$1,000,000,000	U.S.$750,000,000	U.S.$750,000,000
9a	Issue price		100 percent	100 percent	100 percent
9b	Redemption price	NA	100% in case of an Optional Redemption or a Tax Event Redemption, and 101% in case of a Capital Event Redemption.	100% in case of an Optional Redemption or a Tax Event Redemption, and 101% in case of a Capital Event Redemption.	100% in case of an Optional Redemption or a Tax Event Redemption, and 101% in case of a Capital Event Redemption.
10	Accounting classification	Equity Attributable to Equity holders	Equity Attributable to Equity holders	Equity Attributable to Equity holders	Equity Attributable to Equity holders
11	Original date of issuance		20th March 2019	9th July 2020	27th May 2021

Template CCA: Main Features Of Regulatory Capital Instruments (Continued)

Sr no	Particulars	Equity Shares	U.S.$1,000,000,000 Perpetual Additional Tier 1 Capital Securities	U.S.$750,000,000 Perpetual Additional Tier 1 Capital Securities	U.S.$750,000,000 Perpetual Additional Tier 1 Capital Securities
12	Perpetual or dated	Perpetual	Perpetual	Perpetual	Perpetual
13	Original maturity date	No Maturity	NA	NA	NA
14	Issuer call subject to prior supervisory approval	NO	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	NA	20th March 2025 / Tax Event or a Capital Event / at Par for Optional and Tax Event call, at 101% in case of a Capital Event.	9th April 2026 / Tax Event or a Capital Event / at Par for Optional and Tax Event call, at 101% in case of a Capital Event.	27th Feb 2027 / Tax Event or a Capital Event / at Par for Optional and Tax Event call, at 101% in case of a Capital Event.
16	Subsequent call dates, if applicable	NA	20th September 2025 and every 6 months thereafter	9th July 2026 and every 6 months thereafter	27th May 2027 and every 6 months thereafter
	Coupons/dividends				
17	Fixed or floating dividend/coupon	NA	Fixed	Fixed	Fixed
18	Coupon rate and any related index	NA	6.125%	6.125%	4.25%
19	Existence of a dividend stopper	NA	YES	YES	YES
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Partially discretionary	Partially discretionary	Partially discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Partially discretionary	Partially discretionary	Partially discretionary
21	Existence of step-up or other incentive to redeem	NO	NO	NO	NO
22	Non-cumulative or cumulative	Non-Cumulative	Non-Cumulative	Non-Cumulative	Non-Cumulative
23	Convertible or non-convertible	NA	Non-Convertible	Non-Convertible	Non-Convertible
24	Write down feature	NA	YES	YES	YES

Template CCA: Main Features Of Regulatory Capital Instruments (Continued)

Sr no	Particulars	Equity Shares	U.S.$1,000,000,000 Perpetual Additional Tier 1 Capital Securities	U.S.$750,000,000 Perpetual Additional Tier 1 Capital Securities	U.S.$750,000,000 Perpetual Additional Tier 1 Capital Securities
25	If write down, write down trigger(s)	NA	Notice from the UAE Central Bank (as the Regulator) to the Issuer that the Issuer has, or will, become Non-Viable (as defined in the Conditions) without a write-down or a public injection of capital or equivalent support (i.e., Point of Non-Viability (PONV) trigger)	Notice from the UAE Central Bank (as the Regulator) to the Issuer that the Issuer has, or will, become Non-Viable (as defined in the Conditions) without a write-down or a public injection of capital or equivalent support (i.e., Point of Non-Viability (PONV) trigger)	Notice from the UAE Central Bank (as the Regulator) to the Issuer that the Issuer has, or will, become Non-Viable (as defined in the Conditions) without a write-down or a public injection of capital or equivalent support (i.e., Point of Non-Viability (PONV) trigger)
26	If write down, full or partial	NA	Full/Partial (Both Options available)	Full/Partial (Both Options available)	Full/Partial (Both Options available)
27	If write down, permanent or temporary	NA	Permanent	Permanent	Permanent
28	If temporary write down, description of writeup mechanism	NA	NA	NA	NA
28a	Type of subordination	NA	Contractual	Contractual	Contractual

Acronyms

ALCO	Asset and Liability Committee
ALM	Asset and Liability Management
ASF	Available Stable Funding
AT1	Additional Tier 1
BCBS	Basel Committee on Banking Supervision
BIS	Bank for International Settlements
BRC	Board Risk Committee
CBUAE	Central Bank of UAE
CCF	Credit Conversion Factor
CCP	Central Counterparty
CCR	Counterparty Credit Risk
CCyB	Countercyclical Capital Buffer
CET1	Common Equity Tier 1
CRM	Credit Risk Mitigation
CFO	Chief Financial Officer
CVA	Credit Valuation Adjustment
D-SIB	Domestic Systemically Important Bank
DVA	Debit Valuation Adjustment
EAD	Exposure at Default
ECAI	External Credit Assessment Institutions
ECL	Expected Credit Loss
FSB	Financial Stability Board
GCC	Gulf Cooperative Council
GCRO	Group Chief Risk Officer
G-SIB	Global Systemically Important Bank
HQLA	High Quality Liquid Asset
IFRS	International Financial Reporting Standards
ICAAP	Internal Capital Adequacy Assessment Process
IRR	Interest Rate Risk
LCR	Liquidity Coverage Ratio
ExCO	Executive Committee
BN&RC	Board Nomination & Remuneration Committee
CCL	Commercial Companies Law
LGD	Loss Given Default
MDB	Multilateral Development Banks
MR	Market Risk
MTM	Mark-To-Market
NII	Net Interest Income
NSFR	Net Stable Funding Ratio
OTC	Over the counter
PD	Probability of Default
PFE	Potential Future Exposure
PIT	Point in Time
PM	Portfolio Management
PVA	Prudent Valuation Adjustment
QCCP	Qualifying Central Counterparty
RSF	Required Stable Funding
RWAs	Risk-Weighted Assets
SA	Standardised Approach
SFT	Securities Financing Transactions
SME	Small and Medium-sized Enterprise
SPE	Special Purpose Entity
T1	Tier 1 capital
T2	Tier 2 capital
TC	Total capital
VaR	Value at Risk
XVA	Credit and Funding Valuation Adjustment
TM	Treasury Markets
TC	Total capital
SCA	Securities and Commodities Authority
CHRO	Chief Human Resource Officer
CEO	Chief Executive Officer

Glossary

Capital conservation buffer

A capital buffer prescribed by BCBS and CBUAE under Basel III and designed to ensure banks build up capital buffers outside periods of stress which can be drawn down as losses are incurred. Should the bank's CET1 capital fall within the capital conservation buffer range, capital distributions will be constrained by the regulators.

Countercyclical capital buffer (CCyB)

The countercyclical capital buffer is part of a set of macroprudential instruments, designed to help counter procyclicality in the financial system. CCyB as defined in the Basel III standard provides for an additional capital requirement of up to 2.5 per cent of risk-weighted assets.

Counterparty credit risk (CCR)

The risk that a counterparty defaults before satisfying its obligations under a derivative, a securities financing transaction (SFT) or a similar contract.

Credit Conversion Factor (CCF)

Factors used to convert off-balance-sheet items into credit exposure equivalents.

Credit risk adjustment (CRA)

This includes impairment allowances or provisions balances, and changes in ECL.

Credit risk mitigation (CRM)

Credit risk mitigation is a process to mitigate potential credit losses from any given account, customer or portfolio by using a range of tools such as collateral, netting agreements, credit insurance, credit derivatives and guarantees.

Domestic systemically important banks (D-SIBs)

Domestic systemically important banks are deemed systemically relevant for the domestic financial system in which they operate. The CBUAE and the BCBS have developed a framework for identifying and dealing with D-SIBs. The Central Bank of the UAE annually assesses national banks at their consolidated group level and foreign banks at their UAE branch level; to designate banks whose failure could escalate to systemic risk for the UAE banking sector and eventually impact the economy.

Internal Capital Adequacy Assessment Process (ICAAP)

A requirement under Pillar 2 of the Basel framework to undertake a comprehensive assessment of their risks and to determine the appropriate amounts of capital to be held against these risks.

Leverage ratio

A ratio introduced under Basel III that compares Tier 1 capital to total exposures, including certain exposures held off-balance sheet as adjusted by stipulated credit conversion factors. Intended to be a simple, non-risk based backstop measure.

Liquidity Coverage Ratio (LCR)

The ratio of the stock of high quality liquid assets to expected net cash outflows over the following 30 days. High quality liquid assets should be unencumbered, liquid in markets during a time of stress and, ideally, be central bank eligible.

Glossary (Continued)

Net stable funding ratio (NSFR)

The ratio of available stable funding to required stable funding over a one-year time horizon, assuming a stressed scenario. It is a longer-term liquidity measure designed to restrain the amount of wholesale borrowing and encourage stable funding over a one-year time horizon.

RWA density

The risk-weighted asset as a percentage of exposure at default (EAD).

Securities Financing Transactions (SFT)

Securities Financing Transactions are secured (i.e. collateralised) transactions that involve the temporary exchange of cash against securities, or securities against other securities, e.g. stock lending or stock borrowing or the lending or borrowing of other financial instruments, a repurchase or reverse repurchase transaction, or a buy-sell back or sell-buy back transaction.

Standardised Approach (SA)

In relation to credit risk, a method for calculating credit risk capital requirements using External Credit Assessment Institutions (ECAI) ratings and supervisory risk-weights. In relation to operational risk, a method of calculating the operational risk capital requirement by the application of a supervisory defined percentage charge to the gross income of eight specified business lines.