



EMIRATES NBD BANK PJSC

BASEL II - PILLAR III DISCLOSURES
FOR THE YEAR ENDED 31 DECEMBER 2017



MOST INNOVATIVE FINANCIAL
SERVICES ORGANIZATION
OF THE YEAR
Award Winner

Emirates NBD

liv. EAI GLOBAL INNOVATION AWARDS 2017 DirectRemit

smartBUSINESS

ICCSCollect

BASEL II – PILLAR III DISCLOSURES

| Contents | Page |
|--|------|
| Overview | 1 |
| Information on subsidiaries and significant investments | 4 |
| Consolidated capital structure as per Basel III | 6 |
| Consolidated capital structure as per Basel II | 8 |
| Gross credit exposure | 11 |
| Capital requirement for market risk as per standardised approach | 12 |
| Gross credit exposure by currency | 13 |
| Gross credit exposure by geography | 14 |
| Gross credit exposure by economic activity | 15 |
| Gross credit exposure as per standardised approach | 17 |
| Gross credit exposure as per standardised approach (Rated / Unrated) | 19 |
| Exposure subject to deduction as per standardised approach (Rated / Unrated) | 21 |
| Credit risk mitigation as per standardised approach | 23 |
| Impaired loans by economic activity | 24 |
| Impaired loans by geography | 26 |
| Reconciliation of changes in provision for impaired loans | 28 |
| Quantitative disclosures for equity position in the banking book | 29 |
| Gross credit exposure by maturity | 35 |

OVERVIEW

In November 2009, The Central Bank of the United Arab Emirates ("CBUAE") issued guidelines for implementation of Basel II Capital Accord in the banks in UAE. As per the circular, the Standardised Approach for Credit Risk was to apply immediately with an expectation that internationally active UAE banks and larger institutions will migrate to the Foundation Internal Rating Based (FIRB) in due course. The CBUAE Basel II framework is intended to strengthen the market discipline and risk management while enhancing the safety and soundness of the banking industry in UAE.

The guidelines for Pillar 1 – Calculation of Credit Risk pertain to the Standardised Approach of Basel II only. One of the major changes brought in with the new guidelines is the ability to apply, on an asset class basis, risk weightings determined from ratings provided by External Credit Assessment Institutions ("ECAI") approved by CBUAE.

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 purpose of Pillar 3 – Market Discipline is to complement the minimum capital requirements (Pillar 1) and the supervisory review process (Pillar 2). The CBUAE supports the enhanced market discipline by developing a set of disclosure requirements which will allow market participants to assess key pieces of information on the scope of application, capital, risk exposure, risk assessment process and hence the capital adequacy of the institution. The Pillar 3 disclosures, based on a common framework, are an effective means of informing the market about the risks faced by a bank, and provide a consistent and understandable disclosure framework that enhances transparency and comparability.

In compliance with the CBUAE guidelines and Basel II accord, these disclosures include information on the Group's risk management objectives and policies, risk assessment processes and computation, capital management and capital adequacy.

OVERVIEW (continued)

Quantitative information on risk assessment (per standardised approach) includes:

- Risk weighted assets of the Group-credit risk, market risk and operational risk
- Credit risk profile of gross credit exposure by counterparty classifications, rated / unrated
- Profile of gross credit exposure by economic activity, geographical region and maturity
- Profile of credit risk mitigation by economic activity, geographical region and maturity
- Profile of impaired loans by economic activity and geographical region

Information on capital adequacy includes:

- Capital adequacy computation
- Capital profile – Tier I and Tier II

Introduction

The CBUAE supervises Emirates NBD ("ENBD" or 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 II framework of the Basel Committee on Banking Supervision ("Basel Committee"), after applying the amendments advised by the CBUAE, within national discretion. Basel II is structured around three 'pillars': minimum capital requirements (Pillar I); supervisory review process (Pillar II); and market discipline (Pillar III).

Pillar III disclosures 2017

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

The Central Bank of UAE ('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. The Additional capital buffers (CCB and CCyB- maximum up to 5%) introduced are over and above the minimum CET1 requirement of 7%.

OVERVIEW (continued)

Future Developments

The CBUAE issued Basel III Capital and Liquidity regulations. The increased capital and liquidity regulations are being implemented and complied with by the Group.

The CBUAE is in the process of reviewing and incorporating residual Basel III regulations and the Group is tracking these developments and necessary dialogue conducted with the Central Bank of UAE, for timely changes to the Capital Management and Disclosure regimes.

Verification

The Pillar III Disclosures for the year 2017 have been appropriately verified internally and have been reviewed by the Group's statutory auditors.

Implementation of Basel II guidelines

The Group is compliant with Standardised Approach for Credit, Market and Operational Risk (Pillar I) with effect from 31 October 2007.

The Bank also assigns capital on other than Pillar I risk categories, for 'Interest Rate risk on Banking Book' and for 'Business Risk', within the Pillar II framework. Details on Pillar II methodologies are contained in the section – "Internal Capital Adequacy Assessment Process" of this report.

Group Structure

The Bank was incorporated in the United Arab Emirates on 16 July 2007, under the Commercial Companies Law (Federal Law Number 8 of 1984 as amended) as a Public Joint Stock Company. The bank is listed on the Dubai Financial Market (Ticker: "EMIRATESNBD"). The Federal Law No. 2 of 2015, concerning Commercial Companies has come into effect from 1 July 2015, replacing the existing Federal Law No. 8 of 1984.

The Group's principal business activity is corporate banking, consumer banking, treasury and Islamic banking.

The complete listing of all direct subsidiaries, associate companies and joint ventures of Emirates NBD as of 31 December 2017 is 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) | Bank's total interests (current book value) in insurance entities (AED 000) |
|---|----------------------|---|--------------------------|--|---|---|
| Buzz Contact Centre Solutions LLC | 100 | Call Centre Management Services | Dubai, U.A.E. | Consolidation | Consolidation | - |
| ENBD London Branch Nominee Company | 100 | Asset Management | England | Consolidation | Consolidation | - |
| Emirates NBD Capital PSC | 100 | Funds Management | Dubai, U.A.E. | Consolidation | Consolidation | - |
| Emirates Funds Managers (Jersey) Limited | 100 | Asset Management | Jersey | Consolidation | Consolidation | - |
| Emirates NBD Properties LLC | 100 | Real Estate | Dubai, U.A.E. | Consolidation | Deduction | - |
| Emirates NBD Securities LLC | 100 | Brokerage Services | Dubai, U.A.E. | Consolidation | Consolidation | - |
| Emirates NBD Asset Management Limited | 100 | Asset Management | Dubai, U.A.E. | 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 Funds LLC | 100 | Asset Management | Dubai, U.A.E. | Consolidation | Consolidation | - |
| Emirates NBD Capital (KSA) LLC | 100 | Investment Services | KSA | Consolidation | Consolidation | - |
| Emirates NBD Trust Company (Jersey) Limited | 100 | Trust Administration Services | Jersey | Consolidation | Consolidation | - |
| Dubai Bank PJSC | 100 | Islamic Banking | Dubai, U.A.E. | Consolidation | Consolidation | - |
| Tanfeeth LLC | 100 | Shared Services Organization | Dubai, U.A.E. | Consolidation | Consolidation | - |
| Emirates NBD Global Funding Limited | 100 | Medium-term Borrowing and Money Market Transactions | Cayman Islands | Consolidation | Consolidation | - |
| KSA Mortgage Company | 100 | Nominee Company for Mortgage Business | KSA | Consolidation | Consolidation | - |
| Emirates NBD Egypt S.A.E | 100 | Banking | Egypt | Consolidation | Consolidation | - |

| 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) | Bank's total interests (current book value in insurance entities (AED 000) |
|---|------------------------------|----------------------------|--------------------------|--|---|--|
| ENBD Asset Finance Company No.1 Limited | SPE for asset securitisation | | | Consolidation | Consolidation | - |
| Emirates NBD Tier 1 Limited | SPE for asset securitisation | | | Consolidation | Consolidation | - |
| Emirates NBD 2014 Tier 1 Limited | SPE for asset securitisation | | | Consolidation | Consolidation | - |
| Emirates NBD Global Markets Limited | SPE for asset securitisation | | | Consolidation | Consolidation | - |
| ENBD Asset Finance Company No.2 Limited | SPE for asset securitisation | | | Consolidation | Consolidation | - |
| Group Tranche of Emblem Finance Company No. 2 Limited | SPE for asset securitisation | | | Consolidation | Consolidation | - |
| EIB Sukuk Company Limited | SPE for asset securitisation | | | Consolidation | Consolidation | - |
| EI Funding Limited | SPE for asset securitisation | | | Consolidation | Consolidation | - |
| Associate: National General Insurance Company PSC | 36.7 | General and life insurance | Dubai, U.A.E. | Equity Accounting | Deduction | 181,510 |
| Joint venture: Network International LLC. | 51 | Card processing services | Dubai, U.A.E. | Equity Accounting | Neither - Included in gross credit exposure as investment at carrying value | - |

CONSOLIDATED CAPITAL STRUCTURE AS PER BASEL III

The Central Bank of UAE ('CBAUAE') issued Basel III capital regulations, which came into effect from 1 February 2017 (parallel reporting for Q2'17 and Q3'17 and Primary reporting from Q4'17 onwards) introducing minimum capital requirements at three levels, namely Common Equity Tier 1 ('CET1'), Tier 1 ('T1') and Total Capital.

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

For 2017, CCB is effective in transition arrangement and is required to keep at 1.25% of the Capital base. For 2018, CCB will be required at 1.88% and from 2019; it will be required to keep at 2.5% of the Capital base. CCyB is not in effect and is not required to keep for 2017.

Over and above additional capital buffers, the Group has been classified as Domestic Systematically Important Bank (D-SIB) and is required to keep an additional D-SIB buffer of 0.75% of the Capital base for 2017. This buffer will increase to 1.5% of the Capital base by 2019.

| | 2017 AED 000 |
|---|-------------------|
| Common Equity Tier 1 (CET1) Capital | |
| Share capital | 5,557,775 |
| Share premium account | 12,270,124 |
| Eligible reserves | 4,429,333 |
| Retained earnings / (-) loss | 27,403,808 |
| Dividend expected / proposed | (2,223,110) |
| Eligible amount of minority interest | 8,028 |
| Capital shortfall if any | - |
| CET1 Capital before the regulatory adjustments and threshold deduction | 47,445,958 |
| Less: Regulatory deductions | (5,995,195) |
| Less: Threshold deductions | - |
| Total CET1 Capital after the regulatory adjustments and threshold deduction | 41,450,763 |
| Total CET1 Capital after transitional arrangement for deductions (CET1) (A)* | 42,649,802 |
| Additional Tier 1 (AT1) Capital | |
| Eligible AT1 Capital | 9,477,076 |
| Other AT1 Capital e.g. (Share premium, minority interest) | - |
| Total AT1 Capital | 9,477,076 |
| Total AT1 Capital after transitional arrangements (AT1) (B)* | 8,877,557 |
| Tier 2 (T2) Capital | |
| Tier 2 Instruments e.g. subordinated loan | 3,752,068 |
| Other Tier 2 Capital (including General Provisions, etc.) | 3,102,694 |
| Total T2 Capital | 6,854,762 |
| Total T2 Capital after transitional arrangements (T2) (C)* | 6,255,243 |
| Total Regulatory Capital (A+B+C) | 57,782,602 |

* As per transitional arrangement 80% deduction is taken in CET 1, 10% in AT1 and 10% in Tier 2 for 2017.

CONSOLIDATED CAPITAL STRUCTURE AS PER BASEL III (continued)

The capital adequacy ratios as per Basel III capital regulation are given below:

| Capital Ratio | 2017 | Minimum capital requirement 2017 | Minimum capital requirement by 2019 |
|---|--------|----------------------------------|-------------------------------------|
| a. Total capital ratio for consolidated Group | 21.16% | 12.50% | 14.50% |
| b. Tier 1 ratio only for consolidated Group | 18.87% | 10.50% | 12.50% |
| c. CET1 ratio only for consolidated Group | 15.62% | 9.00% | 11.00% |

Note: On 17 January 2018, Central Bank of UAE issued Basel III Capital supply standards and guidance. Based on this guidance, banks are required to deduct proposed dividend for 2017 from retained earnings.

Accordingly, capital adequacy ratio as per Basel III is adjusted in the Pillar III disclosure. Considering impact of 2017 proposed dividend in Q4'17, there is reduction in the capital adequacy ratio (as per Basel III) by 82bps to 21.16% from 21.98% which was published in 2017 audited financial statements.

CONSOLIDATED CAPITAL STRUCTURE AS PER BASEL II

The Group's regulatory capital is calculated as per the guidelines issued by CBUAE and it comprises:

- Tier 1 Capital** which is considered as the core measure of the Group's financial strength and includes share capital, reserves, retained earnings and minority interests (net of treasury shares and goodwill) and;
- Tier 2 Capital** which consists of qualified subordinated debts and allowed portions of revaluation reserves and general provisions.

The Bank's share capital as at 31 December 2017 comprised of 5,557,774,724 issued and fully paid shares of value AED 1 each. The detailed breakdown of the capital structure of the bank is as follows:

| Particulars | 2017 AED 000 | 2016 AED 000 |
|---|-------------------|-----------------|
| Tier 1 Capital | | |
| 1. Paid-up share capital / common stock | 17,827,899 | 17,827,899 |
| 2. Reserves | | |
| a. Statutory reserve | 2,778,888 | 2,778,888 |
| b. Special reserve | - | - |
| c. General reserve | 29,054,253 | 23,705,183 |
| 3. Non-controlling interest in the equity of subsidiaries | 8,028 | 7,256 |
| 4. Innovative capital instruments | - | - |
| 5. Other capital instruments | 9,477,076 | 9,477,076 |
| 6. Surplus capital from insurance companies | - | - |
| Subtotal | 59,146,144 | 53,796,302 |
| Less: Deductions for regulatory calculation | | |
| Less: Deductions from Tier 1 capital | (5,734,378) | (5,873,325) |
| Less: Significant investment in insurance entities | (378,652) | (86,863) |
| Tier 1 Capital - Subtotal (A) | 53,033,114 | 47,836,114 |
| Tier 2 Capital | 6,841,835 | 6,619,588 |
| Less: Significant investment in insurance entities | (378,652) | (86,863) |
| Tier 2 Capital (B) | 6,463,183 | 6,532,725 |
| Less: Other deductions from capitals (C) | - | - |
| Tier 3 Capital (D) | - | - |
| Total eligible capital after deductions (A+B+C+D) | 59,496,297 | 54,368,839 |

Note

The Group has issued a number of regulatory Tier 1 capital notes with details mentioned in the table below. The notes are perpetual, subordinated and unsecured. The Group can elect not to pay a coupon at its own discretion. Note holders will not have a right to claim the coupon and such event will not be considered an event of default. The notes carry no maturity date and have been classified as equity.

Note (continued)

| Issuance Month / Year | Issued Amount | Coupon rate |
|-----------------------|------------------------------------|---|
| September 2014 | USD 500 million (AED 1.83 billion) | Fixed interest rate with a reset after six years |
| May 2013 | USD 1 billion (AED 3.67 billion) | Fixed interest rate with a reset after six years |
| June 2009 | AED 4 billion | Fixed interest rate for the first five years and on a floating rate basis thereafter. |

Capital Adequacy

The Group's Capital Adequacy ratio as at 31 December 2017 was 21.88% and Tier 1 ratio was 19.50% (in 2016, the Capital Adequacy ratio was 21.22% and Tier 1 ratio 18.67%) against the regulatory requirement of minimum of 12% and 8% respectively. The Group ensures adherence to CBUAE requirements by monitoring its Capital Adequacy against higher internal limits.

Each banking subsidiary is directly regulated by its local banking supervisor which sets and monitors its capital adequacy requirements. CBUAE monitors the Capital Adequacy requirements of Emirates NBD at the Group level and also separately for Emirates Islamic Bank and Dubai Bank, subsidiaries of Emirates NBD.

CAPITAL ADEQUACY (STANDARDISED APPROACH)

RISK WEIGHTED EXPOSURE

| | 2017 AED 000 | 2016 AED 000 |
|------------------|--------------------|--------------------|
| Credit Risk | 237,764,915 | 225,413,053 |
| Market Risk | 7,832,945 | 5,048,821 |
| Operational Risk | 26,381,543 | 25,706,714 |
| Total | 271,979,403 | 256,168,588 |

| | 2017 Capital Charge AED 000 | 2016 Capital Charge AED 000 |
|-----------------------------------|--------------------------------|--------------------------------|
| Capital Requirements | | |
| Credit Risk | 28,531,789 | 27,049,566 |
| Market Risk | 939,953 | 605,859 |
| Operational Risk | 3,165,785 | 3,084,806 |
| Total Capital Requirements | 32,637,527 | 30,740,231 |

CAPITAL ADEQUACY (STANDARDISED APPROACH) (continued)

Capital Ratio

| | 2017 | 2016 |
|--|--------|--------|
| Total for top consolidated Group | 21.88% | 21.22% |
| Tier 1 ratio only for top consolidated group | 19.50% | 18.67% |
| Total for each significant bank subsidiary: | | |
| Emirates Islamic Bank | 17.36% | 16.05% |

Note

Risk weighted assets as at 31 December 2017 were AED 271,979 million and as at 31 December 2016 were AED 256,169 million.

Standardised Approach – Credit risk & credit risk mitigation

Under Standardised Approach, all credit exposures are assessed according to the counterparty classifications and against the External Credit Assessment Institutions ("ECAI") ratings as advised under national discretion (November 2009):

- Claims on sovereign and central banks in the GCC are risk weighted at 0%.
- Domestic currency claims on a non-commercial GCC Public Sector Enterprise (PSE) are treated as claims on their sovereigns if their central bank or monetary authority treats them as such. Foreign currency claims on such a PSE are risk weighted one grade less favorable than its sovereign i.e. 20% risk weight. Claims on other foreign PSEs are risk weighted one grade less favorable than its sovereign.
- Claims on commercial companies owned by a GCC sovereign or PSEs that operate as commercial organisations are treated as claims on a corporate and risk weighted in accordance with ratings from acceptable ECAIs.
- ECAI ratings are also used to determine the capital requirements against exposures to banks and financial institutions. The group uses option 2 (one of alternative risk weight and ECAI ratings matrices as prescribed in the Basel II accord) for determining the capital requirements in line with the supervisory discretion adopted by the CBUAE.
- Claims on corporate entities are risk weighted at prescribed risk weights applicable per the latest ECAI rating of the counterparty. Claims on unrated corporate entities are risk weighted at 100%.
- Consumer banking exposure is classified into 'Qualified Residential Mortgage', 'Qualified Regulatory Retail portfolio' and 'Others'; per the CBUAE Basel II guidelines and are risk weighted at 35%, 75% and 100% respectively.
- All other assets are classified between 'assets under higher risk categories' and 'others'; and risk weighted at prescribed risk weights.

For standardised capital adequacy calculations, the following rules are applied consistently to determine the appropriate ECAI ratings:

- Where more ECAI ratings of two acceptable rating agencies are available, the lower (worse) of the two is considered.
- Where the ECAI ratings are split evenly between all four rating agencies, the more conservative ratings are considered.
- Acceptable ECAI agencies are Moody's, S&P, Fitch and Capital Intelligence.

Credit Risk

The total capital charge for credit risk as at 31 December 2017 is AED 28,532 million (2016: AED 27,050 million).

GROSS CREDIT EXPOSURE AS PER STANDARDISED APPROACH

| | 2017 | | 2016 | |
|---|---------------------------|---------------------------------|---------------------------|---------------------------------|
| | Gross Exposure AED 000 | Risk Weighted Assets AED 000 | Gross Exposure AED 000 | Risk Weighted Assets AED 000 |
| Claims on sovereigns | 2,178,728,839 | 6,149,043 | 192,434,449 | 5,014,193 |
| Claims on non-central government public sector entities | 1,266,096 | 135,416 | 875,973 | 39,591 |
| Claims on multi-lateral development banks | 14,503 | - | 14,514 | - |
| Claims on banks | 63,113,156 | 28,637,975 | 68,744,027 | 32,143,281 |
| Claims on securities firms | - | - | - | - |
| Claims on corporate and Government related entities (GRE) | 116,715,892 | 108,059,242 | 125,836,958 | 109,372,389 |
| Claims included in the regulatory retail portfolio | 35,783,859 | 24,822,435 | 39,004,718 | 22,057,271 |
| Claims secured by residential property | 14,235,643 | 10,974,152 | 11,698,322 | 7,596,243 |
| Claims secured by commercial real estate | 42,363,836 | 42,363,836 | 31,828,959 | 31,828,959 |
| Past due loans | 30,086,332 | 6,486,042 | 27,216,004 | 5,253,562 |
| Higher-risk categories | 870,610 | 1,305,915 | 578,184 | 867,277 |
| Other assets | 15,968,280 | 8,830,861 | 15,792,071 | 11,240,287 |
| Claims on securitised assets | - | - | - | - |
| Credit derivatives (Banks selling protection) | - | - | - | - |
| Total | 538,291,046 | 237,764,917 | 514,024,179 | 225,413,053 |

Market Risk

Market risks subject to capital charge are as follows:

- Interest Rate Risk
- Foreign Exchange Risk
- Equity Exposure Risk
- Commodity Risk
- Options Risk

Capital charge on interest rate risk and equity exposure risk is restricted to Bank's 'trading book', while capital charge on foreign exchange risk applies on the bank's entire positions.

The total Capital requirement for Market Risk as at 31 December 2017 is AED 939 million (2016: AED 606 million) as detailed below:

CAPITAL REQUIREMENT FOR MARKET RISK AS PER STANDARDISED APPROACH

| | 2017 AED 000 | 2016 AED 000 |
|----------------------------------|-----------------|-----------------|
| Interest rate risk | 880,038 | 572,751 |
| Equity position risk | 2,714 | 11,083 |
| Options risk | 7,914 | - |
| Foreign exchange risk | 49,287 | 22,025 |
| Total capital requirement | 939,953 | 605,859 |

Operational Risk

Basel II 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 2017 is AED 3,166 million (2016: AED 3,085 million). This charge is computed by categorising the Group's activities into 8 business lines (as defined by Basel II guidelines) and multiplying the line's three year average gross income by a pre-defined beta factor.

RISK MANAGEMENT OBJECTIVES AND POLICIES

CREDIT RISK

Please refer Note no. 46 in the annual financial statements for detailed risk management objectives and policies on Credit Risk

GROSS CREDIT EXPOSURE – CURRENCY CLASSIFICATION

31 DECEMBER 2017

| | Loans & Islamic Financing AED 000 | Debt securities AED 000 | Other assets AED 000 | Total funded AED 000 | Commitments AED 000 | OTC derivatives AED 000 | Other off-balance sheet exposures AED 000 | Total non-funded AED 000 | Total AED 000 |
|------------------|--|-------------------------------|----------------------------|----------------------------|------------------------|-------------------------------|---|--------------------------------|--------------------|
| Foreign Currency | 50,081,152 | 14,444,532 | 83,282,329 | 147,808,013 | 65,085 | 7,425,373 | 22,272,957 | 29,763,415 | 177,571,428 |
| AED | 285,964,756 | 64 | 52,960,897 | 338,925,717 | 4,990,761 | 716,071 | 16,087,069 | 21,793,901 | 360,719,618 |
| Total | 336,045,908 | 14,444,596 | 136,243,226 | 486,733,730 | 5,055,846 | 8,141,444 | 38,360,026 | 51,557,316 | 538,291,046 |

31 DECEMBER 2016

| | Loans & Islamic Financing AED 000 | Debt securities AED 000 | Other as- sets AED 000 | Total fund- ed AED 000 | Commit- ments AED 000 | OTC deriva- tives AED 000 | Other off-balance sheet expo- sures AED 000 | Total non-funded AED 000 | Total AED 000 |
|------------------|--|-------------------------------|------------------------------|------------------------------|-----------------------------|---------------------------------|---|--------------------------------|--------------------|
| Foreign Currency | 50,232,026 | 12,038,099 | 80,750,758 | 143,020,883 | 1,029,596 | 7,336,918 | 23,490,262 | 31,856,776 | 174,877,659 |
| AED | 270,190,502 | 9,168 | 48,713,244 | 318,912,914 | 4,790,377 | 649,513 | 14,793,716 | 20,233,606 | 339,146,520 |
| Total | 320,422,528 | 12,047,267 | 129,464,002 | 461,933,797 | 5,819,973 | 7,986,431 | 38,283,978 | 52,090,382 | 514,024,179 |

Other Assets include Cash & Deposits with Central Bank, Due from Banks, Trading securities, Investment securities [net of Debt Securities], Investment properties, Property & Equipment & Other Assets.

The group's credit exposure by Geography and Economic activity, both funded and non-funded is detailed below (Continued):

GROSS CREDIT EXPOSURE BY GEOGRAPHY (continued)

31 DECEMBER 2017

| | Loans & Islamic Financing AED 000 | Debt securities AED 000 | Other assets AED 000 | Total funded AED 000 | Commitments AED 000 | OTC derivatives AED 000 | Other off-balance sheet exposures AED 000 | Total non-funded AED 000 | Total AED 000 |
|-----------------------------|--|-------------------------------|----------------------------|----------------------------|------------------------|-------------------------------|---|--------------------------------|--------------------|
| United Arab Emirates | 318,789,961 | 2,060,538 | 99,706,365 | 420,556,864 | 3,791,884 | 2,896,914 | 33,970,084 | 40,658,882 | 461,215,746 |
| GCC excluding UAE | 9,456,381 | 4,230,763 | 9,066,523 | 22,753,667 | 606,702 | 937,374 | 1,398,810 | 2,942,886 | 25,696,553 |
| Arab League (excluding GCC) | 72,677 | 3,253,223 | 605,825 | 3,931,725 | - | 182,457 | 4,070 | 186,527 | 4,118,252 |
| Asia | 1,230,794 | 536,607 | 9,743,523 | 11,510,924 | - | 476,220 | 324,919 | 801,139 | 12,312,063 |
| Africa | 10,966 | - | 226,014 | 236,980 | - | - | - | - | 236,980 |
| North America | 1,204,643 | 2,684,648 | 4,331,707 | 8,220,998 | - | 826,576 | 6,286 | 832,862 | 9,053,860 |
| South America | - | - | - | - | - | - | - | - | - |
| Caribbean | - | - | - | - | - | - | - | - | - |
| Europe | 4,058,198 | 1,639,607 | 12,256,794 | 17,954,599 | 657,260 | 2,769,541 | 930,566 | 4,357,367 | 22,311,966 |
| Australia | - | 25,138 | - | 25,138 | - | 52,362 | 6,854 | 59,216 | 84,354 |
| Others | 1,222,288 | 14,072 | 306,475 | 1,542,835 | - | - | 1,718,437 | 1,718,437 | 3,261,272 |
| Total | 336,045,908 | 14,444,596 | 136,243,226 | 486,733,730 | 5,055,846 | 8,141,444 | 38,360,026 | 51,557,316 | 538,291,046 |

Other Assets include Cash & Deposits with Central Bank, Due from Banks, Trading securities, Investment securities [net of Debt Securities], Investment properties, Property & Equipment & Other Assets.

The group's credit exposure by Geography and Economic activity, both funded and non-funded is detailed below (Continued):

GROSS CREDIT EXPOSURE BY GEOGRAPHY (continued)

31 DECEMBER 2016

| | Loans & Islamic Financing AED 000 | Debt securities AED 000 | Other assets AED 000 | Total funded AED 000 | Commitments AED 000 | OTC derivatives AED 000 | Other off-balance sheet exposures AED 000 | Total non-funded AED 000 | Total AED 000 |
|-----------------------------|--|-------------------------------|----------------------------|----------------------------|------------------------|-------------------------------|---|--------------------------------|--------------------|
| United Arab Emirates | 295,946,082 | 1,976,338 | 77,855,978 | 375,778,398 | 4,790,376 | 3,160,474 | 31,798,551 | 39,749,401 | 415,527,799 |
| GCC excluding UAE | 11,807,790 | 3,166,423 | 14,421,943 | 29,396,156 | 672,644 | 1,262,347 | 3,315,334 | 5,250,325 | 34,646,481 |
| Arab League (excluding GCC) | 3,983,218 | 3,619,880 | 5,651,548 | 13,254,646 | 30,469 | 146,515 | 663,795 | 840,779 | 14,095,425 |
| Asia | 3,926,134 | 162,734 | 13,403,245 | 17,492,113 | 94,572 | 255,600 | 1,109,824 | 1,459,996 | 18,952,109 |
| Africa | 159,497 | - | 686,345 | 845,842 | - | - | 4,144 | 4,144 | 849,986 |
| North America | 885,482 | 2,231,758 | 4,698,156 | 7,815,396 | - | 7,526 | 3,202 | 10,728 | 7,826,124 |
| South America | - | - | - | - | - | - | - | - | - |
| Caribbean | - | - | - | - | - | - | - | - | - |
| Europe | 3,712,102 | 865,222 | 12,683,933 | 17,261,257 | 231,912 | 3,144,458 | 1,382,274 | 4,758,644 | 22,019,901 |
| Australia | - | 24,912 | 62,046 | 86,958 | - | 9,511 | 6,854 | 16,365 | 103,323 |
| Others | 2,223 | - | 808 | 3,031 | - | - | - | - | 3,031 |
| Total | 320,422,528 | 12,047,267 | 129,464,002 | 461,933,797 | 5,819,973 | 7,986,431 | 38,283,978 | 52,090,382 | 514,024,179 |

Other Assets include Cash & Deposits with Central Bank, Due from Banks, Trading securities, Investment securities [net of Debt Securities], Investment properties, Property & Equipment & Other Assets.

The group's credit exposure by Geography and Economic activity, both funded and non-funded is detailed below (Continued):

GROSS CREDIT EXPOSURE BY ECONOMIC ACTIVITY

31 DECEMBER 2017

| | Loans & Islamic Financing AED 000 | Debt securities AED 000 | Other assets AED 000 | Total funded AED 000 | Commitments AED 000 | OTC derivatives AED 000 | Other off-balance sheet exposures AED 000 | Total non-funded AED 000 | Total AED 000 |
|---|--|-------------------------------|----------------------------|----------------------------|------------------------|-------------------------------|---|--------------------------------|--------------------|
| Agriculture, fishing & related activities | 6,374 | 147,004 | - | 153,378 | 52,966 | - | 4,312,875 | 4,365,841 | 4,519,219 |
| Crude, oil gas, mining & quarrying | 589,334 | - | 25,135 | 614,469 | 240,838 | - | 192,301 | 433,139 | 1,047,608 |
| Manufacturing | 8,500,926 | - | - | 8,500,926 | 178,831 | 39,382 | 2,854,088 | 3,072,301 | 11,573,227 |
| Electricity & water | 435,379 | - | - | 435,379 | - | - | 364,407 | 364,407 | 799,786 |
| Construction | 8,898,949 | - | 435,831 | 9,334,780 | 1,587,828 | 23,594 | 12,258,379 | 13,869,801 | 23,204,581 |
| Trade | 22,883,649 | - | - | 22,883,649 | 343,200 | 627,005 | 980,703 | 1,950,908 | 24,834,557 |
| Transport, storage & communication | 3,342,797 | 93,284 | 238,010 | 3,674,091 | 38,814 | 60,529 | 805,627 | 904,970 | 4,579,061 |
| Financial institutions and investment companies | 23,130,138 | 5,347,849 | 123,380,964 | 151,858,951 | 184,234 | 6,600,772 | 5,853,792 | 12,638,798 | 164,497,749 |
| Real estate | 44,681,503 | 202,621 | - | 44,884,124 | 124,043 | 192,583 | 1,581,138 | 1,897,764 | 46,781,888 |
| Services | 11,135,402 | 493,259 | 184,465 | 11,813,126 | 115,103 | 57,236 | 1,418,583 | 1,590,922 | 13,404,048 |
| Sovereign | 140,545,646 | 4,717,840 | 2,220,571 | 147,484,057 | 45,878 | - | 36,960 | 82,838 | 147,566,895 |
| Personal | 60,872,956 | - | - | 60,872,956 | 74,000 | - | 2,097,200 | 2,171,200 | 63,044,156 |
| All others | 4,362,608 | 3,442,739 | 9,758,250 | 17,563,597 | 2,070,111 | 540,343 | 5,603,973 | 8,214,427 | 25,778,024 |
| Add: Grossing up of interest in suspense | 6,660,247 | - | - | 6,660,247 | - | - | - | - | 6,660,247 |
| Total | 336,045,908 | 14,444,596 | 136,243,226 | 486,733,730 | 5,055,846 | 8,141,444 | 38,360,026 | 51,557,316 | 538,291,046 |

Other Assets include Cash & Deposits with Central Bank, Due from Banks, Trading securities, Investment securities [net of Debt Securities], Investment properties, Property & Equipment & Other Assets.

The group's credit exposure by Geography and Economic activity, both funded and non-funded is detailed below (continued):

GROSS CREDIT EXPOSURE BY ECONOMIC ACTIVITY (Continued)

31 DECEMBER 2016

| | Loans & Islamic Financing AED 000 | Debt securities AED 000 | Other assets AED 000 | Total funded AED 000 | Commitments AED 000 | OTC derivatives AED 000 | Other off-balance sheet exposures AED 000 | Total non-funded AED 000 | Total AED 000 |
|---|-----------------------------------|-------------------------|----------------------|----------------------|---------------------|-------------------------|---|--------------------------|--------------------|
| Agriculture, fishing & related activities | 133,952 | - | - | 133,952 | - | - | 26,250 | 26,250 | 160,202 |
| Crude, oil gas, mining & quarrying | 450,624 | 1,352,594 | 30,151 | 1,833,369 | 425 | 4,357 | 693,399 | 698,181 | 2,531,550 |
| Manufacturing | 8,748,547 | - | - | 8,748,547 | 43,026 | 23,015 | 3,688,710 | 3,754,751 | 12,503,298 |
| Electricity & water | 381,563 | 546,460 | 6,248 | 934,271 | - | - | 1,172,056 | 1,172,056 | 2,106,327 |
| Construction | 9,653,933 | 195,290 | 227,955 | 10,077,178 | 1,620,691 | 21,496 | 7,873,957 | 9,516,144 | 19,593,322 |
| Trade | 17,143,645 | - | - | 17,143,645 | 788,209 | 309,558 | 7,106,413 | 8,204,180 | 25,347,825 |
| Transport, storage & communication | 4,745,531 | 185,476 | 306,138 | 5,237,145 | 147,259 | 165,865 | 827,916 | 1,141,040 | 6,378,185 |
| Financial institutions and investment companies | 24,590,457 | 2,517,019 | 114,688,752 | 141,796,228 | 852,738 | 6,525,070 | 7,316,116 | 14,693,924 | 156,490,152 |
| Real estate | 42,548,945 | - | 293,999 | 42,842,944 | 854,700 | 26,943 | 1,068,006 | 1,949,649 | 44,792,593 |
| Services | 6,931,544 | 115,878 | 49,220 | 7,096,642 | 589,019 | 54,134 | 3,650,736 | 4,293,889 | 11,390,531 |
| Sovereign | 130,977,361 | 7,122,873 | 340,123 | 138,440,357 | - | 34,257 | 6,133 | 40,390 | 138,480,747 |
| Personal | 65,199,616 | - | - | 65,199,616 | 162,920 | 53,101 | 3,411,928 | 3,627,949 | 68,827,565 |
| All others | 3,237,886 | 11,677 | 13,521,416 | 16,770,979 | 760,986 | 768,635 | 1,442,358 | 2,971,979 | 19,742,958 |
| Add: Grossing up of interest in suspense | 5,678,924 | - | - | 5,678,924 | - | - | - | - | 5,678,924 |
| Total | 320,422,528 | 12,047,267 | 129,464,002 | 461,933,797 | 5,819,973 | 7,986,431 | 38,283,978 | 52,090,382 | 514,024,179 |

Other Assets include Cash & Deposits with Central Bank, Due from Banks, Trading securities, Investment securities [net of Debt Securities], Investment properties, Property & Equipment & Other Assets.

The Gross Credit Exposures as per Standardized Approach with the effect of CRM as detailed below:

GROSS CREDIT EXPOSURE AS PER STANDARDISED APPROACH

31 DECEMBER 2017

| | On Balance Sheet Gross Outstanding AED 000 | Off-Balance Sheet Net Exposure after Credit Conversion Factors (CCF) AED 000 | Total Gross Exposure AED 000 | Credit Risk Mitigation (CRM) Exposure Before CRM AED 000 | CRM AED 000 | After CRM AED 000 | Risk Weighted Assets AED 000 |
|---|--|--|------------------------------|--|-------------------|--------------------|------------------------------|
| Claims on sovereigns | 217,819,132 | 53,707 | 217,872,839 | 217,872,839 | - | 217,872,839 | 6,149,043 |
| Claims on non-central government public sector entities | 1,146,942 | 119,154 | 1,266,096 | 1,266,096 | - | 1,266,096 | 135,416 |
| Claims on multi-lateral development banks | 14,503 | - | 14,503 | 14,503 | - | 14,503 | - |
| Claims on banks | 51,908,583 | 11,204,573 | 63,113,156 | 63,113,156 | 5,366,827 | 57,746,329 | 28,637,975 |
| Claims on corporate and Government related entities (GRE) | 78,841,038 | 37,874,854 | 116,715,892 | 116,715,892 | 7,567,203 | 109,148,689 | 108,059,242 |
| Claims included in the regulatory retail portfolio | 35,117,499 | 666,360 | 35,783,859 | 35,783,859 | 3,407,353 | 32,376,506 | 24,822,435 |
| Claims secured by residential property | 14,235,643 | - | 14,235,643 | 14,235,643 | - | 14,235,643 | 10,974,152 |
| Claims secured by commercial real estate | 41,085,793 | 1,278,043 | 42,363,836 | 42,363,836 | - | 42,363,836 | 42,363,836 |
| Past due loans | 29,725,707 | 360,625 | 30,086,332 | 5,744,083 | - | 5,744,083 | 6,486,042 |
| Higher-risk categories | 870,610 | - | 870,610 | 870,610 | - | 870,610 | 1,305,915 |
| Other assets | 15,968,280 | - | 15,968,280 | 15,968,280 | - | 15,968,280 | 8,830,861 |
| Claims on securitised assets | - | - | - | - | - | - | - |
| Credit derivatives (Banks selling protection) | - | - | - | - | - | - | - |
| Total | 486,733,730 | 51,557,316 | 538,291,046 | 513,948,797 | 16,341,383 | 497,607,414 | 237,764,917 |

GROSS CREDIT EXPOSURE AS PER STANDARDISED APPROACH (continued)

31 DECEMBER 2016

| | On Balance Sheet Gross Outstanding AED 000 | Off-Balance Sheet Net Exposure after Credit Conversion Factors (CCF) AED 000 | Total Gross Exposure AED 000 | Credit Risk Mitigation (CRM) Exposure Before CRM AED 000 | CRM AED 000 | After CRM AED 000 | Risk Weighted Assets AED 000 |
|---|--|--|------------------------------|--|-------------------|--------------------|------------------------------|
| Claims on sovereigns | 192,394,071 | 40,378 | 192,434,449 | 192,434,449 | - | 192,434,449 | 5,014,193 |
| Claims on non-central government public sector entities | 653,613 | 222,360 | 875,973 | 875,973 | - | 875,973 | 39,591 |
| Claims on multi-lateral development banks | 14,514 | - | 14,514 | 14,514 | - | 14,514 | - |
| Claims on banks | 59,104,759 | 9,639,268 | 68,744,027 | 68,744,027 | 4,561,883 | 64,182,144 | 32,143,281 |
| Claims on securities firms | - | - | - | - | - | - | - |
| Claims on corporate and Government related entities (GRE) | 86,435,383 | 39,401,575 | 125,836,958 | 125,836,958 | 15,915,401 | 109,921,557 | 109,372,389 |
| Claims included in the regulatory retail portfolio | 37,977,874 | 1,026,844 | 39,004,718 | 39,004,718 | 7,728,699 | 31,276,019 | 22,057,271 |
| Claims secured by residential property | 11,698,322 | - | 11,698,322 | 11,698,322 | - | 11,698,322 | 7,596,243 |
| Claims secured by commercial real estate | 30,615,549 | 1,213,410 | 31,828,959 | 31,828,959 | - | 31,828,959 | 31,828,959 |
| Past due loans | 26,669,457 | 546,547 | 27,216,004 | 4,209,482 | - | 4,209,482 | 5,253,562 |
| Higher-risk categories | 578,184 | - | 578,184 | 578,184 | - | 578,184 | 867,277 |
| Other assets | 15,792,071 | - | 15,792,071 | 15,792,071 | - | 15,792,071 | 11,240,287 |
| Claims on securitised assets | - | - | - | - | - | - | - |
| Credit derivatives (Banks selling protection) | - | - | - | - | - | - | - |
| Total | 461,933,797 | 52,090,382 | 514,024,179 | 491,017,657 | 28,205,983 | 462,811,674 | 225,413,053 |

GROSS CREDIT EXPOSURE AS PER STANDARDISED APPROACH (RATED / UNRATED)

31 DECEMBER 2017

| | Rated AED 000 | Unrated AED 000 | Total Gross Exposure AED 000 | Exposure Before CRM AED 000 | After CRM AED 000 | Risk Weighted Assets AED 000 |
|---|-------------------|--------------------|------------------------------|-----------------------------|--------------------|------------------------------|
| Claims on sovereigns | 6,927,542 | 210,945,297 | 217,872,839 | 217,872,839 | 217,872,839 | 6,149,043 |
| Claims on non-central government public sector entities | 639,479 | 626,617 | 1,266,096 | 1,266,096 | 1,266,096 | 135,416 |
| Claims on multi-lateral development banks | 14,503 | - | 14,503 | 14,503 | 14,503 | - |
| Claims on banks | 3,955,535 | 59,157,621 | 63,113,156 | 63,113,156 | 57,746,329 | 28,637,975 |
| Claims on corporate and Government related entities (GRE) | 2,356,516 | 144,359,376 | 146,715,892 | 116,715,892 | 109,148,689 | 108,059,242 |
| Claims included in the regulatory retail portfolio | - | 35,783,859 | 35,783,859 | 35,783,859 | 32,376,506 | 24,822,435 |
| Claims secured by residential property | - | 14,235,643 | 14,235,643 | 14,235,643 | 14,235,643 | 10,974,152 |
| Claims secured by commercial real estate | - | 42,363,836 | 42,363,836 | 42,363,836 | 42,363,836 | 42,363,836 |
| Past due loans | - | 30,086,332 | 30,086,332 | 5,744,083 | 5,744,083 | 6,486,042 |
| Higher-risk categories | - | 870,610 | 870,610 | 870,610 | 870,610 | 1,305,915 |
| Other assets | - | 15,968,280 | 15,968,280 | 15,968,280 | 15,968,280 | 8,830,861 |
| Claims on securitised assets | - | - | - | - | - | - |
| Credit derivatives (Banks selling protection) | - | - | - | - | - | - |
| Total | 13,893,575 | 524,397,471 | 538,291,046 | 513,948,797 | 497,607,414 | 237,764,917 |

GROSS CREDIT EXPOSURE AS PER STANDARDISED APPROACH (RATED / UNRATED) (continued)

31 DECEMBER 2016

| | Rated AED 000 | Unrated AED 000 | Total Gross Exposure AED 000 | Exposure Before CRM AED 000 | After CRM AED 000 | Risk Weighted Assets AED 000 |
|---|-------------------|--------------------|------------------------------------|-----------------------------------|----------------------|---------------------------------------|
| Claims on sovereigns | 7,119,723 | 185,314,726 | 192,434,449 | 192,434,449 | 192,434,449 | 5,014,193 |
| Claims on non-central government public sector entities | 197,957 | 678,016 | 875,973 | 875,973 | 875,973 | 39,591 |
| Claims on multi-lateral development banks | 14,514 | - | 14,514 | 14,514 | 14,514 | - |
| Claims on banks | 3,798,823 | 64,945,204 | 68,744,027 | 68,744,027 | 64,182,144 | 32,143,281 |
| Claims on securities firms | - | - | - | - | - | - |
| Claims on corporate and Government related entities (GRE) | 2,768,876 | 123,068,082 | 125,836,958 | 125,836,958 | 109,921,557 | 109,372,389 |
| Claims included in the regulatory retail portfolio | - | 39,004,718 | 39,004,718 | 39,004,718 | 31,276,019 | 22,057,271 |
| Claims secured by residential property | - | 11,698,322 | 11,698,322 | 11,698,322 | 11,698,322 | 7,596,243 |
| Claims secured by commercial real estate | - | 31,828,959 | 31,828,959 | 31,828,959 | 31,828,959 | 31,828,959 |
| Past due loans | - | 27,216,004 | 27,216,004 | 4,209,482 | 4,209,482 | 5,253,562 |
| Higher-risk categories | - | 578,184 | 578,184 | 578,184 | 578,184 | 867,277 |
| Other assets | 5,185 | 15,786,886 | 15,792,071 | 15,792,071 | 15,792,071 | 11,240,287 |
| Claims on securitised assets | - | - | - | - | - | - |
| Credit derivatives (Banks selling protection) | - | - | - | - | - | - |
| Total | 13,905,078 | 500,119,101 | 514,024,179 | 491,017,657 | 462,811,674 | 225,413,053 |

EXPOSURE SUBJECT TO DEDUCTION AS PER STANDARDISED APPROACH (RATED / UNRATED)

31 DECEMBER 2017

| | Rated AED 000 | Unrated AED 000 | Total Gross Exposure AED 000 | Exposure Before CRM AED 000 | After CRM AED 000 | Risk Weighted Assets AED 000 |
|---|------------------|--------------------|------------------------------------|--------------------------------------|----------------------|---------------------------------------|
| Claims on sovereigns | - | - | - | - | - | - |
| Claims on non-central government public sector entities | - | - | - | - | - | - |
| Claims on multi-lateral development banks | - | - | - | - | - | - |
| Claims on banks | - | 5,724,378 | 5,724,378 | 5,724,378 | - | - |
| Claims on corporate and Government related entities (GRE) | - | 41,703,683 | 41,703,683 | 41,703,683 | 28,162,795 | 28,162,795 |
| Claims included in the regulatory retail portfolio | - | 12,342,703 | 12,342,703 | 12,342,703 | 325,468 | 260,375 |
| Claims secured by residential property | - | - | - | - | - | - |
| Claims secured by commercial real estate | - | - | - | - | - | - |
| Past due loans | - | - | - | - | - | - |
| Higher-risk categories | - | - | - | - | - | - |
| Other assets | - | - | - | - | - | - |
| Claims on securitised assets | - | - | - | - | - | - |
| Credit derivatives (Banks selling protection) | - | - | - | - | - | - |
| Total | - | 59,770,764 | 59,770,764 | 59,770,764 | 28,488,263 | 28,423,170 |

EXPOSURE SUBJECT TO DEDUCTION AS PER STANDARDISED APPROACH (RATED / UNRATED) (continued)

31 DECEMBER 2016

| | Rated AED,000 | Unrated AED,000 | Total Gross Exposure AED,000 | Exposure Before CRM AED,000 | After CRM AED,000 | Risk Weighted Assets AED,000 |
|---|------------------|--------------------|------------------------------------|-----------------------------------|----------------------|---------------------------------------|
| Claims on sovereigns | - | - | - | - | - | - |
| Claims on non-central government public sector entities | - | - | - | - | - | - |
| Claims on multi-lateral development banks | - | - | - | - | - | - |
| Claims on banks | - | 4,562,593 | 4,562,593 | 4,562,593 | 710 | 355 |
| Claims on securities firms | - | - | - | - | - | - |
| Claims on corporate and Government related entities (GRE) | - | 43,143,409 | 43,143,409 | 43,143,409 | 27,976,063 | 27,976,063 |
| Claims included in the regulatory retail portfolio | - | 9,248,007 | 9,248,007 | 9,248,007 | 771,254 | 603,635 |
| Claims secured by residential property | - | - | - | - | - | - |
| Claims secured by commercial real estate | - | - | - | - | - | - |
| Past due loans | - | - | - | - | - | - |
| Higher-risk categories | - | - | - | - | - | - |
| Other assets | - | - | - | - | - | - |
| Claims on securitised assets | - | - | - | - | - | - |
| Credit derivatives (Banks selling protection) | - | - | - | - | - | - |
| Total | - | 56,954,009 | 56,954,009 | 56,954,009 | 28,748,027 | 28,580,053 |

CREDIT RISK MITIGATION AS PER STANDARDISED APPROACH

| | 2017 | | 2016 | |
|---|------------------------------------|-----------------------------------|------------------------------------|-----------------------------------|
| | Gross credit exposure (AED,000) | Risk weighted assets (AED,000) | Gross credit exposure (AED,000) | Risk weighted assets (AED,000) |
| Gross exposure prior to credit risk mitigation | 538,291,046 | 278,448,547 | 514,024,179 | 276,625,558 |
| Exposure covered by on-balance sheet netting | (24,342,248) | (24,342,248) | (23,006,523) | (23,006,523) |
| Exposure covered by eligible financial collateral | (15,052,765) | (15,052,765) | (26,938,002) | (26,938,002) |
| Exposures covered by Guarantees | (1,288,618) | (1,288,617) | (1,267,980) | (1,267,980) |
| Net exposure after credit risk mitigation | 497,607,415 | 237,764,917 | 462,811,674 | 225,413,053 |

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

IMPAIRED LOANS BY ECONOMIC ACTIVITY

31 DECEMBER 2017

| | Overdue (Gross of Interest in Suspense / Provisions) | | Provisions | | Adjustments | | Interest in Suspense AED,000 | Total Impaired Assets AED,000 |
|---|--|---------------------------|-------------------|-------------------|------------------|--------------------|------------------------------|-------------------------------|
| | 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 | | |
| Agriculture, fishing & related activities | - | - | - | - | - | - | - | - |
| Crude, oil gas, mining & quarrying | - | 43,095 | 43,095 | 36,076 | - | - | - | 7,019 |
| Manufacturing | - | 1,725,086 | 1,725,086 | 1,266,229 | - | 1,771 | 238,269 | 220,588 |
| Electricity & water | - | - | - | - | - | - | - | - |
| Construction | - | 2,370,404 | 2,370,404 | 2,317,710 | - | 96,372 | 596,896 | (544,202) |
| Trade | - | 3,244,135 | 3,244,135 | 2,656,539 | - | 32,838 | 558,303 | 29,293 |
| Transport, storage & communication | - | 1,367,361 | 1,367,361 | 1,057,313 | - | 561 | 321,256 | (11,208) |
| Financial institutions | - | 8,158,056 | 8,158,056 | 3,781,557 | - | 3,672 | 1,983,052 | 2,393,447 |
| Real estate | - | 5,688,014 | 5,688,014 | 2,890,780 | - | 1,951 | 1,643,622 | 1,153,612 |
| Services | - | 779,037 | 779,037 | 935,529 | - | 273 | 61,132 | (217,624) |
| Sovereign | - | - | - | - | - | - | - | - |
| Personal | - | 3,271,360 | 3,271,360 | 1,926,095 | - | 6,529 | 880,689 | 464,577 |
| All others | - | 1,189,158 | 1,189,158 | 814,172 | - | 1,188,462 | 377,028 | (2042) |
| Total | - | 27,835,706 | 27,835,706 | 17,681,999 | 7,611,048 | 1,332,429 | 6,660,247 | 3,493,460 |

IMPAIRED LOANS BY ECONOMIC ACTIVITY (continued)

31 DECEMBER 2016

| | Overdue (Gross of Interest in Suspense / Provisions) | | Provisions | | Adjustments | | Interest in Suspense AED,000 | Total Impaired Assets AED,000 |
|---|--|---------------------------|-------------------|-------------------|------------------|--------------------|------------------------------|-------------------------------|
| | 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 | | |
| Agriculture, fishing & related activities | - | - | - | - | - | - | - | - |
| Crude, oil gas, mining & quarrying | - | 49,114 | 49,114 | 36,076 | - | - | 13,038 | - |
| Manufacturing | - | 1,980,613 | 1,980,613 | 1,533,680 | - | 102,797 | 446,933 | - |
| Electricity & water | - | - | - | - | - | - | - | - |
| Construction | - | 2,570,151 | 2,570,151 | 2,151,044 | - | 9,908 | 419,107 | - |
| Trade | - | 3,143,466 | 3,143,466 | 2,419,040 | - | 3,051 | 724,426 | - |
| Transport, storage & communication | - | 478,532 | 478,532 | 368,164 | - | - | 110,368 | - |
| Financial institutions | - | 7,627,487 | 7,627,487 | 4,453,116 | - | 84,684 | 1,056,659 | 2,117,712 |
| Real estate | - | 5,907,929 | 5,907,929 | 3,541,581 | - | - | 1,773,761 | 592,587 |
| Services | - | 1,170,952 | 1,170,952 | 801,994 | - | - | 131,558 | 237,400 |
| Sovereign | - | - | - | - | - | - | - | - |
| Personal | - | 3,154,980 | 3,154,980 | 1,652,267 | - | 1,286,616 | 899,621 | 603,092 |
| All others | - | 586,234 | 586,234 | 370,637 | - | 532 | 103,453 | 112,144 |
| Total | - | 26,669,458 | 26,669,458 | 17,327,599 | 7,019,697 | 1,384,791 | 5,678,924 | 3,662,935 |

IMPAIRED LOANS BY GEOGRAPHY

31 DECEMBER 2017

| | Overdue (Gross of Interest in Suspense / Provisions) | | Provisions | | Adjustments | | | Total Impaired Assets AED 000 | |
|-----------------------------|--|------------------------------|-------------------|---------------------|--------------------|-----------------------|------------------------|----------------------------------|---------------------------------|
| | 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 |
| | | | | | | | | | |
| United Arab Emirates | - | 25,755,327 | 25,755,327 | 15,870,813 | - | 1,328,656 | 1,753,708 | 6,201,175 | 3,683,339 |
| GCC excluding UAE | - | 2,016,301 | 2,016,301 | 1,660,432 | - | 169 | 10,286 | 443,948 | (88,079) |
| Arab League (excluding GCC) | - | 39,120 | 39,120 | 134,846 | - | - | 1,449 | - | (95,726) |
| Asia | - | 19,871 | 19,871 | 13,151 | - | 3,603 | 11,786 | 12,789 | (6,069) |
| Africa | - | - | - | - | - | - | - | - | - |
| North America | - | - | - | - | - | - | - | - | - |
| South America | - | - | - | - | - | - | - | - | - |
| Caribbean | - | - | - | - | - | - | - | - | - |
| Europe | - | 5,076 | 5,076 | 2,757 | - | - | 31 | 2,335 | (16) |
| Australia | - | - | - | - | - | - | - | - | - |
| Others | - | 11 | 11 | - | - | - | - | - | 11 |
| Total | - | 27,835,706 | 27,835,706 | 17,681,999 | 7,611,048 | 1,332,429 | 1,777,261 | 6,660,247 | 3,493,460 |

IMPAIRED LOANS BY GEOGRAPHY (continued)

31 DECEMBER 2016

| | Overdue (Gross of Interest in Suspense / Provisions) | | Provisions | | Adjustments | | | Total Impaired Assets AED 000 | |
|-----------------------------|--|------------------------------|-------------------|---------------------|--------------------|-----------------------|------------------------|----------------------------------|---------------------------------|
| | 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 |
| | | | | | | | | | |
| United Arab Emirates | - | 24,180,281 | 24,180,281 | 15,615,755 | - | 1,383,700 | 2,934,656 | 5,271,554 | 3,292,972 |
| GCC excluding UAE | - | 2,055,611 | 2,055,611 | 1,532,551 | - | 828 | 120,236 | 392,827 | 130,233 |
| Arab League (excluding GCC) | - | 366,708 | 366,708 | 116,445 | - | 263 | - | 362 | 249,901 |
| Asia | - | 37,760 | 37,760 | 36,925 | - | - | 16,547 | 11,310 | (10,475) |
| Africa | - | - | - | - | - | - | - | - | - |
| North America | - | - | - | - | - | - | - | - | - |
| South America | - | - | - | - | - | - | - | - | - |
| Caribbean | - | - | - | - | - | - | - | - | - |
| Europe | - | 29,098 | 29,098 | 25,923 | - | - | - | 2,871 | 304 |
| Australia | - | - | - | - | - | - | - | - | - |
| Others | - | - | - | - | - | - | - | - | - |
| Total | - | 26,669,458 | 26,669,458 | 17,327,599 | 7,019,697 | 1,384,791 | 3,071,439 | 5,678,924 | 3,662,935 |

RECONCILIATION OF CHANGES IN PROVISION FOR IMPAIRED LOANS

| | 2017 AED 000 | 2016 AED 000 |
|---|--------------------|-----------------|
| Balance of provision for impaired loans as at 1 January | 24,347,296 | 23,239,441 |
| Add: Charge for the year | | |
| Specific provisions | 3,464,643 | 4,620,191 |
| General provisions | 591,992 | 955,020 |
| Less: Write-off of impaired loans | (1,332,429) | (1,384,791) |
| Less: Recovery of loans previously written off | | |
| Less: Write back / Recovery of loan loss provisions | (1,777,261) | (3,071,439) |
| Less: Adjustments of loan loss provisions | (1,194) | (11,126) |
| Balance of provision for impaired loans as at 31 December | 25,293,047 | 24,347,296 |

RISK MANAGEMENT OBJECTIVES AND POLICIES

MARKET RISK

Please refer Note no. 46 in the annual financial statements for detailed risk management objectives, year-end VaR numbers, overall interest sensitivity in the Banking book and policies on Market risk

QUANTITATIVE DISCLOSURES FOR EQUITY POSITION IN THE BANKING BOOK

31 DECEMBER 2017

(a) Quantitative Details of Equity Position

| Type | FS Category (AFS/FVPL) | Basel II Category (Banking book) | Current Year | | AED 000 |
|-------------------------------|---------------------------|---|--------------------|----------------|---------|
| | | | Publicly Traded | Privately Held | |
| Equities | 780,862 | 780,862 | 11,307 | 769,555 | |
| Collective investment schemes | - | - | - | - | |
| Any other investment | - | - | - | - | |
| Total | 780,862 | 780,862 | 11,307 | 769,555 | |

(b) Realised, unrealised & latent revaluation gains / (losses) during the year

| Particulars | AED 000 |
|--|----------------|
| Gains (Losses) | AFS |
| Realised gains (losses) from sale and liquidations | 206,436 |
| Unrealised gains (losses) recognised in the balance sheet but not through profit and loss account | 158,477 |
| Latent revaluation gains (losses) for investment recorded at cost but not recognised in balance sheet or profit and loss account | |
| Total | 364,913 |

(c) Items in (b) above included in Tier I / Tier II Capital

| Tier Capital | AED 000 |
|---|----------------|
| Amount included in Tier I capital (realised gains) | 206,436 |
| Amount included in Tier II capital (unrealised gains) | 71,314 |
| Total | 277,750 |

QUANTITATIVE DISCLOSURES FOR EQUITY POSITION IN THE BANKING BOOK (Continued)

31 DECEMBER 2017

| (d) Capital requirements by Equity groupings | AED 000 |
|--|----------------|
| Grouping | Amount |
| Investments in joint venture | 173,138 |
| Investment securities Held for trading | 93,703 |
| Total capital requirement | 266,841 |

(e) Equity Investments (Quoted / Unquoted) - Including private equity investments

| Particulars | AED 000 | |
|--------------|--|--|
| | Banking Book (Per Basel II Definition) | Trading Book (Per Basel II Definition) |
| Quoted | 11,307 | - |
| Unquoted | 769,555 | - |
| Total | 780,862 | - |

QUANTITATIVE DISCLOSURES FOR EQUITY POSITION IN THE BANKING BOOK (Continued)

31 DECEMBER 2016

(a) Quantitative Details of Equity Position

| Type | FS Category (AFS/FVPL) | Basel II Category (Banking book) | AED 000 | |
|-------------------------------|------------------------|----------------------------------|-----------------|----------------|
| | | | Publicly Traded | Privately Held |
| Equities | 1,033,981 | 1,033,981 | 338,162 | 695,819 |
| Collective investment schemes | - | - | - | - |
| Any other investment | - | - | - | - |
| Total | 1,033,981 | 1,033,981 | 338,162 | 695,819 |

(b) Realised, unrealised & latent revaluation gains / (losses) during the year

| Particulars | AED 000 |
|--|-----------------|
| Gains (Losses) | AFS |
| Realised gains (losses) from sale and liquidations | 218,710 |
| Unrealised gains (losses) recognised in the balance sheet but not through profit and loss account | (259,798) |
| Latent revaluation gains (losses) for investment recorded at cost but not recognized in balance sheet of profit and loss account | - |
| Total | (41,088) |

(c) Items in (b) above included in Tier I / Tier II Capital

| Tier Capital | AED 000 |
|---|----------------|
| Amount included in Tier I capital (realised gains) | 218,710 |
| Amount included in Tier II capital (unrealised gains) | (116,910) |
| Total | 101,800 |

QUANTITATIVE DISCLOSURES FOR EQUITY POSITION IN THE BANKING BOOK (Continued)

31 DECEMBER 2016

(d) Capital requirements by Equity groupings

| | AED 000 |
|--|----------------|
| Grouping | Amount |
| Investments in associates and joint ventures | 180,796 |
| Investment securities Held for trading | 124,078 |
| Total capital requirement | 304,874 |

(e) Equity investments (Quoted / Unquoted) - Including private equity investments

| Particulars | AED 000 | |
|--------------|---|---|
| | Banking Book (Per Basel II Definition) | Trading Book (Per Basel II Definition) |
| Quoted | 338,162 | - |
| Unquoted | 695,819 | - |
| Total | 1,033,981 | - |

RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign Exchange Risk

Foreign exchange risk hedging strategies are used to ensure that positions are always within established limits. The Group has a conservative policy towards foreign exchange risk and has set limits on positions by currency. Foreign exchange risk is measured using position reports showing the net long or short position for currencies, which are monitored on a real-time basis. Foreign exchange risk is actively managed using spot and forward foreign exchange instruments.

The capital requirement for foreign exchange risk as at 31 December 2017 is AED 49.29 million (as at 31 December 2016 is AED 22.03 million).

Operational Risk

Please refer Note no. 46 in the annual financial statements for detailed risk management objectives and policies for Operational risk.

Liquidity Risk

Please refer Note no. 46 in the annual financial statements for detailed risk management objectives and policies for Liquidity risk.

THE FOLLOWING TABLE LISTS THE GROUP'S EXPOSURES BY RESIDUAL MATURITY:

31 DECEMBER 2017

| | Loans & Islamic Financing | Debt securities | Other assets | Total funded | Commitments | OTC derivatives | Other off-balance sheet exposures | Total non-funded | Total |
|---|---------------------------|-------------------|--------------------|--------------------|------------------|------------------|-----------------------------------|-------------------|--------------------|
| | AED 000 | AED 000 | AED 000 | AED 000 | AED 000 | AED 000 | AED 000 | AED 000 | AED 000 |
| Less than 3 months | 157,669,023 | 2,520,259 | 94,058,513 | 254,247,795 | 2,335,457 | 4,555,145 | 18,708,524 | 25,599,127 | 279,846,922 |
| 3 months to 1 year | 27,841,158 | 3,098,735 | 31,263,799 | 62,203,692 | 2,720,388 | 1,144,239 | 12,180,367 | 16,044,994 | 78,248,686 |
| 1 year to 5 years | 59,971,998 | 4,607,229 | 3,887,164 | 68,466,391 | - | 1,373,910 | 6,901,733 | 8,275,643 | 76,742,034 |
| Over 5 years | 66,221,483 | 4,218,373 | 7,033,750 | 77,473,606 | - | 1,068,150 | 569,402 | 1,637,552 | 79,111,158 |
| Add: Grossing up of interest in suspense & provisions | 24,342,246 | - | - | 24,342,246 | - | - | - | - | 24,342,246 |
| Total | 336,045,908 | 14,444,596 | 136,243,226 | 486,733,730 | 5,055,846 | 8,141,444 | 38,360,026 | 51,557,316 | 538,291,046 |

Other Assets include Cash & Deposits with Central Bank, Due from Banks, Trading securities, Investment securities [net of Debt Securities], Investment properties, Investment in associate and joint ventures, Property & Equipment & Other Assets.

THE FOLLOWING TABLE LISTS THE GROUP'S EXPOSURES BY RESIDUAL MATURITY: (Continued)

31 DECEMBER 2016

| | Loans & Islamic Financing | Debt securities | Other assets | Total funded | Commitments | OTC derivatives | Other off-balance sheet exposures | Total non-funded | Total |
|---|---------------------------|-------------------|--------------------|--------------------|------------------|------------------|-----------------------------------|-------------------|--------------------|
| | AED 000 | AED 000 | AED 000 | AED 000 | AED 000 | AED 000 | AED 000 | AED 000 | AED 000 |
| Less than 3 months | 148,151,896 | 2,094,436 | 91,555,546 | 241,801,878 | 2,963,927 | 2,003,587 | 22,430,588 | 27,398,102 | 269,199,980 |
| 3 months to 1 year | 23,108,595 | 2,263,248 | 28,514,590 | 53,886,433 | 2,856,046 | 1,261,970 | 10,980,859 | 15,098,875 | 68,985,308 |
| 1 year to 5 years | 57,873,660 | 4,932,898 | 2,321,824 | 65,128,382 | - | 3,630,650 | 4,190,563 | 7,821,213 | 72,949,595 |
| Over 5 years | 68,281,854 | 2,756,685 | 7,072,042 | 78,110,581 | - | 1,090,224 | 681,968 | 1,772,192 | 79,882,773 |
| Add: Grossing up of interest in suspense & provisions | 23,006,523 | - | - | 23,006,523 | - | - | - | - | 23,006,523 |
| Total | 320,422,528 | 12,047,267 | 129,464,002 | 461,933,797 | 5,819,973 | 7,986,431 | 38,283,978 | 52,090,382 | 514,024,179 |

RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Reputational Risk

Please refer Note no. 46 in the annual financial statements for detailed risk management objectives and policies for reputation risk.

Regulatory / Compliance Risk

Please refer Note no. 46 in the annual financial statements for detailed risk management objectives and policies for regulatory / compliance risk.

Internal Capital Adequacy Assessment Process

Please refer Note no. 46 in the annual financial statements for detailed risk management objectives and policies for Internal Capital Adequacy Assessment Process.

Internal Audit's role in overall risk management

Please refer Note no. 46 in the annual financial statements for detailed risk management objectives and policies for details on Internal Audit's role in overall risk management.

Risk management framework and processes at Emirates Islamic Bank (EI)

Please refer Note no. 46 in the annual financial statements for detailed risk management objectives and policies for details on risk management framework and processes at EIB.

Risk management framework and processes at Emirates NBD Egypt

Please refer Note no. 46 in the annual financial statements for detailed risk management objectives and policies for details on risk management framework and processes at Emirates NBD Egypt.

