



REFLECTIONS
OF A TRIUMPHANT
YEAR

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BASEL II – PILLAR III DISCLOSURES

Contents	Page
Overview	1
Information on subsidiaries and significant investments	4
Consolidated capital structure	6
Capital adequacy	7
Capital requirement for market risk as per standardized approach	10
Gross credit exposure by currency	11
Gross credit exposure by geography	12
Gross credit exposure by economic activity	14
Gross credit exposure as per standardized approach	16
Gross credit exposure as per standardized approach (Rated / Unrated)	18
Credit risk mitigation as per standardized approach	20
Impaired loans by economic activity	21
Impaired loans by geography	23
Reconciliation of changes in provision for impaired loans	25
Quantitative disclosures for equity Position in the banking book	26
Gross credit exposure by maturity	31

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 Standardized 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 Standardized 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 standardized 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 2014

Pillar III complements the minimum capital requirements and the supervisory review process. Its aim is to encourage market discipline by developing a set of 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.

OVERVIEW (CONTINUED)

Future Developments

The regulation and supervision of financial institutions is currently undergoing a period of ongoing change in response to the global financial crisis. Increased capital requirements and regulatory focus on Liquidity Risk have been announced by the Basel Committee in October 2010, commonly known as Basel III. These developments are being tracked by the Group 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 2014 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 Standardized Approach for Credit, Market and Operational Risk (Pillar I) with effect from 31st 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 – "Capital Management and Stress Testing" of this report.

Development on Advanced IRB Approaches (Credit Risk) is a multi track initiative, the Group will complete migration to advanced approach upon publication of final CBUAE guidelines.

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 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 2014 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)
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	Consolidated	Consolidated
E.T.F.S. LLC	100	Trade finance services	Dubai, U.A.E.	Consolidation	Consolidation
Emirates Financial Services 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	Consolidation
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)
Emirates NBD Auto Financing Limited ("Repack")		SPE for asset securitization		Consolidation	Consolidation
ENBD Asset Finance Company No. 1 Limited		SPE for asset securitization		Consolidation	Consolidation
Emirates NBD Tier 1 Limited		SPE for asset securitization		Consolidation	Consolidation
Emirates NBD 2014 Tier 1 Limited		SPE for asset securitization		Consolidation	Consolidation
ENBD Asset Finance Company No.2 Limited		SPE for asset securitization		Consolidation	Consolidation
Emirates NBD Auto Finance Limited ("APC")		SPE for asset securitization		Consolidation	Consolidation
Group Tranche of Emblem Finance Company No 2 limited		SPE for asset securitization		Consolidation	Consolidation
EIB Sukuk Company Limited		SPE for asset securitization		Consolidation	Consolidation
Associates:					
National General Insurance Company PSC	36.7	General and life insurance	Dubai, U.A.E.	Equity Accounting	Neither - Included in gross credit exposure as investment at carrying value
Joint ventures:					
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

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 & general provisions.

The Bank's share capital as at 31 December 2014 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	2014 AED 000	2013 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	15,829,013	12,700,519
3. Non-controlling interest in the equity of subsidiaries	4,926	4,525
4. Innovative capital instruments	-	-
5. Other capital instruments	9,477,076	7,648,497
6. Surplus capital from insurance companies	-	-
Subtotal	45,917,802	40,960,328
Less: Deductions for regulatory calculation	-	-
Less: Deductions from Tier 1 capital	(6,202,555)	(6,308,673)
Tier 1 Capital - Subtotal (A)	39,715,247	34,651,655
Tier 2 Capital (B)	6,670,128	9,911,753
Less: Other deductions from capitals (C)	-	-
Tier 3 Capital (D)	-	-
Total eligible capital after deductions (A+B+C+D)	46,385,375	44,563,408

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 under 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 2014 was 21.06% and Tier 1 ratio was 18.03% (in 2013, the Capital Adequacy ratio was 19.64% and Tier 1 ratio 15.27%) 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

	2014 AED 000	2013 AED 000
Credit risk	191,931,999	209,194,418
Market risk	6,961,239	2,811,678
Operational risk	21,346,673	14,916,688
Total	220,239,911	226,922,784
	2014 Capital Charge AED 000	2013 Capital Charge AED 000
Capital Requirements		
Credit Risk	23,031,840	25,103,330
Market Risk	835,349	337,401
Operational Risk	2,561,601	1,790,003
Total Capital Requirements (Refer Note)	26,428,790	27,230,734

CAPITAL ADEQUACY (STANDARDISED APPROACH)

Capital Ratio

Total for Top consolidated Group	21.06%	19.64%
Tier 1 ratio only for top consolidated group	18.03%	15.27%
Total for each significant bank subsidiary:	13.83%	15.96%
Emirates Islamic Bank		

Note

Risk weighted assets as at 31 December 2014 were AED 220,240 million and as at 31 December 2013 were AED 226,923 million.

Standardized Approach – Credit risk & credit risk mitigation

Under Standardized 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 organizations 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 standardized 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 2014 is AED 23,032 million (2013: AED 25,103 million).

GROSS CREDIT EXPOSURE AS PER STANDARDISED APPROACH

	2014		2013	
	Gross Exposure AED 000	Risk Weighted Assets AED 000	Gross Exposure AED 000	Risk Weighted Assets AED 000
Claims on sovereigns	166,378,644	6,221,834	130,173,426	5,393,839
Claims on non-central government public sector entities	1,983,006	82,242	3,282,883	234,432
Claims on multi lateral development banks	367,798	-	-	-
Claims on banks	29,514,487	14,567,187	29,405,538	13,878,209
Claims on securities firms	-	-	-	-
Claims on corporate and Government related entities (GRE)	106,787,825	97,901,721	95,781,507	83,622,475
Claims included in the regulatory retail portfolio	36,493,054	24,669,282	32,317,637	22,845,891
Claims secured by residential property	7,901,405	4,960,234	7,209,599	4,841,405
Claims secured by commercial real estate	22,000,825	22,000,825	30,663,045	30,663,045
Past due loans	27,331,525	8,341,899	52,164,941	31,586,628
Higher-risk categories	716,072	1,074,108	549,984	824,979
Other assets	18,401,870	12,112,667	22,767,736	15,303,515
Claims on securitized assets	-	-	-	-
Credit derivatives (Banks selling protection)	-	-	-	-
Total	417,876,511	191,931,999	404,316,296	209,194,418

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 2014 is AED 835 million (2013: AED 337 million) as detailed below:

CAPITAL REQUIREMENT FOR MARKET RISK AS PER STANDARDISED APPROACH

	2014 AED 000	2013 AED 000
Interest rate risk	787,436	192,529
Equity position risk	32,097	74,206
Options risk	-	-
Foreign exchange risk	15,816	70,666
Total capital requirement	835,349	337,401

Operational Risk

Basel II framework outlines three methods for calculating the risk charge for operational risk – Basic Indicator, Standardized Approach and Advanced Measurement Approach. The Group presently follows the Standardized Approach.

The total capital requirement for Operational Risk as at 31 December 2014 is AED 2,562 million (2013: AED 1,790 million). This charge is computed by categorizing 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. 49 in the annual financial statements for detailed risk management objectives and policies on Credit risk.

GROSS CREDIT EXPOSURE – CURRENCY CLASSIFICATION

31 DECEMBER 2014

	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	44,907,766	11,631,883	44,688,989	101,228,638	706,071	4,657,391	19,945,235	25,308,697	126,537,335
AED	226,234,423	266,329	49,174,052	275,674,804	2,945,864	205,545	12,512,963	15,664,372	291,339,176
Total	271,142,189	11,898,212	93,863,041	376,903,442	3,651,935	4,862,936	32,458,198	40,973,069	417,876,511

31 DECEMBER 2013

	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	48,927,674	12,608,914	34,225,527	95,762,115	479,492	3,777,865	21,022,420	25,279,777	121,041,892
AED	222,773,634	112,500	43,744,768	266,630,902	3,332,948	535,888	12,774,666	16,643,502	283,274,404
Total	271,701,308	12,721,414	77,970,295	362,393,017	3,812,440	4,313,753	33,797,086	41,923,279	404,316,296

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:

GROSS CREDIT EXPOSURE BY GEOGRAPHY

31 DECEMBER 2014

	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	253,785,207	2,615,487	58,478,400	314,879,094	2,018,621	4,039,116	26,594,025	32,651,762	347,530,856
GCC excluding UAE	8,578,174	3,122,544	17,306,684	29,007,402	1,067,524	15,575	3,490,479	4,573,578	33,580,980
Arab League (excluding GCC)	3,806,754	3,327,312	4,479,505	11,613,571	421,754	32,922	846,243	1,300,919	12,914,490
Asia	515,432	970,682	4,423,648	5,909,762	64,863	1,560	231,057	297,480	6,207,242
Africa	48,995	-	370,422	419,417	-	-	151,180	151,180	570,597
North America	781,436	382,605	1,838,501	3,002,542	-	1,178	4,063	5,241	3,007,783
Europe	3,626,191	1,479,582	6,965,720	12,071,493	79,173	772,585	1,134,297	1,986,055	14,057,548
Australia	-	-	161	161	-	-	6,854	6,854	7,015
Total	271,142,189	11,898,212	93,863,041	376,903,442	3,651,935	4,862,936	32,458,198	40,973,069	417,876,511

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 2013

	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	246,528,863	3,845,040	51,478,097	301,852,000	2,050,611	1,378,647	27,852,092	31,281,350	333,133,350
GCC excluding UAE	7,884,757	4,089,016	3,621,494	15,595,267	1,144,172	96,149	2,680,537	3,920,858	19,516,125
Arab League (excluding GCC)	5,749,831	2,082,343	5,820,504	13,652,678	444,867	1,119	1,284,606	1,730,592	15,383,270
Asia	7,364,420	694,638	2,984,751	11,043,809	117,061	25,568	540,096	682,725	11,726,534
Africa	336,508	-	148,144	484,652	-	10	34,737	34,747	519,399
North America	1,503,012	132,412	2,735,101	4,370,525	-	322,425	7,541	329,966	4,700,491
Europe	2,145,358	1,877,965	11,164,515	15,187,838	55,729	2,489,835	1,397,420	3,942,984	19,130,822
Australia	162,634	-	17,689	180,323	-	-	57	57	180,380
Others	25,925	-	-	25,925	-	-	-	-	25,925
Total	271,701,308	12,721,414	77,970,295	362,393,017	3,812,440	4,313,753	33,797,086	41,923,279	404,316,296

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 2014

	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	76,700	-	-	76,700	6,859	-	16,064	22,923	99,623
Crude, oil gas, mining & quarrying	422,938	10,965	-	433,903	19,351	1,312	58,978	79,641	513,544
Manufacturing	7,428,224	22,647	-	7,450,871	197,743	285,469	2,512,334	2,995,546	10,446,417
Electricity & Water	204,283	-	-	204,283	44,025	265	51,376	95,666	299,949
Construction	9,446,681	148,596	623,784	10,219,061	1,024,975	29,135	7,348,656	8,402,766	18,621,827
Trade	13,637,160	-	-	13,637,160	680,721	306,912	5,856,634	6,844,267	20,481,427
Transport, Storage & Communication	7,637,070	280,064	15	7,917,149	138,160	373,276	741,649	1,253,085	9,170,234
Financial Institutions and investment companies	27,181,974	3,091,010	80,349,658	110,622,642	403,683	3,767,686	5,792,345	9,963,714	120,586,356
Real Estate	36,382,087	-	349,190	36,731,277	24,812	58,148	8,116	91,076	36,822,353
Services	4,335,449	764,463	169,796	5,269,708	97,918	21,765	4,098,494	4,218,177	9,487,885
Sovereign	106,661,089	5,524,886	153,750	112,339,725	114,595	-	3,399	117,994	112,457,719
Personal	50,051,320	-	-	50,051,320	55,511	-	2,267,862	2,323,373	52,374,693
All Others	3,286,222	2,055,581	12,206,923	17,548,726	843,582	18,968	3,702,291	4,564,841	22,113,567
Add: Grossing up of interest in suspense	4,390,992	-	9,925	4,400,917	-	-	-	-	4,400,917
Total	271,142,189	11,898,212	93,863,041	376,903,442	3,651,935	4,862,936	32,458,198	40,973,069	417,876,511

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)

	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
31 DECEMBER 2013									
Agriculture, fishing & related activities	25,346	-	-	25,346	-	-	22,553	22,553	47,899
Crude, oil gas, mining & quarrying	632,446	651,386	5,738	1,289,570	6,661	18,464	16,672	41,797	1,331,367
Manufacturing	8,174,433	-	-	8,174,433	256,747	11,688	1,617,828	1,886,263	10,060,696
Electricity & Water	111,279	1,588,561	265,821	1,965,661	2,560	-	174,536	177,096	2,142,757
Construction	6,882,219	436,201	973,147	8,291,567	998,046	-	9,721,846	10,719,892	19,011,459
Trade	12,474,727	-	958	12,475,685	595,608	402,289	6,676,036	7,673,933	20,149,618
Transport, Storage & Communication	8,517,630	270,621	147,795	8,936,046	430,533	304,163	441,611	1,176,307	10,112,353
Financial Institutions and Investment companies	32,891,269	3,137,653	58,178,492	94,207,414	232,266	3,449,241	6,445,750	10,127,257	104,334,671
Real Estate	43,452,263	150,795	1,066	43,604,124	432,217	7,569	686,480	1,126,266	44,730,390
Services	4,271,386	15,895	-	4,287,281	241,232	53,373	3,778,215	4,072,820	8,360,101
Sovereign	91,033,206	6,424,878	3,257,180	100,715,264	4,050	-	1,099	5,149	100,720,413
Personal	48,272,190	-	-	48,272,190	155,843	-	2,449,696	2,605,539	50,877,729
All Others	2,371,574	45,424	15,140,098	17,557,096	456,677	66,966	1,764,764	2,288,407	19,845,503
Add: Grossing up of interest in suspense	12,591,340	-	-	12,591,340	-	-	-	-	12,591,340
Total	271,701,308	12,721,414	77,970,295	362,393,017	3,812,440	4,313,753	33,797,086	41,923,279	404,316,296

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 2014

	On Balance Sheet	Off Balance Sheet	Credit Risk Mitigation (CRM)	Risk Weighted Assets
	Gross Outstanding AED 000	Net Exposure after Credit Conversion Factors (CCF) AED 000	Exposure Before CRM AED 000	After CRM AED 000
Claims on sovereigns	166,376,884	1,760	166,378,644	6,221,834
Claims on non-central government public sector entities	1,960,217	22,789	1,983,006	82,242
Claims on multi lateral development banks	367,798	-	367,798	-
Claims on banks	22,354,113	7,160,374	29,514,487	14,567,187
Claims on securities firms	-	-	-	-
Claims on corporate and Government related entities (GRE)	75,787,738	31,000,087	104,398,763	97,901,721
Claims included in the regulatory retail portfolio	35,012,065	1,480,989	36,493,054	24,669,282
Claims secured by residential property	7,901,405	-	7,901,405	4,960,234
Claims secured by commercial real estate	21,364,991	635,834	22,000,825	22,000,825
Past due loans	26,660,289	671,236	27,331,525	8,341,899
High-risk categories	716,072	-	716,072	1,074,108
Other assets	18,401,870	-	18,401,870	12,112,667
Claims on securitized assets	-	-	-	-
Credit derivatives (Banks selling protection)	-	-	-	-
Total	376,903,442	40,973,069	394,626,460	191,931,999
			10,195,889	384,430,571

GROSS CREDIT EXPOSURE AS PER STANDARDISED APPROACH (continued)

31 DECEMBER 2013

	On Balance Sheet		Off Balance Sheet		Credit Risk Mitigation (CRM)		Risk Weighted Assets AED 000
	Gross Outstanding AED 000	Net Exposure after Credit Conversion Factors (CCF) AED 000	Total Gross Exposure AED 000	Exposure Before CRM AED 000	CRM AED 000	After CRM AED 000	
Claims on sovereigns	130,172,769	657	130,173,426	130,173,426	-	130,173,426	5,393,839
Claims on non-central government public sector entities	3,184,987	97,896	3,282,883	3,282,883	-	3,282,883	234,432
Claims on multi-lateral development banks	-	-	-	-	-	-	-
Claims on banks	22,039,681	7,365,857	29,405,538	29,405,538	-	29,405,538	13,878,209
Claims on securities firms	-	-	-	-	-	-	-
Claims on corporate and Government related entities (GRE)	63,351,235	32,430,272	95,781,507	95,781,507	8,720,145	87,061,362	83,622,475
Claims included in the regulatory retail portfolio	30,795,160	1,522,477	32,317,637	32,317,637	3,133,815	29,183,822	22,845,891
Claims secured by residential property	7,209,599	-	7,209,599	7,209,599	-	7,209,599	4,841,405
Claims secured by commercial real estate	30,663,045	-	30,663,045	30,663,045	-	30,663,045	30,663,045
Past due loans	51,658,821	506,120	52,164,941	22,759,647	-	22,759,647	31,586,628
Higher-risk categories	549,984	-	549,984	549,984	-	549,984	824,979
Other assets	22,767,736	-	22,767,736	22,767,736	-	22,767,736	15,303,515
Claims on securitized assets	-	-	-	-	-	-	-
Credit derivatives (Banks selling protection)	-	-	-	-	-	-	-
Total	362,393,017	41,923,279	404,316,296	374,911,002	11,853,960	363,057,042	209,194,418

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

31 DECEMBER 2014

	Total Gross Exposure AED 000		Risk Weighted Assets AED 000	
	Rated AED 000	Unrated AED 000	Exposure Before CRM AED 000	After CRM AED 000
Claims on sovereigns	8,094,978	158,283,666	166,378,644	166,378,644
Claims on non-central government public sector entities	1,003,093	979,913	1,983,006	1,983,006
Claims on multi-lateral development banks	367,798	-	367,798	367,798
Claims on banks	4,048,382	25,466,105	29,514,487	29,514,487
Claims on securities firms	-	-	-	-
Claims on corporate and Government related entities (GRE)	1,220,659	105,567,166	106,787,825	98,323,035
Claims included in the regulatory retail portfolio	-	36,493,054	36,493,054	32,372,893
Claims secured by residential property	-	7,901,405	7,901,405	7,901,405
Claims secured by commercial real estate	-	22,000,825	22,000,825	22,000,825
Past due loans	-	27,331,525	27,331,525	6,470,536
Higher-risk categories	-	716,072	716,072	716,072
Other assets	-	18,401,870	18,401,870	18,401,870
Claims on securitized assets	-	-	-	-
Credit derivatives (Banks selling protection)	-	-	-	-
Total	14,734,910	403,141,601	417,876,511	384,430,571

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

31 DECEMBER 2013

	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	6,275,353	123,898,073	130,173,426	130,173,426	130,173,426	5,393,839
Claims on non-central government public sector entities	3,282,883	-	3,282,883	3,282,883	3,282,883	234,432
Claims on multi-lateral development banks	-	-	-	-	-	-
Claims on banks	6,129,474	23,276,064	29,405,538	29,405,538	29,405,538	13,878,209
Claims on securities firms	-	-	-	-	-	-
Claims on corporate and Government related entities (GRE)	4,473,806	91,307,701	95,781,507	95,781,507	87,061,362	83,622,475
Claims included in the regulatory retail portfolio	-	32,317,637	32,317,637	32,317,637	29,183,822	22,845,891
Claims secured by residential property	-	7,209,599	7,209,599	7,209,599	7,209,599	4,841,405
Claims secured by commercial real estate	-	30,663,045	30,663,045	30,663,045	30,663,045	30,663,045
Past due loans	-	52,164,941	52,164,941	22,759,647	22,759,647	31,586,628
Higher-risk categories	-	549,984	549,984	549,984	549,984	824,979
Other assets	-	22,767,736	22,767,736	22,767,736	22,767,736	15,303,515
Claims on securitized assets	-	-	-	-	-	-
Credit derivatives (Banks selling protection)	-	-	-	-	-	-
Total	20,161,516	384,154,780	404,316,296	374,911,002	363,057,042	209,194,418

CREDIT RISK MITIGATION AS PER STANDARDISED APPROACH

	2014	2013
Gross exposure prior to credit risk mitigation	417,876,511	404,316,296
Exposure covered by on-balance sheet netting	(20,860,987)	(29,405,294)
Exposure covered by eligible financial collateral	(10,195,889)	(11,460,067)
Exposures covered by Guarantees	(2,389,064)	(393,893)
Net exposure after credit risk mitigation	384,430,571	363,057,042
	225,377,939	250,453,672
	(20,860,987)	(29,405,294)
	(10,195,889)	(11,460,067)
	(2,389,064)	(393,893)
	191,931,999	209,194,418

The details of impaired loans by Geography and Economic Activity are as below:
IMPAIRED LOANS BY ECONOMIC ACTIVITY

31 DECEMBER 2014

	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	-	211,811	211,811	87,380	-	-	7,621	116,810
Manufacturing	-	1,400,402	1,400,402	1,026,678	-	525	353,196	20,528
Electricity & Water	-	-	-	-	-	-	-	-
Construction	-	2,454,046	2,454,046	2,059,652	-	8,616	340,756	53,638
Trade	-	1,917,579	1,917,579	1,420,807	-	932	357,454	139,318
Transport, Storage & Communication	-	114,556	114,556	44,238	-	-	16,342	53,976
Financial Institutions	-	7,527,382	7,527,382	4,649,220	-	4,627	676,881	2,201,281
Real Estate	-	7,325,302	7,325,302	3,500,225	-	67,868	1,306,050	2,519,027
Services	-	1,852,341	1,852,341	1,351,780	-	14,406	211,852	288,709
Sovereign	-	-	-	-	-	-	-	-
Personal	-	3,704,868	3,704,868	2,274,986	-	4,378,486	1,117,297	312,585
All Others	-	151,999	151,999	45,105	-	-	13,468	93,426
Total	-	26,660,286	26,660,286	16,460,071	4,348,163	4,475,460	4,400,917	5,799,298

IMPAIRED LOANS BY ECONOMIC ACTIVITY (continued)

31 DECEMBER 2013

	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	-	40,062	40,062	36,076	-	-	4,056	(70)
Manufacturing	-	1,258,104	1,258,104	869,819	-	-	271,802	116,483
Electricity & Water	-	-	-	-	-	-	-	-
Construction	-	3,233,331	3,233,331	782,908	-	91,509	274,888	2,175,535
Trade	-	2,990,066	2,990,066	1,510,664	-	26,067	434,711	1,044,691
Transport, Storage & Communication	-	62,162	62,162	22,559	-	-	12,895	26,708
Financial Institutions	-	16,459,119	16,459,119	4,088,177	-	-	782,420	11,588,522
Real Estate	-	10,722,966	10,722,966	3,566,940	-	2070	1,199,702	5,956,324
Services	-	1,255,867	1,255,867	1,129,038	-	-	173,417	(46,588)
Sovereign	-	-	-	-	-	-	-	-
Personal	-	13,861,953	13,861,953	4,195,573	-	19,378	9,253,753	412,627
All Others	-	1,775,192	1,775,192	612,200	-	-	183,696	979,296
Total	-	51,658,822	51,658,822	16,813,954	3,951,916	139,024	12,591,340	22,253,528

IMPAIRED LOANS BY GEOGRAPHY

31 DECEMBER 2014

	Overdue (Gross of Interest in Suspense/ Provisions)		Provisions		Adjustments		Interest in Suspense	Total Impaired Assets	
	Less than 90 days		Total		Write-offs				Write-backs
	AED 000	90 days and above	AED 000	AED 000	AED 000	AED 000			
United Arab Emirates	-	26,110,249	26,110,249	16,068,777	-	4,472,165	4,362,318	5,679,154	
GCC excluding UAE	-	451,313	451,313	305,609	-	3,291	35,719	109,985	
Arab League (excluding GCC)	-	30,745	30,745	30,745	-	4,705	-	-	
Asia	-	9,549	9,549	19,430	-	5,915	2,387	(12,268)	
Africa	-	-	-	-	-	-	-	-	
North America	-	-	-	-	-	-	-	-	
South America	-	-	-	-	-	-	-	-	
Caribbean	-	-	-	-	-	-	-	-	
Europe	-	58,430	58,430	35,510	4	-	493	22,427	
Australia	-	-	-	-	-	-	-	-	
Others	-	-	-	-	-	-	-	-	
Total	-	26,660,286	26,660,286	16,460,071	4,348,163	4,475,460	4,400,917	5,799,298	

IMPAIRED LOANS BY GEOGRAPHY (continued)

31 DECEMBER 2013

	Overdue (Gross of Interest in Suspense/ Provisions)		Provisions		Adjustments		Interest in Suspense	Total Impaired Assets	
	Less than 90 days		Total		Write-offs				Write-backs
	AED 000	90 days and above	AED 000	AED 000	AED 000	AED 000			
United Arab Emirates	-	49,197,854	49,197,854	15,383,303	-	136,366	12,147,144	21,667,407	
GCC excluding UAE	-	2,096,936	2,096,936	1,235,341	-	2070	339,479	522,116	
Arab League (excluding GCC)	-	71,573	71,573	133,611	-	761	27,188	(89,226)	
Asia	-	91,510	91,510	20,999	-	588	69,419	1,092	
Africa	-	-	-	-	-	-	-	-	
North America	-	64,269	64,269	-	-	-	-	64,269	
South America	-	-	-	-	-	-	-	-	
Caribbean	-	-	-	-	-	-	-	-	
Europe	-	136,680	136,680	40,700	-	-	8,110	87,870	
Australia	-	-	-	-	-	-	-	-	
Others	-	-	-	-	-	-	-	-	
Total	-	51,658,822	51,658,822	16,813,954	139,024	315,251	12,591,340	22,253,528	

RECONCILIATION OF CHANGES IN PROVISION FOR IMPAIRED LOANS

	2014 AED 000	2013 AED 000
Balance of provision for impaired loans as at 1 January	20,765,870	16,595,183
Add: Charge for the year		
Specific Provisions	5,322,224	4,371,283
General Provisions	404,759	360,248
Less: Write-off of impaired loans to income statement	(4,475,460)	(139,024)
Less: Recovery of loans previously written off	-	(315,251)
Less: Write back of loan loss provisions	(1,131,831)	(14,061)
Less: Adjustments of loan loss provisions	(108,106)	(92,508)
Balance of provision for impaired loans as at 31 December	<u>20,777,456</u>	<u>20,765,870</u>

RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

MARKET RISK

Please refer Note no. 49 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 2014

(a) Quantitative Details of Equity Position

Type	F5 Category (AFS/FVPL)	Basel II Category (Banking book)	Current Year		AED 000
			Publicly Traded	Privately Held	
Equities	1,650,382	1,650,382	747,260	903,122	903,122
Collective investment schemes	-	-	-	-	-
Any other investment	-	-	-	-	-
Total	1,650,382	1,650,382	747,260	903,122	903,122

(b) Realized, Unrealized & Latent revaluation gains/ (losses) during the year

Particulars	AED 000
Gains (Losses)	AFS
Realized gains (losses) from sale and liquidations	323,297
Unrealized gains (losses) recognized in the balance sheet but not through profit and loss account	13,049
Latent revaluation gains (losses) for investment recorded at cost but not recognized in balance sheet or profit and loss account	-
Total	336,346

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

Tier Capital	AED 000
Amount included in Tier I capital (realized gains)	323,297
Amount included in Tier II capital (unrealised gains)	5,872
Total	329,169

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

31 DECEMBER 2014

(d) Capital requirements by Equity groupings

Grouping	AED 000
Investments in associates and joint ventures	213,729
Investment Securities	198,046
Held for Trading	-
Total capital requirement	411,775

(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	747,260	-
Unquoted	903,122	-
Total	1,650,382	-

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

31 DECEMBER 2013

(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	1,885,932	1,885,932	-	1,885,932	-
Collective investment schemes	-	-	-	-	-
Any other investment	-	-	-	-	-
Total	1,885,932	1,885,932	-	1,885,932	-

(b) Realized, Unrealized & Latent revaluation gains/ (losses) during the year

Particulars	AED 000
Gains (Losses)	AFS
Realized gains (losses) from sale and liquidations	83,082
Unrealized gains (losses) recognized in the balance sheet but not through profit and loss account	174,605
Latent revaluation gains (losses) for investment recorded at cost but not recognized in balance sheet of profit and loss account	-
Total	257,687

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

Tier Capital	AED 000
Amount included in Tier I capital (realized gains)	83,082
Amount included in Tier II capital (unrealised gains)	78,572
Total	161,654

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

31 DECEMBER 2013

(d) Capital requirements by Equity groupings

	AED 000
Grouping	Amount
Investments in associates and joint ventures	195,706
Investment Securities	226,312
Held for Trading	4,471
Total capital requirement	426,489

(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	912,006	37,256
Unquoted	973,926	-
Total	1,885,932	37,256

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 2014 is AED 15.8 million (as at 31 December 2013 is AED 70.6 million).

Operational Risk

Please refer Note no. 49 in the annual financial statements for detailed risk management objectives and policies for Operational risk

Liquidity Risk

Please refer Note no. 49 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 2014

	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	109,725,880	1,531,271	63,870,764	175,127,915	2,267,477	1,057,698	16,903,464	20,228,639	195,356,554
3 months to 1 year	22,150,404	1,658,593	14,265,549	38,074,546	1,261,944	740,130	7,932,376	9,934,450	48,008,996
1 year to 5 years	62,612,743	3,012,576	4,981,631	70,606,950	122,514	2,619,941	6,855,103	9,597,558	80,204,508
Over 5 years	51,484,714	5,695,772	10,704,395	67,884,881	-	445,167	767,255	1,212,422	69,097,303
Add: Grossing up of interest in suspense & provisions	25,168,448	-	40,702	25,209,150	-	-	-	-	25,209,150
Total	271,142,189	11,898,212	93,863,041	376,903,442	3,651,935	4,862,936	32,458,198	40,973,069	417,876,511

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.

31 DECEMBER 2013

	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	121,128,002	1,435,321	49,263,240	171,826,563	3,084,481	1,292,264	11,613,060	15,989,805	187,816,368
3 months to 1 year	19,265,877	1,660,973	10,213,847	31,140,697	645,512	879,015	13,483,067	15,007,594	46,148,291
1 year to 5 years	68,896,739	3,846,143	3,625,851	76,368,733	82,447	1,770,946	7,097,626	8,951,019	85,319,752
Over 5 years	29,053,480	5,778,977	14,867,357	49,699,814	-	371,528	1,603,333	1,974,861	51,674,675
Add: Grossing up of interest in suspense & provisions	33,357,210	-	-	33,357,210	-	-	-	-	33,357,210
Total	271,701,308	12,721,414	77,970,295	362,393,017	3,812,440	4,313,753	33,797,086	41,923,279	404,316,296

RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Reputational Risk

Please refer Note no. 49 in the annual financial statements for detailed risk management objectives and policies for reputation risk.

Regulatory/Compliance Risk

Please refer Note no. 49 in the annual financial statements for detailed risk management objectives and policies for Regulatory/compliance risk.

Business Risk

Please refer Note no. 49 in the annual financial statements for detailed risk management objectives and policies for Business risk.

Capital management policies and stress testing

Please refer Note no. 49 in the annual financial statements for detailed risk management objectives and policies for Capital management policies and stress testing.

Internal Audit's role in overall risk management

Please refer Note no. 49 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 (EIB)

Please refer Note no. 49 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 our Egyptian business operations

Please refer Note no. 49 in the annual financial statements for detailed risk management objectives and policies for details on risk management framework and processes at Egyptian business operation.

