# EMIRATES NBD BANK PJSC

## BASEL III - PILLAR III DISCLOSURE

## FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023

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## Introduction

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

**Pillar 3 disclosures**

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

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

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

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

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

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

**Verification**

The Pillar 3 Disclosures for the half year ended 30 June 2023 have been reviewed by the Group’s internal auditors.

**Implementation of Basel III standards and guidelines**

The Group is compliant with Standardised Approach for Credit, Market and Operational Risk (Pillar 1) as applicable as of 30 June 2023.

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

**Group Structure**

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

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

For details of Group's subsidiaries refer to Pillar 3 disclosures for year ended 31 December 2022 available on the Bank's website.

**Key Metrics for The Group (KM1)**

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

| | **Available capital (amounts)** [2] | **30 June 2023 AED 000** | **31 March 2023 AED 000** | **31 December 2022 AED 000** | **30 September 2022 AED 000** | **30 June 2022 AED 000** |
|---|---|---|---|---|---|---|
| 1 | Common Equity Tier 1 (CET1) | 84,382,128 | 81,403,345 | 76,581,939 | 76,034,442 | 71,681,260 |
| 1a | Fully loaded ECL accounting model [1] | 81,967,301 | 78,831,845 | 73,358,859 | 73,211,027 | 69,650,413 |
| 2 | Tier 1 | 93,510,780 | 90,531,997 | 85,710,591 | 85,163,094 | 80,809,912 |
| 2a | Fully loaded ECL accounting model Tier 1 | 91,095,953 | 87,960,497 | 82,487,511 | 82,339,679 | 78,779,065 |
| 3 | Total capital | 99,081,082 | 96,186,380 | 91,180,293 | 90,599,399 | 86,113,160 |
| 3a | Fully loaded ECL accounting model total capital | 96,666,255 | 93,614,880 | 87,957,213 | 87,775,984 | 84,082,313 |
| | **Risk-weighted assets (amounts)** | | | | | |
| 4 | Total risk-weighted assets (RWA) | 507,782,524 | 514,861,102 | 498,870,030 | 489,852,518 | 479,210,815 |
| | **Risk-based capital ratios as a percentage of RWA** | | | | | |
| 5 | Common Equity Tier 1 ratio (%) | 16.62% | 15.81% | 15.35% | 15.52% | 14.96% |
| 5a | Fully loaded ECL accounting model CET1 (%) | 16.14% | 15.31% | 14.71% | 14.95% | 14.53% |
| 6 | Tier 1 ratio (%) | 18.42% | 17.58% | 17.18% | 17.39% | 16.86% |
| 6a | Fully loaded ECL accounting model Tier 1 ratio (%) | 17.94% | 17.08% | 16.53% | 16.81% | 16.44% |
| 7 | Total capital ratio (%) | 19.51% | 18.68% | 18.28% | 18.50% | 17.97% |
| 7a | Fully loaded ECL accounting model total capital ratio (%) | 19.04% | 18.18% | 17.63% | 17.92% | 17.55% |
| | **Additional CET1 buffer requirements as a percentage of RWA** | | | | | |
| 8 | Capital conservation buffer requirement (2.5% from 2019) (%) | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% |
| 9 | Countercyclical buffer requirement (%) | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| 10 | Bank D-SIB additional requirements (%) | 1.50% | 1.50% | 1.50% | 1.50% | 1.50% |
| 11 | Total of bank CET1 specific buffer requirements (%) (row 8 + row 9+ row 10) | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% |
| 12 | CET1 available after meeting the bank's minimum capital requirements (%) | 9.01% | 8.18% | 7.78% | 8.00% | 7.47% |
| | **Leverage Ratio** | | | | | |
| 13 | Total leverage ratio measure | 865,115,971 | 836,078,395 | 799,149,369 | 770,468,112 | 769,925,662 |
| 14 | Leverage ratio (%) (row 2/row 13) | 10.81% | 10.83% | 10.73% | 11.05% | 10.50% |
| 14a | Fully loaded ECL accounting model leverage ratio (%) (row 2A/row 13) | 10.53% | 10.52% | 10.32% | 10.69% | 10.23% |

**Key metrics for the Group (KM1) (Continued)**

| | | 30 June 2023 AED 000 | 30 March 2023 AED 000 | 31 December 2022 AED 000 | 30 September 2022 AED 000 | 30 June 2022 AED 000 |
|---|---|---|---|---|---|---|
| 14b | Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves) | 10.81% | 10.83% | 10.73% | 11.05% | 10.50% |
| | **Liquidity Coverage Ratio** | | | | | |
| 15 | Total HQLA | 168,526,777 | 154,730,719 | 141,550,758 | 135,747,539 | 140,623,385 |
| 16 | Total net cash outflow | 82,590,307 | 83,287,026 | 84,921,238 | 83,887,571 | 86,232,295 |
| 17 | LCR ratio (%) | 204.05% | 185.78% | 166.68% | 161.82% | 163.08% |
| | **Net Stable Funding Ratio** | | | | | |
| 18 | Total available stable funding | 533,576,933 | 510,968,909 | 493,475,090 | 480,886,723 | 471,290,197 |
| 19 | Total required stable funding | 423,483,925 | 413,882,520 | 406,372,194 | 393,909,338 | 387,224,893 |
| 20 | NSFR ratio (%) | 126.00% | 123.46% | 121.43% | 122.08% | 121.71% |

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

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

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

Quarter on Quarter CET1 capital increased by AED 3 billion . Pre-hyperinflation profit for the quarter was offset by adverse movement in currency translation and fair value reserves.

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

**Overview of Risk Weighted Assets (RWAs) (OV1)**

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

| | | 30 June 2023 AED 000 | 31 March 2023 AED 000 | 31 December 2022 AED 000 | Minimum capital requirements 30 June 2023 AED 000 |
|---|---|---|---|---|---|
| 1 | Credit risk (excluding counterparty credit risk) | 427,183,832 | 435,247,444 | 419,870,117 | 61,941,656 |
| 2 | Of which: standardised approach (SA) | 427,183,832 | 435,247,444 | 419,870,117 | 61,941,656 |
| 3 | Counterparty credit risk (CCR) | 11,097,444 | 8,348,619 | 8,669,836 | 1,609,129 |
| 4 | Of which: standardised approach for counterparty credit risk | 11,097,444 | 8,348,619 | 8,669,836 | 1,609,129 |
| 5 | Credit valuation adjustment (CVA) | 7,228,408 | 7,719,993 | 8,010,170 | 1,048,119 |
| 6 | Equity investments in funds - look-through approach | - | - | - | - |
| 7 | Equity investments in funds - mandate-based approach | - | - | - | - |
| 8 | Equity investments in funds - fall-back approach | 114,485 | 1,034,619 | 1,026,015 | 16,600 |
| 9 | Settlement risk | - | - | - | - |
| 10 | Securitisation exposures in the banking book | - | - | - | - |
| 11 | Of which: securitisation external ratings-based approach (SEC-ERBA) | - | - | - | - |
| 12 | Of which: securitisation standardised approach (SEC-SA) | - | - | - | - |
| 13 | Market risk | 13,834,706 | 14,186,778 | 12,970,243 | 2,006,032 |
| 14 | Of which: standardised approach (SA) | 13,834,706 | 14,186,778 | 12,970,243 | 2,006,032 |
| 15 | Operational risk | 48,323,649 | 48,323,649 | 48,323,649 | 7,006,929 |
| **16** | **Total (1+3+5+8+13+15)** | **507,782,524** | **514,861,102** | **498,870,030** | **73,628,465** |

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

Credit risk weighted assets (CRWAs) decreased by AED 9 billion (excluding CVA and CCR) during the quarter majorly due to Turkish Lira depreciation and decrease in equity investments in funds. The growth in lending is in low risk weighted assets.

CCR increased by AED 2.8 billion due to increase in derivative deals with foreign sovereign.

## Capital Management

For details of capital management, refer to Pillar 3 disclosures for year ended 31 December 2022 available on the Bank's website.

## Regulatory Capital

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

- CET1 capital is the highest quality form of capital, comprising share capital, share premium, legal, statutory and other reserves, fair value reserve, retained earnings, non-controlling interest after deductions for goodwill and intangibles and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes under CBUAE guidelines.
- AT1 capital comprises eligible non-common equity capital instruments.
- Tier 2 capital comprises qualifying subordinated debt, and undisclosed reserve.

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

**Composition of regulatory capital (CC1)**
**This provides a breakup of the elements constituting the Group's capital.**

| | | 30 June 2023 AED 000 | 31 December 2022 AED 000 | CC2 Reference |
|---|---|---|---|---|
| | **Common Equity Tier 1 capital: instruments and reserves** | | | |
| 1 | Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus | 24,270,762 | 24,270,762 | b |
| 2 | Retained earnings | 77,041,008 | 64,680,367 | f |
| 3 | Accumulated other comprehensive income (and other reserves) | (10,823,506) | (6,452,360) | |
| 4 | Directly issued capital subject to phase-out from CET1 (only applicable to non-joint stock companies) | - | - | |
| 5 | Common share capital issued by third parties (amount allowed in group CET1) | - | - | |
| 6 | **Common Equity Tier 1 capital before regulatory deductions** | **90,488,264** | **82,498,769** | |
| | **Common Equity Tier 1 capital regulatory adjustments** | - | - | |
| 7 | Prudent valuation adjustments | - | - | |
| 8 | Goodwill (net of related tax liability) | (5,691,869) | (5,779,053) | a |
| 9 | Other intangibles including mortgage servicing rights (net of related tax liability) | (1,019,516) | (832,573) | |
| 10 | Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of related tax liability) | (43,139) | (43,139) | |
| 11 | Cash flow hedge reserve | 694,563 | 784,110 | |
| 12 | Securitisation gain on sale | - | - | |
| 13 | Gains and losses due to changes in own credit risk on fair valued liabilities | - | - | |
| 14 | Defined benefit pension fund net assets | - | - | |
| 15 | Investments in own shares (if not already subtracted from paid-in capital on reported balance sheet) | (46,175) | (46,175) | |
| 16 | Reciprocal cross-holdings in CET1, AT1, Tier 2 | - | - | |
| 17 | Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold) | - | - | |
| 18 | Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold) | - | - | |
| 19 | Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability) | - | - | |
| 20 | Amount exceeding 15% threshold | - | - | |
| 21 | Of which: significant investments in the common stock of financials | | | |
| 22 | Of which: deferred tax assets arising from temporary differences | | | |
| 23 | CBUAE specific regulatory adjustments | | | |
| 24 | **Total regulatory adjustments to Common Equity Tier 1** | **(6,106,136)** | **(5,916,830)** | e |
| 25 | **Common Equity Tier 1 capital (CET1)** | **84,382,128** | **76,581,939** | |
| | **Additional Tier 1 capital: instruments** | - | - | |
| 26 | Directly issued qualifying Additional Tier 1 instruments plus related stock surplus | 9,128,652 | 9,128,652 | c |
| 27 | Of which: classified as equity under applicable accounting standards | 9,128,652 | 9,128,652 | |
| 28 | Of which: classified as liabilities under applicable accounting standards | - | - | |
| 29 | Directly issued capital instruments subject to phase-out from additional Tier 1 | - | - | |

## Composition of regulatory capital (CC1) (Continued)

| | | 30 June 2023 AED 000 | 31 December 2022 AED 000 | CC2 Reference |
|---|---|---|---|---|
| 30 | Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in AT1) | - | - | |
| 31 | *Of which: instruments issued by subsidiaries subject to phase-out* | - | - | |
| 32 | **Additional Tier 1 capital before regulatory adjustments** | **9,128,652** | **9,128,652** | |
| | **Additional Tier 1 capital: regulatory adjustments** | - | - | |
| 33 | Investments in own additional Tier 1 instruments | - | - | |
| 34 | Investments in capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation | - | - | |
| 35 | Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation | - | - | |
| 36 | CBUAE specific regulatory adjustments | - | - | |
| 37 | Total regulatory adjustments to additional Tier 1 capital | - | - | |
| **38** | **Additional Tier 1 capital (AT1)** | **9,128,652** | **9,128,652** | |
| **39** | **Tier 1 capital (T1= CET1 + AT1)** | **93,510,780** | **85,710,591** | |
| | **Tier 2 capital: instruments and provisions** | - | - | |
| 40 | Directly issued qualifying Tier 2 instruments plus related stock surplus | - | - | |
| 41 | Directly issued capital instruments subject to phase-out from Tier 2 | - | - | |
| 42 | Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 30) issued by subsidiaries and held by third parties (amount allowed in group Tier 2) | - | - | |
| 43 | Of which: instruments issued by subsidiaries subject to phase-out | - | - | |
| 44 | Provisions | 5,570,302 | 5,469,702 | d |
| 45 | **Tier 2 capital before regulatory adjustments** | 5,570,302 | 5,469,702 | |
| | **Tier 2 capital: regulatory adjustments** | - | - | |
| 46 | Investments in own Tier 2 instruments | - | - | |
| 47 | Investments in capital, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold) | - | - | |
| 48 | Significant investments in the capital, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions) | - | - | |
| 49 | CBUAE specific regulatory adjustments | - | - | |
| 50 | Total regulatory adjustments to Tier 2 capital | - | - | |
| **51** | **Tier 2 capital (T2)** | **5,570,302** | **5,469,702** | |
| **52** | **Total regulatory capital (TC = T1 + T2)** | **99,081,082** | **91,180,293** | |
| **53** | **Total risk-weighted assets** | **507,782,524** | **498,870,030** | |
| | Capital ratios and buffers | | | |
| 54 | Common Equity Tier 1 (as a percentage of risk-weighted assets) | 16.62% | 15.35% | |
| 55 | Tier 1 (as a percentage of risk-weighted assets) | 18.42% | 17.18% | |
| 56 | Total capital (as a percentage of risk-weighted assets) | 19.51% | 18.28% | |
| 57 | Institution specific buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus higher loss absorbency requirement, expressed as a percentage of risk-weighted assets) | 4.00% | 4.00% | |

**Composition of regulatory capital (CC1) (Continued)**

| | | 30 June 2023 AED 000 | 31 December 2022 AED 000 | CC2 Reference |
|---|---|---|---|---|
| 58 | Of which: capital conservation buffer requirement | 2.50% | 2.50% | |
| 59 | Of which: bank-specific countercyclical buffer requirement | 0.00% | 0.00% | |
| 60 | Of which: higher loss absorbency requirement (e.g., DSIB) | 1.50% | 1.50% | |
| 61 | Common Equity Tier 1 (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirement. | 9.01% | 7.78% | |
| | The CBUAE Minimum Capital Requirement | - | | |
| 62 | Common Equity Tier 1 minimum ratio | 7.00% | 7.00% | |
| 63 | Tier 1 minimum ratio | 8.50% | 8.50% | |
| 64 | Total capital minimum ratio | 10.50% | 10.50% | |
| | Amounts below the thresholds for deduction (before risk weighting) | - | | |
| 65 | Non-significant investments in the capital and other TLAC liabilities of other financial entities | - | - | |
| 66 | Significant investments in common stock of financial entities | - | - | |
| 67 | Mortgage servicing rights (net of related tax liability) | - | - | |
| 68 | Deferred tax assets arising from temporary differences (net of related tax liability) | - | - | |
| | **Applicable caps on the inclusion of provisions in Tier 2** | - | | |
| 69 | Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap) | 13,136,798 | 12,604,583 | |
| 70 | Cap on inclusion of provisions in Tier 2 under standardised approach | 5,570,302 | 5,469,702 | d |
| 71 | Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap) | - | - | |
| 72 | Cap for inclusion of provisions in Tier 2 under internal ratings-based approach | - | - | |
| | **Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)** | - | | |
| 73 | Current cap on CET1 instruments subject to phase-out arrangements | - | - | |
| 74 | Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities) | - | - | |
| 75 | Current cap on AT1 instruments subject to phase-out arrangements | - | - | |
| 76 | Amount excluded from AT1 due to cap (excess after redemptions and maturities) | - | - | |
| 77 | Current cap on T2 instruments subject to phase-out arrangements | - | - | |
| 78 | Amount excluded from T2 due to cap (excess after redemptions and maturities) | - | - | |

Overall movement in capital is on account of pre-hyperinflation profit year to date, adverse movement in currency translation reserve mainly due to depreciation of Turkish lira and adverse impact on other comprehensive Income.

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

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

| **30 June 2023** **AED 000** | **Balance sheet as in published financial statements** | **Under regulatory scope of consolidation** | **Reference (CC1)** |
|---|---|---|---|
| **Assets** | | | |
| Cash and deposits with central bank | 82,448,772 | 82,448,772 | |
| Due from banks | 87,127,454 | 87,127,454 | |
| Investment securities | 142,948,297 | 142,948,297 | |
| Loans & receivables | 439,938,071 | 439,938,071 | |
| Positive fair value of derivatives | 21,662,821 | 21,662,821 | |
| Customer acceptances | 8,631,589 | 8,631,589 | |
| Property & equipment | 4,325,887 | 3,856,989 | |
| Goodwill & intangibles | 5,691,869 | 5,691,869 | a |
| Other assets | 18,356,914 | 19,381,489 | |
| **Total assets** | **811,131,674** | **811,687,351** | |
| **Liabilities** | | | |
| Due to banks | 38,219,571 | 38,219,571 | |
| Customer deposits | 555,857,312 | 555,857,312 | |
| Debt issued and other borrowed funds | 57,334,311 | 57,334,311 | |
| Sukuk payable | 4,672,500 | 4,672,500 | |
| Negative fair value of derivatives | 22,999,842 | 22,999,842 | |
| Customer acceptances | 8,631,589 | 8,631,589 | |
| Other liabilities | 24,862,308 | 26,697,015 | |
| **Total Liabilities** | **712,577,433** | **714,412,140** | |
| Issued capital | 6,316,598 | 6,316,598 | b |
| Treasury shares | (46,175) | - | |
| Tier i capital notes | 9,128,652 | 9,128,652 | c |
| Share premium reserve | 17,954,164 | 17,954,164 | b |
| Legal and statutory reserve | 3,158,299 | 3,158,299 | |
| Other reserves | 2,945,393 | 2,945,393 | |
| Fair value reserve | (2,141,255) | (2,141,253) | |
| Currency translation reserve | (9,455,082) | (14,785,945) | |
| Retained earnings | 70,542,530 | 77,041,008 | f |
| Common equity tier 1 capital regulatory deductions | | (6,106,136) | e |
| Non-controlling interest | 151,117 | - | |
| Provisions eligible for inclusion in tier 2 | - | 5,570,302 | d |
| **Total Capital** | **98,554,241** | **99,081,082** | |

Variances between financial and regulatory consolidated balance sheets arise primarily from difference in basis of consolidation. Non-financial subsidiaries are not consolidated for regulatory purposes. Also impacts of implementing IAS 29 - Hyperinflation accounting are excluded from regulatory calculations as of 30 June 2023.

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

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

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

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

| 30 June 2023 | a | b | c | d | e | f | g |
|---|---|---|---|---|---|---|---|
| | | Exposure values and/or risk-weighted assets used in the computation of the countercyclical capital buffer | | | | | |
| Geographical breakdown | Counter cyclical capital buffer rate | Exposure values AED 000 | Risk-weighted assets AED 000 | Minimum Capital Requirement AED 000 | Share of Minimum Capital (%) | Bank-specific counter cyclical capital buffer rate (%) | Counter cyclical buffer amount AED 000 |
| Norway | 2.50% | 3,941 | 3,839 | 557 | 0.00% | 0.00% | - |
| Hong Kong | 1.00% | 709,866 | 619,490 | 89,826 | 0.22% | 0.00% | 13 |
| Luxembourg | 0.50% | 517,149 | 524,397 | 76,038 | 0.18% | 0.00% | 5 |
| Sweden | 2.00% | 14,579 | 7,114 | 1,032 | 0.00% | 0.00% | - |
| United Kingdom | 1.00% | 7,746,817 | 7,053,963 | 1,022,825 | 2.46% | 0.02% | 1,734 |
| Germany | 0.75% | 1,332,539 | 1,291,993 | 187,339 | 0.45% | 0.00% | 44 |
| Australia | 1.00% | 135,894 | 133,575 | 19,368 | 0.05% | 0.00% | 1 |
| France | 0.50% | 773,719 | 744,264 | 107,918 | 0.26% | 0.00% | 10 |
| Netherlands | 1.00% | 1,669,521 | 1,667,435 | 241,778 | 0.58% | 0.01% | 97 |
| Others | 0.00% | 391,814,033 | 274,914,927 | 39,862,664 | 95.80% | 0.00% | - |
| **Sum[1]** | | 12,904,025 | 12,046,070 | | | | |
| **Total[2]** | | **404,718,058** | **286,960,997** | | | | **1,904** |

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

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

| Amount of Group specific countercyclical capital buffer | 30 June 2023 | 31 December 2022 |
|---|---|---|
| Total Credit risk weighted assets on Private Exposures (AED 000) | **286,960,998** | **277,131,292** |
| Group specific countercyclical capital buffer requirement (AED 000) | **1,904** | **1,141** |
| Group specific countercyclical capital buffer rate (%) | **0.00%** | **0.00%** |

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

[2]*Total of private sector credit exposures and related RWA across all jurisdictions.*

## Leverage Ratio

**Summary comparison of accounting assets versus leverage ratio exposure (LR1)**
The following table reconciles the total assets in the published financial statements to the leverage ratio exposure measure.

| | | 30 June 2023 | 31 March 2023 | 31 December 2022 |
|---|---|---|---|---|
| | | AED 000 | AED 000 | AED 000 |
| 1 | Total consolidated assets as per published financial statements | 811,131,674 | 782,176,780 | 741,961,553 |
| 2 | Adjustments for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation | 2,230,636 | 2,225,873 | 1,677,354 |
| 3 | Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference | - | - | - |
| 4 | Adjustments for temporary exemption of central bank reserves (if applicable) | - | - | - |
| 5 | Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure | - | - | - |
| 6 | Adjustments for regular-way purchases and sales of financial assets subject to trade date accounting | - | - | - |
| 7 | Adjustments for eligible cash pooling transactions | - | - | - |
| 8 | Adjustments for derivative financial instruments | (782,212) | (2,980,222) | (3,864,246) |
| 9 | Adjustment for securities financing transactions (i.e. repos and similar secured lending) | - | - | - |
| 10 | Adjustments for off-balance sheet items (i.e., conversion to credit equivalent amounts of off-balance sheet exposures) | 69,424,577 | 71,443,703 | 76,469,848 |
| 11 | Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital | - | - | - |
| 12 | Other adjustments[1] | (16,888,704)<br>- | (16,787,739) | (17,095,140) |
| **13** | **Leverage ratio exposure measure** | **865,115,971** | **836,078,395** | **799,149,369** |

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

**Leverage Ratio (Continued)**

**Leverage ratio common disclosure template (LR2)**

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

| | | 30 June 2023 AED 000 | 31 March 2023 AED 000 | 31 December 2022 AED 000 |
|---|---|---|---|---|
| | **On-balance sheet exposures** | | | |
| 1 | On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral) | 769,638,376 | 745,787,559 | 704,641,589 |
| 2 | Gross-up for derivatives collateral provided where deducted from balance sheet assets pursuant to the operative accounting framework | - | - | - |
| 3 | Deductions of receivable assets for cash variation margin provided in derivatives transactions | - | - | - |
| 4 | Adjustment for securities received under securities financing transactions that are recognised as an asset | - | - | - |
| 5 | Specific and general provisions associated with on-balance sheet exposures that are deducted from Tier 1 capital | - | - | - |
| 6 | Asset amounts deducted in determining Tier 1 capital | (6,754,524) | (6,730,573) | (6,654,765) |
| 7 | **Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)** | **762,883,852** | **739,056,986** | **697,986,824** |
| | **Derivative exposures** | - | - | - |
| 8 | Replacement cost associated with *all* derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting) | 8,283,099 | 3,526,309 | 4,152,404 |
| 9 | Add-on amounts for PFE associated with *all* derivatives transactions | 6,631,618 | 5,498,883 | 5,377,285 |
| 10 | Exempted CCP leg of client-cleared trade exposures | - | - | - |
| 11 | Adjusted effective notional amount of written credit derivatives | - | - | - |
| 12 | Adjusted effective notional offsets and add-on deductions for written credit derivatives | - | - | - |
| 13 | **Total derivative exposures (Calculated as rows 8 to 12)*1.4** | **20,880,604** | **12,635,269** | **13,341,565** |
| | **Securities financing transactions** | - | - | - |
| 14 | Gross SFT *assets* (with no recognition of netting), after adjusting for sale accounting transactions | 11,926,938 | 12,942,437 | 11,351,132 |
| 15 | Netted amounts of cash payables and cash receivables of gross SFT assets | - | - | - |
| 16 | CCR exposure for SFT assets | - | - | - |
| 17 | Agent transaction exposures | - | - | - |
| 18 | **Total securities financing transaction exposures (sum of rows 14 to 17)** | **11,926,938** | **12,942,437** | **11,351,132** |
| | **Other off-balance sheet exposures** | - | - | - |
| 19 | Off-balance sheet exposure at gross notional amount | 188,803,781 | 197,433,160 | 198,729,581 |
| 20 | Adjustments for conversion to credit equivalent amounts | (119,379,204) | (125,989,457) | (122,259,733) |
| 21 | Specific and general provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital | - | - | - |
| 22 | **Off-balance sheet items (sum of rows 19 to 21)** | **69,424,577** | **71,443,703** | **76,469,848** |
| | **Capital and total exposures** | - | - | - |
| 23 | **Tier 1 capital** | **93,510,780** | **90,531,997** | **85,710,591** |
| 24 | **Total exposures (sum of rows 7, 13, 18 and 22)** | **865,115,971** | **836,078,395** | **799,149,369** |
| | **Leverage ratio** | - | - | - |
| 25 | **Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)** | **10.81%** | **10.83%** | **10.73%** |
| 25 a | Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) | **10.81%** | **10.83%** | **10.73%** |
| 26 | CBUAE minimum leverage ratio requirement | **3.50%** | **3.50%** | **3.50%** |
| 27 | **Applicable leverage buffers** | **7.31%** | **7.33%** | **7.23%** |

**Credit Risk**

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

**Credit quality of assets – (CR1)**

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

| 30 June 2023 AED 000 | | a | b | c | d | e | f |
|---|---|---|---|---|---|---|---|
| | | Gross carrying values of | | | Of which ECL accounting provisions for credit losses on SA exposures | | |
| | | Defaulted exposures[3] | Non-defaulted exposures | Allowances/ Impairments | Allocated in regulatory category of Specific | Allocated in regulatory category of General | Net values (a+b-c) |
| 1 | Loans | 26,789,160 | 452,475,720 | 39,326,809 | 26,190,011 | 13,136,798 | **439,938,071** |
| 2 | Debt securities[1] | - | 136,326,090 | 59,590 | - | 59,590 | **136,266,500** |
| | **Total** | **26,789,160** | **588,801,810** | **39,386,399** | **26,190,011** | **13,196,388** | **576,204,571** |
| 3 | Off-balance sheet exposures[2] | 2,951,676 | 1,433,574,844 | 1,182,856 | - | 1,182,856 | |

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

**Credit quality of assets - CR1 (Continued)**

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

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

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

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

| | | 30 June 2023 AED 000 | 31 December 2022 AED 000 |
|---|---|---|---|
| 1 | Defaulted loans and debt securities at the end of the previous reporting period | 27,253,983 | 29,159,717 |
| 2 | Loans and debt securities that have defaulted since the last reporting period | 1,525,835 | 3,250,354 |
| 3 | Returned to non-default status | (68,522) | (626,619) |
| 4 | Amounts written off | (1,109,145) | (1,901,860) |
| 5 | New financial assets, net of repayments and others | (812,991) | (2,627,609) |
| | | - | |
| **6** | **Defaulted loans and debt securities at the end of the reporting period** | **26,789,160** | **27,253,983** |

## Credit risk mitigation techniques – overview (CR3)

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

| | a | b | c | d | e | f | g |
|---|---|---|---|---|---|---|---|
| **30 June 2023 AED 000** | **Exposures unsecured: carrying amount** | **Exposures secured by collateral** | **Exposures secured by collateral of which: secured amount** | **Exposures secured by financial guarantees** | **Exposures secured by financial guarantees, of which: secured amount** | **Exposures secured by credit derivatives** | **Exposures secured by credit derivatives, of which: secured amount** |
| 1 Loans | 381,325,122 | 57,282,655 | 25,040,390 | 1,330,294 | 702,116 | | |
| 2 Debt securities | 136,266,500 | | | | | | |
| **3 Total** | **517,591,622** | **57,282,655** | **25,040,390** | **1,330,294** | **702,116** | **-** | **-** |
| 4 Of which defaulted | 81,928 | 163,155 | 79,587 | 354,066 | 92,900 | - | - |

## Credit risk mitigation techniques – overview (CR3) (Continued)

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

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

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

| 30 June 2023 | Exposure before CCF and CRM | | Exposure post CCF and CRM | | RWA and RWA Density | |
|---|---|---|---|---|---|---|
| Asset Class | On Balance Sheet AED 000 | Off Balance Sheet AED 000 | On Balance Sheet AED 000 | Off Balance Sheet AED 000 | RWA AED 000 | RWA Density |
| Sovereigns and their central banks | 307,907,225 | 3,153,520 | 307,890,732 | 3,081,323 | 41,040,536 | 13% |
| Public Sector Entities | 69,628,171 | 23,623,715 | 67,086,496 | 6,774,959 | 55,095,376 | 75% |
| Multilateral development banks | 1,357,686 | 486 | 1,357,686 | 486 | - | 0% |
| Banks | 96,179,146 | 26,652,164 | 89,355,426 | 19,014,588 | 55,298,851 | 51% |
| Securities firms | 3,654 | 104 | - | 101 | 101 | 99% |
| Corporates | 126,703,115 | 92,126,120 | 103,860,667 | 44,699,036 | 144,457,282 | 97% |
| Regulatory retail portfolios | 84,623,209 | 54,182,681 | 81,765,271 | 3,280,979 | 64,250,198 | 76% |
| Secured by residential property | 24,590,313 | 1,182,063 | 24,590,045 | 456,623 | 10,482,451 | 42% |
| Secured by commercial real estate | 45,407,269 | 1,045,442 | 42,699,822 | 605,247 | 43,305,069 | 100% |
| Equity Investment in Funds (EIF) | 9,159 | - | 9,159 | - | 114,485 | 1250% |
| Past-due loans | 41,048,698 | 2,951,676 | 481,749 | 2,951,676 | 4,000,020 | 117% |
| Higher-risk categories | - | - | - | - | - | - |
| Other assets | 30,757,697 | - | 30,757,697 | - | 20,351,392 | 66% |
| | - | - | - | - | - | - |
| **Total** | **828,215,342** | **204,917,971** | **749,854,750** | **80,865,018** | **438,395,761** | **53%** |

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

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

**Exposures by asset classes and risk weights - (CR5)**

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

Exposures amount (post CCF and post-CRM)

| 30 June 2023 AED 000 | Risk Weights | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Regulatory portfolio** | **0%** | **20%** | **35%** | **50%** | **75%** | **100%** | **150%** | **Others** | **Total credit exposure** |
| Sovereigns | 257,414,683 | 14,748,486 | - | 1,436,095 | - | 37,372,791 | - | - | 310,972,055 |
| Public Sector Entities (PSEs) | - | 23,091,911 | - | 585,100 | - | 50,184,444 | - | - | 73,861,455 |
| Multilateral development banks (MDBs) | 1,358,172 | - | - | - | - | - | - | - | 1,358,172 |
| Banks | - | 37,696,099 | - | 46,104,719 | - | 24,282,895 | 282,720 | 3,581 | 108,370,014 |
| Securities firms | - | - | - | - | - | 101 | - | - | 101 |
| Corporates | - | 1,269,653 | - | 3,445,556 | - | 133,741,519 | 42,418 | 10,060,557 | 148,559,703 |
| Regulatory retail portfolios | - | 2,406 | - | 13,006 | 83,150,494 | 1,880,344 | | - | 85,046,250 |
| Secured by residential property | - | - | 21,461,064 | - | 2,458,099 | 1,127,505 | | - | 25,046,668 |
| Secured by commercial real estate | - | - | - | - | - | 43,305,069 | | - | 43,305,069 |
| Equity Investment in Funds (EIF) | - | | - | - | - | | | 9,159 | 9,159 |
| Past-due loans | - | 90,230 | - | 377 | - | 2,064,884 | 1,277,934 | - | 3,433,425 |
| Higher-risk categories | - | - | - | - | - | | - | - | - |
| Other assets | 11,856,568 | 305,353 | - | - | - | 16,787,154 | 1,018,388 | 790,234 | 30,757,697 |
| **Total** | **270,629,423** | **77,204,138** | **21,461,064** | **51,584,853** | **85,608,593** | **310,746,706** | **2,621,460** | **10,863,531** | **830,719,768** |

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

**31 December 2022**
**AED 000**

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

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

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

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

**SA-CCR (for derivatives)**

| | **30 June 2023** | **a** | **b** | **c** | **d** | **e** | **f** |
|---|---|---|---|---|---|---|---|
| | | **Replacement cost AED 000** | **Potential future exposure AED 000** | **EEPE AED 000** | **Alpha used for computing regulatory EAD** | **EAD post-CRM AED 000** | **RWA AED 000** |
| 1 | SA-CCR (for derivatives) | 5,421,837 | 5,789,215 | - | 1.4 | 15,695,473 | 11,097,444 |
| 2 | Simple Approach for credit risk mitigation (for SFTs) | - | - | - | - | - | - |
| 3 | Comprehensive Approach for credit risk mitigation (for SFTs) | - | - | - | - | - | - |
| **4** | **Total** | **5,421,837** | **5,789,215** | **-** | **-** | **15,695,473** | **11,097,444** |

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

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

| | 30 June 2023 | a | b |
|---|---|---|---|
| | | EAD post-CRM | RWA |
| | | AED 000 | AED 000 |
| 1 | All portfolios subject to the Standardised CVA capital charge | 15,695,473 | 7,228,408 |
| 2 | All portfolios subject to the Simple alternative CVA capital charge | - | - |

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

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

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

| **30 June 2023**<br>**AED 000** | **a** | **b** | **c** | **d** | **e** | **f** | **g** | **h** |
|---|---|---|---|---|---|---|---|---|
| **Risk weight**<br>**Regulatory portfolio** | **0%** | **20%** | **50%** | **75%** | **100%** | **150%** | **Others** | **Total credit exposure** |
| Sovereigns | 32,314 | - | - | - | 3,021,727 | - | - | 3,054,041 |
| Public Sector Entities (PSEs) | - | 249,134 | - | - | 771,797 | - | - | 1,020,931 |
| Multilateral development banks (MDBs) | 486 | - | - | - | - | - | - | 486 |
| Banks | - | 2,319,115 | 4,473,887 | - | 2,083,020 | 29,430 | 3,581 | 8,909,033 |
| Securities firms | - | - | - | - | 101 | - | | 101 |
| Corporates | - | 232,005 | 123,884 | - | 2,144,748 | - | 10,728 | 2,511,365 |
| Regulatory retail portfolios | - | - | - | 142,945 | 56,571 | - | - | 199,516 |
| Secured by residential property | - | - | - | - | - | - | - | - |
| Secured by commercial real estate | - | - | - | - | - | - | - | - |
| Equity Investment in Funds (EIF) | - | - | - | - | - | - | - | - |
| Past-due loans | - | - | - | - | - | - | - | - |
| Higher-risk categories | - | - | - | - | - | - | - | - |
| Other assets | - | - | - | - | - | - | - | - |
| **Total** | **32,800** | **2,800,254** | **4,597,771** | **142,945** | **8,077,964** | **29,430** | **14,309** | **15,695,473** |

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

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

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

**Composition of collateral for CCR exposure – (CCR5)**

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

| 30 June 2023<br>AED 000 | a | b | c | d | e | f |
|---|---|---|---|---|---|---|
| | Collateral used in derivative transactions | | | | Collateral used in SFTs | |
| | Fair value of collateral received | | Fair value of posted collateral | | Fair value of collateral received | Fair value of posted collateral |
| | Segregated | Unsegregated | Segregated | Unsegregated | | |
| Cash - other currencies | 1,505,535 | 437,005 | 306,849 | 1,065,896 | - | - |
| Government agency debt | - | - | - | - | - | - |
| Corporate bonds | - | - | - | 100,000 | | |
| **Total** | **1,505,535** | **437,005** | **306,849** | **1,165,896** | **-** | **-** |

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

**Credit derivative exposures – (CCR6)**

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

| | a | b | a | b |
|---|---|---|---|---|
| | 30 June 2023 Protection bought AED 000 | 30 June 2023 Protection sold AED 000 | 31 December 2022 Protection bought AED 000 | 31 December 2022 Protection sold AED 000 |
| **Notional** | | | | |
| Single-name credit default swaps | 44,070 | 73,450 | 73,450 | 55,088 |
| Index credit default swaps | | | - | - |
| Total return swaps | 2,537,883 | 2,537,883 | 894,054 | 894,054 |
| Credit options | - | - | - | - |
| Other credit derivatives | - | - | - | - |
| | - | - | | |
| **Total notional** | **2,581,953** | **2,611,333** | **967,504** | **949,142** |
| **Fair values** | | | | |
| Positive fair value (asset) | - | 174,630 | - | 250,922 |
| Negative fair value (liability) | 179,809 | - | 254,419 | - |

**Exposures to central counterparties – (CCR8)**

| | | a | b | a | b |
|---|---|---|---|---|---|
| | | 30 June 2023 | 30 June 2023 | 31 December 2022 | 31 December 2022 |
| | | EAD (post-CRM) | RWA | EAD (post-CRM) | RWA |
| | | AED 000 | AED 000 | AED 000 | AED 000 |
| **1** | **Exposures to QCCPs (total)** | **3,581** | **72** | **3,999** | **80** |
| 2 | Exposures for trades at QCCPs (excluding initial margin and default fund contribution); of which: | 3,581 | 72 | 3,999 | 80 |
| 3 | (i) OTC derivatives | 3,581 | 72 | 3,999 | 80 |
| 4 | (ii) Exchange-traded derivatives | - | - | - | - |
| 5 | (iii) Securities financing transactions | - | - | - | - |
| 6 | (iv) Netting sets where cross-product netting has been approved | - | - | - | - |
| 7 | Segregated initial margin | - | - | - | - |
| 8 | Non-segregated initial margin | - | - | - | - |
| 9 | Pre-funded default fund contributions | - | - | - | - |
| 10 | Unfunded default fund contributions | - | - | - | - |
| **11** | **Exposures to non-QCCPs (total** | - | - | - | - |
| 12 | Exposures for trades at non-QCCPs (excluding initial margin and default fund contribution); of which: | - | - | - | - |
| 13 | (i) OTC derivatives | - | - | - | - |
| 14 | (ii) Exchange-traded derivatives | - | - | - | - |
| 15 | (iii) Securities financing transactions | - | - | - | - |
| 16 | (iv) Netting sets where cross-product netting has been approved | - | - | - | - |
| 17 | Segregated initial margin | - | - | - | - |
| 18 | Non-segregated initial margin | - | - | - | - |
| 19 | Pre-funded default fund contributions | - | - | - | - |
| 20 | Unfunded default fund contributions | - | - | - | - |

**Market risk under the Standardised approach – (MR1)**

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

| | | 30 June 2023 RWA AED 000 | 31 December 2022 RWA AED 000 |
|---|---|---|---|
| 1 | General Interest rate risk (General and Specific) | 11,666,226 | 11,464,407 |
| 2 | Equity risk (General and Specific) | - | - |
| 3 | Foreign exchange risk | 1,747,178 | 999,383 |
| 4 | Commodity risk | | - |
| | **Options** | | |
| 5 | Simplified approach | | - |
| 6 | Delta-plus method | 421,302 | 506,453 |
| 7 | Scenario approach | | - |
| 8 | Securitisation | | - |
| **9** | **Total** | **13,834,706** | **12,970,243** |

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**Liquidity Coverage Ratio (LCR) (LIQ1)**

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

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

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

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

**Liquidity Coverage Ratio (LCR) (LIQ1)**

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

| | AED 000 | June 2023 Total unweighted value (average) | June 2023 Total weighted value (average) | December 2022 Total unweighted value (average) | December 2022 Total weighted value (average) |
|---|---|---|---|---|---|
| 1 | Total HQLA | | 168,526,777 | | 141,550,758 |
| **2** | **Retail deposits and deposits from small business customers, of which:** | | | | |
| 3 | Stable deposits | 8,397,203 | 419,860 | 5,400,858 | 270,043 |
| 4 | Less stable deposits | 276,052,309 | 24,196,363 | 249,720,492 | 22,573,622 |
| **5** | **Unsecured wholesale funding, of which:** | - | - | - | - |
| 6 | Operational deposits (all counterparties) and deposits in networks of cooperative banks | 57,413,179 | 14,353,295 | 48,112,594 | 12,028,149 |
| 7 | Non-operational deposits (all counterparties) | 128,814,887 | 58,851,165 | 126,039,686 | 57,838,280 |
| 8 | Unsecured debt | - | - | - | - |
| **9** | **Secured wholesale funding** | | 24,693 | - | 36,179 |
| **10** | **Additional requirements, of which:** | - | - | - | - |
| 11 | Outflows related to derivative exposures and other collateral requirements | 5,355,634 | 5,355,634 | 5,202,446 | 5,202,446 |
| 12 | Outflows related to loss of funding of debt products | - | - | - | - |
| 13 | Credit and liquidity facilities | 124,478,424 | 9,599,240 | 120,041,873 | 9,363,161 |
| 14 | Other contractual funding obligations | 6,991,569 | 6,991,569 | 8,149,694 | 8,149,694 |
| 15 | Other contingent funding obligations | 79,253,900 | 9,432,183 | 74,174,211 | 9,192,511 |
| **16** | **TOTAL CASH OUTFLOWS** | | **129,224,002** | | **124,654,085** |
| 17 | Secured lending (e.g., reverse repo) | 3,546,709 | 1,253,547 | 2,050,564 | 1,538,095 |

**Liquidity Coverage Ratio (LCR) (LIQ1) (continued)**

| | AED 000 | June 2023 Total unweighted value (average) | June 2023 Total weighted value (average) | December 2022 Total unweighted value (average) | December 2022 Total weighted value (average) |
|---|---|---|---|---|---|
| 18 | Inflows from fully performing exposures | 49,189,870 | 40,285,274 | 46,445,951 | 37,722,169 |
| 19 | Other cash inflows | 5,094,874 | 5,094,874 | 472,582 | 472,582 |
| **20** | **TOTAL CASH INFLOWS** | **57,831,453** | **46,633,696** | **48,969,097** | **39,732,846** |
| | | | **Total adjusted value** | | **Total adjusted value** |
| **21** | **Total HQLA** | | **168,526,777** | | **141,550,758** |
| **22** | **Total net cash outflows** | | **82,590,307** | | **84,921,239** |
| **23** | **Liquidity coverage ratio (%)** | | **204.05%** | | **166.68%** |

The Group maintained a LCR of 204.05% on an average during second quarter of the reporting year and 216.76% as of 30 June 2023 reporting period, which is in excess of the regulatory minimum of 100%. The LCR is influenced by the amount, profile of the funding base and the deployment of funding into customer lending or HQLA investments. The deployment alternatives are assessed on an ongoing basis and adjusted as per the market opportunities, while maintaining a prudent LCR surplus.

The HQLA over the reporting period was AED 168.5 billion and 90% of this comprised of HQLA Level 1 assets, which represents balances held with Central Bank and other high quality sovereign securities. HQLA Level 2A and 2B assets comprised the remaining 10% of the total HQLA. The HQLA presented excludes excess liquidity held at subsidiaries that is deemed not transferable within the Group.

The retail deposits are prescribed a lower run-off factor and comprise 19% of the total cash outflow, whereas wholesale funding is prescribed a higher run-off and comprise 57% of the total cash outflows.

The average quarterly LCR has increased from 166.68% in December 2022 to 204.05% in June 2023 primarily on account of increase in deposits being deployed in HQLA and Interbank Placements.

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

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

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

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

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

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

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

| 30 June 2023 | | a | b | c | d | e |
|---|---|---|---|---|---|---|
| AED 000 | | Unweighted value by residual maturity | | | | Weighted value |
| | | No maturity* | <6 months | 6 months to <1 year | ≥1 year | |
| **Available stable funding (ASF) item** | | | | | | |
| 1 | Capital: | | | | | |
| 2 | Regulatory capital | - | - | - | 105,259,774 | 105,259,774 |
| 3 | Other capital instruments | - | - | - | - | - |
| 4 | Retail deposits and deposits from small business customers: | - | - | - | - | - |
| 5 | Stable deposits | - | 8,313,927 | 92,079 | 3,753 | 7,989,459 |
| 6 | Less stable deposits | - | 228,675,269 | 16,928,276 | 4,726,700 | 225,769,890 |
| 7 | Wholesale funding: | - | - | - | - | - |
| 8 | Operational deposits | - | 57,413,179 | - | - | 28,706,590 |
| 9 | Other wholesale funding | - | 193,222,746 | 46,495,486 | 59,355,132 | 165,685,444 |
| 10 | Liabilities with matching interdependent assets | - | - | - | - | - |
| 11 | Other liabilities: | - | - | - | - | - |
| 12 | NSFR derivative liabilities | | | | 21,470,961 | |

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

| 30 June 2023 AED 000 | | Unweighted value by residual maturity | | | | Weighted Value |
|---|---|---|---|---|---|---|
| | | No maturity* | <6 months | 6 months to <1 year | ≥1 year | |
| 13 | All other liabilities and equity not included in the above categories | - | 58,309,815 | 331,553 | - | 165,776 |
| **14** | **Total ASF** | | | | | **533,576,933** |
| **Required stable funding (RSF) item** | | | | | | |
| 15 | Total NSFR high-quality liquid assets (HQLA) | - | 119,054,768 | 23,981,292 | 62,700,887 | 14,529,847 |
| 16 | Deposits held at other financial institutions for operational purposes | - | - | - | - | - |
| 17 | Performing loans and securities: | - | - | - | - | - |
| 18 | Performing loans to financial institutions secured by Level 1 HQLA | - | 1,948,554 | - | - | 194,855 |
| 19 | Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions | - | 59,243,851 | 12,925,017 | 9,407,389 | 24,756,476 |
| 20 | Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which: | - | 88,906,432 | 31,984,204 | 232,355,582 | 257,947,563 |
| 21 | With a risk weight of less than or equal to 35% under the standardised approach for credit risk | - | - | - | 47,885 | 31,125 |
| 22 | Performing residential mortgages, of which: | - | - | - | - | - |
| 23 | With a risk weight of less than or equal to 35% under the standardised approach for credit risk | - | - | - | 93,188,226 | 60,572,347 |

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

| | 30 June 2023 | Unweighted value by residual maturity | | | | Weighted Value |
|---|---|---|---|---|---|---|
| | AED 000 | No maturity* | <6 months | 6 months to <1 year | ≥1 year | |
| 24 | Securities that are not in default and do not qualify as HQLA, including exchange-traded equities | - | 2,045,980 | 1,674,333 | 9,062,189 | 9,582,169 |
| 25 | Assets with matching interdependent liabilities | - | - | - | - | - |
| 26 | Other assets: | - | - | - | - | - |
| 27 | Physical traded commodities, including gold | 112,695 | - | - | - | 95,791 |
| 28 | Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs | - | | | 2,181,453 | 1,911,442 |
| 29 | NSFR derivative assets | - | | | 19,658,003 | - |
| 30 | NSFR derivative liabilities before deduction of variation margin posted | - | | | 21,131,704 | 4,226,341 |
| 31 | All other assets not included in the above categories | - | 656,047 | - | 29,463,860 | 29,463,860 |
| 32 | Off-balance sheet items | 203,183,097 | - | - | - | 20,172,110 |
| **33** | **Total RSF** | - | - | - | - | **423,483,925** |
| **34** | **Net Stable Funding Ratio (%)** | - | - | - | - | **126.00%** |

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

The Group maintained a NSFR of 126.00% on an average during second quarter of the reporting year and 127.79% as of 30 June 2023 reporting period, which is in excess of the regulatory minimum of 100%. The Group maintains a diversified funding base comprising core retail and corporate customer deposits, institutional balances and capital market term funding. This is illustrated in the composition of Available Stable Funding (ASF) broadly consisting of Capital (20%), Retail deposits (44%) and Wholesale deposits (36%). The Required Stable Funding (RSF) largely comprised of the Loan and Advances (81%) whereas the securities held in HQLA assets are prescribed a lower RSF factor.

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

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

| 31 December 2022 | | a | b | c | d | e |
|---|---|---|---|---|---|---|
| AED 000 | | Unweighted value by residual maturity | | | | Weighted value |
| | | No maturity* | <6 months | 6 months to <1 year | ≥1 year | |
| **Available stable funding (ASF) item** | | | | | | |
| 1 | Capital: | - | - | - | 97,442,541 | 97,442,541 |
| 2 | Regulatory capital | - | - | - | - | - |
| 3 | Other capital instruments | - | - | - | - | - |
| 4 | Retail deposits and deposits from small business customers: | - | - | - | - | - |
| 5 | Stable deposits | - | 5,319,920 | 35,201 | 981 | 5,088,346 |
| 6 | Less stable deposits | - | 212,972,665 | 9,232,282 | 4,008,641 | 203,993,093 |
| 7 | Wholesale funding: | - | - | - | - | - |
| 8 | Operational deposits | - | 48,112,594 | - | - | 24,056,297 |
| 9 | Other wholesale funding | - | 195,748,037 | 33,649,318 | 63,023,122 | 162,792,373 |
| 10 | Liabilities with matching interdependent assets | - | - | - | - | - |
| 11 | Other liabilities: | - | - | - | - | - |
| 12 | NSFR derivative liabilities | - | | | 21,735,162 | - |

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

| 31 December 2022 | | Unweighted value by residual maturity | | | | Weighted Value |
|---|---|---|---|---|---|---|
| AED 000 | | No maturity* | <6 months | 6 months to <1 year | ≥1 year | |
| 13 | All other liabilities and equity not included in the above categories | - | 53,730,315 | 204,882 | - | 102,441 |
| **14** | **Total ASF** | | | | | **493,475,091** |
| **Required stable funding (RSF) item** | | | | | | |
| 15 | Total NSFR high-quality liquid assets (HQLA) | | 103,555,078 | 14,871,410 | 59,277,505 | 14,147,791 |
| 16 | Deposits held at other financial institutions for operational purposes | - | - | - | 306,736 | 306,736 |
| 17 | Performing loans and securities: | - | - | - | - | - |
| 18 | Performing loans to financial institutions secured by Level 1 HQLA | - | 74,541 | - | - | 7,454 |
| 19 | Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions | - | 51,630,182 | 11,823,474 | 8,556,223 | 22,212,487 |
| 20 | Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which: | - | 83,063,815 | 30,499,491 | 218,720,168 | 242,825,918 |
| 21 | With a risk weight of less than or equal to 35% under the standardised approach for credit risk | - | - | - | 139,184 | 90,469 |
| 22 | Performing residential mortgages, of which: | - | - | - | - | - |
| 23 | With a risk weight of less than or equal to 35% under the standardised approach for credit risk | - | - | - | 106,948,997 | 69,516,848 |

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

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

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

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

**Appendix A : Template CCA: Main features of regulatory capital instruments**

| Sr no | Particulars | Equity Shares | U.S.$1,000,000,000 Perpetual Additional Tier 1 Capital Securities | U.S.$750,000,000 Perpetual Additional Tier 1 Capital Securities | U.S.$750,000,000 Perpetual Additional Tier 1 Capital Securities |
|---|---|---|---|---|---|
| 1 | Issuer | Emirates NBD Bank PJSC | Emirates NBD Bank PJSC | Emirates NBD Bank PJSC | Emirates NBD Bank PJSC |
| 2 | Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement) | | XS1964681610 | XS2134363170 | XS2342723900 |
| 3 | Governing law(s) of the instrument | CBUAE,SCA,CCL | English Law | English Law | English Law |
| | **Regulatory treatment** | | | | |
| 4 | Transitional arrangement rules (i.e. grandfathering) | Common Equity Tier I | NA | NA | NA |
| 5 | Post-transitional arrangement rules (i.e. grandfathering) | Common Equity Tier I | Additional Tier I | Additional Tier I | Additional Tier I |
| 6 | Eligible at solo/group/ group and solo | Solo and Group | Solo and Group | Solo and Group | Solo and Group |
| 7 | Instrument type (types to be specified by each jurisdiction) | Common Shares | Perpetual Debt Instruments | Perpetual Debt Instruments | Perpetual Debt Instruments |
| 8 | Amount recognised in regulatory capital (**AED in Billions, as of 30 June 2023**) | 6.3 | 3.7 | 2.7 | 2.7 |
| 9 | Nominal amount of instrument | NA | U.S.$1,000,000,000 | U.S.$750,000,000 | U.S.$750,000,000 |
| 9a | Issue price | | 100 percent | 100 percent | 100 percent |
| 9b | Redemption price | NA | 100% in case of an Optional Redemption or a Tax Event Redemption, and 101% in case of a Capital Event Redemption. | 100% in case of an Optional Redemption or a Tax Event Redemption, and 101% in case of a Capital Event Redemption. | 100% in case of an Optional Redemption or a Tax Event Redemption, and 101% in case of a Capital Event Redemption. |
| 10 | Accounting classification | Equity Attributable to Equity holders | Equity Attributable to Equity holders | Equity Attributable to Equity holders | Equity Attributable to Equity holders |
| 11 | Original date of issuance | | 20th March 2019 | 9th July 2020 | 27th May 2021 |

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

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

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

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

**Acronyms**

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

## Glossary

### Capital conservation buffer

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

### Countercyclical capital buffer (CCyB)

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

### Counterparty credit risk (CCR)

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

### Credit Conversion Factor (CCF)

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

### Credit risk adjustment (CRA)

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

### Credit risk mitigation (CRM)

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

### Domestic systemically important banks (D-SIBs)

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

### Internal Capital Adequacy Assessment Process (ICAAP)

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

### Leverage ratio

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

### Liquidity Coverage Ratio (LCR)

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

## Glossary (Continued)

### Net stable funding ratio (NSFR)

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

### RWA density

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

### Securities Financing Transactions (SFT)

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

### Standardised Approach (SA)

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