

Basel III - Pillar 3 Disclosures

30 June 2022

National Bank of Umm Al Qaiwain



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1. General Information:

National Bank of Umm Al-Qaiwain (PSC) (the “Bank”) is a Public Shareholding Company (ADX listed) incorporated in the Emirate of Umm Al-Qaiwain (“UAQ”) in the United Arab Emirates (“U.A.E.”) by Amiri Decree Number (1) on January 5, 1982, issued by His Highness, the Ruler of Umm Al-Qaiwain, and commenced its operations with effect from August 1, 1982.

The Group comprises National Bank of Umm Al-Qaiwain (PSC), Umm Al-Qaiwain, and its subsidiary Twin Towns Marketing Management LLC (100% ownership), Dubai. The Bank is engaged in providing products and services to customers in Retail, Corporate, Small and Medium Enterprise, Treasury and Trade finance in both conventional and Islamic banking.

2. Executive Summary:

The Central Bank of the UAE has published notice number CBUAE/BSN/2020/4980 in November 2020 and CBUAE/BSN/2021/5508 on 30 November 2021 regarding Pillar 3 disclosures. These disclosures have been prepared in accordance with these guidelines along with the Board approved disclosure Policy of the Bank.

2.1. Purpose

The purpose of this report is to enable market participants to access key information relating to Bank’s regulatory capital and risk exposures in order to increase transparency and confidence about Bank’s exposure to risk and the overall adequacy of its regulatory capital.

2.2. Overview of Basel III Requirements

The Bank complies with the Basel 3 standards and guidelines, which have been implemented in the UAE through notice reference CBUAE/BSN/2020/4980 dated 12 November 2020.

For Pillar 1, Bank has adopted the Standardized Approach for Credit Risk, the Standardized Approach for Market Risk and the Basic Indicator Approach for determining the capital requirements for Operational Risk.

Pillar 2 covers additional risk areas such as systemic risk, concentration risk, strategic risk, reputational risk, liquidity risk and legal risk. The risk and capital assessment of these other areas are commonly referred as “Internal Capital Adequacy Assessment Process (ICAAP)”. Under ICAAP report, the Bank assesses the above mentioned risk (where applicable) and measures that after combining the pillar 1+Pillar 2 risk the Bank can withstand the regulatory and internal capital requirements. The Bank submits ICAAP report to CBUAE on annual basis.

Pillar 3 focuses on Market Discipline and complements the minimum capital requirements (Pillar I) and the supervisory review process (Pillar II). 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 . This report is prepared in line with the same objective.

2.3. Capital Management

Bank’s capital management policy is to maintain a strong capital base to support the development and growth of business. Current and future capital requirements are determined on the basis of loan growth expectations for each business unit, expected growth in off-balance sheet facilities, future sources and uses of funds and Bank’s future dividend policy. The Bank also ensures compliance with externally imposed capital requirement norms, strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value. During the year the Bank had complied in full with all external imposed capital requirements. The U.A.E. Central Bank requires the banks in U.A.E. to maintain a ratio of total regulatory capital to the risk weighted assets at or above the agreed minimum of 13%. (Including 2.5% of capital conservation buffer)

1. Overview of risk management and RWA
1.1. Template KM1: Key metrics (at consolidated group level)

In AED'000		a	b	c	d	e
		T 30 Jun 22	T-1 31 Mar 22	T-2 31 Dec 21	T-3 30 Sept 21	T-4 30 Jun 21
Available capital (amounts)						
1	Common Equity Tier 1 (CET1)	4,408,136	4,796,303	4,845,794	4,553,350	4,548,387
1a	Fully loaded ECL accounting model	4,408,136	4,796,303	4,845,794	4,558,542	4,560,955
2	Tier 1	4,408,136	4,796,303	4,845,794	4,553,350	4,548,387
2a	Fully loaded ECL accounting model Tier 1	4,408,136	4,796,303	4,845,794	4,558,542	4,560,955
3	Total capital	4,526,208	4,924,322	4,972,002	4,679,775	4,671,252
3a	Fully loaded ECL accounting model total capital	4,526,208	4,924,322	4,972,002	4,684,971	4,683,820
Risk-weighted assets (amounts)						
4	Total risk-weighted assets (RWA)	10,462,176	11,267,618	11,132,303	11,312,337	11,028,627
Risk-based capital ratios as a percentage of RWA						
5	Common Equity Tier 1 ratio (%)	42.13%	42.57%	43.53%	40.25%	41.24%
5a	Fully loaded ECL accounting model CET1 (%)	42.13%	42.57%	43.53%	40.20%	41.13%
6	Tier 1 ratio (%)	42.13%	42.57%	43.53%	40.25%	41.24%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	42.13%	42.57%	43.53%	40.20%	41.13%
7	Total capital ratio (%)	43.26%	43.71%	44.66%	41.37%	42.36%
7a	Fully loaded ECL accounting model total capital ratio (%)	43.26%	43.71%	44.66%	41.32%	42.24%
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 (%)	0.00%	0.00%	0.00%	0.00%	0.00%
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9+ row 10)	2.50%	2.50%	2.50%	2.50%	2.50%
12	CET1 available after meeting the bank's minimum capital requirements (%)	32.76%	33.21%	34.16%	30.87%	31.86%

Leverage Ratio						
13	Total leverage ratio measure	15,532,337	15,806,954	15,691,013		
14	Leverage ratio (%) (row 2/row 13)	28.38%	30.34%	30.88%		
14a	Fully loaded ECL accounting model leverage ratio (%) (row 2A/row 13)	28.38%	30.34%	30.88%		
14b	Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	28.38%	30.34%	30.88%		
Liquidity Coverage Ratio						
15	Total HQLA	NA	NA	NA	NA	NA
16	Total net cash outflow	NA	NA	NA	NA	NA
17	LCR ratio (%)	NA	NA	NA	NA	NA
Net Stable Funding Ratio						
18	Total available stable funding	NA	NA	NA	NA	NA
19	Total required stable funding	NA	NA	NA	NA	NA
20	NSFR ratio (%)	NA	NA	NA	NA	NA
ELAR						
21	Total HQLA	2,121,544	1,725,255	1,451,385	1,427,948	1,103,129
22	Total liabilities	8,971,441	8,908,760	8,904,383	9,254,695	9,497,385
23	Eligible Liquid Assets Ratio (ELAR) (%)	23.65%	19.37%	16.30%	15.43%	11.62%
ASRR						
24	Total available stable funding	11,928,170	12,051,672	11,961,891	11,734,655	11,802,578
25	Total Advances	7,257,844	7,606,978	7,626,988	8,519,219	7,716,887
26	Advances to Stable Resources Ratio (%)	60.85%	63.12%	63.76%	72.60%	65.38%

Note: Leverage Ratio went live starting 31 December 2021 therefore the previous quarter data have been left blank.

1.2. Table OVA: Bank Risk Management Approach

1.3. Template OV1: Overview of RWA

		a	b	c
		RWA		Minimum capital requirements
In AED'000		T 30 Jun 2022	T-1 31 Mar 2022	T 30 Jun 2022
1	Credit risk (excluding counterparty credit risk)	9,444,567	10,241,384	991,680
2	Of which: standardised approach (SA)	9,445,760	10,241,511	991,805
3	Of which: foundation internal ratings-based (F-IRB) approach			
4	Of which: supervisory slotting approach			
5	Of which: advanced internal ratings-based (A-IRB) approach			
6	Counterparty credit risk (CCR)	-	-	-
7	Of which: standardised approach for counterparty credit risk	597	127	63
8	Of which: Internal Model Method (IMM)			
9	Of which: other CCR			
10	Credit valuation adjustment (CVA)	597		63
11	Equity positions under the simple risk weight approach			
12	Equity investments in funds - look-through approach	-	-	-
13	Equity investments in funds - mandate-based approach	-	-	-
14	Equity investments in funds - fall-back approach	-	-	-
15	Settlement risk	-	-	-
16	Securitisation exposures in the banking book	-	-	-
17	Of which: securitisation internal ratings-based approach (SEC-IRBA)			
18	Of which: securitisation external ratings-based approach (SEC-ERBA)	-	-	-
19	Of which: securitisation standardised approach (SEC-SA)	-	-	-
20	Market risk	70,637	80,329	7,417
21	Of which: standardised approach (SA)	70,637	80,329	7,417
22	Of which: internal models approach (IMA)			
23	Operational risk	945,779	945,779	99,307
24	Amounts below thresholds for deduction (subject to 250% risk weight)			
25	Floor adjustment			
26	Total (1+6+10+11+12+13+14+15+16+20+23)	10,462,176	11,267,618	1,098,529

2. Composition of Capital

2.1. Template CC1: Composition of regulatory capital

30 Jun-22		a	b
		Amounts (In AED'000)	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
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	2,000,000	Same as (h) from CC2 template
2	Retained earnings	1,517,175	
3	Accumulated other comprehensive income (and other reserves)	1,226,618	
4	<i>Directly issued capital subject to phase-out from CET1 (only applicable to non-joint stock companies)</i>		
5	Common share capital issued by third parties (amount allowed in group CET1)		
6	Common Equity Tier 1 capital before regulatory deductions	4,743,794	
Common Equity Tier 1 capital regulatory adjustments			
7	Prudent valuation adjustments	0	
8	Goodwill (net of related tax liability)	0	CC2 (a) minus (d)
9	Other intangibles including mortgage servicing rights (net of related tax liability)	0	CC2 (b) minus (e)
10	Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of related tax liability)	0	
11	Cash flow hedge reserve	0	
12	Securitisation gain on sale	0	
13	Gains and losses due to changes in own credit risk on fair valued liabilities	0	
14	Defined benefit pension fund net assets	0	
15	Investments in own shares (if not already subtracted from paid-in capital on reported balance sheet)	0	
16	Reciprocal cross-holdings in CET1, AT1, Tier 2	0	
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)	335,657	
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)	0	
19	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	0	
20	Amount exceeding 15% threshold	0	
21	Of which: significant investments in the common stock of financials	0	
22	Of which: deferred tax assets arising from temporary differences	0	
23	CBUAE specific regulatory adjustments	0	
24	Total regulatory adjustments to Common Equity Tier 1	335,657	
25	Common Equity Tier 1 capital (CET1)	4,408,136	

Additional Tier 1 capital: instruments			
26	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	0	CC2 (i)
27	Of which: classified as equity under applicable accounting standards	0	
28	Of which: classified as liabilities under applicable accounting standards	0	
29	<i>Directly issued capital instruments subject to phase-out from additional Tier 1</i>	0	
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)	0	
31	<i>Of which: instruments issued by subsidiaries subject to phase-out</i>	0	
32	Additional Tier 1 capital before regulatory adjustments	0	
Additional Tier 1 capital: regulatory adjustments			
33	Investments in own additional Tier 1 instruments	0	
34	Investments in capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation	0	
35	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation	0	
36	CBUAE specific regulatory adjustments	0	
37	Total regulatory adjustments to additional Tier 1 capital	0	
38	Additional Tier 1 capital (AT1)	0	
39	Tier 1 capital (T1= CET1 + AT1)	4,408,136	
Tier 2 capital: instruments and provisions			
40	Directly issued qualifying Tier 2 instruments plus related stock surplus	0	
41	<i>Directly issued capital instruments subject to phase-out from Tier 2</i>	0	
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)	0	
43	<i>Of which: instruments issued by subsidiaries subject to phase-out</i>	0	
44	Provisions	118,072	
45	Tier 2 capital before regulatory adjustments	118,072	
Tier 2 capital: regulatory adjustments			
46	Investments in own Tier 2 instruments	0	
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)	0	
48	Significant investments in the capital, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	0	
49	CBUAE specific regulatory adjustments	0	
50	Total regulatory adjustments to Tier 2 capital		
51	Tier 2 capital (T2)	118,072	
52	Total regulatory capital (TC = T1 + T2)	4,526,208	
53	Total risk-weighted assets	10,462,176	
Capital ratios and buffers			
54	Common Equity Tier 1 (as a percentage of risk-weighted assets)	42.13%	
55	Tier 1 (as a percentage of risk-weighted assets)	42.13%	
56	Total capital (as a percentage of risk-weighted assets)	43.26%	

57	Institution specific buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus higher loss absorbency requirement, expressed as a percentage of risk-weighted assets)	2.50%	
58	Of which: capital conservation buffer requirement	2.50%	
59	Of which: bank-specific countercyclical buffer requirement		
60	Of which: higher loss absorbency requirement (e.g. DSIB)		
61	Common Equity Tier 1 (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirement.	32.76%	
The CBUAE Minimum Capital Requirement			
62	Common Equity Tier 1 minimum ratio	7.00%	
63	Tier 1 minimum ratio	8.50%	
64	Total capital minimum ratio	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)	141,686	
70	Cap on inclusion of provisions in Tier 2 under standardised approach	118,072	
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	0	
74	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	0	
75	Current cap on AT1 instruments subject to phase-out arrangements	0	
76	Amount excluded from AT1 due to cap (excess after redemptions and maturities)	0	
77	Current cap on T2 instruments subject to phase-out arrangements	0	
78	Amount excluded from T2 due to cap (excess after redemptions and maturities)	0	

2.2. Template CC2: Reconciliation of regulatory capital to balance sheet

In AED'000	a	b	c
	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	As at period-end	As at period-end	
30-Jun-22			
Assets			
Cash and balances at Central Banks	1,813,366	1,113,366	
Items in the course of collection from other banks			
Due from other Banks	3,374,058	3,377,264	
Loans and advances to customers	6,274,479	6,733,505	
Investment Securities	1,298,386	1,999,997	
Prepayments, accrued income and other assets	235,474	337,882	
Investments in associates and joint ventures	802	802	
Goodwill and other intangible assets			
Of which: goodwill			(a)
Of which: intangibles (excluding MSRs)			(b)
Of which: MSRs			(c)
Customer acceptances	274,745		
Property, plant and equipment	80,520	252,860	
Total Assets	13,351,830	13,815,676	
Liabilities			
Deposits from Banks	94		
Items in the course of collection due to other banks			
Customer accounts	7,771,331		
Repurchase agreements and other similar secured borrowing			
Trading portfolio liabilities			
Financial liabilities designated at fair value			
Derivative financial instruments			
Debt securities in issue			
Accruals, deferred income and other liabilities	194,900		
Current and deferred tax liabilities			
Of which: DTLs related to goodwill			(d)
Of which: DTLs related to intangible assets (excluding MSRs)			(e)
Of which: DTLs related to MSRs			(f)
Subordinated liabilities			
Provisions			
Customer acceptances	274,745		
Retirement benefit liabilities			
Total Liabilities	8,241,070		
Shareholders' equity			
Paid-up share capital	2,000,000	2,000,000	
Of which: amount eligible for CET1	2,000,000	2,000,000	(h)
Of which: amount eligible for AT1			(i)
Retained earnings	1,673,092	1,517,175	
Other reserves	1,437,668	1,009,033	
Total Shareholders' Equity	5,110,760	4,526,209	

2.3. Template CCA: Main features of regulatory capital instruments

Not applicable as the Bank has neither issued / nor repaid a capital instrument.

3. **Macro prudential Supervisory Measures**

3.1. **Template CCyB1: Countercyclical Buffer**

Not Applicable. Bank does not have any exposure outside UAE geography.

4. **Leverage ratio**

4.1. **Template LR1: Summary comparison of accounting assets vs leverage ratio exposure**

	In AED'000	a 30 Jun 2022
1	Total consolidated assets as per published financial statements	13,351,830
2	Adjustments for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(335,657)
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 recognized 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	775
9	Adjustment for securities financing transactions (ie repos and similar secured lending)	
10	Adjustments for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	2,051,543
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	
12	Other adjustments	463,846
13	Leverage ratio exposure measure	15,532,337

4.2. Template LR2: Leverage ratio common disclosure template

In AED'000		a	b
		30-Jun-22	31-Mar-22
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	13,815,676	13,796,298
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)	(335,657)	
7	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)	13,480,019	13,796,298
Derivative exposures			
8	Replacement cost associated with <i>all</i> derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	232	15
9	Add-on amounts for PFE associated with <i>all</i> derivatives transactions	322	263
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 (sum of rows 8 to 12)	775	390
Securities financing transactions			
14	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions		
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)		
Other off-balance sheet exposures			
19	Off-balance sheet exposure at gross notional amount	3,242,960	3,099,542
20	(Adjustments for conversion to credit equivalent amounts)	(1,191,417)	(1,089,275)
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)	2,051,543	2,010,266
Capital and total exposures			
23	Tier 1 Capital	4,408,136	4,796,303
24	Total exposures (sum of rows 7, 13, 18 and 22)	15,532,337	15,806,954
Leverage ratio			
25	Leverage Ratio (including the impact of any applicable temporary exemption of central bank reserves)	28.38%	30.34%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	0.00%	0.00%
26	CBUAE minimum leverage ratio requirement	3.00%	3.00%
27	Applicable Leverage Buffers	25.38%	27.34%

*Leverage Ratio started on 31st December 2021. Hence, previous period column has been left blank. It is evident from the ratio NBQ stands well above regulatory minimum of 3%.

5. Liquidity Risk Management

5.1. Template LIQ1: Liquidity Coverage Ratio (LCR)

This is not applicable to the Bank as our bank is not a D-SIB Bank.

5.2. Template LIQ2: Net Stable Funding Ratio (NSFR)

This is not applicable to the Bank as our bank is not a D-SIB Bank.

5.3. Template ELAR: Eligible Liquid Assets Ratio

1	High Quality Liquid Assets (AED 000)	Nominal amount	Eligible Liquid Asset
1.1	Physical cash in hand at the bank + balances with the CBUAE	2,015,495	
1.2	UAE Federal Government Bonds and Sukuku	27,080	
	Sub Total (1.1 to 1.2)	2,042,575	2,042,575
1.3	UAE local governments publicly traded debt securities	78,970	
1.4	UAE Public sector publicly traded debt securities	0	
	Sub total (1.3 to 1.4)	78,970	78,970
1.5	Foreign Sovereign debt instruments or instruments issued by their respective central banks		0
1.6	Total	2,121,545	2,121,545
2	Total liabilities		8,971,441
3	Eligible Liquid Assets Ratio (ELAR)		23.65%

5.4. Template ASRR: Advances to Stables Resource Ratio

The table below provides the breakdown of the Bank's Advances to Stable Resource Ratio (ASRR) as per the UAECB Liquidity Regulations.

		Items AED 000	Amount
1		Computation of Advances	
	1.1	Net Lending (gross loans - specific and collective provisions + interest in suspense)	6,139,531
	1.2	Lending to non-banking financial institutions	286,974
	1.3	Net Financial Guarantees & Stand-by LC (issued - received)	10,000
	1.4	Interbank Placements	821,339
	1.5	Total Advances	7,257,844
2		Calculation of Net Stable Resources	
	2.1	Total capital + general provisions	5,212,623
		Deduct:	
	2.1.1	Goodwill and other intangible assets	
	2.1.2	Fixed Assets	80,520
	2.1.3	Funds allocated to branches abroad	
	2.1.5	Unquoted Investments	1,192
	2.1.6	Investment in subsidiaries, associates and affiliates	802
	2.1.7	Total deduction	82,514
	2.2	Net Free Capital Funds	5,130,109
	2.3	Other stable resources:	
	2.3.1	Funds from the head office	
	2.3.2	Interbank deposits with remaining life of more than 6 months	
	2.3.3	Refinancing of Housing Loans	
	2.3.4	Borrowing from non-Banking Financial Institutions	
	2.3.5	Customer Deposits	6,798,060
	2.3.6	Capital market funding/ term borrowings maturing after 6 months from reporting date	
	2.3.7	Total other stable resources	6,798,060
	2.4	Total Stable Resources (2.2+2.3.7)	11,928,169
3		Advances TO STABLE RESOURCES RATIO (1.6/ 2.4*100)	60.85

6. Credit risk

6.1. Template CRA: General qualitative information about Credit Risk

The Bank assumes Credit Risk as part of its lending operations, which is identified as the risk that counterparty will cause a financial loss by failing to discharge an obligation. Credit risk exposures arise principally in loans and advances, due from banks and investment securities measured at amortized cost. There is also credit risk in off-balance sheet financial arrangements such as Letters of Credit, Guarantees and undrawn loan commitments. Credit Risk Management and control are centralized in the Credit Risk Department with the following objectives:

- To measure, monitor and mitigate risks both at micro as well as macro level.
- To facilitate building and sustaining a high quality credit portfolio and minimize losses.
- Contain non-performing assets through preventive and curative management.
- To identify early warning signals and initiate timely corrective action. Credit Risk Department has various units viz., Portfolio & Rating unit, Remedial Unit and Risk Containment Unit. Remedial Unit and Risk containment units are functioning to prevent accretion of non-performing assets through timely action and maximize recoveries through vigorous follow-up, classification of delinquent exposures and negotiate compromise proposals, wherever required

6.2. Template CR1: Credit quality of assets

(AED'000)		a	b	c	d	e	f
		Gross carrying values of		Allowances/Impairments	Of which ECL accounting provisions for credit losses on SA exposures		Net values (a+b-c)
		Defaulted exposures	Non-defaulted exposures		Allocated in regulatory category of Specific	Allocated in regulatory category of General	
1	Loans	599,676	5,996,119	321,316	217,799	103,517	6,274,479
2	Debt securities		347,636	1,611		1,611	346,025
3	Off-balance sheet exposures	49,748	1,714,026	5,992		5,992	1,757,782
4	Total	649,424	8,057,781	328,919	217,799	111,120	8,378,286

Non Performing Advances are defined as advances classified as Substandard, Doubtful and Loss, in which there is loss due to Defaults / past due for 90 days or more

6.3. Template CR2: Changes in stock of defaulted loans and debt securities

(In AED'000)		a
		30 Jun 2022
1	Defaulted loans and debt securities at the end of the previous reporting period	186,021
2	Loans and debt securities that have defaulted since the last reporting period	47,022
3	Returned to non-default status	
4	Amounts written off	(33,739)
5	Other changes	18,495
6	Defaulted loans and debt securities at the end of the reporting period (1+2-3-4+5)	217,799

This amount reconciles with our annual FS disclosure note 6.

6.4. Template CRB: Additional disclosure related to the credit quality of assets

6.4.1. Template CR3: Qualitative disclosure requirements related to credit risk mitigation techniques

The Bank uses comprehensive approach under Basel III for risk mitigation.

		a	b	c	d	e	f	g
		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
AED 000								
1	Loans	6,360,252	235,542	235,542				
2	Debt securities	347,636						
3	Total	6,707,888	235,542	235,542				
4	Of which defaulted	599,668	8	8				

The above is prepared in accordance with the “Standardized approach of Basel” III which recognizes only cash & equity shares as primary collateral, otherwise the actual collateral held by the Bank is significantly high and 81% of our loan book portfolio is secured.

6.4.2. **Template CR4: Standardised approach - credit risk exposure and Credit Risk Mitigation (CRM) effects**

AED 000		a	b	c	d	e	f
		Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	Asset classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Sovereigns and their central banks	2,222,846	0	2,222,846	0	355,419	16%
2	Public Sector Entities	0	0	0	0	0	0%
3	Multilateral development banks	0	0	0	0	0	0%
4	Banks	3,403,448	357	3,403,448	357	1,240,862	36%
5	Securities firms	0	0	0	0		0%
6	Corporates	2,653,009	2,049,930	2,433,387	1,984,908	3,306,242	70%
7	Regulatory retail portfolios	390,384	989,911	389,540	72,282	380,060	28%
8	Secured by residential property	7,203	2,053	7,203	2,053	8,104	88%
9	Secured by commercial real estate	2,772,511	151,737	2,757,176	151,737	2,799,897	96%
10	Equity Investment in Funds (EIF)	0	0	-	0		0%
11	Past-due loans	391,531	49,748	391,523	49,248	596,851	135%
12	Higher-risk categories	6,250	0	6,250	0	9,375	150%
13	Other assets	1,338,239	0	1,338,239	0	748,353	56%
14	Total	13,185,421	3,243,735	12,949,612	2,260,584	9,445,163	

On Balance Sheet, exposure is net of allowances as required by CBUAE pillar 3 reporting requirements

6.4.3. Template CR5: standardised approach- exposure by asset classes and risk weights

	30 Jun 2022 (AED'000)	a	b	c	d	e	f	g	h	i
	Risk weight	0%	20%	35%	50%	75%	100%	150%	Others	Total credit exposures amount (post CCF and post-CRM)
	Asset classes									
1	Sovereigns and their central banks	1,867,427					355,419			2,222,846
2	Public Sector Entities									0
3	Multilateral development banks									0
4	Banks		1,719,479		1,574,719		109,607			3,403,805
5	Securities firms									0
6	Corporates	259,217					2,861,892		522,764	3,643,873
7	Regulatory retail portfolios	917,627				241,200	199,160			1,357,987
8	Secured by residential property					502	7,728			8,230
9	Secured by commercial real estate	15,335					2,799,897			2,815,232
10	Equity Investment in Funds (EIF)									0
11	Past-due loans	507					128,610	312,161		441,278
12	Higher-risk categories							6,250		6,250
13	Other assets	590,133					747,612	494		1,338,239
14	Total	3,650,246	1,719,479		1,574,719	241,702	7,209,924	318,905	522,764	15,237,740

The column I total of this table reconciles with the above table total of On+Off BS post CRM & CCF exposure total

7. Counterparty Credit Risk

7.1. Template CCR1: Analysis of counterparty credit risk (CCR) exposure by approach

30-Jun-2022 AED 000		a	b	c	d	e	f
		Replacement cost	Potential future exposure	EEPE	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
1	SA-CCR (for derivatives)	232	322		1.4	775	597
2							
3	Simple Approach for credit risk mitigation (for SFTs)						
4	Comprehensive Approach for credit risk mitigation (for SFTs)						
5							
6	Total						

7.2. Template CCR3: Standardised approach - CCR exposures by regulatory portfolio and risk weights

AED 000	a	b	c	d	e	f	g	h
Regulatory portfolio	0%	20%	50%	75%	100%	150%	Others	Total credit exposure
Sovereigns								
Public Sector Entities (PSEs)								
Multilateral development banks (MDBs)								
Banks			357					357
Securities firms								
Corporates					418			418
Regulatory retail portfolios								
Secured by residential property								
Secured by commercial real estate								
Equity Investment in Funds (EIF)								
Past-due loans								
Higher-risk categories								
Other assets								
Total			357		418			775

7.3. Template CCR5: Composition of collateral for CCR exposure

	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 - domestic currency	0	0	0	0	0	0
Cash - other currencies						
Domestic sovereign debt						
Government agency debt						
Corporate bonds						
Equity securities						
Other collateral						
Total	0	0	0	0	0	0

7.4. Template CCR6: Credit derivative exposures

Not applicable. There are no credit derivative exposures

7.5. Template CCR8: Exposures to central counterparties

Not applicable. There is no exposure to central counterparties

8. Securitisation

No disclosures related to Securitisation are applicable to Bank, as we do not have any securitisation position.

8.1. Template SEC1: Securitisation exposures in the banking book

Not Applicable to the Bank

8.2. Template SEC2: Securitisation exposures in the trading book

Not Applicable to the Bank

8.3. Template SEC3: Securitisation exposures in the banking book and associated regulatory capital requirements - bank acting as originator or as sponsor

Not Applicable to the Bank

8.4. Template SEC4: Securitisation exposures in the banking book and associated capital requirements - bank acting as investor

Not Applicable to the Bank

9. Market risk

9.1. Table MRA: General qualitative disclosure requirements related to market risk

Market risk for the Bank refers to the risk wherein the value of its on and/or off-balance sheet positions are adversely affected due to movements primarily in interest rates, currency exchange rates and investment prices. The changes impact the Bank's earnings & capital and can have ramifications on the Bank's liquidity and profitability.

The Bank uses Standardized Approach to calculate Risk Weighted Assets (RWAs) for market risk as per the CBUAE guidelines. The computed Risk Weighted Assets using the Standardized Approach for market risk for reporting period 30.06.2022 are given in the table below:

9.2. Table MR1: Market risk under the standardised approach (SA)

The purpose of this template is to provide the components of the capital requirement under the SA for Market Risk.

AED 000		a
30-Jun-2022		RWA (AED'000)
1	General Interest rate risk (General and Specific)	708
2	Equity risk (General and Specific)	25,757
3	Foreign exchange risk	44,172
4	Commodity risk	0
	Options	
5	Simplified approach	0
6	Delta-plus method	0
7	Scenario approach	
8	Securitisation	0
9	Total	70,637