Basel III - Pillar 3 Disclosures

31 December 2021

National Bank of Umm Al Qaiwain

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Contents

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/BSD/N/2020/4980 in November 2020 and CBUAE/BSD/N/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/BSD/N/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. Verification

The Pillar 3 disclosures for the period 31 December 2021 have been reviewed and signed off by External Auditor

2.4. 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)

Capital Structure: The below table shows capital structure of the Bank

AED 000	**2021**	**2020**
Tier 1 Capital		
Share Capital	1,848,000	1,848,000
Statutory Reserve	1,019,266	1,019,266
General Reserve	6,440	6,440
Fair value reserves on investment securities at FVTOCI	167,678	61,034
Retained Earnings	1,804,411	1,551,915
Total Tier1	**4,845,795**	**4,486,655**
Tier 2 Capital		
General reserves on loans and advances	126,207	124,185
Total Tier 2 Capital	126,207	124,185
Total Regulatory Capital	**4,972,002**	**4,610,840**
Risk Weighted Assets		
Credit risk-weighted assets	10,096,586	9,934,820
Market risk-weighted assets	89,939	65,835
Operations risk-weighted assets	945,779	1,122,239
Total risk-weighted assets	**11,132,304**	**11,122,894**
Total capital adequacy ratio	44.66%	41.45%
Common equity Tier 1 capital ratio	43.53%	40.34%
Tier 1 capital ratio	43.53%	40.34%

As it is evident from the above table that the Bank continues to maintain one of the highest capital adequacy ratios in the UAE banking industry, which stands at 44.66%, which is far higher than the 13% i.e the minimum prescribed levels stipulated by Central Bank of the UAE. This demonstrates the financial strength of the Bank and its capacity to expand its lending and investment capability when needed.

2.5. ***Capital Stress Testing***

The Bank conducts annually stress-testing exercise as mandated by CBUAE. The objective of the stress test exercise is to provide a forward-looking capital adequacy assessment of the Bank with a common analytical framework and consistent scenarios as provided by CBUAE. The following scenario assumptions were provided by CBUAE

a) Persistent Covid-19 pandemic and double-dip recession;
b) Slow and uneven recovery across different economic sectors;
c) Asset price correction and persistent low oil price.

The Bank presented the stress test results to CBUAE and showed that even in the adverse stress scenarios the Bank's capital adequacy ratio was way above the minimum 13% threshold as prescribed by CBUAE. **The Bank passed the CBUAE stress test satisfactorily.**

1. Overview of risk management and RWA

1.1. Template KM1: Key metrics (at consolidated group level)

		31-Dec-21	30-Sep-21	30-Jun-21	31-Mar-21	31-Dec-20
	In AED'000	a	b	c	d	e
		T	T-1	T-2	T-3	T-4
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1)	4,845,794	4,553,350	4,548,387	4,666,195	4,486,655
1a	Fully loaded ECL accounting model	4,845,794	4,558,542	4,560,955	4,681,687	4,498,328
2	Tier 1	4,845,794	4,553,350	4,548,387	4,666,195	4,486,655
2a	Fully loaded ECL accounting model Tier 1	4,845,794	4,558,542	4,560,955	4,681,687	4,498,328
3	Total capital	4,972,002	4,679,779	4,671,252	4,789,205	4,610,841
3a	Fully loaded ECL accounting model total capital	4,972,002	4,684,971	4,683,820	4,804,697	4,622,514
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	11,132,303	11,312,670	11,028,627	11,014,662	11,122,894
	Risk-based capital ratios as a percentage of RWA					
5	Common Equity Tier 1 ratio (%)	43.53%	40.25%	41.24%	42.36%	40.34%
5a	Fully loaded ECL accounting model CET1 (%)	43.53%	40.20%	41.13%	42.22%	40.23%
6	Tier 1 ratio (%)	43.53%	40.25%	41.24%	42.36%	40.34%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	43.53%	40.20%	41.13%	42.22%	40.23%
7	Total capital ratio (%)	44.66%	41.37%	42.36%	43.48%	41.45%
7a	Fully loaded ECL accounting model total capital	44.66%	41.32%	42.24%	43.34%	41.35%
	Additional CET1 buffer requirements as a percentage of RWA					
8	Capital conservation buffer requirement (2.5% from	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 (%)	2.50%	2.50%	2.50%	2.50%	2.50%
12	CET1 available after meeting the bank's minimum	34.16%	30.87%	31.86%	32.98%	30.95%
	Leverage Ratio					
13	Total leverage ratio measure	15,691,013				
14	Leverage ratio (%) (row 2/row 13)	30.88%				
14a	Fully loaded ECL accounting model leverage ratio	30.88%				
14b	Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank	30.88%				

	In AED'000	31-Dec-21 a T	30-Sep-21 b T-1	30-Jun-21 c T-2	31-Mar-21 d T-3	31-Dec-20 e T-4
	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	1,451,385	1,427,948	1,103,128	1,188,025	1,312,351
22	Total liabilities	8,904,383	9,254,695	9,497,385	9,693,590	9473403
23	Eligible Liquid Assets Ratio (ELAR) (%)	**16.30%**	**15.43%**	**11.62%**	**12.26%**	**13.85%**
	ASRR					
24	Total available stable funding	11,961,891	11,734,654	11,802,578	12,056,893	1,1941,597
25	Total Advances	7,626,987	8,519,219	7,716,887	7,559,160	7,835,547
26	Advances to Stable Resources Ratio (%)	**63.76%**	**72.60%**	**65.38%**	**62.70%**	**65.62%**

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*

1.2.1. Business Model Determination and Risk Profile:

The Bank provides a wide range of integrated banking products and services to Retail, SME, Corporate and other sectors through its branch network across the United Arab Emirates and via its digital platform.

Bank is exposed to a standard range of risk in the normal course of its business. The Banks's has Board approved policies and procedures designed to identify and quantify these risks, set appropriate limits in line with defined risk appetite, ensuring control and monitoring adherence to the limits.

1.2.2. Risk Governance Framework:

Board is in ultimate control of the Bank and responsible to put comprehensive risk management framework in place. Framework will consist of **(a)** Strategic and Operational decision making **(b)** risk appetite statement **(c)** roles and responsibilities of different parts of the Bank involved in managing the risk **(d)** policies and procedures to manage risk and **(e)** contingency arrangements.

I. In all the banking activities the Bank address the following risk areas:
   a. Credit Risk
   b. Market Risk
   c. Liquidity Risk
   d. Operational Risk
   e. Risk arising from its strategic objectives, business plans and digitization plans
   f. Other risk that singly or in combination with different risks may have a material impact on the Bank

II. Board ensures the implementation of an effective risk governance and internal controls across the Bank and its subsidiaries. The Board approves Risk Governance framework, which must incorporate **"three lines of defense"** approach including business lines, control functions of risk management and compliance and an independent and effective internal audit function.

III. Board will facilitate appropriate resource for the risk management, compliance and internal functions. This includes unrestrained access to all kinds of information needed for the risk management, compliance and internal audit functions to fulfill their tasks.

IV. Senior Management must implement policies, procedures, systems and controls for managing the risk to which the Bank is exposed and for complying with laws and CBUAE regulations.

V. Senior Management must provide the Board with the information it needs to carry out its responsibilities, including the supervision of Senior Management and assessment of the quality of Senior Management performance and for overall governance of the Bank.

VI. Risk Committee develops and maintains the framework, which enables Management to effectively identify, measure, monitor and control risk exposures consistent with the Board of Directors approved Risk Appetite. Head of Risk Management Department Reports to the Board of Directors via Risk committee on the Bank's overall risk profile, including aggregate and emerging risks.

1.2.3. Strategic and Operational Decisions:

Board puts in place various committees and Charters, Articles of Association as per company law for the Bank. These committees discharge their duties based on the respective charters. Various committees functioning as follows:

1. **Audit Committee:**

   Audit committee is a Board Committee and assists the Board to take oversight of the audit function and this committee will function based on a charter approved by the Board.

2. **Risk Committee:**

   Risk committee is a Board Committee and assists the Board to take oversight of the risk management function. Risk management committee will function based on a charter approved by the Board.

3. **Executive Committee:**

Executive Committee handles all the strategic and operational matters on a regular basis based on a charter approved by the Board.

4. **Nominations and Remunerations Committee:**

Bank has a Nominations and Remunerations Committee to handle all the functions related to Board Nominations, their remuneration and fixing remunerations of Senior Management staff and other HR related strategic decisions.

5. **Assets and Liabilities Committee (ALCO):**

ALCO is a management committee responsible for ascertaining the liquidity position, monitoring and managing assets and liabilities and regulatory compliance. This committee meets every month to finalize the related matters.

6. **Credit Committee:**

Credit Committee approves credit facilities on wholesale and retail, based on the approval limits set against this committee. This committee meet regularly based on the business needs of the Bank.

7. **Credit Sub Committee:**

Credit Sub Committee approves credit facilities on wholesale and retail for the smaller limits of loan as compared to Credit Committee, based on the approval limits set against this committee.

8. **Management Credit Committee:**

Management Credit Committee approves credit matters, which fall under its delegation and recommend on credit matters that are not in its delegation to appropriate committee.

9. **Retail Credit Committee:**

Retail Credit Committee is in place to assess and approve the retail loans. This committee meets regularly based on the business needs of the Bank.

10. **Management committees:**

CEO is empowered to set up any other management committees, which he feels appropriate to promote various business functions.

*1.2.4. **Risk Management Structure:***

Risk Management structure contains Risk framework, Risk Appetite, Risk Management Architecture and three lines of defense which inculcate overall risk profile of the Bank as define below:

Figure 1: Risk Management Structure

1.2.5. ***Risk Management Framework***

a) Risk management is the architecture within which risk management operates in an organization. It defines the way in which a company undertakes risk management.

b) It provides guidance for sound and informed decision-making and effective allocation of resources.

c) Successful risk governance is therefore contingent on how effectively the Board and management are able to work together in managing risks.

d) Bank's directors, management and staff avoid conflict of interest in all the material decisions.

e) The committees ensure material risk and risk-taking exceeding the risk appetite and limits are recognized, escalated and addressed in a timely manner.

1.2.6. ***Risk Appetite***

a) Risk appetite is the aggregate level and types of risk that the Bank is willing to assume or to avoid, in pursuit of its goals, objectives and operating plan, consistent with applicable capital, liquidity, other requirements and reinforces the risk culture.

b) Risk appetite is a top down articulation of the quantum of risk that the Board of the Bank is prepared to accept in relation to the Bank's business strategy. The risk appetite is articulated in the Bank's Risk Appetite Statement.

c) Board of Directors role is to review, evaluate and support the Bank's risk appetite. The Risk Appetite is communicated throughout the Bank. Risk Appetite document is reviewed annually and approved by the Board of Directors.

d) Where there are exposure limits both at NBQ and CBUAE regulations, Bank follows the approach that is more conservative and takes the decisions accordingly.

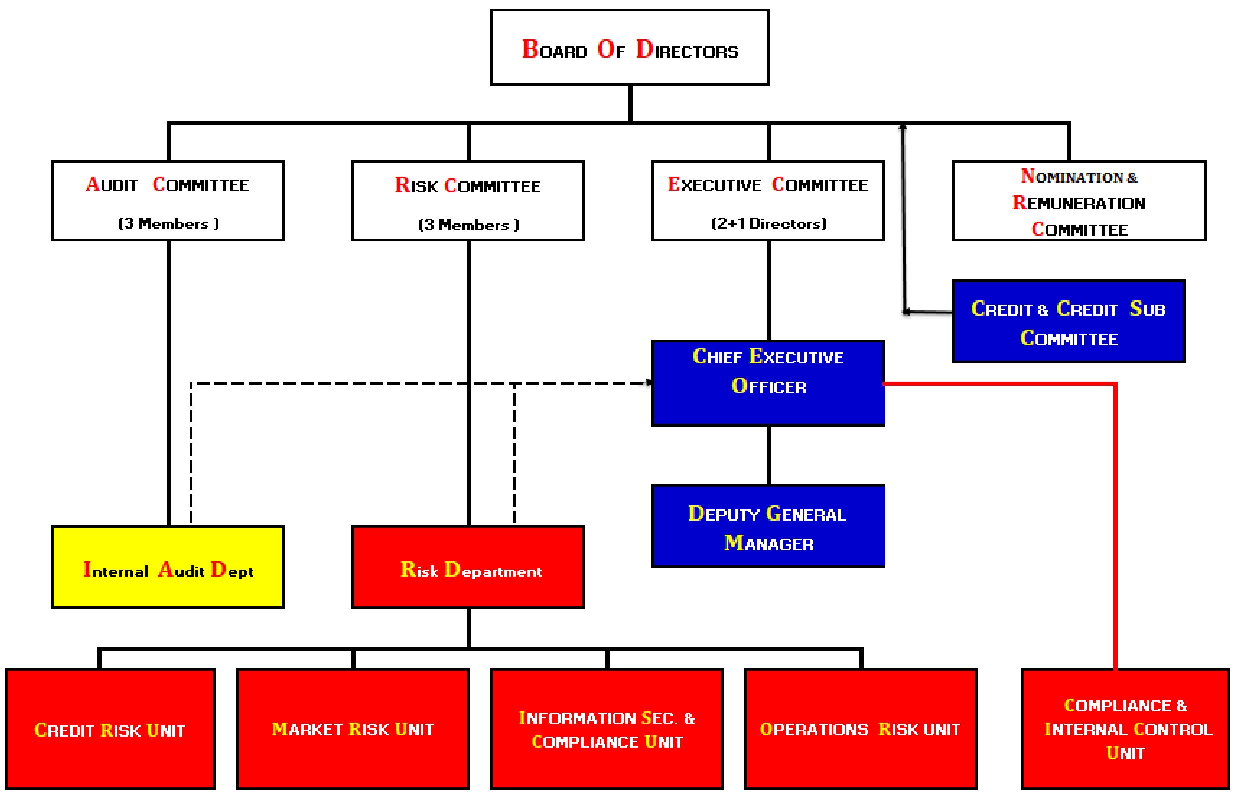
1.2.7. ***Risk Management Architecture***

Risk management architecture consists of **(a)** organisation structure and **(b)** three lines of defence. This architecture facilitates management to perform banking operations in line with Risk Appetite and policies set by the Board.

a) Organizational Structure

Management creates and maintains an organizational structure (refer "Figure 2") that ensures clear lines of responsibility, accountability and oversight. Management ensures that personnel in risk management and audit have sufficient independence and stature.

Figure 2: NBQ Organizational Structure for Risk Governance



NOTES:

IN ADDITION TO THE ABOVE MENTIONED PERMANENT BOARD COMMITTEES OTHER COMMITTTEES MAY BE FORMED FROM TIME TO TIME.

RED	*: RISK UNITS*
BLUE	*: ADMINISTRATIVE AND BUSINESS UNITS/ ADHERENCE TO LAID DOWN POLICIES AND PROCEDURES*
YELLOW	*: BANK WIDE AUDIT*
	: DIRECT REPORTING LINE AUTHORITY
	: ADMINISTRATIVE AND RECTIFICATION

b) **Three Lines of Defense.** To address the full spectrum of possible risks and to avoid conflict of interest and to have checks and balances, three independent lines of defense are formed as follows:

I. ***First Line of Defense*** is provided by the business units where risks are taken. In the course of conducting business activities, business units identify, assess, measures and monitors risks on an ongoing basis.

II. ***Second Line of Defense*** is provided by independent risk management and compliance functions. Risk Management function is primarily responsible for overseeing the Bank's risk-taking activities, undertaking risk assessments and reporting independently from the business units, while the compliance function monitors AML, CFT and compliance with applicable laws, regulations and internal policies.

III. ***Third Line of Defense*** is provided by an independent Internal Audit function, which is responsible for providing assurance on the effectiveness of the Bank's risk management framework including the risk management governance arrangements (including the first and second lines of defense described above).

1.2.8. *Risk Management Function:*

Risk Management function is headed by Head of Risk.. Functions of Credit Risk, Operational Risk, Market Risk, Information Security and Compliance report to him. This function develops metrics relevant to Risk Appetite statement, monitor and report on the risk metrics, escalate breaches and conduct stress test.

Roles and responsibilities of Head of Risk must:

i. Not have a decision making role in the Bank's risk taking functions, including credit underwriting, or the finance function.
ii. Have no revenue generating responsibilities.
iii. Not have remuneration based on the performance of any of the Bank's risk taking functions.
iv. Have a direct reporting line to the Board or Board Risk Committee and appropriate reporting lines to CEO.
v. Have unfettered access directly to the Board risk committee, including the ability to meet without other Senior Executives being present

Key activities of the risk management function must include, but are not limited to the following:

I. Identifying material individual, aggregate and emerging risks,
II. Assessing these risks and measuring the Bank's exposure to them
III. Supporting the Board in its implementation, review and approval of the bank wide risk governance framework
IV. Ongoing monitoring is implemented to ensure that risk taking activities and risk exposures are in line with the Board approved risk appetite, risk limits and corresponding capital or liquidity needs
V. Establishing an early warning or trigger system as part of ongoing monitoring is implemented to ensure that breaches of the Board approved risk appetite and risk committee as required by Board approved policies;
VI. Influencing and when necessary, challenging material risk decisions
VII. Reporting to Senior Management and the Board or Board Risk committee in accordance with the Risk Governance Framework

1.2.9. *Compliance Function:*

Compliance department reports to Chief Executive Officer of the Bank.

i. Compliance department operates as second line of defense in the Bank.
ii. Compliance function assess bank wide adherence to requirements for (a) Develop and communicate compliance policies and procedures (b) monitor and report on compliance with laws, corporate governance rules, regulations, regulatory codes and policies to which the bank is subject to.

1.2.10. *Internal Audit & Control Function:*

Internal Audit Department (IAD) reports to Audit Committee of the Bank. IAD independently assesses the adequacy and effectiveness of the policies and processes applied by the Bank to manage the risk.

I. Internal audit function provides independent assurance.
II. Independently assess the effectiveness and efficiency of the internal control, risk management and governance systems and processes.
III. Independently assess the effectiveness of business line management in fulfilling their mandates and managing risk.

IV. Internal Audit Activity adds value to the organization and its stakeholders when it provides objective and reasonable assurance, and contributes to the effectiveness and efficiency of governance, risk management, and control processes.

1.2.11. Information Systems and Reporting:

Bank management has put in place IT infrastructure and procedures to provide risk data aggregation and reporting capabilities appropriate for its risk profile, nature, size and complexity of business and structure. There are policies and procedures for data architecture and information technology infrastructure that supports the bank's monitoring and reporting needs, in normal times and period of stress.

The Bank systems support supervisory reporting requirements and provision of risk reports to all relevant parties within the bank on a timely basis and in a format according to the needs. Scope of reporting is in line with the business activities and complexities of the bank.

a. Internal Capital Adequacy Assessment Process (ICAAP)

Management will formulate the policy for Internal Capital Adequacy Assessment Process (ICAAP). Currently this report is prepared annually and approved by the Board. This represents NBQ's own assessment of its internal capital requirements and includes Bank's forward-looking approach for risk, stress testing and governance framework.

ICAAP document contains the followings:

a. Board and Senior Management oversight.
b. Elements of a sound capital assessment process. This includes policies and procedures designed to ensure that the bank identifies, measure and reports all material risks, policies and procedures relating to capital and capital adequacy goals to the level of risk and policies and procedures for internal control to ensure the integrity of the overall management process.
c. Comprehensive assessment of risk, credit, market, operational, interest rate, concentration, liquidity and other risks.
d. Monitoring and reporting of risk exposures and related capital requirements
e. Internal Control review, including the role of Internal and External Audit where appropriate.

b. Stress Testing

The Bank performs the CBUAE prescribed stress-testing exercise periodically to ascertain whether the Bank is having sufficient capital to cover all the losses. The stress test provides a forward-looking capital adequacy assessment of individual banks under a common methodological framework. The methodology covers credit risk in the loan book, market risk in the trading book, other credit risk in bank's investment portfolio and the impact on bank's net interest income from rising interest rates.

1.2.12. Policies

To manage risk, management is responsible to put in place indicative list of policies:

Figure 3: Risk Management Policies, Guidelines and Circulars Guidance(s)

Risk Management Framework	
Risk Management Policies & Architecture	
Credit Risk	Credit Risk Policies and Circulars
	Internal Capital Adequacy Assessment Process
	IFRS 9 Compliance

Market Risk	Mid Office
	Assets & Liabilities Management
	Investment Risk
	Liquidity Risk
	Proprietary Trading Risk
	Interest Rate Risk
Operational Risk	Operational Risk Policies
	Business Continuity Plans
Information Security Risk	Information Security Policies
	Card Fraud Monitoring
Compliance Risk	Financial Crime Monitoring
	FATCA & CRS Monitoring & Reporting
	Internal Controls
	CB Circular Compliance
Islamic Banking	Compliance with Shari'ah Provisions

Policies are approved by the Board or Board delegated Committees while Senior Management approves procedures. Policies are reviewed annually.

1.2.13. <u>Risk Identification, Assessment and Measurement:</u>

Approach to risk identification, assessment and measurement is illustrated in Figure 4 below:

Figure 4: Risk Management Specific Areas

Risk Specific Area	Risk Identification, Assessment & Measurement			Risk Monitoring	Risk Control
Capital Adequacy	Internal Capital Adequacy Assessment Process			Periodic Risk Reporting Dashboard	Key Risk Indicators
	Capital Adequacy Computation				
Stress Testing	Stress Testing Exercise				
Loan Loss Provisioning	Expected Credit Loss Model (IFRS9)				
Credit Risk	Wholesale Credit Rating Models				
	Corporate	SME	Real Estate		
	Trading	Manufacturing	Services		
	Probability of Default Model	Loss Given Default Model			
Market Risk	Economic Value of Equity Model				
	Net Interest Income Model				
Liquidity Risk	Structural Liquidity				
Operational Risk	Operational Risk and Control Self Assessment (RCSA)				
	Operational Risk Incident Reporting				
Compliance Risk	Compliance Risk Assessment				
	Red Flag and Suspicious Activity				
Information Security Risk	National Electronic Security Authority Guidelines				
	Payment Card Industry Data Security Standard Guidelines				

1.3. Template OV1: Overview of RWA

	In AED'000	a	b	c
		Risk Weighted Assets		Minimum capital requirements
		31 Dec 2021	31 Sept 2021	31 Dec 2021
1	Credit risk (excluding counterparty credit risk)	10,096,586	10,114,328	1,060,141
2	Of which: Standardized approach (SA)	10,096,586	10,114,328	1,060,141
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)	0	0	0
7	Of which: Standardized approach for counterparty credit risk	0	0	0
8	Of which: Internal Model Method (IMM)			
9	Of which: other CCR			
10	Credit valuation adjustment (CVA)			
11	Equity positions under the simple risk weight approach			
12	Equity investments in funds - look-through approach	0	0	0
13	Equity investments in funds - mandate-based approach	0	0	0
14	Equity investments in funds - fallback approach	0	0	0
15	Settlement risk	0	0	0
16	Securitization exposures in the banking book	0	0	0
17	Of which: securitisation internal ratings-based approach (SEC-IRBA)			
18	Of which: securitisation external ratings-based approach (SEC-ERBA)	0		0
19	Of which: securitisation Standardised approach (SEC-SA)	0		0
20	Market risk	89,939	86,015	9,444
21	Of which: Standardised approach (SA)	89,939	86,015	9,444
22	Of which: internal models approach (IMA)			
23	Operational risk	945,779	1,112,327	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)**	**11,132,303**	**11,312,670**	**1,168,892**

2. Linkages between financial statements and regulatory exposures

2.1. Template LI1: Differences between accounting and regulatory scopes of consolidation

	a	b	c	d	e	f	g
In AED'000	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items:				
31-Dec-21			Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisation framework	Subject to market risk framework	Not subject to capital requirements or subject to deduction from capital
Assets							
Cash and balances at central bank	1,451,384	1,451,390	1,451,390				
Due from Other Banks	3,422,563	3,427,840	3,427,840				
Loans and advances to customers	6,588,554	6,732,675	6,732,675				
Investment securities	1,132,621	1,137,317	1,120,701			16,616	
Other assets	243,103	209,470	209,470				
Investments in associates and joint ventures	744	744	744				
Property, plant and equipment	85,528	85,527	85,527				
Customers' acceptances	217,528		-				
Total Assets	13,142,025	13,044,963	13,028,347	-	-	16,616	-
Liabilities							
Deposits from banks							
Items in the course of collection due to other banks							
Customer accounts	7,700,120						
Repurchase agreements and other similar secured borrowings							
Trading portfolio liabilities							
Accruals, deferred income and other liabilities	173,642						
Customers' acceptances	217,528	-					
Share capital	1,848,000	1,848,000					
Statutory reserve	1,019,266	1,019,266					
General reserve	6,440	6,440					
Impairment reserve -general	35,911	-					
Cumulative change in fair values	372,617	167,678					
Retained earnings	1,768,501	1,804,411					
Total Liabilities & Share holder Equity	13,142,025	4,845,794	-	-	-	-	-

(a) In Financial Statements accrued interest is included in other assets whereas for Basel reporting it is added in its respective asset class **(b)** Financial statements are net of Expected Credit Loss/General Provision amount whereas for Basel reporting gross figures are reported. **(c)** Financial statement Total Asset side includes Acceptance whereas for Basel reporting Acceptances are considered under off Balance Sheet. **(d)** In Basel reporting, Cumulative changes in fair values have a 55% haircut whereas in financial statement, no haircut is applied.

2.2. Template LI2: Main sources of differences between regulatory exposure amounts and carrying values in financial statements

S.No	31-Dec-21 In AED'000	a	b	c	d	e
		Total	Items subject to:			
			Credit risk framework	Securitization framework	Counterparty credit risk framework	Market risk framework
1	**Asset carrying value amount as per Financial Statement (as per template LI1)**	13,142,025	13,125,409			16,616
2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)					
3	Total net amount under regulatory scope of consolidation					
4	Off-balance sheet amounts	3,091,681	3,091,681			
5	*Differences in valuations*					
6	*Differences due to different netting rules, other than those already included in row 2*					
7	*Differences due to consideration of provisions*	120,464	120,464			
8	*Differences due to prudential filters*					
9	**Exposure amounts considered for regulatory purposes**	**16,354,170**	**16,337,554**	-	-	**16,616**

a) Item 1: Carrying value as per financial statement as mentioned in LI1.

b) Item 4: Off Balance Sheet Exposure (before CCF). This exposure is not part of Total Assets as per Financial Statement.

c) Item 7: Expected Credit Loss/General Provision amount is netted off from the Total Assets as per Financial Statement, whereas Basel reporting it is reported as Gross for unexpected loss.

d) Item 9: Net On Balance Sheet plus Off Balance Sheet exposure (before CCF & CRM) used for Basel reporting.

3. Prudent valuation adjustments

Not applicable.

4. Composition of Capital

4.1. Template CC1: Composition of regulatory capital

	31-Dec-21	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	1,848,000	Same as (h) from CC2 template
2	Retained earnings	1,804,411	
3	Accumulated other comprehensive income (and other reserves)	1,193,383	
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**	**4,845,794**	
	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)	0	
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**	0	
25	**Common Equity Tier 1 capital (CET1)**	4,845,794	

	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	*Directly issued capital instruments subject to phase-out from additional Tier 1*	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	*Of which: instruments issued by subsidiaries subject to phase-out*	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)**	**4,845,794**	
	Tier 2 capital: instruments and provisions		
40	Directly issued qualifying Tier 2 instruments plus related stock surplus	0	
41	*Directly issued capital instruments subject to phase-out from Tier 2*	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	*Of which: instruments issued by subsidiaries subject to phase-out*	0	
44	Provisions	126,207	
45	**Tier 2 capital before regulatory adjustments**	126,207	
	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**	126,207	
51	**Tier 2 capital (T2)**	126,207	
52	**Total regulatory capital (TC = T1 + T2)**	4,972,002	
53	**Total risk-weighted assets**	11,132,303	
	Capital ratios and buffers		
54	**Common Equity Tier 1 (as a percentage of risk-weighted assets)**	43.53%	
55	**Tier 1 (as a percentage of risk-weighted assets)**	43.53%	

56	**Total capital (as a percentage of risk-weighted assets)**	44.66%	
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**	0.00%	
60	**Of which: higher loss absorbency requirement (e.g. DSIB)**	0.00%	
61	**Common Equity Tier 1 (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirement.**	34.16%	
	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	0	
66	Significant investments in common stock of financial entities	0	
67	Mortgage servicing rights (net of related tax liability)	0	
68	Deferred tax assets arising from temporary differences (net of related tax liability)	0	
	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)	186,022	
70	Cap on inclusion of provisions in Tier 2 under standardised approach	126,207	
71	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	0	
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	

4.2. *Template CC2: Reconciliation of regulatory capital to balance sheet*

In AED'000	a	b	c
31-Dec-21	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	As at period-end	As at period-end	
Assets			
Cash and balances at Central Banks	1,451,384	1,451,390	
Items in the course of collection from other banks			
Due from other Banks	3,422,563	3,427,840	
Loans and advances to customers	6,588,554	6,732,675	
Investment Securities	1,132,621	1,137,317	
Prepayments, accrued income and other assets	243,103	209,470	
Investments in associates and joint ventures	744	744	
Goodwill and other intangible assets	-	-	
Of which: goodwill	-	-	(a)
Of which: intangibles (excluding MSRs)	-	-	(b)
Of which: MSRs	-	-	(c)
Customer acceptances	217,528	-	
Property, plant and equipment	85,528	85,527	
Total Assets	13,142,025	13,044,963	
Liabilities			
Deposits from Banks			
Items in the course of collection due to other banks			
Customer accounts	7,700,120		
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	154,769		
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	217,528		
Retirement benefit liabilities	18,873		
Total Liabilities	8,091,290	-	
Shareholders' equity			
Paid-up share capital	1,848,000	1,848,000	
Of which: amount eligible for CET1	1,848,000	1,848,000	(h)
Of which: amount eligible for AT1	-	-	(i)
Retained earnings	1,768,501	1,804,411	
Accumulated other comprehensive income	1,434,234	1,193,383	
Total Shareholders' Equity	5,050,735	4,845,794	

4.3. *Template CCA: Main features of regulatory capital instruments*

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

5. *Macro prudential Supervisory Measures*

5.1. *Template CCyB1: Countercyclical Buffer*

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

6. *Leverage ratio*

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

	In AED'000	**a** **31 Dec 2021**
1	Total consolidated assets as per published financial statements	13,142,025
2	Adjustments for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-
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	8,881
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)	2,102,732
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	-
12	Other adjustments	437,376
13	**Leverage ratio exposure measure**	**15,691,014**

6.2. *Template LR2: Leverage ratio common disclosure template*

	In AED'000	a	b
		31-Dec-21	**30-Sep-21**
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	13,579,401	
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)		
7	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)**	**13,579,401**	
Derivative exposures			
8	Replacement cost associated with *all* derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	338	
9	Add-on amounts for PFE associated with *all* derivatives transactions	6,005	
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)**	8,881	
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	3,300,328	
20	(Adjustments for conversion to credit equivalent amounts)	(1,197,596)	
21	(Specific and general provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital)	0	
22	**Off-balance sheet items (sum of rows 19 to 21)**	2,102,732	
Capital and total exposures			
23	**Tier 1 Capital**	4,845,794	
24	**Total exposures (sum of rows 7, 13, 18 and 22)**	15,691,014	
Leverage ratio			
25	**Leverage Ratio (including the impact of any applicable temporary exemption of central bank reserves)**	30.88%	
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	0%	
26	CBUAE minimum leverage ratio requirement	3%	
27	**Applicable Leverage Buffers**	27.88%	

*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%.

7. *Liquidity Risk Management*

Liquidity risk is the risk that the Group will be unable to meet its liabilities when they fall due. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to dry up immediately. To guard against this risk, management endeavors to diversify funding sources on a continuous basis and manage assets with liquidity in mind. The day-to-day funds management is done at Treasury so as to maintain satisfactory liquid assets. The liquidity position is monitored and reported to top management on a daily basis. The Bank's Assets and Liabilities Committee (ALCO) has put in place the policies to manage the liquidity risk and monitor the position regularly.

As part of the ICAAP, the Bank assesses the impact on capital adequacy of liquidity risk including concentrations by carrying out stress tests. In preparation for compliance with Basel III requirements, the Bank has implemented a system for calculating Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) in line with the UAE Central Bank's regulations and is working on strengthening processes and qualitative requirements proactively.

Liquidity risk is measured in the Bank using flow approach and stock approach. Flow approach involves comprehensive tracking of cash flow mismatches. Stock approach involves measurement of critical ratios in respect of liquidity risk. For measuring and managing net funding requirements, the use of maturity ladder and calculations of cumulative surplus or deficit of funds at selected maturity dates are adopted as standard tools.

As per CBUAE guidelines, Bank has adopted the Basel III framework on liquidity standards and ensures daily monitoring of Eligible Liquid Assets Ratio (ELAR) and Advances to Stable Resources Ratio (ASRR). The following table presents the ELAR ratio of the Bank for 31.12.2021, based on simple averages of daily observations over the previous quarter (i.e. the average calculated over a period of 90 days) in AED. The table also presents the breakdown of the Bank's available high-quality liquid assets (HQLA), as measured and defined according to the CBUAE Liquidity Regulations.

The Bank has a liquidity stress testing framework guided by the UAECB liquidity framework. Liquidity stress tests are conducted under different scenarios at monthly intervals to assess the impact on liquidity to withstand stressed conditions.

The bank has a Board approved Contingency Funding Plan (CFP) guided by the regulatory stipulations that sets out the strategies for addressing liquidity shortfalls in critical stress situations.

7.1. *Template LIQ1: Liquidity Coverage Ratio (LCR)*

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

7.2. *Template LIQ2: Net Stable Funding Ratio (NSFR)*

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

7.3. *Template ELAR: Eligible Liquid Assets Ratio*

1	High Quality Liquid Assets	Nominal amount (AED'000)	Eligible Liquid Asset (AED'000)
1.1	Physical cash in hand at the bank + balances with the CBUAE	1,812,704	
1.2	UAE Federal Government Bonds and Sukuks	0	
	Sub Total (1.1 to 1.2)	1,812,704	1,812,704
1.3	UAE local governments publicly traded debt securities	0	
1.4	UAE Public sector publicly traded debt securities	0	
	Sub total (1.3 to 1.4)	0	0
1.5	Foreign Sovereign debt instruments or instruments issued by their respective central banks		0
1.6	**Total**	**1,812,704**	**1,812,704**
2	Total liabilities		9,112,056
3	**Eligible Liquid Assets Ratio (ELAR)**		**19.89%**

7.4. *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	Amount (AED'000)
1		**Computation of Advances**	
	1.1	Net Lending (gross loans - specific and collective provisions + interest in suspense)	6,404,415
	1.2	Lending to non-banking financial institutions	315,025
	1.3	Net Financial Guarantees & Stand-by LC (issued - received)	4,582
	1.4	Interbank Placements	902,965
	1.5	**Total Advances**	**7,626,987**
2		**Calculation of Net Stable Resources**	
	2.1	Total capital + general provisions	5,166,271
		Deduct:	
	2.1.1	Goodwill and other intangible assets	0
	2.1.2	Fixed Assets	85,528
	2.1.3	Funds allocated to branches abroad	0
	2.1.5	Unquoted Investments	1,194
	2.1.6	Investment in subsidiaries, associates and affiliates	744
	2.1.7	**Total deduction**	**87,466**
	2.2	**Net Free Capital Funds**	**5,078,805**
	2.3	**Other stable resources:**	
	2.3.1	Funds from the head office	0
	2.3.2	Interbank deposits with remaining life of more than 6 months	0
	2.3.3	Refinancing of Housing Loans	0
	2.3.4	Borrowing from non-Banking Financial Institutions	0
	2.3.5	Customer Deposits	6,883,086
	2.3.6	Capital market funding/ term borrowings maturing after 6 months from reporting date	0
	2.3.7	**Total other stable resources**	**6,883,086**
	2.4	**Total Stable Resources (2.2+2.3.7)**	**11,961,891**
3		**Advances TO STABLE RESOURCES RATIO (1.6/ 2.4*100)**	**63.76**

8. Credit risk

8.1. 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:

a) To measure, monitor and mitigate risks both at micro as well as macro level.
b) To facilitate building and sustaining a high quality credit portfolio and minimize losses.
c) Contain non-performing assets through preventive and curative management.
d) 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

Other credit risk aspects like the following (as required as per pillar 3 report requirements) are already covered in section 3.2 to 3.2.14:-

(a) How the business model translates into the components of the bank's credit risk profile

(b) Criteria and approach used for defining credit risk management policy and for setting credit risk limits

(c) Structure and organization of the credit risk management and control function

(d) Relationships between the credit risk management, risk control, compliance and internal audit functions

(e) Scope and main content of the reporting on credit risk exposure and on the credit risk management function to the executive management and to the board of directors

8.2. 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	591,737	6,298,376	301,559	186,021	115,538	6,588,554
2	Debt securities	0	120,457	2,227	0	2,227	118,230
3	Off-balance sheet exposures	49,748	1,900,830	6,341	0	6,341	1,944,237
4	**Total**	**641,485**	**8,319,663**	**310,127**	**186,021**	**124,106**	**8,651,021**

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

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

	(In AED'000)	a 31 Dec 2021
1	**Defaulted loans and debt securities at the end of the previous reporting period**	795,427
2	Loans and debt securities that have defaulted since the last reporting period	45,815
3	Returned to non-default status	(6,419)
4	Amounts written off	(31,361)
5	Other changes	(211,725)
6	**Defaulted loans and debt securities at the end of the reporting period (1+2-3-4+5)**	**591,737**

This amount reconciles with our annual FS disclosure note 6.

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

8.4.1. *The scope and definitions of 'past due' and 'impaired' exposures*

Past Due: Loans are considered past due if any part of the contractual interest and/or principal payment is not met on time. The number of days past due is non cumulative, where the most recent payment cures the earliest contractual breach.

Past due but not impaired: Loans and investments for which contractual interest or principal payments are past due, but the Bank believes that impairment is not appropriate on the basis of the level of security / collateral available and /or the stage of collection of amounts owed to the bank.

Impaired / Default: Payment of principal is in arrears beyond 90 days or some loss is possible due to adverse factors.

8.4.2. *Description of methods used for determining accounting provisions for credit losses.*

The Bank recognises loss allowances for Expected Credit Losses (ECLs) on the following financial instruments that are not measured at fair value through profit and loss (FVTPL):

i. Deposits and Balances and due from Banks;
ii. Debt Investment securities carried at amortised cost;
iii. Loans and Advances to customers;
iv. Customer Acceptances and other financial assets;
v. Loan Commitments; and
vi. Financial Guarantees and contracts

ECLs are required to be measured through a loss allowance at an amount equal to:

1) 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or

2) Full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Group under the contract and the cash flows

Below is the table, which gives more details on stage and ECL methodology for the Bank.

Stage	Corporate and Institutional Banking portfolio	Retail portfolio	Due from banks and Investments portfolio
1 » 2	1. Rating downgrade as per internally defined criteria from the rating assigned at the initial recognition 2. Restructured 3. DPD 31-90 days	1. Restructured portfolio 2. DPD 30-89 days (inclusive)	1. Rating downgrade as per internally defined criteria from the rating assigned at the initial recognition 2. Credit rating of Caa1 to Caa3 to be classified as Stage 2
1 » 3 2 » 3	1. Credit impaired portfolio 2. DPD greater than 90 days	1. Credit impaired portfolio 2. DPD ≥ 90 days	Credit rating of C and below to be classified as Stage 3

8.4.3. ***Loans & Advances Exposure by Industry Sectors:***

AED 000	31-Dec-2021	
By economic sector	**Gross O/s**	**Impaired**
Wholesale and retail trade	876,137	25,628
Real Estate and construction	3,369,736	148,179
Personal Loans and others	404,080	6,815
Manufacturing	411,704	26,683
Agriculture and allied activities	1,175	1,175
Transport and communication	164,120	8,312
Financial institutions	332,896	199,188
Services and others	1,330,265	175,757
Total	**6,890,113**	**591,737**

This table reconcile with our FS disclosure note 06.

8.4.4. ***Loans & Advances Exposure by Residual Maturity Buckets:***

	31-Dec-2021
By economic sector	**AED 000**
Sight	67,197
2 to 8 days	55,739
9 days to 1 month	103,820
1 months to 3 months	261,488
3 months to 6 months	297,337
6 months to 1 year	388,114
1 year to 3 year	2,757,728
3 year to 5 year	1,232,134
5 year to 10 year	1,651,865
Above 10 years	74,692
Total	**6,890,113**

8.4.5. ***Template CRC: Qualitative disclosure requirements related to credit risk mitigation techniques***

Credit Risk Mitigation Collateral - It is a common practice to obtain collateral securities to safeguard the interest of the Bank in case of default. Such mitigants are backed by proper documentation and legally binding agreements. The most common forms of tangible securities accepted by the Bank are Land and Building, listed equity shares, Fixed Deposits under lien, vehicles etc. Other comforts - Personal Guarantees and Corporate Guarantees are also taken as comfort, wherever deemed essential.

Market value of collaterals are monitored, and wherever necessary the Bank requests additional collaterals in accordance with the underlying agreement, and considers collaterals obtained during its review of the adequacy of the allowance for impairment losses. Estimates of Fair Value are generally assessed on a periodic basis in accordance with the respective credit policies an estimate of fair value of collateral and other security enhancements held against the loans & advances portfolio.

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

		a	b	c	d	e	f	g
	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	6,525,820	364,293	364,293				
2	Debt securities	120,457						
3	**Total**	**6,646,277**	**364,293**	**364,293**				
4	Of which defaulted	561,793	29,943	29,943				

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 82% of our loan book portfolio is secured.

8.4.6. __Template CRD: Qualitative disclosure on bank's use of external credit rating under the Standardised Approach of Credit Risk__

Standardised Approach risk weights corresponding to the Credit Ratings assigned by External Credit Assessment Institutions (ECAIs) have been prescribed by CBUAE for different asset classes as detailed below and the Bank follows the same.

Where both issue and issuer ratings are available, issue rating takes priority. If issue rating is unavailable or is unrated, issuer rating is used to arrive at the risk weights

If there are two assessments by External Credit Assessment Institutions (ECAIs) chosen by a bank, which map into different risk weights, the higher risk weight will be applied.

If there are three or more assessments with different risk weights, the assessments corresponding to the two lowest risk weights should be referred to and the higher of those two risk weights will be applied

	ASSESSMENT				RISK WEIGHTS			
						Banks (Credit Assessment Method Option 2)		
Risk Grade	S&P	Fitch	Moody's	Capital Intelligence	Corporate	Maturity > 3 Mths	Maturity 3 months or less (Domestic currency only)	Sovereign
1	AAA to AA-	AAA to AA-	Aaa to Aa3	AAA	20%	20%	20%	0%
2	A+ to A-	A+ to A-	A1 to A3	AA to A	50%	50%	20%	20%
3	BBB+ to BBB-	BBB+ to BBB-	Baa1 toBaa3	BBB	100%	50%	20%	50%
4	BB+ to BB-	BB+ to BB-	Ba1 to Ba3	BB	100%	100%	50%	100%
5	B+ to B-	B+ to B-	B- to B3	B	150%	100%	50%	100%
6	CCC+ and below	CCC+ and below	Caa1 and below	C and below	150%	150%	150%	150%
7	Unrated	Unrated	Unrated	Unrated	100%	50%	20%	100%

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

		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	849,276	-	849,276	-	119,203	14%
2	Public Sector Entities	-		-	-		
3	Multilateral development banks	-	-	-	-	-	-
4	Banks	3,431,563	8,827	3,431,563	8,827	1,282,290	37%
5	Securities firms	-	-	-	-	-	-
6	Corporates	2,777,348	2,048,290	2,777,348	961,849	3,332,638	89%
7	Regulatory retail portfolios	416,554	1,089,679	416,554	1,063,665	381,873	26%
8	Secured by residential property	3,013	-	3,013	-	2,881	96%
9	Secured by commercial real estate	3,116,457	138,553	3,116,457	40,974	3,091,073	98%
10	Equity Investment in Funds (EIF)	-	-	-	-	-	-
11	Past-due loans	418,974	23,860	418,974	36,300	586,973	129%
12	Higher-risk categories	12,275	-	12,275		18,413	150%
13	Other assets	2,019,503	-	2,019,503		1,281,242	63%
14	**Total**	**13,044,963**	**3,309,209**	**13,044,963**	**2,111,614**	**10,096,586**	

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

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

	31 Dec 2021 (AED'000)	a	b	c	d	e	f	g	h	i
	Risk weight / Asset classes	0%	20%	35%	50%	75%	100%	150%	Others	Total credit exposures amount (post CCF and post-CRM)
1	Sovereigns and their central banks	730,073					119,203			849,276
2	Public Sector Entities									
3	Multilateral development banks									
4	Banks		1,496,905		1,921,151		22,334			3,440,390
5	Securities firms									
6	Corporates	291,465					3,449,712			3,741,178
7	Regulatory retail portfolios	1,047,064				218,627	217,903			1,483,594
8	Secured by residential property					528	2,486			3,013
9	Secured by commercial real estate	73,441					3,091,073			3,164,514
10	Equity Investment in Funds (EIF)									
11	Past-due loans	30,355					63,489	348,989		442,834
12	Higher-risk categories							12,275		12,275
13	Other assets	738,261					1,281,242			2,019,503
14	**Total**	**2,910,659**	**1,496,905**	**-**	**1,921,151**	**219,155**	**4,797,730**	**361,264**		**15,156,577**

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

9. Counterparty Credit Risk

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

	31-Dec-2021 AED 000	a Replacement cost	b Potential future exposure	c EEPE	d Alpha used for computing regulatory EAD	e EAD post-CRM	f RWA
1	SA-CCR (for derivatives)	338	6,005		1.4	8,881	4,467
2	[redacted]						
3	Simple Approach for credit risk mitigation (for SFTs)						
4	Comprehensive Approach for credit risk mitigation (for SFTs)						
5	[redacted]						
6	**Total**						

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

AED 000 Regulatory portfolio / Risk weight	a 0%	b 20%	c 50%	d 75%	e 100%	f 150%	g Others	h Total credit exposure
Sovereigns								
Public Sector Entities (PSEs)								
Multilateral development banks (MDBs)								
Banks			8,827					8,827
Securities firms								
Corporates					54			54
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			**8,827**		**54**			**8,881**

9.3. 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

9.4. Template CCR6: Credit derivative exposures

Not applicable. There are no credit derivative exposures

9.5. Template CCR8: Exposures to central counterparties

Not applicable. There is no exposure to central counterparties

10. Securitisation

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

10.1. Template SEC1: Securitisation exposures in the banking book

Not Applicable to the Bank

10.2. Template SEC2: Securitisation exposures in the trading book

Not Applicable to the Bank

10.3. 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

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

Not Applicable to the Bank

11. Market risk

11.1. 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.

Market Risk department of the Bank appraises these risks to ALCO on a regular basis based on the stipulated norms for Asset Liability Management and Investments. ALCO takes corrective measures as per the Bank’s internal market risk policies and strategic business directions.

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 31.12.2021 are given in the table below:

11.2. 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**
	31-Dec-2021	**RWA (AED’000)**
1	General Interest rate risk (General and Specific)	9,964
2	Equity risk (General and Specific)	33,230
3	Foreign exchange risk	46,744
4	Commodity risk	0
	Options	
5	Simplified approach	0
6	Delta-plus method	0
7	Scenario approach	
8	Securitisation	0
9	**Total**	**89,938**

11.3. Interest rate risk in the banking book

Interest rate risk is the potential risk due to changes in interest rates, which may adversely affect the value of a financial instrument or portfolio, or the condition of the Group as a whole. Although interest-rate risk arises in all types of financial instruments, it is most pronounced in debt instruments, derivatives that have debt instruments as their underlying reference asset, and other derivatives whose values are linked to market interest rates. In general, the values of longer-term instruments are often more sensitive to interest-rate changes than the values of shorter-term instruments. A part of interest rate risk can be labelled as yield curve risk, which refers to the imperfect correlation of interest rates of different maturities.

The Group manages its interest rate sensitivity position based on anticipated and actual interest rate movements, in order to maximise net interest income (“NII”). The Group analyses its interest rate sensitivity position based on the contractual repricing or maturity dates, whichever is earlier, regularly. The impact on the sensitivity position is calculated by way of 200 basis points (“bps”) change in interest rates and resultant effect in the net interest income of the Group. It is controlled through the limit prescribed for the same.

11.4. ***Table IRRBBA: IRRBB risk management objectives and policies***

Interest rate risk is the risk, where changes in market interest rates affect bank's financial position. Changes in interest rates impacts bank's earnings through changes in its Net Interest Income (NII). Changes in interest rates also impact a bank's Market Value of Equity or Net Worth through changes in the economic value of its rate sensitive Assets, Liabilities and Off Balance Sheet positions. The interest rate risk, when viewed from these two perspectives, is known as "earnings perspective" and "economic value perspective" respectively.

The Bank has a simple and non-complex model of business. The Bank measures and controls Interest Rate Risk in the Banking Book (IRRBB) using both Earnings perspective (measured using Traditional Gap Analysis) and Economic Value perspective (measured using weighted modified duration analysis). These methods involve bucketing of Rate Sensitive Assets (RSA) and Rate Sensitive Liabilities (RSL), including off balance sheet items, based on earlier of the repricing or maturity dates.

Under non-maturing Current Deposits, only such portion is treated as rate sensitive on which the interest is paid. Significant portion of non-maturing Savings Deposits is bucketed in "over 1year – 3 years". Entire Call Deposits are treated as rate sensitive. Rate Sensitive Current Deposits and Call Deposits are bucketed "over 1 month – 3 months" bucket for repricing. Non-rate Sensitive Liabilities and assets primarily comprise of Capital, Reserves & Surplus, other Liabilities, Cash and Balances with CBUAE (other than ODF and MBs), Current Account balances with banks, Fixed Assets and other assets. Bank has negligible exposure of assets and liabilities in foreign currencies (other than USD and GCC pegged currencies).

The Banking book is calculated by excluding the trading book from the total book.

Earning Perspective (Impact on NII)

For Net Interest Income (NII) impact, interest rate changes takes place uniformly upward and downward parallel and instantaneous across all time buckets over a one year horizon. Interest rate change takes place at the mid-point of each time bucket.

Economic Value Perspective (Impact on economic value of equity (EVE))

While earnings perspective calculates the short-term impact of the rate changes, the Economic Value perspective calculates the long-term impact on the market value of equity of the Bank through changes in the economic value of its Rates Sensitive Assets, Liabilities and Off Balance Sheet positions. Economic value perspective is measured using modified duration. It involves computing of weighted modified duration of Rate Sensitive Assets (RSA), Rate Sensitive Liabilities (RSL) and Rate Sensitive Off balance sheet items for all buckets and its net impact calculated for changes in the interest rates. The Economic Value of Equity analysis is a measure of sensitivity of market value of equity to changes in interest rates. Bank estimates the change in the economic value of equity for upward and downward parallel rate shocks and others as per UAECB guidelines. The details of impact are mentioned in the table below as per UAECB format.

Qualitative disclosure

a. Average repricing maturity assigned to NMDs:- 1-3 Months
b. Longest repricing maturity assigned to NMDs:- 1-3 Years

11.5. Table IRRBB1: Quantitative information on IRRBB

The purpose of this template is to provide information on the bank's changes in Economic Value of Equity and Net Interest Income under the prescribed interest rate shock scenarios. This also requires commentary on the significance of the reported values and an explanation of any material changes since the previous reporting period.

(Amount in AED'000)

In reporting currency (AED)	ΔEVE		ΔNII	
Period	**T(2021)**	**T-1(2020)**	**T(2021)**	**T-1(2020)**
Parallel up	(275,684)	(340,647)	67,733	67,050
Parallel down	275,684	340,647	(67,733)	(67,050)
Steepener	170,063	194,067		
Flattener	(232,166)	(270,743)		
Short rate up	(323,604)	(385,171)		
Short rate down	323,604	385,171		
Maximum	323,604	385,171		
Period		**T(2021)**		**T-1(2020)**
Tier 1 capital		4,845,794		4,486,655

12. Operational Risk

Operational Risk is defined as "the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events". The definition includes legal risk but excludes strategic and reputational risk.

12.1. Table ORA: General qualitative information on a bank's operational risk framework

The purpose is to describe the main characteristics and elements of a bank's Operational Risk management framework.

1. Their policies, frameworks and guidelines for the management of Operational Risk:

NBQ has Operational Risk framework and policies in place to identify, assess, controls, mitigation, monitoring and reporting of Operational risk matters to the Risk Committee. The Operational Risk framework is fully integrated to the Bank's overall risk management governance, framework and processes.

Operational Risk Management follows the three lines of defence approach:

i. The first line of defence is by the Business Unit, which identifies and reports operational risks that are inherent in the products, services and activities within the business unit.

ii. The second line of defence is Operational Risk management function reporting to Head of Risk and Risk Committee. All are collectively responsible for operational risk management and compliance.

iii. The third line of defence is by the Internal Audit, who independently assesses the effectiveness and efficiency of operational risk management and provides assurance to Audit Committee.

Below are the sections on Operational Risk Appetite, Operational Risk Management Framework and Business Resiliency & Continuity.

a. Operational Risk Appetite:

Risk Appetite: Board of Directors have approved and reviewed risk appetite and tolerance statement for operational risk that articulates the nature, types, and levels of operational risk that the bank is willing to assume. Processes are established to monitor the set Risk Appetite and tolerance limits on an ongoing basis.

b. Operational Risk Management framework:

The management of Operational Risk Framework in NBQ includes standards for risk that are based on best practice and policies are codified with core governing principles of operational risk management that ensures identification, evaluation, control, measurement, monitoring and reporting operational risks that are consistent across the Bank. Currently the tools implemented for the identification and assessment of operational risk includes but not limited to:-

a) Regular Risk and Control self-assessment (RCSA) to assess key risks and controls in each business unit

b) Review of incident management reports by reviewing the processes to identify, assess, record, report and manage operational events that has occurred. The data is used to strengthen processes and controls

c) Issue management processes to identify, assess, record and report and manage any weaknesses or gaps in controls

d) Establishment of key risk indicators to monitor movements in risk exposures

Risk identification and assessment involves material and process changes, which include new initiatives, new products, and outsourcing arrangements. Risk assessment methodology employs more granular and objective assessment of operational risk exposures for material risks identified through the risk identification processes, which enable the Bank to prioritise risks and related actions. The reporting of issues and events is a critical component for the Bank's Operational Risk Management process. The escalation process is enhanced to ensure relevant information is conveyed to the decision makers in a timely manner so that appropriate actions are taken.

Monitoring and reporting processes are in place for periodic monitoring of key operational risks. The reports are submitted to the Board as part of Head of Risk updates note to the Risk Committee.

c. Business Resiliency & Continuity:

The Bank has a robust business continuity and disaster recovery plan and strategies in place to ensure Bank's ability to continue business operations and limit losses in the event of an unexpected business disruption. The plan identifies the team and list critical processes and systems, evacuation procedures and the respective recovery sites where the teams will report to, in the event of a disaster. Emergency response procedures contain evacuation guidelines, response measures and roles and responsibilities in dealing with various threats.

The plans involve mobilizing staff from a primary site to a recovery site and enabling them to carry out critical activities. Periodic testing of DR for IT critical systems is in place and Business Continuity Plan (BCP) invoked successfully during the COVID 19 contingencies.

2. The structure and organisation of their Operational Risk Management and control function:

Board assumes an overall responsibility of Operational Risk Management in the Bank, which includes approval of the Operational Risk Management Framework, oversight of senior management to ensure that strategies, policies and processes are implemented effectively at all levels and review and approval of Risk Appetite for Operational Risk. Operational Risk Management unit, reporting to the Head of Risk Management coordinates ongoing management of operational risks. Risk is overviewed and monitored by Risk Committee.

Internal Audit function provides independent review of the Bank's operational risk management processes, systems and controls and reports independently to the Board.

3. **Their operational risk measurement system.**
    a. **Basic Indicator Approach (BIA):**

Basic Indicator is currently in place for computation of economic capital. This is the most basic approach, which provides for capital charge for Operational Risk at 15% of the average positive gross income of the previous three years.

   b. **Operational Risk Management system:**

Currently Operational Risk Management activities are monitored manually and with support of MS Excel software. In the coming year, we are intending to procure a robust Operational Risk Management system.

4. **The scope and main context of their reporting framework on operational risk to executive management and to the board of directors.**

The Bank has a clear reporting framework aligned to the Operational Risk Management policies and framework. Operational Risk Management unit collects details of risk incidents in the prescribed format and maintain a list of Operational Risk incidents. The risk incident log is reviewed by the Head of Operational Risk (SMOR) periodically and submits the high and medium risk/ prioritized events for the Head of Risk's (HOR) review and direction towards reporting to the Risk Committee. Any incident requires Board approval or direction for the remedies submit via Risk Committee. The Internal Audit function provides independent review of the Bank's operational risk management processes, systems and controls and reports independently to the Board.

5. **The risk mitigation and risk transfer used in the management of operational risk.**

Incidents relating operational risk/loss across Bank functions are timely reported to Operational Risk Management department, and if the given risk/loss is significant are escalated to the Senior Management simultaneously.

RCSA is conducted by each critical functions/departments periodically and when reported a particular incident or risk profile associated with any specific product, services, process etc. Operational Risk quantitative measurement been performed by the KRI questionnaires. Reported incidents have been classified and prioritized based on the risk and impact for the appropriate remedial and risk mitigation plan. The Bank has procured sufficient insurance policies to transfer financial impact. Operational Risk Management reviews the policies for evaluating adequacy of coverage, reasonable nature of terms and conditions and the ability of the Bank to comply with the same. However, adequacy of insurance is not viewed as a mitigating factor for operational risk.

13. Remuneration Policy

13.1. Table REMA: Remuneration policy

13.1.1. ***Main elements of the remuneration system:***

Bank's Nominations and Remunerations Committee ("NRC") is mandated to handle all the functions related to Board Nominations, their remuneration and fixing remunerations of Senior Management staff and other HR related strategic decisions. This committee constitutes Vice Chairman and two Board of Directors.

Bank has not appointed any consultant for this year. However, we are in the process of engaging consultant for salary benchmarking. NRC covers Head office and all the branches within UAE. Bank does not have any foreign subsidiaries and branches.

We have considered senior management mentioned as part for CB corporate governance standards, which include Chief Executive Officer, General Manager, Chief Financial Officer / DGM, Head of Internal Audit, Head of Compliance and Assistant General Managers for business heads. Bank defines material risk takers who are taking investment decisions, which can lead to risk for the bank. We have set up control and mitigations through polices and limits which are approved at the board level.

13.1.2. ***Information related to design and structure of remunerations process:***

Key features of the remuneration policy:

a. Equitable Remuneration commensurate with the qualification, experience and capabilities.

b. Bank does not discriminate based on genders, race, religion and nationality. Bank treats all the individuals equally.

c. Performance is appraised frequently with the maximum period of 1 year and suitable decisions are taken on the pay package, other benefits and promotions.

d. Grade wise salary slabs are fixed for easy adoption.

Objectives of the remuneration policy:

a. To promote Emiratization and retention of the UAE Nationals.

b. To achieve Emiratization target points as required by the regulator.

c. Motivate capable and highly performing staff with suitable benefits and remunerations.

d. To promote succession planning within bank (Rotating staff duties, Strategic achievements and career planning).

Other Related information:

a. Bank did not review remuneration policy during the last year and are planning to conduct this exercise during the year 2022.

b. Risk, compliance and governance departments are discharging their duties independently and no business targets are provided to them. They provide consultancy and assurance services for improving the internal control of the Bank.

c. Overview of the key risks, measurement and how these affect remunerations:

Bank is planning to engage consultant for the benchmarking salaries, benefits, other related policies and procedures to get them align to the industry wide standards. Bank would be able to disclose the key risk method of measurements and the affects fully, only after the consultant review process and recommendation steps conclusion.

13.2. Template REM1: Remuneration awarded during the financial year

31-Dec-2021	AED'000	
		Senior Management /Other Material Risk Takers
Fixed Remuneration	Number of Employees	9
	Total fixed remuneration (A)	**6,450**
	Of which cash based	6,450
	Of which deferred	
Variable Remuneration	Number of Employees	
	Total variable remuneration (B)	
	Of which cash based	
	Of which deferred	
Total Remuneration (A+B)		**6,450**

13.3. Template REM2: Special payments

Special Payments	Guaranteed Bonuses (AED'000)		Sign on Awards		Severence Payments	
AED 000	Number of employees	Total amount	Number of employees	Total amount	Number of employees	Total amount
Senior Management/Material risk takers	9	256				

13.4. Template REM3: Deferred remuneration

	a	b	c	d	e
Deferred and retained remuneration	**Total amount of outstanding deferred remuneration**	**Of which: Total amount of outstanding deferred and retained remuneration exposed to ex post explicit and/or implicit adjustment**	**Total amount of amendment during the year due to ex post explicit adjustments**	**Total amount of amendment during the year due to ex post implicit adjustments**	**Total amount of deferred remuneration paid out in the financial year**
Senior management					
Cash					
Shares					
Cash-linked instruments					
Other					
Other material risk-takers					
Cash					
Shares					
Cash-linked instruments					
Other					
Total	0	0	0	0	0