Basel III - Pillar 3 Disclosures

31 December 2023

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:

Central Bank of the UAE published notice number 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

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/2022/5280 dated 30 December 2022.

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 concentration risk, strategic risk, reputational risk, liquidity risk and legal risk, information technology risk & Human resource risk. Risk and capital assessment of these other areas are commonly referred to 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 and pillar 2 risk the Bank can withstand the regulatory and internal capital requirements. The Bank submits the ICAAP report to CBUAE on an annual basis.

Pillar 3 focuses on Market Discipline and complements the minimum capital requirements (Pillar I) and the supervisory review process (Pillar II). 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 has been 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 based on loan growth expectations for each business unit, expected growth in off-balance sheet facilities, future sources and uses of funds and the Bank's future dividend policy. The Bank also ensures compliance with CBUAE capital requirement, strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value. During the year the Bank complied in full of all external imposed capital requirements. The U.A.E. Central Bank requires the banks in the U.A.E. to maintain a ratio of total regulatory capital to the risk weighted assets at or above the agreed minimum of 10.5%.

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

AED 000	2023	2022
Tier 1 Capital		
Share Capital	2,000,000	2,000,000
Statutory Reserve	1,019,266	1,019,266
General Reserve	81,237	41,026
Fair value reserves on investment securities at FVTOCI	174,714	172,670
Retained Earnings	1,852,184	1,683,018
Other deductions	**320,467**	**332,599**
Total Tier1	**4,806,934**	**4,583,381**
Tier 2 Capital		
General reserves on loans and advances	129,892	120,959
Total Tier 2 Capital	129,892	120,959
Total Regulatory Capital	**4,936,826**	**4,704,340**
Risk Weighted Assets		
Credit risk-weighted assets	10,391,368	9,676,691
Market risk-weighted assets	84,345	75,328
Operations risk-weighted assets	1,069,783	875,409
Total risk-weighted assets	**11,545,495**	**10,627,427**
Total capital adequacy ratio	42.76%	44.27%
Common equity Tier 1 capital ratio	41.63%	43,13%
Tier 1 capital ratio	41.63%	43.13%

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 42.76%, which is far higher than the 10.5% i.e the minimum prescribed levels stipulated by Central Bank of the UAE. This demonstrates the capital strength of the Bank and its capacity to expand its lending and investment capability when needed.

2.4. 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 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 10.5% threshold as prescribed by CBUAE. **The Bank passed the CBUAE stress test satisfactorily.**

In addition to the above, the Bank performs internal stress testing exercise on a monthly basis for its liquidity & interest rate risk position, the same is discussed in Assets & Liability Committee (ALCO).

1. *Overview of risk management and RWA*

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

	In AED'000	a T 31-Dec-23	b T-1 30-Sep-23	c T-2 30-Jun-23	d T-3 31-Mar-23	e T-4 31-Dec-22
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1)	4,806,934	5,000,469	4,873,595	4,767,195	4,583,381
1a	Fully loaded ECL accounting model	4,806,934	5,000,469	4,873,595	4,767,195	4,583,381
2	Tier 1	4,806,934	5,000,469	4,873,595	4,767,195	4,583,381
2a	Fully loaded ECL accounting model Tier 1	4,806,934	5,000,469	4,873,595	4,767,195	4,583,381
3	Total capital	4,936,826	5,126,455	4,997,255	4,886,156	4,704,340
3a	Fully loaded ECL accounting model total capital	4,936,826	5,126,455	4,997,255	4,886,156	4,704,340
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	11,545,495	11,047,351	10,865,460	10,471,181	10,627,427
	Risk-based capital ratios as a percentage of RWA					
5	Common Equity Tier 1 ratio (%)	41.63%	45.26%	44.85%	45.53%	43.13%
5a	Fully loaded ECL accounting model CET1 (%)	41.63%	45.26%	44.85%	45.53%	43.13%
6	Tier 1 ratio (%)	41.63%	45.26%	44.85%	45.53%	43.13%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	41.63%	45.26%	44.85%	45.53%	43.13%
7	Total capital ratio (%)	42.76%	46.40%	45.99%	46.66%	44.27%
7a	Fully loaded ECL accounting model total capital ratio (%)	42.76%	46.40%	45.99%	46.66%	44.27%
	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 (%) – Not Applicable	0.00%	0.00%	0.00%	0.00%	0.00%
10	Bank D-SIB additional requirements (%) – Not Applicable	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 (%)	32.26%	35.90%	35.49%	36.16%	33.77%

	Leverage Ratio					
13	Total leverage ratio measure	16,637,344	16,577,148	16,142,267	16,171,543	15,732,213
14	Leverage ratio (%) (row 2/row 13)	28.89%	30.16%	30.19%	29.48%	29.13%
14a	Fully loaded ECL accounting model leverage ratio (%) (row 2A/row 13)	28.89%	30.16%	30.19%	29.48%	29.13%
14b	Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	28.89%	30.16%	30.19%	29.48%	29.13%
	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	2,819,232	3,580,321	3,123,832	2,951,743	2,261,716
22	Total liabilities	9,979,531	9,718,851	9,388,983	9,175,339	9,106,295
23	**Eligible Liquid Assets Ratio (ELAR) (%)**	**28.25%**	**36.84%**	**33.27%**	**32.17%**	**24.84%**
	ASRR					
24	Total available stable funding	13,488,347	13,016,913	12,488,805	12,294,750	12,307,161
25	Total Advances	8,866,795	8,062,654	7,377,204	7,847,539	7,740,835
26	**Advances to Stable Resources Ratio (%)**	**65.74%**	**61.94%**	**59.07%**	**63.83%**	**62.90%**

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.

A bank is exposed to a standard range of risk in the normal course of its business. The Bank 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:***

The 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. Concentration Risk
   f. Risk arising from its strategic objectives, business plans and digitization plans
   g. Other risk that singly or in combination with different risks may have a material impact on the Bank

II. The Board ensures the implementation of 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. The board will facilitate appropriate resources 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 has exposure 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.

VI. The 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 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:

A. Board Committees

1. Board 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. **Board Risk Committee:**

The risk committee is a Board Committee and assists the Board to take oversight of the risk management function. The 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 and approves credit facilities on wholesale and retail, based on the approval limits set against this committee based on a charter approved by the Board. This committee meet regularly based on the business needs of the Bank.

4. **Board 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. It is a Board Committee.

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. **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.

7. **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.

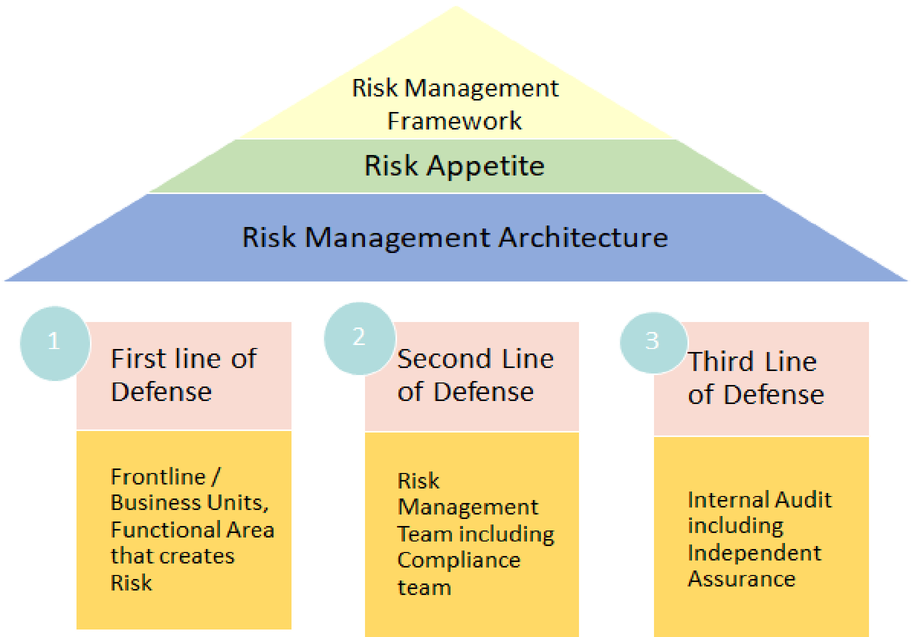
B. Management Committees

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 activities exceeding the risk appetite and limits are recognized, escalated and address 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. Risk appetite communicated throughout the Bank. Risk appetite document reviewed annually and duly approved by the Board of Directors.

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

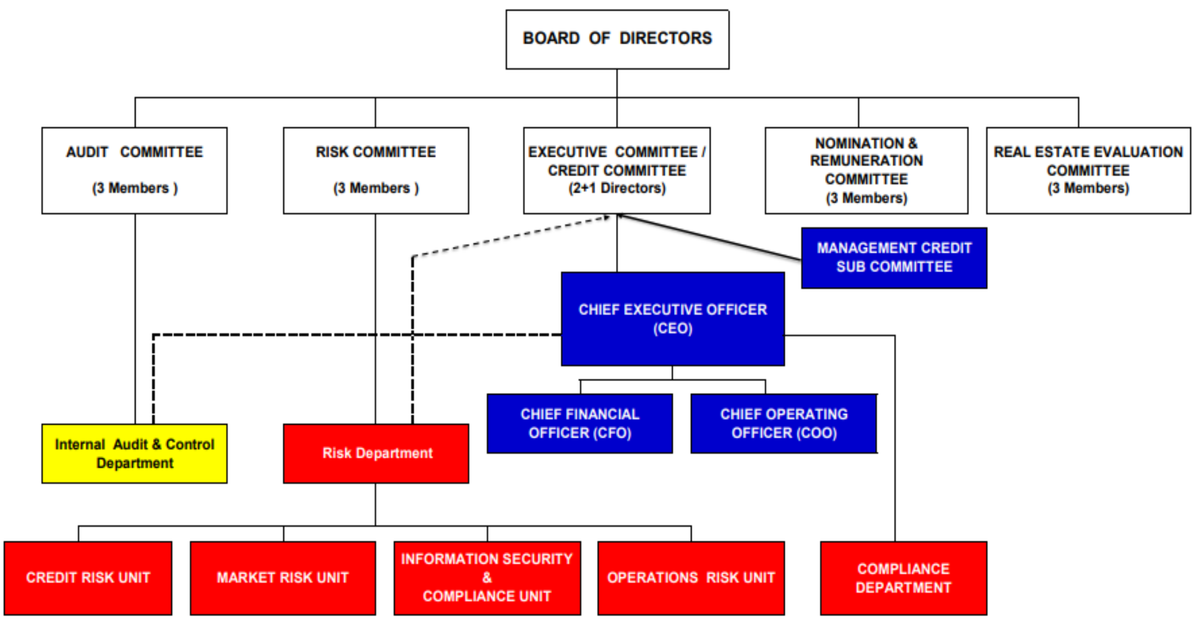
1.2.7. ***Risk Management Architecture***

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 polices 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 committees may be formed from time to time.

: Risk Units
: Administrative and Business Units / Adherence to laid down policies and procedures
: Bank wide audit
: Direct reporting line authority
: Administrative and rectification

b) **Three Lines of Defense.** To address the full spectrum of possible risks & to avoid conflict of interest and to have checks and balances, three independent lines of defense 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, measure and monitor 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 or Chief Risk Officer. Functions of Credit Risk, Operational Risk, Market Risk, Information & security risk 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 (HOR) 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 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 to ensure risk taking activities and risk exposure 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 to ensure that breaches to the Board approved risk appetite are reported to Board/Board Risk Committee;
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. The compliance department operates as the 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.

1.2.10. Internal Audit & Control Function:

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

I. Internal audit and control 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. The 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 put in place IT infrastructure and/or procedures to provide risk data aggregation and reporting capabilities appropriate for its risk profile, nature, size and complexity of its 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 system supports supervisory reporting requirements and provision of risk reports to all relevant parties within the bank on a timely basis and in a format commensurate with the needs. The scope of reporting is proportionate to the business activities and complexity of the bank.

a. Internal Capital Adequacy Assessment Process (ICAAP)

Management will put policy for Internal Capital Adequacy Assessment Process (ICAAP) in place. Currently this report is prepared annually and approved by the Board. This represents NBQ's own assessment of its internal capital requirements and consists of the 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

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 a 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
	Outsourcing Risk
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. Senior Management approves procedures. Policies are reviewed once in 3 years or earlier if there is a regulatory requirement.

1.2.13. __Risk Identification, Assessment and Measurement:__

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

Figure 4: Risk Management Specific Areas

<table>
<tr><th>Risk Specific Area</th><th colspan="3">Risk Identification, Assessment & Measurement</th><th>Risk Monitoring</th><th>Risk Control</th></tr>
<tr><td rowspan="2">Capital Adequacy</td><td colspan="3">Internal Capital Adequacy Assessment Process</td><td rowspan="17">Periodic Risk Reporting Dashboard</td><td rowspan="17">Key Risk Indicators</td></tr>
<tr><td colspan="3">Capital Adequacy Computation</td></tr>
<tr><td>Stress Testing</td><td colspan="3">Stress Testing Exercise</td></tr>
<tr><td>Loan Loss Provisioning</td><td colspan="3">Expected Credit Loss Model (IFRS9)</td></tr>
<tr><td rowspan="4">Credit Risk</td><td colspan="3">Wholesale Credit Rating Models</td></tr>
<tr><td>Corporate</td><td>SME</td><td>Real Estate</td></tr>
<tr><td>Trading</td><td>Manufacturing</td><td>Services</td></tr>
<tr><td>Probability of Default Model</td><td colspan="2">Loss Given Default Model</td></tr>
<tr><td rowspan="2">Market Risk</td><td colspan="3">Economic Value of Equity Model</td></tr>
<tr><td colspan="3">Net Interest Income Model</td></tr>
<tr><td>Liquidity Risk</td><td colspan="3">Structural Liquidity</td></tr>
<tr><td rowspan="2">Operational Risk</td><td colspan="3">Operational Risk and Control Self Assessment (RCSA)</td></tr>
<tr><td colspan="3">Operational Risk Incident Reporting</td></tr>
<tr><td rowspan="2">Compliance Risk</td><td colspan="3">Compliance Risk Assessment</td></tr>
<tr><td colspan="3">Red Flag and Suspicious Activity</td></tr>
<tr><td rowspan="2">Information Security Risk</td><td colspan="3">National Electronic Security Authority Guidelines</td></tr>
<tr><td colspan="3">Payment Card Industry Data Security Standard Guidelines</td></tr>
</table>

1.2.14 __Islamic Banking:__

NBQ offers Islamic Product & Services to its customers in compliance with Shari'ah provisions and regulatory guidelines as applicable. On a high level, the Bank's Islamic Risk Governance will comprise:

I. Identifying, monitoring and mitigating potential credit risk exposure that may arise at different stages of the various financing agreements.

II. Ensuring adequate recourse to Shari'ah compliant funds to mitigate liquidity risk.

III. Ensuring compliance with Shari'ah provision to mitigate Shari'ah risk.

IV. Ensuring that risk arising from the provision of Islamic financial services are appropriately captured in the Bank's forward looking stress-testing program.

1.3. <u>*Template OV1: Overview of RWA*</u>

	In AED'000	a	b	c
		Risk Weighted Assets		Minimum capital requirements
		31 Dec 2023	30 Sep 2023	31 Dec 2023
1	Credit risk (excluding counterparty credit risk)	10,390,718	10,078,490	1,091,025
2	Of which: Standardized approach (SA)	10,391,368	10,078,840	1,091,094
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)	325	175	34
7	Of which: Standardized approach for counterparty credit risk	325	175	34
8	Of which: Internal Model Method (IMM)			
9	Of which: other CCR			
10	Credit valuation adjustment (CVA)	325	175	34
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	84,345	93,102	8,856
21	Of which: Standardised approach (SA)	84,345	93,102	8,856
22	Of which: internal models approach (IMA)			
23	Operational risk	1,069,783	875,409	112,327
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)**	**11,545,495**	**11,047,351**	**1,212,277**

2. Linkages between financial statements and regulatory exposures

The difference between the financial statements and regulatory exposures is General Provisions excluding customer acceptances.

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

31st Dec 2023	a	b	c	d	e	f	g
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items:				
			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	2,210,574	1,378,152	1,378,152				
Due from other banks	3,672,158	3,685,394	3,685,394				
Loans and advances to customers	6,990,754	7,111,586	7,111,586				
Investments securities	1,442,463	2,278,804	2,254,813			23,991	
Other assets	202,462	68,333	68,333				
Investments in associates and joint ventures	420	420	420				
Property, plant and equipment	71,468	150,274	150,274				
Customer's acceptances	186,860	-	-				
Total Assets	**14,777,159**	**14,672,963**	**14,648,972**	**-**	**-**	**23,991**	**-**
Liabilities							
Deposits from banks	259						
Items in the course of collection due to other banks	-						
Customer accounts	8,729,229						
Repurchase agreements and other similar secured borrowings	-						
Trading portfolio liabilities	-						
Accruals, deferred income and other liabilities	219,870						
Customer's acceptances	186,860						
Share capital	2,000,000	2,000,000					
Statutory reserves	1,019,266	1,019,266					
General reserves	6,440	6,440					
Impairment reserves - general	74,797	74,797					
Cumulative change in fair values	388,254	174,714					213,540
Retained earnings	2,152,184	1,852,184					
Total Liabilities	**14,777,159**	**5,127,401**	**-**	**-**	**-**	**-**	**213,540**

(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. **(e)** In retained earnings proposed dividend has been deducted for regulatory consolidation purpose.

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

S.No	31-Dec-23 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)**	14,777,159	14,753,168			23,991
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	2,740,968	2,740,968			
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*	82,665	82,665			
8	*Differences due to prudential filters*					
9	**Exposure amounts considered for regulatory purposes**	**17,600,791**	**17,576,800**			**23,991**

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 the 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. Composition of Capital

3.1. Template CC1: Composition of regulatory capital

	31-Dec-23	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	1,852,184	
3	Accumulated other comprehensive income (and other reserves)	1,275,362	
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**	**5,127,401**	
	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)	9,190	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)	311,277	
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**	**320,467**	
25	**Common Equity Tier 1 capital (CET1)**	**4,806,934**	

	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)**	**4,806,934**	
	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	**129,892**	
45	**Tier 2 capital before regulatory adjustments**	**129,892**	
	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**	**0**	
51	**Tier 2 capital (T2)**	**129,892**	
52	**Total regulatory capital (TC = T1 + T2)**	**4,936,826**	
53	**Total risk-weighted assets**	**11,545,495**	
	Capital ratios and buffers		
54	**Common Equity Tier 1 (as a percentage of risk-weighted assets)**	**41.63%**	
55	**Tier 1 (as a percentage of risk-weighted assets)**	**41.63%**	
56	**Total capital (as a percentage of risk-weighted assets)**	**42.76%**	

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)**	**0.00%**	
58	**Of which: capital conservation buffer requirement**	**0.00%**	
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.**	**32.26%**	
	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)	**155,871**	
70	Cap on inclusion of provisions in Tier 2 under standardised approach	**129,892**	
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		

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

In AED'000	a	b	c
31-Dec-23	**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	2,210,574	1,378,152	
Items in the course of collection from other banks			
Due from other Banks	3,672,158	3,685,394	
Loans and advances to customers	6,990,754	7,111,586	
Investment Securities	1,442,463	2,278,804	
Prepayments, accrued income and other assets	202,462	68,333	
Investments in associates and joint ventures	420	420	
Goodwill and other intangible assets	-	-	
Of which: goodwill	-	-	(a)
Of which: intangibles (excluding MSRs)	-	-	(b)
Of which: MSRs	-	-	(c)
Customer acceptances	186,860	-	
Property, plant and equipment	71,468	150,274	
Total Assets	**14,777,159**	**14,672,963**	
Liabilities			
Deposits from Banks	259		
Items in the course of collection due to other banks			
Customer accounts	8,729,229		
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	219,870		
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	186,860	186,860	
Retirement benefit liabilities			
Total Liabilities	**9,136,218**	**186,860**	
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	2,152,184	1,852,184	
Statutory Reserve	1,019,266	1,019,266	
General Reserve	6,440	6,440	
Impairment reserve - General	74,797	74,797	
Cumulative changes in fair value	388,254	174,714	
Total Shareholders' Equity	5,640,941	5,127,401	

3.3. Template CCA: Main features of regulatory capital instruments

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

4. Macro prudential Supervisory Measures

4.1. Template CCyB1: Countercyclical Buffer

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

5. Leverage ratio

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

	In AED'000	a 31 Dec 2023
1	Total consolidated assets as per published financial statements	14,777,159
2	Adjustments for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(320,467)
3	Adjustment for securitized 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	650
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)	2,062,547
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	-
12	Other adjustments	117,455
13	**Leverage ratio exposure measure**	**16,637,344**

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

	In AED'000	a	b
		31-Dec-23	**30-Sep-23**
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	14,894,614	14,563,341
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)	(320,467)	(311,931)
7	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)**	**14,574,147**	**14,251,410**
Derivative exposures			
8	Replacement cost associated with *all* derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	76	1
9	Add-on amounts for PFE associated with *all* derivatives transactions	388	249
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)**	650	349
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	2,927,828	3,630,465
20	(Adjustments for conversion to credit equivalent amounts)	(865,281)	(1,305,077)
21	(Specific and general provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital)	0	0
22	**Off-balance sheet items (sum of rows 19 to 21)**	2,062,547	2,325,388
Capital and total exposures			
23	**Tier 1 Capital**	4,806,934	5,000,469
24	**Total exposures (sum of rows 7, 13, 18 and 22)**	16,637,344	16,577,148
Leverage ratio			
25	**Leverage Ratio (including the impact of any applicable temporary exemption of central bank reserves)**	28.89%	30.16%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	0%	0%
26	CBUAE minimum leverage ratio requirement	3%	3%
27	**Applicable Leverage Buffers**	25.89%	27.16%

6. 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 to maintain satisfactory liquid assets. The liquidity position is monitored and reported to top management daily. 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 testing.

Liquidity risk is measured in the Bank using a flow approach and stock approach. Flow approach involves comprehensive tracking of cash flow mismatches. The 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 31.12.2023, 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 CBUAE liquidity framework. Liquidity stress testing 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.

6.1. Template LIQ1: Liquidity Coverage Ratio (LCR)

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

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

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

6.3. *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	2,661,779	
1.2	UAE Federal Government Bonds and Sukuks	30,222	
	Sub Total (1.1 to 1.2)	2,692,001	2,692,001
1.3	UAE local governments publicly traded debt securities	127,231	
1.4	UAE Public sector publicly traded debt securities	0	
	Sub total (1.3 to 1.4)	127,231	127,231
1.5	Foreign Sovereign debt instruments or instruments issued by their respective central banks		0
1.6	**Total**	2,819,232	2,819,232
2	Total liabilities		9,979,531
3	**Eligible Liquid Assets Ratio (ELAR)**		**28.25%**

6.4. *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 CBUAE Liquidity Regulations.

		Items	Amount (AED'000)
1		**Computation of Advances**	
	1.1	Net Lending (gross loans - specific and collective provisions + interest in suspense)	6,894,700
	1.2	Lending to non-banking financial institutions	177,126
	1.3	Net Financial Guarantees & Stand-by LC (issued - received)	322,096
	1.4	Interbank Placements	1,472,873
	1.5	**Total Advances**	**8,866,795**
2		**Calculation of Net Stable Resources**	
	2.1	Total capital + general provisions	5,730,316
		Deduct:	
	2.1.1	Goodwill and other intangible assets	0
	2.1.2	Fixed Assets	150,274
	2.1.3	Funds allocated to branches abroad	0
	2.1.5	Unquoted Investments	1,192
	2.1.6	Investment in subsidiaries, associates and affiliates	420
	2.1.7	**Total deduction**	151,886
	2.2	**Net Free Capital Funds**	**5,578,430**
	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	79,690
	2.3.5	Customer Deposits	7,830,227
	2.3.6	Capital market funding/ term borrowings maturing after 6 months from reporting date	0
	2.3.7	**Total other stable resources**	**7,909,917**
	2.4	**Total Stable Resources (2.2+2.3.7)**	**13,488,347**
3		**Advances TO STABLE RESOURCES RATIO (1.5/ 2.4*100)**	**65.74**

7. *Credit risk*

7.1. *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 a 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. The Credit Risk Department has various units viz., Portfolio Management 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 1.2 to 1.2.14: -

(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

7.2. *Template CR1: Credit quality of assets*

		a	b	c	d	e	f
	(AED'000)	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	488,345	6,684,219	181,811	100,737	81,073	6,990,753
2	Debt securities	0	463,879	411	0	411	463,468
3	Off-balance sheet exposures	71,145	1,634,056	6,382	0	6,382	1,698,819
4	**Total**	**559,490**	**8,782,154**	**188,603**	**100,737**	**87,866**	**9,153,040**

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

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

	(In AED'000)	a 31 Dec 2023
1	**Defaulted loans and debt securities at the end of the previous reporting period**	622,672
2	Loans and debt securities that have defaulted since the last reporting period	237,188
3	Returned to non-default status	36,223
4	Amounts written off	262,178
5	Other changes	(73,115)
6	**Defaulted loans and debt securities at the end of the reporting period (1+2-3-4+5)**	**488,345**

This amount reconciles with our annual FS disclosure note 6.

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

7.4.1. *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.

7.4.2. *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.

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

7.4.3. Loans & Advances Exposure by Industry Sectors:

AED 000	31-Dec-2023	
By economic sector	**Gross O/s**	**Impaired**
Wholesale and retail trade	1,092,595	9,224
Real Estate and construction	3,103,964	300,286
Personal Loans and others	408,287	7,178
Manufacturing	385,689	18,102
Agriculture and allied activities	-	-
Transport and communication	211,240	-
Financial institutions	205,849	-
Government	272,891	-
Services and others	1,492,048	153,556
Total	**7,172,564**	**488,345**

This table reconcile with our FS disclosure note 06.

7.4.4. Loans & Advances Exposure by Residual Maturity Buckets:

	31-Dec-23
Residual Maturity Buckets	**AED 000**
Sight	69,328
2 to 8 days	51,261
9 days to 1 month	63,654
1 months to 3 months	873,537
3 months to 6 months	232,484
6 months to 1 year	312,806
1 year to 3 year	2,593,098
3 year to 5 year	781,768
5 year to 10 year	1,671,272
Above 10 years	523,356
Total	**7,172,564**

7.4.5. 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 a 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	6,913,701	258,863	258,863				
2	Debt securities	463,879	0	0				
3	**Total**	**7,377,580**	**258,863**	**258,863**				
4	Of which defaulted	488,488	0	0				

The above is prepared in accordance with the “Standardized approach of Basel” III which recognizes only cash & equity shares as primary collateral~~.~~

7.4.6. 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			
Risk Grade	S&P	Fitch	Moody's	Capital Intelligence	Corporate	Banks (Credit Assessment Method Option 2)		Sovereign
						Maturity > 3 Mths	Maturity 3 months or less (Domestic currency only)	
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%

7.4.7. *__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	2,564,759	-	2,564,759	-	182,177	7%
2	Public Sector Entities	325,890	146,072	325,890	73,036	285,415	60%
3	Multilateral development banks	-	-	-	-	-	0%
4	Banks	3,829,871	650	3,829,871	650	1,557,132	41%
5	Securities firms	-	-	-	-	-	0%
6	Corporates	3,105,131	1,676,255	2,862,533	1,195,321	3,636,218	76%
7	Regulatory retail portfolios	387,168	818,110	384,849	799,400	366,930	30%
8	Secured by residential property	16,582	-	16,582	-	16,466	99%
9	Secured by commercial real estate	2,779,061	216,630	2,760,281	87,208	2,823,857	94%
10	Equity Investment in Funds (EIF)	-	-	-	-	-	0%
11	Past-due loans	606,241	70,111	392,174	69,968	649,597	96%
12	Higher-risk categories	3,758	-	3,758	-	5,636	150%
13	Other assets	1,272,695	-	1,272,695	-	867,940	68%
14	**Total**	**14,891,155**	**2,927,828**	**14,413,391**	**2,225,583**	**10,391,368**	

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

	31 Dec 2023 (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	2,382,582					182,177			2,564,759
2	Public Sector Entities		141,889				257,038			398,926
3	Multilateral development banks									
4	Banks		1,454,343		2,220,480		155,695	2		3,830,521
5	Securities firms									
6	Corporates	301,075					2,953,036		803,743	4,057,854
7	Regulatory retail portfolios	780,852				145,865	257,531			1,184,249
8	Secured by residential property					464	16,118			16,582
9	Secured by commercial real estate	23,632					2,823,857			2,847,489
10	Equity Investment in Funds (EIF)									
11	Past-due loans	2,758					78,959	380,425		462,142
12	Higher-risk categories							3,758		3,758
13	Other assets	405,126					866,828	741		1,272,695
14	**Total**	**3,896,025**	**1,596,232**	**-**	**2,220,480**	**146,330**	**7,591,238**	**384,926**	**803,743**	**16,638,974**

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

8. Counterparty Credit Risk

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

	31-Dec-2023 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)	76	388		1.4	650	325
2	Internal Model Method (for derivatives and SFTs)						
3	Simple Approach for credit risk mitigation (for SFTs)						
4	Comprehensive Approach for credit risk mitigation (for SFTs)						
5							
6	**Total**						

8.2. Template CCR2: Credit Valuation Adjustments (CVA) Capital Charge (CCR2)

Sno.	Description	EAD Post-CRM	RWA
1	All portfolios subject to the Standardised CVA capital charge*	-	-
2	All portfolios subject to the Simple alternative CVA capital charge	650	325

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

AED 000	a	b	c	d	e	f	g	h
Risk weight / Regulatory portfolio	0%	20%	50%	75%	100%	150%	Others	Total credit exposure
Sovereigns								
Public Sector Entities (PSEs)								
Multilateral development banks (MDBs)								
Banks		0.5	649.7					650.19
Securities firms								
Corporates								
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		**0.5**	649.7					**650.19**

8.4. 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

8.5 Template CCR 6: Credit derivative exposures

Not applicable

8.6 Template CCR 8: Exposure to Central Counterparties

Not applicable

8.7 SECA: Qualitative disclosures related to securitisation exposures.

Not applicable

8.8 SEC1: Securitisation exposures in the banking book

Not applicable

8.9 SEC2: Securitisation exposures in the trading book

Not applicable

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

Not applicable

8.11 SEC4: Securitisation exposures in the trading book and associated capital requirements - bank acting as investor.

Not applicable

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.

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 31/12/2023 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
	31-Dec-2023	**RWA (AED'000)**
1	General Interest rate risk (General and Specific)	1,167
2	Equity risk (General and Specific)	47,982
3	Foreign exchange risk	35,196
4	Commodity risk	0
	Options	
5	Simplified approach	0
6	Delta-plus method	0
7	Scenario approach	
8	Securitisation	0
9	**Total**	**84,345**

9.3. 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.

9.4. *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 take place uniformly upward and downward parallel and instantaneous across all time buckets over a one-year horizon. Interest rate changes take 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 the sensitivity of market value of equity to changes in interest rates. The bank estimates the change in the economic value of equity for upward and downward parallel rate shocks and others as per CBUAE guidelines. The details of impact are mentioned in the table below as per CBUAE format.

9.5. 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(2023)**	**T-1(2022)**	**T(2023)**	**T-1(2022)**
Parallel up	(222,313)	(80,205)	88,796	97,486
Parallel down	226,352	80,205	(88,231)	(97,486)
Steepener	135,616	48,927		
Flattener	(185,636)	(66,973)		
Short rate up	(259,707)	(93,696)		
Short rate down	264,425	93,696		
Maximum	264,425	93,696		
Period	**T(2023)**		**T-1(2022)**	
Tier 1 capital	4,806,934		4,583,381	

Reason for Increase in EVE: - The average maturity duration of Liabilities increased from 0.48 to 0.55 year and for Assets it increased from 0.63 to 1.21 years . This means Duration Gap widens from 0.15 to 0.66 during FY 2023.

1 Average repricing maturity assigned to NMDs:- 1-3 Months

2 Longest repricing maturity assigned to NMDs:- 1-3 Years

10. 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".

10.1. 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. The 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 units.

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

Basic Indicator is currently in place for computation of regulatory 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 Manager Operational Risk 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.

11. Remuneration Policy

11.1. Table REMA: Remuneration policy

11.1.1. 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.

We have considered senior management mentioned as part for CB corporate governance standards, which include Chief Executive Officer, Chief Financial Officer, 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.

11.1.2. 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 is undertaking detailed analysis with the industry and planning to review the salary scale through the approval of Nomination and Remuneration committee.
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.

11.2. Template REM1: Remuneration awarded during the financial year

31-Dec-2023	**AED'000**	
		Senior Management /Other Material Risk Takers
Fixed Remuneration	Number of Employees	8
	Total fixed remuneration (A)	**5,378**
	Of which cash based	**5,378**
	Of which deferred	
Variable Remuneration	Number of Employees	
	Total variable remuneration (B)	
	Of which cash based	
	Of which deferred	
Total Remuneration (A+B)		**5,378**

11.3. 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	8	221				

11.4 Template REM3: Deferred remuneration

Not applicable