

Basel III - Pillar 3 Disclosures

31 December 2025

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 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 Twin Towns Marketing Management (L.L.C.-SO), Dubai . The address of the Bank’s registered Head Office is P.O. Box 800, Umm Al-Qaiwain, United Arab Emirates.

The Group is engaged in providing retail and corporate banking services through a network of 9 branches in U.A.E.

The Group had been conducting Islamic banking operations through a dedicated Islamic banking window established in 2005, with Islamic banking products offered across the Bank’s branch network. The Group made a strategic decision to cease originating new Islamic banking business and to place the existing portfolio into run down. A portion of the portfolio remains outstanding and continues to be run down. In parallel, the Group is selectively undertaking transactions for certain wholesale banking customers, subject to specific approvals obtained from the UAE Central Bank, to support client requirements.

2. **Executive Summary:**

The Central Bank of the UAE published notice number CBUAE/BSN/N/2021/5508 on 30 November 2021 regarding Pillar 3 disclosures. These disclosures have been prepared in accordance with these guidelines.

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 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 Basel 3 standards and guidelines, which have been implemented in the UAE through notice reference CBUAE/BSN/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, FIRB vs standardized approach risk, IRRBB risk, Liquidity risk, residual risk, IT/outsourcing/fraud risk, business & strategic risk, reputational/legal/compliance risk, model risk, Market & Operational risk (additional Pillar 2), conduct risk, climate risk & credit stress testing. The risk and capital assessment of these other areas are commonly referred to as “Internal Capital Adequacy Assessment Process (ICAAP)”. Under the ICAAP report, the Bank assesses the above-mentioned risks (where applicable) and measures that after combining 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). The CBUAE supports 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 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 externally imposed capital requirement norms, strong credit ratings and healthy capital ratios to support its business and to maximize shareholders' value. During the year the Bank complied fully 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 10.5% (excl. buffers).

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

AED 000	2025	2024
Tier 1 Capital		
Share Capital	2,000,000	2,000,000
Statutory Reserve	1,019,266	1,019,266
General Reserve	6,440	6,440
Fair value reserves on investment securities at FVTOCI	372,424	231,825
Retained Earnings	2,167,086	2,003,576
Other deductions	(699,741)	(445,289)
Total Tier1	4,865,474	4,815,819
Tier 2 Capital		
General reserves on loans and advances	88,513	153,988
Total Tier 2 Capital	88,513	153,988
Total Regulatory Capital	4,953,987	4,969,807
Risk Weighted Assets		
Credit risk-weighted assets	14,558,619	12,319,065
Market risk-weighted assets	49,037	51,606
Operations risk-weighted assets	1,545,026	1,346,186
Total risk-weighted assets	16,152,683	13,716,857
Total capital adequacy ratio	30.67%	36.23%
Common equity Tier 1 capital ratio	30.12%	35.11%
Tier 1 capital ratio	30.12%	35.11%

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 30.67%, which is far higher than the 10.5% 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.

2.4. Capital Stress Testing

The Bank conducts annually stress-testing exercises 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 stress test results to CBUAE and showed that even in adverse stress scenarios the Bank's capital adequacy ratio was way above the minimum 10.5% threshold as prescribed by CBUAE. The Bank also performs Enterprise wise level of stress testing basis its internal stress testing framework.

3. **Overview of risk management and RWA**

4. **Template KM1: Key Metrics (at consolidated group level)**

In AED'000		a	b	c	d	e
		T 31-Dec-25	T-1 30-Sep-25	T-2 30-Jun-25	T-3 31-Mar-25	T-4 31-Dec-24
Available capital (amounts)						
1	Common Equity Tier 1 (CET1)	4,865,474	5,195,769	5,006,300	4,982,397	4,815,819
1a	Fully loaded ECL accounting model	4,865,474	5,195,769	5,006,300	4,982,397	4,815,819
2	Tier 1	4,865,474	5,195,769	5,006,300	4,982,397	4,815,819
2a	Fully loaded ECL accounting model Tier 1	4,865,474	5,195,769	5,006,300	4,982,397	4,815,819
3	Total capital	4,953,987	5,245,052	5,173,888	5,138,738	4,969,807
3a	Fully loaded ECL accounting model total capital	4,953,987	5,245,052	5,173,888	5,138,738	4,969,807
Risk-weighted assets (amounts)						
4	Total risk-weighted assets (RWA)	16,152,683	15,540,336	14,960,655	13,907,433	13,716,857
Risk-based capital ratios as a percentage of RWA						
5	Common Equity Tier 1 ratio (%)	30.12%	33.43%	33.46%	35.83%	35.11%
5a	Fully loaded ECL accounting model CET1 (%)	30.12%	33.43%	33.46%	35.83%	35.11%
6	Tier 1 ratio (%)	30.12%	33.43%	33.46%	35.83%	35.11%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	30.12%	33.43%	33.46%	35.83%	35.11%
7	Total capital ratio (%)	30.67%	33.75%	34.58%	36.95%	36.23%
7a	Fully loaded ECL accounting model total capital ratio (%)	30.67%	33.75%	34.58%	36.95%	36.23%
Additional CET1 buffer requirements as a percentage of RWA						
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.50%	2.50%	2.50%	2.50%	2.50%
9	Countercyclical buffer requirement (%)	0.50%	0.50%	0.50%	0.50%	0.00%
10	Bank D-SIB additional requirements (%)	0.00%	0.00%	0.00%	0.00%	0.00%
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9+ row 10)	3.00%	3.00%	3.00%	3.00%	2.50%
12	CET1 available after meeting the bank's minimum capital requirements (%)	19.62%	22.93%	22.96%	25.33%	24.61%

In AED'000		a	b	c	d	e
		T 31-Dec-25	T-1 30-Sep-25	T-2 30-Jun-25	T-3 31-Mar-25	T-4 31-Dec-24
	Leverage Ratio					
13	Leverage ratio exposure measure	23,977,483	23,039,086	21,376,262	20,018,020	19,315,771
14	Leverage ratio (%) (row 2/row 13)	20.29%	22.55%	23.42%	24.89%	24.93%
14a	Fully loaded ECL accounting model leverage ratio (%) (row 2A/row 13)	20.29%	22.55%	23.42%	24.89%	24.93%
14b	Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	20.29%	22.55%	23.42%	24.89%	24.93%
	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
	Average ELAR					
21	Total HQLA	3,811,289	3,548,981	3,354,441	3,869,684	3,036,134
22	Total liabilities	15,879,428	14,675,779	13,512,144	12,055,939	10,555,919
23	Eligible Liquid Assets Ratio (ELAR) (%)	24.00%	24.18%	24.83%	32.10%	28.76%
	ASRR					
24	Total available stable funding	20,496,095	19,584,943	17,893,138	16,488,245	16,132,005
25	Total Advances	14,166,585	12,652,006	11,645,372	11,482,042	9,986,656
26	Advances to Stable Resources Ratio (%)	69.12%	64.60%	65.08%	69.64%	61.91%

- CAR ratio declined by 556 bps in Q4'25 vs Q4'24 due to increase the size of the lending book (increased by 14% on YOY basis). However, CAR ratio declined by 308 bps in Q4'25 vs Q3'25 due to increase the size of lending book and capital reduction due to dividend announcement of AED 400 million. Leverage ratio declined by 464 bps on YOY basis, due to increase in exposure
- As advances grew at a faster pace than Available Stable Funding (ASF) over the past year, which has resulted in higher ASRR.
- As deposits grew at faster pace in comparison to HQLA over the past year, which has resulted in lower Average ELAR.

Note: LCR & NSFR as NA (not applicable) as these applies to D-SIB.

4.1. **Table OVA: Bank Risk Management Approach**

4.1.1. **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.

4.1.2. **Risk Governance Framework:**

The Board is in ultimate control of the Bank and responsible to put comprehensive risk management framework in place. The 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. 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.
- II. The board will facilitate appropriate resources for risk management, compliance and internal functions. This includes unrestrained access to all kinds of information needed for risk management, compliance and internal audit functions to fulfill their tasks.
- III. 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.
- IV. 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.
- V. 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. CRO Reports to the Risk committee on the Bank’s overall risk profile, including aggregate and emerging risks.

4.1.3. **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. 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:

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

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. It is a Board Committee.

B. Management Committees

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

1. 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.

2. 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.

3. 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.

4. Compliance Committee:

The Compliance Committee oversees the bank's adherence to all regulatory, legal, and internal policy requirements. It monitors compliance risks, reviews reports and breaches, ensures timely remediation, and promotes a strong culture of ethical and regulatory compliance across the institution.

5. HR Committee:

The HR Committee oversees the bank's human capital strategy, including recruitment, performance management, compensation, succession planning, and employee development. It ensures that HR policies align with regulatory requirements and support a fair, transparent, and high-performance culture across the institution.

6. IT Steering Committee:

The IT Steering Committee provides strategic oversight of the bank's technology direction, ensuring that IT initiatives, investments, and infrastructure align with business objectives, regulatory requirements, and risk management standards. It reviews major projects, monitors cybersecurity and operational resilience, and guides prioritization of technology resources across the institution.

7. ESG Committee:

The ESG Committee oversees the bank's environmental, social, and governance strategy, ensuring that sustainability principles are integrated into business decisions, risk management, and stakeholder reporting. It monitors ESG performance, regulatory developments, and disclosure requirements while guiding initiatives that promote responsible banking and long-term value creation.

8. Management Recovery Committee:

Management Recovery Committee oversees the identification, monitoring, and resolution of problem accounts, ensuring timely corrective actions to prevent slippage from performing to underperforming or non-performing stages. It reviews early-warning indicators, evaluates recovery strategies, and coordinates remedial measures to safeguard asset quality, minimize credit losses, and maintain disciplined portfolio oversight.

9. Information Security Steering Committee:

Information Security Steering Committee provides strategic oversight of the bank's information security framework, ensuring that cybersecurity risks are identified, assessed, and effectively managed. It reviews security policies, major incidents, technology controls, and regulatory requirements while guiding initiatives that strengthen data protection, system resilience, and overall cyber-risk governance across the institution.

10. Operational Excellence Committee:

Operational Excellence Committee drives continuous improvement across the bank by overseeing process efficiency, service quality, and cost-effectiveness. It reviews operational risks, monitors key performance indicators, and guides initiatives that enhance productivity, streamline workflows, and strengthen overall operational resilience and customer experience.

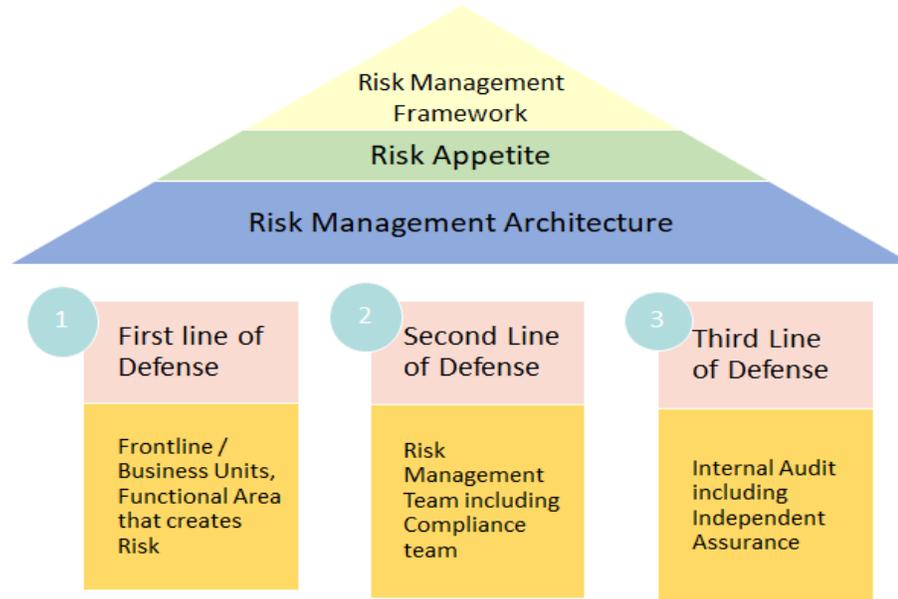
11. Strategy Committee:

Strategy Committee provides oversight and guidance on the bank's long-term strategic direction. It reviews market trends, competitive positioning, and major strategic initiatives to ensure alignment with the bank's vision, risk appetite, and financial objectives. The committee evaluates strategic plans, monitors execution progress, and supports management in making informed decisions that drive sustainable growth and institutional resilience.

4.1.4. **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 defined below:

Figure 1: Risk Management Structure



4.1.5. **Risk Management Framework**

- Risk management is the architecture within which risk management operates in an organization. It defines the way in which a company undertakes risk management.
- It provides guidance for sound and informed decision-making and effective allocation of resources.
- Successful risk governance is therefore contingent on how effectively the Board and management can work together in managing risks.
- The bank's directors, management and staff avoid conflict of interest in all the material decisions.
- The committees ensure material risk and risk-taking activities exceeding the risk appetite and limits are recognized, escalated and addressed in a timely manner.

4.1.6. **Risk Appetite**

- 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.
- 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.
- The Board of Directors' role is to review, evaluate and support the Bank's risk appetite. The risk appetite communicated throughout the Bank. The Risk appetite document is reviewed annually and duly approved by the Board of Directors.
- Where there are exposure limits both at NBQ & CBUAE regulations, Bank follows approach that is more conservative and takes the decisions accordingly.

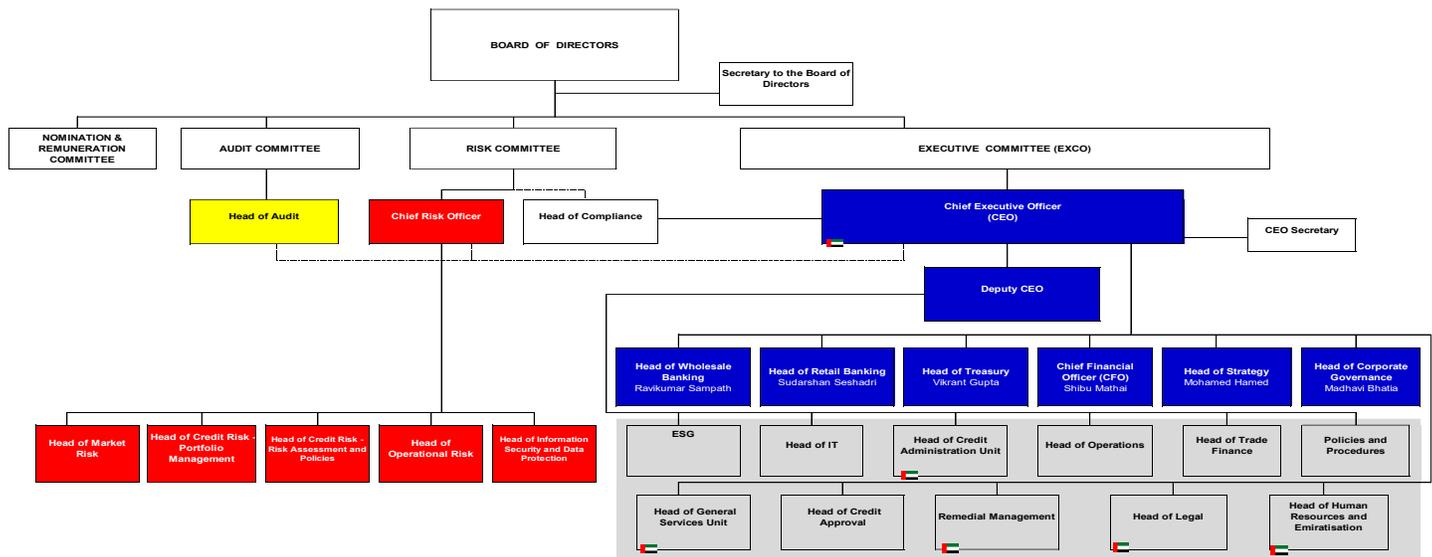
4.1.7. Risk Management Architecture

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.
 : UAE National
 : Risk Units
 : Administrative and Business Units / Adherence to laid down policies and procedures
 : Bank wide audit
 : Support units
 ————— : Direct reporting line authority
 - - - - - : Administrative reporting line with direct access to Board Committee

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. The 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).

4.1.8. Risk Management Function:

Risk Management function is headed by 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, monitors and report on the risk metrics, escalate breaches and conduct stress test.

Roles and responsibilities of Chief Risk Officer (CRO) 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 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

4.1.9. 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.

4.1.10. Internal Audit & Control Function:

Internal Audit and Control Department (IACD) reports to 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.

4.1.11. **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)

Policy for Internal Capital Adequacy Assessment Process (ICAAP) is in place. Currently this report is prepared annually and approved by the Board Risk Committee. 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.

The ICAAP document contains the following:

- 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, measures 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.

4.1.12. **Policies:**

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.

4.1.13. ***Risk Identification, Assessment and Measurement:***

Approach to risk identification, assessment and measurement is illustrated(Sample) 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				

4.2. Template OV1: Overview of RWA

In AED'000		a	b	c
		Risk Weighted Assets		Minimum capital requirements
		31 Dec 2025	30 Sep 2025	31 Dec 2025
1	Credit risk (excluding counterparty credit risk)	14,558,367	13,974,596	1,528,628
2	Of which: Standardized approach (SA)	14,558,367	13,974,596	1,528,628
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)	126	159	13
7	Of which: Standardized approach for counterparty credit risk	126	159	13
8	Of which: Internal Model Method (IMM)			
9	Of which: other CCR			
10	Credit valuation adjustment (CVA)	126	159	13
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	0
19	Of which: securitisation Standardised approach (SEC-SA)	0	0	0
20	Market risk	49,037	47,316	5,149
21	Of which: Standardised approach (SA)	49,037	47,316	5,149
22	Of which: internal models approach (IMA)			
23	Operational risk	1,545,026	1,518,106	162,228
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)	16,152,683	15,540,336	1,696,032

- CRWAs increased by AED 584 mio on QoQ basis due to growth in the loan book and placements.
- Market risk-weighted assets slightly increased due to raise in Equity positions.
- Operations risk weighted assets slightly increased due to raise average gross income.

5. ***LIA: Linkages between financial statements and regulatory exposures***

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

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

31-Dec-2025 AED 000	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	2,736,567	2,040,575	2,040,575	0	0	0	0
Due from other banks	7,412,185	7,494,383	7,494,383	0	0	0	0
Loans and advances to customers	9,064,722	9,183,521	9,183,521	0	0	0	0
Investments securities	3,111,817	3,829,373	3,133,664	0	0	10,692	685,016
Other assets	255,967	127,041	127,041	0	0	0	0
Investments in associates and joint ventures	0	0	0	0	0	0	0
Property, plant and equipment	69,506	69,506	54,781	0	0	0	14,725
Customer's acceptances	239,168	0	0	0	0	0	0
Total Assets	22,889,932	22,744,398	22,033,965	0	0	10,692	699,741
Liabilities & Equity							
Customer accounts	15,701,868	15,701,868	0	0	0	0	15,701,868
Accruals, deferred income and other liabilities	398,568	492,202	0	0	0	0	492,202
Customer's acceptances	239,168	239,168	0	0	0	0	239,168
Share capital	2,000,000	2,000,000	0	0	0	0	0
Statutory reserves	1,019,266	1,019,266	0	0	0	0	0
General reserves	6,440	6,440	0	0	0	0	0
Impairment reserves - general	129,927	129,927	0	0	0	0	129,927
Cumulative change in fair values	827,609	827,609	0	0	0	0	455,185
Retained earnings	2,567,086	2,567,086	0	0	0	0	400,000
Total Liabilities & Equity	22,889,932	22,983,566	0	0	0	0	17,418,350

- I. In Financial Statement accrued interest included in other assets whereas in Basel reporting its added in respective heads.
- II. Financial statement figures are net of provisions (General provision & Specific provision) and Interest in suspense, whereas Basel reporting figures are gross of provisions and interest in suspense.

- III. Acceptances are reported in financial statement, whereas for Basel reporting acceptances are considered under off-balance sheet exposure.
- IV. In Basel reporting, 55% haircut applied on “cumulative change in fair value”. However, in the financial statement no haircut applied.
- V. As per the Basel guidelines, proposed dividend deducted from the retained earnings in Basel reporting.

5.2. Template LI2: Difference between regulatory exposure and carrying values in FS

		a	b	c	d	e
	31-Dec-25	Total	Items subject to:			
S.No	In AED'000		Credit risk framework	Securitization framework	Counterparty credit risk framework	Market risk framework
1	Asset carrying value amount as per Regulatory Scope of Consolidation (as per template LI1)	22,044,657	22,033,964	0	0	10,692
2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	0	0	0	0	0
3	Total net amount under regulatory scope of consolidation	0	0	0	0	0
4	Off-balance sheet amounts	3,015,848	1,922,522	0	0	0
5	<i>Differences in valuations</i>	0	0	0	0	0
6	<i>Differences due to different netting rules, other than those already included in row 2</i>	0	0	0	0	0
7	<i>Differences due to consideration of provisions (SP) and Interest in Suspense</i>	(11,061)	(11,061)	0	0	0
8	<i>Differences due to prudential filters</i>	0	0	0	0	0
9	<i>Derivative</i>	631	0	0	631	0
10	Exposure amounts considered for regulatory purposes	25,050,075	23,945,425	0	631	10,692

- a) Item 1: Carrying value as per regulatory scope of consolidation as mentioned in LI1 excluding column (g) in LI1.
- b) Item 4: Off Balance Sheet Exposure (before CCF) in column (a) while after CCF in column (b) for subject to credit risk framework.
- c) Item 7: it's a sum of specific provision (stage 3) and interest in suspense.
- d) Item 10: Column (a) is a total On & Off-Balance exposure before (CCF & CRM) considered for regulatory purposes. Difference between column (a) item 10 and exposure before CRM & CCF is amount mentioned in column(g)in LI1, as the same was deducted while preparing this statement.

6. Composition of Capital

6.1. Template CC1: Composition of regulatory capital

31-Dec-25		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 (i) from CC2 template
2	Retained earnings	2,167,086	Same as (ii) from CC2 template
3	Accumulated other comprehensive income (and other reserves)	1,398,130	Same as (iii) from CC2 template
4	<i>Directly issued capital subject to phase-out from CET1 (only applicable to non-joint stock companies)</i>	0	
5	Common share capital issued by third parties (amount allowed in group CET1)	0	
6	Common Equity Tier 1 capital before regulatory deductions	5,565,215	
Common Equity Tier 1 capital regulatory adjustments			
7	Prudent valuation adjustments	0	
8	Goodwill (net of related tax liability)	0	
9	Other intangibles including mortgage servicing rights (net of related tax liability)	14,725	
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)	685,016	
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	699,741	Same as (iv) from CC2 template
25	Common Equity Tier 1 capital (CET1)	4,865,474	

31-Dec-25		a	b
		Amounts (In AED'000)	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
	Additional Tier 1 capital: instruments		
26	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	0	
27	Of which: classified as equity under applicable accounting standards	0	
28	Of which: classified as liabilities under applicable accounting standards	0	
29	<i>Directly issued capital instruments subject to phase-out from additional Tier 1</i>	0	
30	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in AT1)	0	
31	<i>Of which: instruments issued by subsidiaries subject to phase-out</i>	0	
32	Additional Tier 1 capital before regulatory adjustments	0	
	Additional Tier 1 capital: regulatory adjustments		
33	Investments in own additional Tier 1 instruments	0	
34	Investments in capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation	0	
35	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation	0	
36	CBUAE specific regulatory adjustments	0	
37	Total regulatory adjustments to additional Tier 1 capital	0	
38	Additional Tier 1 capital (AT1)	0	
39	Tier 1 capital (T1= CET1 + AT1)	4,865,474	
	Tier 2 capital: instruments and provisions		
40	Directly issued qualifying Tier 2 instruments plus related stock surplus	0	
41	<i>Directly issued capital instruments subject to phase-out from Tier 2</i>	0	
42	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 30) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	0	
43	<i>Of which: instruments issued by subsidiaries subject to phase-out</i>	0	
44	Provisions eligible for inclusion in Tier II	88,513	Same as (v) from CC2 template
45	Tier 2 capital before regulatory adjustments	88,513	
	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	

31-Dec-25

		a	b
		Amounts (In AED'000)	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
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)	88,513	
52	Total regulatory capital (TC = T1 + T2)	4,953,987	
53	Total risk-weighted assets	16,152,683	
Capital ratios and buffers			
54	Common Equity Tier 1 (as a percentage of risk-weighted assets)	30.12%	
55	Tier 1 (as a percentage of risk-weighted assets)	30.12%	
56	Total capital (as a percentage of risk-weighted assets)	30.67%	
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)	3.00%	
58	Of which: capital conservation buffer requirement	2.50%	
59	Of which: bank-specific countercyclical buffer requirement	0.50%	
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.	19.62%	
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)	218,379	
70	Cap on inclusion of provisions in Tier 2 under standardised approach	88,513	
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	0	

Note: Item -70: As per new CB guidelines, banks are now permitted to include only stage 1 and stage2 ECL amounts that have been charged to the income statement on a year-to-date basis under Tier 2 capital

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

In AED'000	a	b	c
	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	As at period-end	As at period-end	
Assets			
Cash and balances at Central Banks	2,736,567	2,040,575	
Items in the course of collection from other banks	0	0	
Due from other Banks	7,412,185	7,494,383	
Loans and advances to customers	9,064,722	9,183,521	
Investment Securities	3,111,817	3,829,373	
Prepayments, accrued income and other assets	255,967	127,041	
Investments in associates and joint ventures	0	0	
Customer acceptances	239,168	0	
Property, plant and equipment	69,506	69,506	
Total Assets	22,889,932	22,744,398	
Liabilities			
Deposits from Banks	0	0	
Customer accounts	15,701,868	15,701,868	
Accruals, deferred income and other liabilities	398,568	492,202	
Customer acceptances	239,168	239,168	
Total Liabilities	16,339,604	16,433,238	
Shareholders' equity			
Paid-up share capital	2,000,000	2,000,000	(i)
Of which: amount eligible for CET1	2,000,000	2,000,000	
Of which: amount eligible for AT1	0	0	
Retained earnings	2,567,086	2,167,086	(ii)
Accumulated OCI and Other reserves	1,983,242	1,398,130	(iii)
- of which cumulative changes in fair values	827,609	372,424	
- of which impairment reserve General	129,927	0	
CET 1 – Regulatory deductions	0	(699,741)	(iv)
Provisions eligible for inclusion in Tier II	0	88,513	(v)
Total Shareholders' Equity	6,550,328	4,953,987	

Difference between the published financials and the regulatory reporting are as follows: -

Total Assets	<ol style="list-style-type: none"> 1. The difference between published FS - Total Assets (excluding acceptances) and under regulatory scope of consolidation (Basel Reporting) is only provisions (specific & general) and interest in suspense. In published financial statements general, specific provisions and interest in suspense are netted, however under the regulatory scope of consolidation gross exposure will be considered and for risk weighted computation specific provisions and interest in suspense will be deducted. 2. Acceptances are reported in financial statements (funded), whereas under regulatory purpose acceptances are included in the off-balance sheet exposure.
Total Shareholders' equity	<ol style="list-style-type: none"> 3. Haircut of 55% is applied on "Cumulative changes in fair value" under Basel reporting. 4. Impairment reserves-general is excluded from the regulatory capital calculation along with regulatory deductions (Goodwill / other intangible assets and significant investments >10% of CET 1) according to CBUAE guidelines.

6.3. Template CCA: Main features of regulatory capital instruments

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

7. Macro prudential Supervisory Measures

7.1. Template CCyB1: Countercyclical Buffer

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

8. Leverage ratio

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

	In AED'000	a 31 Dec 2025
1	Total consolidated assets as per published financial statements	22,889,932
2	Adjustments for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(699,741)
3	Adjustment for securitized exposures that meet the operational requirements for the recognition of risk transference	0
4	Adjustments for temporary exemption of central bank reserves (if applicable)	0
5	Adjustment for fiduciary assets recognized on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	0
6	Adjustments for regular-way purchases and sales of financial assets subject to trade date accounting	0
7	Adjustments for eligible cash pooling transactions	0
8	Adjustments for derivative financial instruments	631
9	Adjustment for securities financing transactions (ie repos and similar secured lending)	0
10	Adjustments for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	2,019,973
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	0
12	Other adjustments	(233,313)
13	Leverage ratio exposure measure	23,977,483

8.2. Template LR2: Leverage ratio common disclosure template

In AED'000		a	b
		31-Dec-25	30-Sep-25
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	22,744,398	21,674,507
2	Gross-up for derivatives collateral provided where deducted from balance sheet assets pursuant to the operative accounting framework	0	0
3	(Deductions of receivable assets for cash variation margin provided in derivatives transactions)	0	0
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	0	0
5	(Specific and general provisions associated with on-balance sheet exposures that are deducted from Tier 1 capital)	(87,779)	(85,778)
6	(Asset amounts deducted in determining Tier 1 capital)	(699,741)	(652,167)
7	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)	21,956,878	20,936,562
Derivative exposures			
8	Replacement cost associated with <i>all</i> derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	92	84
9	Add-on amounts for PFE associated with <i>all</i> derivatives transactions	359	483
10	(Exempted CCP leg of client-cleared trade exposures)	0	0
11	Adjusted effective notional amount of written credit derivatives	0	0
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0	0
13	Total derivative exposures (sum of rows 8 to 12)	631	794
Securities financing transactions			
14	Gross SFT <i>assets</i> (with no recognition of netting), after adjusting for sale accounting transactions	0	0
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0	0
16	CCR exposure for SFT assets	0	0
17	Agent transaction exposures	0	0
18	Total securities financing transaction exposures (sum of rows 14 to 17)	0	0
Other off-balance sheet exposures			
19	Off-balance sheet exposure at gross notional amount	3,015,848	3,180,614
20	(Adjustments for conversion to credit equivalent amounts)	(985,270)	(1,067,455)

In AED'000		a	b
		31-Dec-25	30-Sep-25
21	(Specific and general provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital)	(10,604)	(11,430)
22	Off-balance sheet items (sum of rows 19 to 21)	2,019,973	2,101,729
Capital and total exposures			
23	Tier 1 Capital	4,865,474	5,195,769
24	Total exposures (sum of rows 7, 13, 18 and 22)	23,977,483	23,039,086
Leverage ratio			
25	Leverage Ratio (including the impact of any applicable temporary exemption of central bank reserves)	20.29%	22.55%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	20.29%	22.55%
26	CBUAE minimum leverage ratio requirement	3.00%	3.00%
27	Applicable Leverage Buffers	0.00%	0.00

On QoQ basis, leverage ratio declined by 226 bps, majorly because of increase in on balance sheet exposure and decrease in capital (due to expected dividend).

9. 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 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 31.12.2025, 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 stipulation that sets out the strategies for addressing liquidity shortfalls in critical stress situations.

9.1. Template LIQ1: Liquidity Coverage Ratio (LCR)

LCR as NA (not applicable) as it applies to D-SIB

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

LCR as NA (not applicable) as it applies to D-SIB

9.3. Template ELAR: Eligible Liquid Assets Ratio

		31-Dec-2025	
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	3,528,712	
1.2	UAE Federal Government Bonds and Sukuks	0	
	Sub Total (1.1 to 1.2)	3,528,712	3,528,712
1.3	UAE local governments publicly traded debt securities	282,577	
\1.4	UAE Public sector publicly traded debt securities	0	
	Sub total (1.3 to 1.4)	282,577	282,577
1.5	Foreign Sovereign debt instruments or instruments issued by their respective central banks		0
1.6	Total	3,811,289	3,811,289
2	Total liabilities		15,879,428
3	Eligible Liquid Assets Ratio (ELAR)		24.00%

9.4. 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.

			31-Dec-2025
			Amount (AED'000)
		Items	
1		Computation of Advances	
	1.1	Net Lending (gross loans - specific and collective provisions + interest in suspense)	8,928,984
	1.2	Lending to non-banking financial institutions	211,598
	1.3	Financial Guarantees & Stand-by LC Issued	289,897
	1.4	Financial Guarantees & Stand -by LCs Received	0
	1.5	Interbank Placements with a remaining life of more than 3 months	4,736,106
	1.6	Total Advances	14,166,585
2		Calculation of Net Stable Resources	
	2.1	Total own funds + general provisions	6,643,506
		Deduct:	
	2.1.1	Goodwill and other intangible assets	0
	2.1.2	Fixed Assets	126,188
	2.1.3	Funds allocated to branches abroad	0
	2.1.4	Treasury shares held / No INPUT required here	0
	2.1.5	Unquoted Investments	56,923
	2.1.6	Investment in subsidiaries, associates and affiliates	0
	2.1.7	Total deduction	183,111
	2.2	Net Free Capital Funds	6,460,395
	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 (a)	Borrowing from non-Banking Financial Institutions remaining life of more than 6 months	22,572
	2.3.4 (b)	85% of the rest of NBFI Deposits	103,950
	2.3.5 (a)	Customer Deposits with remaining life of more than 6 months	4,571,507
	2.3.5 (b)	85% of the rest of Customer Deposits	9,337,671
	2.3.6	Capital market funding/ term borrowings maturing after 6 months from reporting date	0
	2.3.7	Head Office loans towards meeting Large Exposure Funding	0
	2.3.8	Total other stable resources	14,035,700
	2.4	Total Stable Resources (2.2+2.3.8)	20,496,095
3		Advances TO STABLE RESOURCES RATIO (1.6/ 2.4*100)	69.12

10. Credit risk

10.1. 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 a 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 credit risks both at micro as well as macro level.
- b) To facilitate building and sustaining a high-quality credit portfolio and minimize losses.
- c) Identification of early warning signals and timely corrective action.

Other credit risk aspects like the following (as required as per pillar 3 report requirements) are already covered in section 3.2 to 3.2.13: -

- (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 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

10.2. 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	
31-Dec-2025							
1	Loans	28,288	9,122,970	86,536	10,677	75,859	9,064,722
2	Debt securities	0	1,716,926	1,463	0	1,463	1,715,463
3	Off-balance sheet exposures	43,755	2,972,725	10,604	385	10,219	3,005,876
4	Total	72,043	13,812,621	98,603	11,062	87,541	13,786,061

The disclosure reconciled with published FS note # 6, 7 (only securities at amortized cost figure) & 17. Item 3: Off-balance sheet exposure includes guarantees, LCs, commitments to extend credit, FX forward and acceptances.

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

(In AED'000)		31 Dec 2025
1	Defaulted loans and debt securities at the end of the previous reporting period	320,362
2	Loans and debt securities that have defaulted since the last reporting period	319
3	Returned to non-default status	(711)
4	Amounts written off	(156,465)
5	Other changes	(135,217)
6	Defaulted loans and debt securities at the end of the reporting period (1+2-3-4±5)	28,288

This amount reconciles with our annual FS disclosure note 6 (stage 3).

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

10.4.1. 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.

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.

Restructured Financial Assets: A credit facility shall be defined as restructured facility if its approved credit terms are amended. Restructured accounts also include cases where a credit facility is fully settled by a simultaneous or subsequent disbursement of a new credit facility.

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

10.4.2. 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.

Quantitative factors

Stage	Corporate portfolio	Retail portfolio	Due from banks and Investments portfolio
1 » 2	<ul style="list-style-type: none"> Rating downgrade as per internally defined criteria from the rating assigned at the initial recognition DPD 31-90 days 	<ul style="list-style-type: none"> DPD 31-90 days 	<ul style="list-style-type: none"> External credit rating of Caa1 to Caa3 to be classified as Stage 2 B3 credit rating is assigned for unrated investments
1 » 3 2 » 3	<ul style="list-style-type: none"> Credit impaired portfolio DPD greater than 90 days 	<ul style="list-style-type: none"> Credit impaired portfolio DPD > 90 days 	External credit rating of C and below to be classified as Stage 3

10.4.3. Loans & Advances Exposure by Industry Sectors:

AED 000	31-Dec-2025			
	Gross O/s	Impaired	Stage 3 (ECL)	Write-off
Agriculture and allied activities	0	0	0	0
Mining and quarrying	165,285	0	0	0
Manufacturing	535,250	21,559	1,482	0
Services and others	47,332	0	0	0
Construction	83,676	64	7	6,254
Real Estate	3,119,113	0	0	108,229
Wholesale and retail trade	1,375,438	305	105	8,576
Transport and communication	528,683	124	91	0
Financial and Insurance activities	967,024	0	0	0
Other services	387,306	1368	11	26,854
Government	839,101	0	0	0
Personal loans and others	373,868	0	3,124	6,524
Individual loans for business	729,182	0	0	27
Total	9,151,258	28,288	4,820	156,464

This gross outstanding and impaired amount reconcile with our FS disclosure note 06.

Regarding ECL, the difference between FS disclosure and Pillar III disclosure is due to Interest in suspense (AED 5856 K).

10.4.4. Loans & Advances(net) Exposure by Residual Maturity Buckets:

	31-Dec-25
Residual Maturity Buckets	AED 000
Sight	41,487
2 to 8 days	65,979
9 days to 1 month	217,382
1 months to 3 months	466,451
3 months to 6 months	351,018
6 months to 1 year	429,106
1 year to 3 year	2,689,989
3 year to 5 year	2,703,687
5 year to 10 year	1,942,497
Above 10 years	157,126
Total	9,064,722

10.4.5. Template CRC: Qualitative disclosure requirements related to CRM 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.

The market value of collaterals is 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 CR3 table below discloses collateral securing loans and debt securities only.

The Bank uses a simple approach under Basel III for risk mitigation.

10.4.6. Template CR3: Credit Risk Mitigation Technique - Overview.

		31-Dec-2025						
		a	b	c	d	e	f	g
		Exposures unsecured: carrying amount	Exposures secured by collateral	Exposures secured by collateral of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
AED 000								
1	Loans	9,114,401	36,857	36,857	0	0	0	0
2	Debt securities	1,716,926	0	0	0	0	0	0
3	Total	10,831,327	36,857	36,857	0	0	0	0
4	Of which defaulted	28,288	0	0	0	0	0	0

		31-Dec-2024						
		a	b	c	d	e	f	g
		Exposures unsecured: carrying amount	Exposures secured by collateral	Exposures secured by collateral of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
AED 000								
1	Loans	7,903,857	56,728	56,728	0	0	0	0
2	Debt securities	661,553	0	0	0	0	0	0
3	Total	8,565,410	56,728	56,728	0	0	0	0
4	Of which defaulted	320,362	0	0	0	0	0	0

The statement is prepared gross of interest in suspense, and it reconciles with FS note 6 & 7. The above is prepared in accordance with the "Standardized approach of Basel" III which recognizes Cash as primary collateral, otherwise the actual collateral held by the Bank is adequate. Exposure secured by collateral amount reduced compared to last year due to change in the mitigation approach from comprehensive to simple.

10.4.7. Template CRD: Qualitative disclosure on use of external credit rating under the SA-CR

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.

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.

Risk Grade	ASSESSMENT				RISK WEIGHTS			
	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-	B1 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%

10.4.8. Template CR4: Standardised approach - credit risk exposure and CRM effects

31-Dec-2025 AED 000		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	4,218,219	0	4,218,219	0	570,705	13.53%
2	Public Sector Entities	1,457,577	0	1,457,577	0	1,283,066	88.03%
3	Multilateral development banks	0	0	0	0	0	0.00%
4	Banks	8,208,307	43,942	8,208,307	23,196	3,762,873	45.71%
5	Securities firms	0	0	0	0	0	0.00%
6	Corporates	3,607,634	2,024,655	3,589,757	1,123,211	4,435,726	94.12%
7	Regulatory retail portfolios	348,559	682,678	346,356	659,705	308,570	30.67%
8	Secured by residential property	34,081	281	34,081	141	20,542	60.02%
9	Secured by commercial real estate	3,168,484	221,169	3,151,706	109,372	3,239,268	99.33%
10	Equity Investment in Funds (EIF)	0	0	0	0	0	0.00%
11	Past-due loans	28,313	43,755	17,636	43,370	87,485	143.40%
12	Higher-risk categories	13,399	0	13,399	0	20,098	150.00%
13	Other assets	1,659,826	0	1,659,826	0	830,286	50.02%
14	Total	22,744,398	3,016,479	22,696,864	1,958,994	14,558,619	59.05%

CRWAs increased by the AED 2.24 bn as of Dec 25 compared to Dec -24, due to increase in the loan book size and placements.

31-Dec-2024 AED 000		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	2,880,796	0	2,880,796	0	203,636	7.07%
2	Public Sector Entities	1,250,896	38,520	1,250,896	19,260	997,266	78.52%
3	Multilateral development banks	0	0	0	0	0	0.00%
4	Banks	5,597,050	1,392	5,597,050	1,392	2,634,405	47.06%
5	Securities firms	0	0	0	0	0	0.00%
6	Corporates	3,455,214	2,733,243	3,420,011	1,763,052	4,293,517	82.84%
7	Regulatory retail portfolios	359,540	49,373	356,086	27,710	345,778	90.09%
8	Secured by residential property	14,495	367	14,495	184	14,474	98.61%
9	Secured by commercial real estate	2,636,641	169,248	2,615,694	76,080	2,666,631	99.07%
10	Equity Investment in Funds (EIF)	0	0	0	0	0	0.00%
11	Past-due loans	369,478	45,788	225,212	45,457	332,842	122.97%
12	Higher-risk categories	31,498	0	31,498	0	47,248	150.00%
13	Other assets	1,328,311	0	1,328,311	0	783,269	59.41%
14	Total	17,923,919	3,037,931	17,720,049	1,933,134	12,319,065	62.71%

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

	31 Dec 2025 (AED'000)	a	b	c	d	e	f	g	h	i
	Risk weight	0%	20%	35%	50%	75%	100%	150%	Others	Total credit exposures amount (post CCF and post-CRM)
	Asset classes									
1	Sovereigns and their central banks	3,395,255	0	0	504,518	0	318,446	0	0	4,218,219
2	Public Sector Entities	0	195,106	0	36,853	0	1,225,619	0	0	1,457,577
3	Multilateral development banks	0	0	0	0	0	0	0	0	0
4	Banks	234	1,973,474	0	5,854,476	0	328,330	74,989	0	8,231,503
5	Securities firms	0	0	0	0	0	0	0	0	0
6	Corporates	95,610	37,525	0	0	0	3,569,090	0	1,010,742	4,712,968
7	Regulatory retail portfolios	631,881	0	0	0	262,435	111,744	0	0	1,006,061
8	Secured by residential property	0	0	18,848	0	5,716	9,657	0	0	34,222
9	Secured by commercial real estate	21,810	0	0	0	0	3,239,268	0	0	3,261,077
10	Equity Investment in Funds (EIF)	0	0	0	0	0	0	0	0	0
11	Past-due loans	2,055	0	0	0	0	1,884	57,067	0	61,006
12	Higher-risk categories	0	0	0	0	0	0	13,399	0	13,399
13	Other assets	842,295	0	0	0	0	792,020	25,511	0	1,659,826
14	Total	4,989,140	2,206,105	18,848	6,395,847	268,151	9,596,058	170,966	1,010,742	24,655,858

The column i total of this table reconciles with the above table total of On+Off BS post CRM & CCF exposure total. The major changes come in the 0%,20%,50% &100% buckets where exposure increased due to raise in lending book and placement. However, past-dues exposure reduced.

31 Dec 2024 (AED'000)		a	b	c	d	e	f	g	h	i
Risk weight		0%	20%	35%	50%	75%	100%	150%	Others	Total credit exposures amount (post CCF and post-CRM)
Asset classes										
1	Sovereigns and their central banks	2,677,160	0	0	0	0	203,636	0	0	2,880,796
2	Public Sector Entities		341,112	0	0	0	929,044	0	0	1,270,156
3	Multilateral development banks	0	0	0	0	0	0	0	0	0
4	Banks	232	1,070,020	0	4,215,771		312,416	2	0	5,598,441
5	Securities firms	0	0	0	0	0	0	0	0	0
6	Corporates	759,562	0	0	0	0	3,556,947		866,553	5,183,063
7	Regulatory retail portfolios	5,295	0	0	0	130,889	247,611	0	0	383,796
8	Secured by residential property	0	0	0	0	818	13,860	0	0	14,679
9	Secured by commercial real estate	25,143	0	0	0	0	2,666,631	0	0	2,691,774
10	Equity Investment in Funds (EIF)	0	0	0	0	0	0	0	0	0
11	Past-due loans	2,707	0	0	0	0	138,205	129,758	0	270,670
12	Higher-risk categories	0	0	0	0	0	0	31,498	0	31,498
13	Other assets	545,369	0	0	0	0	782,287	654	0	1,328,311
14	Total	4,015,469	1,411,132	0	4,215,771	131,707	8,850,638	161,913	866,553	19,653,183

11. Counterparty Credit Risk

11.1 CCRA: Qualitative disclosure related to counterparty credit risk

Counterparty credit risk (CCR) is the risk that the bank's counterparty to a derivative transaction could default before the final settlement of the transaction's cash flows and bank will incur loss if the transaction has a positive economic value at the time of counterparty default. CCR is managed through limit framework put in place for both Pre Settlement risk (PSR) and Settlement Risk (SR).

Bank uses SACCR method for capital estimation for CCR, where Exposure at Default (EAD) is calculated as sum of Replacement Cost (RC) & Potential Future Exposure (PFE) multiplied by regulatory defined multiplier. RC estimates current replacement cost of the derivatives transaction considering current market value, netting and margining agreements in place. PFE estimates future exposure and calculated as notional multiplied by regulatory defined add-on, the size of the add-on depends on the trade remaining maturity and the underlying asset.

Bank policies are in place to reduce CCR risk by having International Swaps and Derivatives Association (ISDA) Master Agreement and Credit Support Annex (CSA) or equivalent agreements in place with as many counterparties as possible; the Bank prefers to deal with counterparties through a clearing house to minimize CCR. Counterparty limits are in place for all derivatives counterparties and limits are set considering counterparty risk profile.

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

		a	b	c	d	e	f
		Replacement cost	Potential future exposure	EEPE	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
31-Dec-2025							
AED 000							
1	SA-CCR (for derivatives)	92	359		1.4	631	126
2	Internal Model Method (for derivatives and SFTs)			0	0	0	0
3	Simple Approach for credit risk mitigation (for SFTs)					0	0
4	Comprehensive Approach for credit risk mitigation (for SFTs)					0	0
5						0	0
6	Total						126

11.3 Template CCR2: Credit Valuation Adjustments (CVA) Capital Charge (CCR2)

31-Dec-2025

Sno.	Description	AED 000 EAD Post-CRM	AED 000 RWA
1	All portfolios subject to the Standardised CVA capital charge*	0	0
2	All portfolios subject to the Simple alternative CVA capital charge	631	126

11.4 Template CCR3: SA - CCR exposures by regulatory portfolio and risk weights

AED 000	31-Dec-2025	a	b	c	d	e	f	g	h
Regulatory portfolio	Risk weight	0%	20%	50%	75%	100%	150%	Others	Total credit exposure
Sovereigns		0	0	0	0	0	0	0	0
Public Sector Entities (PSEs)		0	0	0	0	0	0	0	0
Multilateral development banks (MDBs)		0	0	0	0	0	0	0	0
Banks		0	631	0	0	0	0	0	631
Securities firms		0	0	0	0	0	0	0	0
Corporates		0	0	0	0	0	0	0	0
Regulatory retail portfolios		0	0	0	0	0	0	0	0
Secured by residential property		0	0	0	0	0	0	0	0
Secured by commercial real estate		0	0	0	0	0	0	0	0
Equity Investment in Funds (EIF)		0	0	0	0	0	0	0	0
Past-due loans		0	0	0	0	0	0	0	0
Higher-risk categories		0	0	0	0	0	0	0	0
Other assets		0	0	0	0	0	0	0	0
Total		0	631	0	0	0	0	0	631

11.5 Template CCR5: Composition of collateral for CCR exposure

31-Dec -2025	a	b	c	d	e	f
	Collateral used in derivative transactions				Collateral used in SFTs	
AED 000	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	0	0	0	0	0	0
Domestic sovereign debt	0	0	0	0	0	0
Government agency debt	0	0	0	0	0	0
Corporate bonds	0	0	0	0	0	0
Equity securities	0	0	0	0	0	0
Other collateral	0	0	0	0	0	0
Total	0	0	0	0	0	0

11.6 Template CCR 6: Credit derivative exposures

Not applicable

11.7 Template CCR 8: Exposure to Central Counterparties

Not applicable

11.8 SECA: Qualitative disclosures related to securitisation exposures.

Not applicable

11.9 SEC1: Securitisation exposures in the banking book

Not applicable

11.10 SEC2: Securitisation exposures in the trading book

Not applicable

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

Not applicable

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

Not applicable

12 Market risk

12.1 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 equity 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. The ALCO reviews the liquidity positions, interest rate risk metrics, investment portfolio positions and ensures adherence to regulatory and internal guidelines. ALCO takes corrective measures as per the Bank's internal market risk policies and strategic business directions.

The bank has board approved risk appetite limit for various metrics, including Liquidity risk, interest rate risk, investments and the market risk department reports the current positions of these metrics to Board Risk Committee on quarterly basis.

The Market Risk (MR) Department monitors the investment positions of the bank related to the equity, debt, forex and derivatives positions. It conducts the stress testing on liquidity, interest rate, equity and forex positions and present the results to ALCO and Board Risk Committee on periodical basis. It also monitors the VaR, stressed VaR and DV01 limits for assessing the risk on the investment portfolio.

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 31/12/2025 are given in the table below:

12.2 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.

		31-Dec-2025	31-Dec-2024
		RWA (AED'000)	RWA (AED'000)
1	General Interest rate risk (General and Specific)	616	576
2	Equity risk (General and Specific)	46,762	49,225
3	Foreign exchange risk	1,659	1,805
4	Commodity risk	0	0
	Options		
5	Simplified approach	0	0
6	Delta-plus method	0	0
7	Scenario approach		
8	Securitisation	0	0
9	Total	49,037	51,606

Market risk-weighted assets decreased due to fall in FX and Equity positions.

12.3 Interest rate risk in the banking book

Interest Rate Risk in Banking Book (IRRBB) is the potential risk, where changes in market interest rates affect bank's capital and earnings. The change in interest rates alters the interest income and expenses of the bank, impacting the Net Interest Income. Changes in interest rates also impact a bank's Economic Value of Equity through changes in the present value of future cash flows from Rate Sensitive Assets, Rate Sensitive 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.

12.4 Table IRRBBA: IRRBB risk management objectives and policies

The IRRBB measures the impact on the bank's capital and earnings due to the adverse movement of interest rate in the market. The interest rate may change in various ways based on shifts in the interest rate curve like parallel up, parallel down, steeper, flatter, short rate up and short rate down scenarios. The group computes the IRRBB metrics using two methodologies:

Earning perspective: This approach measures the impact of interest rate changes on the group earnings through Net Interest Income (NII). It includes expected cash flows arising from interest rate-sensitive assets, liabilities and off-balance sheet items. In IRRBB context the impact on group's earning (NII) is a short-term analysis due to upward and downward parallel shifts in interest rate across all time buckets up to time horizon of one-year.

Economic value perspective: This approach evaluates the impact of change in interest rate on economic value of equity measured using the net present value of cashflows from Rate Sensitive Assets (RSA), Rate Sensitive Liabilities (RSL) and Off-balance sheet items. It assesses the long-term impact on the economic value of equity of the Group. The Group estimates the change in the economic value of equity for upward and downward parallel rate shocks and other scenarios as per CBUAE guidelines.

IRRBB governance is embedded within the Group's broader risk-management framework. The Group manages its IRRBB positions based on the timing differences in the maturity or repricing of assets and liabilities. The group has in place a set of risk appetite limits and policy for prudent IRRBB management. The Market Risk Department conducts monthly measurement and monitoring of IRRBB metrics—covering both net interest income sensitivity (impact on profit and loss) and economic value of equity sensitivity (impact on capital). The results are reported to the Asset and Liability Management Committee (ALCO) on a monthly basis, and the quarterly positions are presented to Board Risk Committees/ Board.

IRRBB metrics include

- Earnings-based measures (changes in expected NII over 12-month horizon)
- Equity-based measures (changes in EVE)

The internal audit department acts as a third line of defense and conducts audits of the IRRBB framework within the group. The IRRBB model of the group has been independently validated by the external consultant.

The Group performs historical behavioural analysis on key balance-sheet items, including Non-Maturity Deposits (NMD), early deposit withdrawals, and loan prepayment behavior. At present, the Group does not undertake any hedging activities related to IRRBB and instead relies on natural offsetting between rate sensitive assets and rate sensitive liabilities.

High level modelling assumptions are:

- Interest-rate shocks prescribed by the CBUAE and Basel standards are applied to assess the impact on both EVE and NII. (NII impact under 200 basis point parallel up & down & EVE impact under six

standard Basel scenarios)

- For EVE computations, commercial margin/ other spread components have not been included in the cash flows and the discount rates
- Δ EVE is computed, assuming a run-off balance sheet
- Δ NII is computed assuming a constant balance sheet
- The cash flows for NMDs are bucketed based on behavioural assumptions, with balances segregated into core and non-core portions.
- The loan prepayments are assessed based on historical prepayment trends for fixed rate loans in response to change in interest rate and for term deposit redemptions the likelihood of early withdrawals before maturity is assessed.

Non-rate Sensitive Liabilities and Assets primarily comprise of Capital, Reserves & Surplus, other Liabilities, customer acceptances, 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).

12.5 **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)	Δ EVE		Δ NII	
	T(2025)	T-1(2024)	T(2025)	T-1(2024)
Parallel up	(21,510.44)	(148,992)	36,601	97,319
Parallel down	9,342.18	177,248	(41,634)	(94,295)
Steeper	(61,979.97)	(77,879)		
Flattener	36,015.69	45,276		
Short rate up	3,366.11	(25,511)		
Short rate down	(28,252.27)	26,591		
Maximum	61,979.97	177,248		
Period	T(2025)		T(2024)	
Tier 1 capital	4,865,474		4,815,819	

Reasons for variation over previous year under various scenarios: During the F.Y 2025, new system based IRRBB model has been developed with revision in methodology for IRRBB computation. The Model has been validated by external consultant.

1. Average repricing maturity assigned to NMDs: 0.97
2. Longest repricing maturity assigned to NMDs: 4.5 Years

13 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”.

13.1 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 Chief Risk Officer 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 Chief Risk Officer 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 going live with the 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 Chief Risk Officer (CRO) 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.

14 Remuneration Policy

14.1 Table REMA: Remuneration policy

14.1.1 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. 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.

14.1.2 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 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. 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.
- b. Control Functions include Risk Management, Compliance & Internal Audit, and the heads of those control functions are subject to the same bonus deferral arrangements as Senior Management.

14.2 Template REM1: Remuneration awarded during the financial year

31-Dec-2025	AED'000	
		Senior Management /Other Material Risk Takers
Fixed Remuneration	Number of Employees	9
	Total fixed remuneration (A)	7,151
	Of which cash based	7,151
	Of which deferred	0
Variable Remuneration	Number of Employees	0
	Total variable remuneration (B)	
	Of which cash based	0
	Of which deferred	0
Total Remuneration (A+B)		7,151

14.3 Template REM2: Special payments

Special Payments	Guaranteed Bonuses (AED'000)		Sign on Awards		Severance Payments	
	Number of employees	Total amount	Number of employees	Total amount	Number of employees	Total amount
31-Dec-2025						
Senior Management/Material risk takers	9	246	0	0	0	0

14.4 Template REM3: Deferred remuneration

Not applicable