1. Overview

National Bank of Kuwait - United Arab Emirates branches (the "Branch") relates to the activities of the Dubai and Abu Dhabi Branches of National Bank of Kuwait S.A.K (the "Head Office"), a public shareholding company incorporated in Kuwait in 1952 and registered as a commercial bank with the Central Bank of Kuwait.

The Branch is registered as a Foreign Branch and is regulated by the Central Bank of the United Arab Emirates ("CBUAE") and is engaged in commercial banking activities. The registered addresses of each of the UAE branches and Head office are as follows:

- Dubai Branch: P.O. Box 9293, Dubai, United Arab Emirates
- Abu Dhabi Branch: P.O. Box 113567 Abu Dhabi, United Arab Emirates
- Head office: P.O. Box 95, Abdullah Al Ahmed Street, Safat, 13001, Kuwait

The Pillar III disclosure document is prepared in line with the CBUAE Regulation and Guidelines issued by the CBUAE.

The Pillar III disclosure reflect the activities and operations of the Dubai and Abu Dhabi Branches only and exclude all transactions, activities and operations of the Head Office and its other branches.

The purpose of this report is to inform market participants of the key components, scope and effectiveness of the Bank's risk measurement processes, risk profile and capital adequacy. This is accomplished by providing consistent and understandable disclosures of the Branch's risk profile in a manner that enhances comparability with other financial institutions.

The Basel Accord framework consists of three pillars:

- Pillar 1 provides a framework for measuring capital requirements for credit, operational and market risks under the "Standardised Approach";

- Pillar 2 relates to the supervisory review process and emphasises the importance of the Internal Capital Adequacy Assessment Process (ICAAP) performed by banks; and

- Pillar 3 aims to complement the capital adequacy requirements under Pillar 1 and Pillar 2 by requiring banks to provide a consistent and understandable disclosure framework which facilitates comparison, thus enhancing the safety and soundness of the banking industry in UAE.

A key objective of Branch along with its Head Office is (collectively the "Group") is to maximise shareholders' value with optimal levels of risk, whilst maintaining a strong capital base to support the development of its business and comply with externally imposed capital requirements.

The below table summarizes the Key Metrics of Capital Adequacy Ratio for UAE branches.

	Table - KM1 - Key metrics (at UAE Branches level)	Mar-24	Dec-23	Sep-23	Jun-23	Mar-23
	Available capital (AED 000)					
1	Common Equity Tier 1 (CET1)	2,128,805	2,127,105	1,964,126	1,964,105	1,964,334
1a	Fully loaded ECL accounting model	2,128,805	2,127,105	1,964,126	1,964,105	1,964,334
2	Tier 1	2,128,805	2,127,105	1,964,126	1,964,105	1,964,334
2a	Fully loaded ECL accounting model Tier 1	2,128,805	2,127,105	1,964,126	1,964,105	1,964,334
3	Total capital	2,201,185	2,195,167	2,034,066	2,025,462	2,021,968
3a	Fully loaded ECL accounting model total capital	2,201,185	2,195,167	2,034,066	2,025,462	2,021,968
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	6,086,054	5,667,263	5,817,079	5,132,121	4,832,373
	Risk-based capital ratios as a percentage of RWA					
5	Common Equity Tier 1 ratio (%)	34.98%	37.53%	33.76%	38.27%	40.65%
5a	Fully loaded ECL accounting model CET1 (%)	34.98%	37.53%	33.76%	38.27%	40.65%
6	Tier 1 ratio (%)	34.98%	37.53%	33.76%	38.27%	40.65%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	34.98%	37.53%	33.76%	38.27%	40.65%
7	Total capital ratio (%)	36.17%	38.73%	34.97%	39.47%	41.84%
7a	Fully loaded ECL accounting model total capital ratio (%)	36.17%	38.73%	34.97%	39.47%	41.84%
	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 (%)	-	-	-	-	-
10	Bank D-SIB additional requirements (%)	-	-	-	-	-
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9+ row 10)	2.50%	2.50%	2.50%	2.50%	2.50%
12	CET1 available after meeting the bank's minimum capital requirements (%)	27.98%	30.53%	26.76%	31.27%	33.65%
	Leverage Ratio					
13	Total leverage ratio measure	10,336,645	9,841,306	8,691,751	6,873,845	6,189,464
14	Leverage ratio (%) (row 2/row 13)	20.59%	21.61%	22.60%	28.57%	31.74%
14a	Fully loaded ECL accounting model leverage ratio (%) (row 2A/row 13)	20.59%	21.61%	22.60%	28.57%	31.74%
14b	Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	20.59%	21.61%	22.60%	28.57%	31.74%
	Liquidity Coverage Ratio					
15	Total HQLA	-	-	-	-	-
16	Total net cash outflow	-	-	-	-	-
17	LCR ratio (%)	-	-	-	-	-
	Net Stable Funding Ratio					
18	Total available stable funding	-	-	-	-	-
19	Total required stable funding	-	-	-	-	-
20	NSFR ratio (%)	-	-	-	-	-
	ELAR					
21	Total HQLA	1,185,679	1,388,238	1,085,281	1,103,370	1,019,448
22	Total liabilities	6,488,118	6,471,958	5,379,231	3,973,699	3,480,642
23	Eligible Liquid Assets Ratio (ELAR) (%)	18.27%	21.45%	20.18%	27.77%	29.29%
	ASRR					
24	Total available stable funding	7,379,360	7,074,794	6,233,157	4,704,066	4,655,039
25	Total Advances	4,837,399	4,145,421	4,136,345	4,109,084	4,255,645
26	Advances to Stable Resources Ratio (%)	65.55%	58.59%	66.36%	87.35%	91.42%

2. OVERVIEW OF RISK MANAGEMENT AND RWA

Risk management

The Group's risk management framework is integral to its operations and culture and it seeks to manage risk in a structured, systematic manner through a global risk policy, which embeds comprehensive risk management into the organisational structure, risk measurement and monitoring processes.

Ultimate responsibility for setting out risk appetite and effective management of risk rests with the Board of Directors. This is managed through the Board Risk & Compliance Committee (the "BRCC") and the Group Executive Committee (the "EC"), which ensure that risk-taking authority and policies are effectively communicated from the Board to the appropriate business units. The Group's risk management and compliance function and its internal audit function assist Executive Management in controlling and actively managing the Group's overall risk profile.

The key features of the Group's comprehensive risk management policy are:

- the Board provides overall risk management direction and oversight;
- the Group's risk appetite is reviewed by the BRCC and ultimately approved by the Board;
- risk management is embedded in the Group as an intrinsic process and is a core competency of all its employees;
- the Group manages its credit, market, liquidity and operational risks in a coordinated manner within the organisation; and
- the Group's internal audit function reports to the Board Audit Committee (the “BAC”) and provides independent validation of the business units' compliance with risk policies and procedures and the adequacy and effectiveness of the risk management framework on a Group-wide basis.

The function also ensures that:

- The Group’s overall business strategy is consistent with its risk appetite approved by the Board and allocated by the Executive Committee.
- Risk policies, procedures and methodologies are consistent with the Group’s risk appetite.
- Appropriate risk management architecture and systems are developed and implemented; and
- Risks and limits of the portfolio are monitored throughout the Group, including at appropriate “regional” levels.

The Group regularly assesses the adequacy and effectiveness of its risk management framework in light of the changing risk environment.

The key elements of the Board-approved risk strategy are:

- maintaining stability and business continuity during stress situations;
- ensuring effective and adequate compliance with Regulatory Capital requirements
- developing the Group's IT infrastructure and using modern methods to raise the professional level and levels of experience of human resources;
- effective risk planning through an appropriate risk appetite; and

The Group's risk appetite defines the maximum limit of risk that the Group is willing to accept in relevant business categories in order to achieve an optimal balance of risk and return which will enable the achievement of its strategic objectives. Any risk, which breaches the Group’s stated risk appetite, must be mitigated as a matter of priority to within acceptable levels.

The risk appetite is annually reviewed and presented by the BRCC to the Board for final approval. This ensures the risk appetite statements are consistent with the Group's strategy and business environment. Through the risk appetite statements, the Board communicates to Management the acceptable level of risk for the Group, determined in a manner which meets the objectives of shareholders, depositors and regulators.

The Group risk management and compliance function aims to identify early warnings of risk limit and risk appetite breaches, and is responsible for notifying them to the BRCC and the Board.

The Group's risk management framework enables the Group to identify, assess, limit and monitor risks using a comprehensive range of quantitative and qualitative tools. Some of these tools are common to a number of risk categories, while others are tailored to the particular features of specific risk categories and enable generation of information.

The Group regularly assesses the adequacy and effectiveness of its reporting tools and metrics in light of the changing risk environment.

The Group organizes and manages its operations by segmentation of business lines into corporate, retail, private banking etc. International Banking Group (IBG) located in Kuwait (established by the Board of Directors of NBK SAK) is responsible for the management and oversight of NBK branch and subsidiary operations located outside Kuwait. It comprises a dedicated senior management team committed and closely involved in the strategic decisions and directions of the Branch along with EC.

The overall risk function is manages by Group Risk Management (GRM) headed by the Group Chief Risk Officer (CRO) centrally. There are various Credit committees to manage the credit risk, ALCO manages market and liquidity risk.

Capital management

The capital planning exercise and execution involves the development of specific capital and other actions the branch plans to execute over the coming year, as well as the development of a number of contingent mitigating actions that can be called upon if needed. The development of the capital plan is a core exercise of the local ICAAP committee. The capital plan is submitted to IBG management for further actions if any required. Final approval is received from Group Executive Committee for any capital action proposed.

A number of options available for maintaining an adequate risk and capital profile are evaluated. These actions may be used in emergency conditions as well as regular operating conditions and cover both short-term remedies to a threat to the branch's capital adequacy as well as longer-term policies.

The actions include:

- Setting internal limits and targets for capital resources/ ratios
- Establishing appropriate repatriation policy in relation to capital adequacy
- Executing capital infusion
- Executing other instruments like MTN etc.
- Managing other levels of risk

On an ongoing basis, NBKUAE management reviews the options available to it to optimize its capital structure. These options include actions such as additional capital infusion from HO, modification of repatriation policies, adjustment of limits or other actions to affect the balance of risk and capital within the branch.

HO is committed to providing adequate financial support through capital retention and capital contributions, as and when required.

The following table provide the Overview of the total risk weighted asset (RWA) for UAE branches.

Table - OV1 - Overview of RWA			RWA (AED 000)				Minimum capital requirements *
		Mar-24	Dec-23	Sep-23	Jun-23	Mar-23	Dec-23
1	Credit risk (excluding counterparty credit risk)	5,787,120	5,444,974	5,593,061	4,904,446	4,602,143	571,722
2	Of which: standardised approach (SA)	5,787,120	5,444,974	5,593,061	4,904,446	4,602,143	571,722
3	[redacted]						
4							
5							
6	Counterparty credit risk (CCR)	3,314	-	2,154	4,110	8,616	-
7	Of which: standardised approach for counterparty credit risk						
8	[redacted]						
9							
10							
11							
12	Equity investments in funds - look-through approach						
13	Equity investments in funds - mandate-based approach						
14	Equity investments in funds - fall-back approach						
15	Settlement risk						
16	Securitisation exposures in the banking book						
17	[redacted]						
18	Of which: securitisation external ratings-based approach (SEC-ERBA)						
19	Of which: securitisation standardised approach (SEC-SA)						
20	Market risk	10,672	7,121	6,696	8,397	6,447	748
21	Of which: standardised approach (SA)	10,672	7,121	6,696	8,397	6,447	748
22	[redacted]						
23	Operational risk	284,948	215,168	215,168	215,168	215,168	22,593
24	[redacted]						
25							
26	**Total (1+6+10+11+12+13+14+15+16+20+23)**	**6,086,054**	**5,667,263**	**5,817,079**	**5,132,121**	**4,832,374**	**595,063**

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3. LEVERAGE RATIO

The below table provide the details of leverage ratio

Leverage ratio

	Table - LR2 - Leverage ratio common disclosure template (January 2014 standard) (AED 000)	Mar-24	Dec-23	Sep-23	Jun-23	Mar-23
On-balance sheet exposures						
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	8,773,044	8,721,541	7,585,342	6,137,307	5,600,727
2	Gross-up for derivatives collateral provided where deducted from balance sheet assets pursuant to the operative accounting framework	-	-	-	-	-
3	(Deductions of receivable assets for cash variation margin provided in derivatives transactions)	-	-	-	-	-
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	-	-	-	-	-
5	(Specific and general provisions associated with on-balance sheet exposures that are deducted from Tier 1 capital)	-	-	-	-	-
6	(Asset amounts deducted in determining Tier 1 capital)	(1,610)	(1,655)	(1,698)	(1,719)	(1,490)
7	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)**	8,771,434	8,719,886	7,583,644	6,135,588	5,599,237
Derivative exposures						
8	Replacement cost associated with *all* derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	4,595	-	5,515	1,413	150
9	Add-on amounts for PFE associated with *all* derivatives transactions	11,976	-	5,256	5,256	42,932
10	(Exempted CCP leg of client-cleared trade exposures)					
11	Adjusted effective notional amount of written credit derivatives					
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)					
13	**Total derivative exposures (sum of rows 8 to 12)**	16,570	-	10,770	6,668	43,082
Securities financing transactions						
14	Gross SFT *assets* (with no recognition of netting), after adjusting for sale accounting transactions					
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)					
16	CCR exposure for SFT assets					
17	Agent transaction exposures					
18	**Total securities financing transaction exposures (sum of rows 14 to 17)**					
Other off-balance sheet exposures						
19	Off-balance sheet exposure at gross notional amount	3,861,698	2,955,344	2,953,172	2,316,342	1,885,656
20	(Adjustments for conversion to credit equivalent amounts)	(2,313,058)	(1,833,924)	(1,855,835)	(1,584,753)	(1,338,511)
21	(Specific and general provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital)					
22	**Off-balance sheet items (sum of rows 19 to 21)**	1,548,640	1,121,420	1,097,337	731,589	547,145
Capital and total exposures						
23	**Tier 1 capital**	2,128,805	2,127,105	1,964,126	1,964,105	1,964,334
24	**Total exposures (sum of rows 7, 13, 18 and 22)**	10,336,645	9,841,306	8,691,751	6,873,845	6,189,464
Leverage ratio						
25	**Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)**	20.6%	21.6%	22.6%	28.6%	31.7%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	-	-	-	-	-
26	CBUAE minimum leverage ratio requirement	3%	3%	3%	3%	3%
27	**Applicable leverage buffers**	17.6%	18.6%	19.6%	25.6%	28.7%

4. Eligible Liquid Asset Ratio (ELAR)

The details of the Eligible Liquid Asset Ratio (ELAR) is provided in the below table

Table - ELAR - Eligible Liquid Assets Ratio (AED 000)		Mar-24		Dec-23		Sep-23		Jun-23		Mar-23	
1	High Quality Liquid Assets	Nominal amount	Eligible Liquid Asset	Nominal amount	Eligible Liquid Asset	Nominal amount	Eligible Liquid Asset	Nominal amount	Eligible Liquid Asset	Nominal amount	Eligible Liquid Asset
1.1	Physical cash in hand at the bank + balances with the CBUAE	1,185,679		1,388,238		1,085,281		1,103,370		1,019,448	
1.2	UAE Federal Government Bonds and Sukuks										
	Sub Total (1.1 to 1.2)	1,185,679	1,185,679	1,388,238	1,388,238	1,085,281	1,085,281	1,103,370	1,103,370	1,019,448	1,019,448
1.3	UAE local governments publicly traded debt securities										
1.4	UAE Public sector publicly traded debt securities										
	Sub total (1.3 to 1.4)	0	0	0	0	0	0	0	0	0	0
1.5	Foreign Sovereign debt instruments or instruments issued by their respective central banks		0		0		0		0		0
1.6	Total	1,185,679	1,185,679	1,388,238	1,388,238	1,085,281	1,085,281	1,103,370	1,103,370	1,019,448	1,019,448
2	Total liabilities		6,488,118		6,471,958		5,379,231		3,973,699		3,480,642
3	Eligible Liquid Assets Ratio (ELAR)		0.18		0.21		0.20		0.28		0.29

5. Advances to Stable Resources Ratio (ASSR)

The below provide the detail of the Advances to Stable Resources Ratio (ASSR)

Table - ASRR - Advances to Stables Resource Ratio							
		Items (AED 000)	**Amount**	**Amount**	**Amount**	**Amount**	**Amount**
1		**Computation of Advances**	Mar-24	Dec-23	Sep-23	Jun-23	Mar-23
	1.1	Net Lending (gross loans - specific and collective provisions + interest in suspense)	3,302,947	3,359,043	3,535,564	3,506,908	3,626,080
	1.2	Lending to non-banking financial institutions					
	1.3	Net Financial Guarantees & Stand-by LC (issued - received)	249,076	51,878	49,906	51,301	78,690
	1.4	Interbank Placements	1,285,376	734,500	550,875	550,875	550,875
	1.5	**Total Advances**	4,837,399	4,145,421	4,136,345	4,109,084	4,255,645
2		**Calculation of Net Stable Ressources**					
	2.1	Total capital + general provisions	2,247,396	2,212,098	2,172,419	2,129,937	2,087,675
		Deduct:					
	2.1.1	Goodwill and other intangible assets					
	2.1.2	Fixed Assets	36,899	37,474	37,984	38,572	38,680
	2.1.3	Funds allocated to branches abroad					
	2.1.5	Unquoted Investments					
	2.1.6	Investment in subsidiaries, associates and affiliates					
	2.1.7	**Total deduction**	36,899	37,474	37,984	38,572	38,680
	2.2	**Net Free Capital Funds**	2,210,497	2,174,624	2,134,435	2,091,365	2,048,995
	2.3	**Other stable resources:**					
	2.3.1	Funds from the head office					
	2.3.2	Interbank deposits with remaining life of more than 6 months	0	0	0	200,500	199,729
	2.3.3	Refinancing of Housing Loans					
	2.3.4	Borrowing from non-Banking Financial Institutions	375	86	341	167	288
	2.3.5 (a)	Customer Deposits with remaining life of more than 6 months (BRF 9)	74,462	53,825	558,462	41,089	44,406
	2.3.5 (b)	85% of the rest of Customer Deposits	5,094,026	4,846,259	3,539,919	2,370,945	2,361,621
	2.3.6	Capital market funding/ term borrowings maturing after 6 months from reporting date					
	2.3.7	**Total other stable resources**	5,168,863	4,900,170	4,098,722	2,612,701	2,606,044
	2.4	**Total Stable Resources (2.2+2.3.7)**	7,379,360	7,074,794	6,233,157	4,704,066	4,655,039
3		**Advances TO STABLE RESOURCES RATIO (1.6/ 2.4*100)**	65.55	58.59	66.36	87.35	91.42