

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)	Jun-23	Mar-23	Dec-22	Sep-22	Jun-22
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1)	1,964,105	1,964,334	1,964,515	1,899,733	1,899,733
1a	Fully loaded ECL accounting model	1,964,105	1,964,334	1,964,515	1,899,733	1,899,733
2	Tier 1	1,964,105	1,964,334	1,964,515	1,899,733	1,899,733
2a	Fully loaded ECL accounting model Tier 1	1,964,105	1,964,334	1,964,515	1,899,733	1,899,733
3	Total capital	2,025,462	2,021,968	2,017,954	1,955,989	1,950,370
3a	Fully loaded ECL accounting model total capital	2,025,462	2,021,968	2,017,954	1,955,989	1,950,370
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	5,132,121	4,832,373	4,529,879	4,756,391	4,308,117
	Risk-based capital ratios as a percentage of RWA					
5	Common Equity Tier 1 ratio (%)	38.27%	40.65%	43.37%	39.94%	44.10%
5a	Fully loaded ECL accounting model CET1 (%)	38.27%	40.65%	43.37%	39.94%	44.10%
6	Tier 1 ratio (%)	38.27%	40.65%	43.37%	39.94%	44.10%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	38.27%	40.65%	43.37%	39.94%	44.10%
7	Total capital ratio (%)	39.47%	41.84%	44.55%	41.12%	45.27%
7a	Fully loaded ECL accounting model total capital ratio (%)	39.47%	41.84%	44.55%	41.12%	45.27%
	Additional CET1 buffer requirements as a percentage of RWA					
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.50%	2.50%	2.50%	2.50%	2.50%
9	Countercyclical buffer requirement (%)	-	-	-	-	-
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 (%)	31.27%	33.65%	36.37%	32.94%	37.10%
	Leverage Ratio					
13	Total leverage ratio measure	6,887,726	6,189,464	6,374,080	7,059,784	6,363,990
14	Leverage ratio (%) (row 2/row 13)	28.52%	31.74%	30.82%	26.91%	29.85%
14a	Fully loaded ECL accounting model leverage ratio (%) (row 2A/row 13)	28.52%	31.74%	30.82%	26.91%	29.85%
14b	Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	28.52%	31.74%	30.82%	26.91%	29.85%
	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	1,103,370	1,019,448	1,337,131	1,464,821	770,521
22	Total liabilities	3,973,699	3,480,642	3,686,283	4,465,030	3,852,520
23	Eligible Liquid Assets Ratio (ELAR) (%)	27.77%	29.29%	36.27%	32.81%	20.00%
	ASRR					
24	Total available stable funding	4,704,066	4,655,039	4,355,307	5,167,058	4,759,200
25	Total Advances	4,109,084	4,255,645	3,804,943	4,100,634	3,659,321
26	Advances to Stable Resources Ratio (%)	87.35%	91.42%	87.36%	79.36%	76.89%

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 managed 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, NBK UAE 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 *
		Jun-23	Mar-23	Dec-22	Sep-22	Jun-22	Jun-23
1	Credit risk (excluding counterparty credit risk)	4,904,446	4,602,143	4,273,120	4,496,179	4,044,928	514,967
2	Of which: standardised approach (SA)	4,904,446	4,602,143	4,273,120	4,496,179	4,044,928	514,967
3							
4							
5							
6	Counterparty credit risk (CCR)	4,110	8,616	1,962	4,323	6,044	432
7	Of which: standardised approach for counterparty credit risk						
8							
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							
18	Of which: securitisation external ratings-based approach (SEC-ERBA)						
19	Of which: securitisation standardised approach (SEC-SA)						
20	Market risk	8,397	6,447	3,440	4,531	5,788	882
21	Of which: standardised approach (SA)	8,397	6,447	3,440	4,531	5,788	882
22							
23	Operational risk	215,168	215,168	251,358	251,358	251,358	22,593
24							
25							
26	Total (1+6+10+11+12+13+14+15+16+20+23)	5,132,121	4,832,374	4,529,879	4,756,391	4,308,117	538,873

* Minimum capital requirements applied is 10.5%

3. COMPOSITION OF CAPITAL

The Branch's Regulatory Capital comprises:

Common Equity Tier 1 (CET1) capital which is considered as the core measure of the Branch's financial strength and includes allocated capital, eligible reserves, retained earnings, and

Tier 2 (T2) capital which consists of the allowed portions of general provisions.

The following table provide breakup of the Branch's regulatory capital.

Table - CC1 - Composition of regulatory capital

	30 Jun 2023 AED(000)	31 Dec 2022 AED(000)	30 Jun 2022 AED(000)	CC2 Referenc e
Common Equity Tier 1 capital: Instruments and reserves				
1 Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	1,420,113	1,420,113	1,420,113	B
2 Retained earnings	474,430	474,430	414,948	C
3 Accumulated other comprehensive income (and other reserves)	71,281	71,281	64,672	D
4 <i>Directly issued capital subject to phase-out from CET1 (only applicable to non-joint stock companies)</i>				
5 Common share capital issued by third parties (amount allowed in group CET1)				
6 Common Equity Tier 1 capital before regulatory deductions	1,965,824	1,965,824	1,899,733	
Common Equity Tier 1 capital regulatory adjustments				
7 Prudent valuation adjustments				
8 Goodwill (net of related tax liability)				
9 Other intangibles including mortgage servicing rights (net of related tax liability)	(1,719)	(1,309)		
10 Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of related tax liability)				
11 Cash flow hedge reserve				
12 Securitisation gain on sale				
13 Gains and losses due to changes in own credit risk on fair valued liabilities				
14 Defined benefit pension fund net assets				
15 Investments in own shares (if not already subtracted from paid-in capital on reported balance sheet)				
16 Reciprocal cross-holdings in CET1, AT1, Tier 2				
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)				
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)				
19 Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)				
20 Amount exceeding 15% threshold				
21 Of which: significant investments in the common stock of financials				
22 Of which: deferred tax assets arising from temporary differences				
23 CBUAE specific regulatory adjustments				
24 Total regulatory adjustments to Common Equity Tier 1	(1,719)	(1,309)	0	
25 Common Equity Tier 1 capital (CET1)	1,964,105	1,964,515	1,899,733	

Table - CC1 - Composition of regulatory capital		30 Jun 2023 AED(000)	31 Dec 2022 AED(000)	30 Jun 2022 AED(000)	CC2 Referenc e
Additional Tier 1 capital: instruments					
26	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus				
27	Of which: classified as equity under applicable accounting standards				
28	Of which: classified as liabilities under applicable accounting standards				
29	Directly issued capital instruments subject to phase-out from additional Tier 1				
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)				
31	Of which: instruments issued by subsidiaries subject to phase-out				
32	Additional Tier 1 capital before regulatory adjustments	0	0	0	
Additional Tier 1 capital: regulatory adjustments					
33	Investments in own additional Tier 1 instruments				
34	Investments in capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation				
35	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation				
36	CBUAE specific regulatory adjustments				
37	Total regulatory adjustments to additional Tier 1 capital	0	0	0	
38	Additional Tier 1 capital (AT1)	0	0	0	
39	Tier 1 capital (T1= CET1 + AT1)	1,964,105	1,964,515	1,899,733	
Tier 2 capital: instruments and provisions					
40	Directly issued qualifying Tier 2 instruments plus related stock surplus				
41	Directly issued capital instruments subject to phase-out from Tier 2				
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)				
43	Of which: instruments issued by subsidiaries subject to phase-out				
44	Provisions (max 1.25% of CRWA under standardised approach)	61,357	53,439	50,637	A
45	Tier 2 capital before regulatory adjustments	61,357	53,439	50,637	
Tier 2 capital: regulatory adjustments					
46	Investments in own Tier 2 instruments				
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)				
48	Significant investments in the capital, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)				
49	CBUAE specific regulatory adjustments				
50	Total regulatory adjustments to Tier 2 capital	0	0	0	
51	Tier 2 capital (T2)	61,357	53,439	50,637	
52	Total regulatory capital (TC = T1 + T2)	2,025,462	2,017,954	1,950,370	
53	Total risk-weighted assets	5,132,121	4,529,879	4,308,117	

Table - CC1 - Composition of regulatory capital		30 Jun 2023 AED(000)	31 Dec 2022 AED(000)	30 Jun 2022 AED(000)	CC2 Referenc e
Capital ratios and buffers					
54	Common Equity Tier 1 (as a percentage of risk-weighted assets)	38.27%	43.37%	44.10%	
55	Tier 1 (as a percentage of risk-weighted assets)	38.27%	43.37%	44.10%	
56	Total capital (as a percentage of risk-weighted assets)	39.47%	44.55%	45.27%	
57	Institution specific buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus higher loss absorbency requirement, expressed as a percentage of risk-weighted assets)	2.50%	2.50%		
58	Of which: capital conservation buffer requirement	2.50%	2.50%	34.77%	
59	Of which: bank-specific countercyclical buffer requirement	0.00%	0.00%		
60	Of which: higher loss absorbency requirement (e.g. DSIB)	0.00%	0.00%		
61	Common Equity Tier 1 (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirement.	31.27%	36.37%		
The CBUAE Minimum Capital Requirement					
62	Common Equity Tier 1 minimum ratio	7.00%	7.00%	7.00%	
63	Tier 1 minimum ratio	8.50%	8.50%	8.50%	
64	Total capital minimum ratio	10.50%	10.50%	10.50%	
Amounts below the thresholds for deduction (before risk weighting)					
66	Significant investments in common stock of financial entities		0	0	
68	Deferred tax assets arising from temporary differences (net of related tax liability)		0	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)	73,628	64,126	60,764	
70	Cap on inclusion of provisions in Tier 2 under standardised approach	61,357	53,439	50,637	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)					
73	Current cap on CET1 instruments subject to phase-out arrangements	0	0	0	
74	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	0	0	0	
75	Current cap on AT1 instruments subject to phase-out arrangements	0	0	0	
76	Amount excluded from AT1 due to cap (excess after redemptions and maturities)	0	0	0	
77	Current cap on T2 instruments subject to phase-out arrangements	0	0	0	
78	Amount excluded from T2 due to cap (excess after redemptions and maturities)	0	0	0	

Reconciliation of Regulatory Capital to Balance Sheet

The below table provides reconciliation between regulatory capital and balance sheet

	Balance sheet as in published financial statements (AED 000)	Under regulatory scope (AED 000)	Referenc e (CC1)
Table - CC2 - Reconciliation of regulatory capital to balance sheet	As at period-end	As at period- end	
Assets			
Cash and short term funds	837,464	837,464	
Deposits with banks and other financial institutions	1,103,370	1,103,370	
Investments Securities		-	
Loans and advances to customers - Gross loans	4,107,969	4,107,969	
Of which: Eligible general provision (max 1.25% of CRWA under standardised approach) included in Tier 2	61,357	61,357	A
Premises and equipment	38,572	38,572	
Other assets	50,642	50,642	
Derivative financial instruments	1,009	1,009	
Total assets	6,139,026	6,139,026	
Liabilities			
Due to banks and other financial institutions	1,069,012	1,069,012	
Customer deposits	2,830,633	2,830,633	
Other liabilities	136,982	136,982	
Total liabilities	4,036,627	4,036,627	
Shareholders' equity			
Paid-in share capital			
Of which: amount eligible for CET1	1,420,113	1,420,113	B
Of which: amount eligible for AT1			
Retained earnings	555,255	555,255	
Of which: amount eligible for CET1	474,430		C
Statutory reserve	71,281		
Of which: amount eligible for CET1	71,281	71,281	D
General impairment reserve	55,750	55,750	
Accumulated other comprehensive income			
Total shareholders' equity	2,102,399	2,102,399	

Table - CCA - Main features of regulatory capital instruments is not applicable as the branch has not issued any capital instruments.

4. LEVERAGE RATIO

The below table provide the details of leverage ratio

Table - LR2 - Leverage ratio common disclosure template (January 2014 standard)		Jun-23	Mar-23	Dec-22	Sep-22	Jun-22
On-balance sheet exposures						
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	6,137,307	5,600,727	5,770,785	6,517,179	5,879,092
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)	(1,719)	(1,490)	(1,309)	-	-
7	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)	6,135,588	5,599,237	5,769,476	6,517,179	5,879,092
Derivative exposures						
8	Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	1,413	150	-	5,604	5,166
9	Add-on amounts for PFE associated with all derivatives transactions	19,137	42,932	9,808	16,010	25,052
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)	20,549	43,082	9,808	21,615	30,218
Securities financing transactions						
14	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	-	-	-	-	-
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-	-	-	-
16	CCR exposure for SFT assets	-	-	-	-	-
17	Agent transaction exposures	-	-	-	-	-
18	Total securities financing transaction exposures (sum of rows 14 to 17)	-	-	-	-	-
Other off-balance sheet exposures						
19	Off-balance sheet exposure at gross notional amount	2,316,342	1,885,656	1,946,410	1,691,177	1,592,339
20	(Adjustments for conversion to credit equivalent amounts)	(1,584,753)	(1,338,511)	(1,351,614)	(1,170,187)	(1,137,659)
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)	731,589	547,145	594,796	520,990	454,680
Capital and total exposures						
23	Tier 1 capital	1,964,105	1,964,334	1,964,515	1,899,733	1,899,733
24	Total exposures (sum of rows 7, 13, 18 and 22)	6,887,726	6,189,464	6,374,080	7,059,784	6,363,990
Leverage ratio						
25	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)	28.5%	31.7%	30.8%	26.9%	29.9%
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	25.5%	28.7%	27.8%	23.9%	26.9%

5. 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		Jun-23		Mar-23		Dec-22		Sep-22		Jun-22	
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	1,103,370		1,019,448		1,337,131		1,464,821		770,521	
1.2	UAE Federal Government Bonds and Sukuks										
	Sub Total (1.1 to 1.2)	1,103,370	1,103,370	1,019,448	1,019,448	1,337,131	1,337,131	1,464,821	1,464,821	770,521	770,521
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	1,103,370	1,103,370	1,019,448	1,019,448	1,337,131	1,337,131	1,464,821	1,464,821	770,521	770,521
2	Total liabilities		3,973,699		3,480,642		3,686,283		4,465,030		3,852,520
3	Eligible Liquid Assets Ratio (ELAR)		27.77%		29.29%		36.27%		32.81%		20.00%

6. 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	Amount	Amount	Amount	Amount	Amount
1	Computation of Advances	Jun-23	Mar-23	Dec-22	Sep-22	Jun-22
1.1	Net Lending (gross loans - specific and collective provisions + interest in suspense)	3,506,908	3,626,080	3,175,466	3,291,327	2,938,686
1.2	Lending to non-banking financial institutions					
1.3	Net Financial Guarantees & Stand-by LC (issued - received)	51,301	78,690	77,952	74,603	76,957
1.4	Interbank Placements	550,875	550,875	551,525	734,704	643,678
1.5	Total Advances	4,109,084	4,255,645	3,804,943	4,100,634	3,659,321
2	Calculation of Net Stable Ressources					
2.1	Total capital + general provisions	2,129,937	2,087,675	2,049,112	2,023,242	1,997,665
	Deduct:					
2.1.1	Goodwill and other intangible assets					
2.1.2	Fixed Assets	38,572	38,680	38,959	37,158	37,257
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	38,572	38,680	38,959	37,158	37,257
2.2	Net Free Capital Funds	2,091,365	2,048,995	2,010,153	1,986,084	1,960,408
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	200,500	199,729			367,250
2.3.3	Refinancing of Housing Loans					
2.3.4	Borrowing from non-Banking Financial Institutions	167	288	230	244	316
2.3.5 (a)	Customer Deposits with remaining life of more than 6 months (BRF 9)	41,089	44,406	203,023	368,494	
2.3.5 (b)	85% of the rest of Customer Deposits	2,370,945	2,361,621	2,141,901	2,812,236	2,431,226
2.3.6	Capital market funding/ term borrowings maturing after 6 months from reporting date					
2.3.7	Total other stable resources	2,612,701	2,606,044	2,345,154	3,180,974	2,798,792
2.4	Total Stable Resources (2.2+2.3.7)	4,704,066	4,655,039	4,355,307	5,167,058	4,759,200
3	Advances TO STABLE RESOURCES RATIO (1.6/ 2.4*100)	87.35%	91.42%	87.36%	79.36%	76.89%

7. CREDIT RISK

Credit risk is defined as the likelihood that a customer or counterparty is unable to meet the contracted financial obligations resulting in a default situation and/or financial loss. These risks arise in the Branch and Group's normal course of business.

The below table summarises the credit quality of assets (CR1) as at under

Jun-23							
Table - CR1 - Credit quality of assets							
	a	b	c	d	e	f	
	Gross carrying values of		Allowance s/Impairm ents	Of which ECL accounting provisions for credit losses		Net values (a+b-c)	
	Defaulted exposures	Non- defaulted exposures		Allocated in regulatory category of Specific	Allocated in regulatory category of General		
1	Loans	25,032	4,082,937	49,519	25,032	24,487	4,058,450
2	Debt securities		-	-		-	-
3	Off-balance sheet exposures	10,346	1,620,466	13,409	10,346	3,063	1,617,403
4	Total	35,378	5,703,403	62,928	35,378	27,550	5,675,853
Dec-22							
Table - CR1 - Credit quality of assets							
	a	b	c	d	e	f	
	Gross carrying values of		Allowance s/Impairm ents	Of which ECL accounting		Net values (a+b-c)	
	Defaulted exposures	Non- defaulted exposures		Allocated in regulatory category of Specific	Allocated in regulatory category of General		
1	Loans	25,043	3,739,202	49,210	25,043	24,167	3,715,035
2	Debt securities		1,240,112	673		673	1,239,439
3	Off-balance sheet exposures	10,346	1,230,004	13,000	10,346	2,654	1,227,350
4	Total	35,389	6,209,318	62,883	35,389	27,494	6,181,824
Jun-22							
Table - CR1 - Credit quality of assets							
	a	b	c	d	e	f	
	Gross carrying values of		Allowance s/Impairm ents	Of which ECL accounting		Net values (a+b-c)	
	Defaulted exposures	Non- defaulted exposures		Allocated in regulatory category of Specific	Allocated in regulatory category of General		
1	Loans	18,561	3,520,126	28,291	18,561	9,730	3,510,396
2	Debt securities		-	0		-	-
3	Off-balance sheet exposures	10,346	941,277	12,233	10,346	1,887	939,390
4	Total	28,907	4,461,403	40,524	28,907	11,617	4,449,786

The below table describes the changes in the defaulted exposure, the flow between defaulted and non defaulted exposure and write off during the year.

Table - CR2 - Changes in the stock of defaulted loans and debt securities	2023	2022
Defaulted loans and debt securities at the end of the previous reporting period	25,032	10,998
Loans and debt securities that have defaulted since the last reporting period	-	14,034
Returned to non-default status		
Amounts written off		-
Other changes		
Defaulted loans and debt securities at the end of the reporting period (1+2-3-4+5)	25,032	25,032

Definition of default

The Branch considers a financial asset to be in default and therefore Stage 3 (credit impaired) for ECL calculations when:

the borrower is unlikely to pay its credit obligations to the Branch in full, without recourse by the Branch to actions such as realising security (if any is held);

the borrower is past due more than 90 days on any material credit obligation to the Branch; or

borrower is considered as credit impaired based on qualitative assessment for internal credit risk

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retail facilities from commencement of legal recourse.

Any credit impaired or stressed facility that has been restructured would also be considered as in default.

The Branch considers investments and interbank balances as in default when the coupon or principal payment is past due for 1 day. The Branch considers externally-rated portfolio with ratings 'D' for S&P and Fitch, and 'C' for Moody's as defaulted.

The Branch considers a variety of indicators that may indicate unlikelihood to pay as part of a qualitative assessment of whether a customer is in default. Such indicators include:

breaches of covenants

borrower having past due liabilities to public creditors or employees

borrower is deceased

The Branch considers a financial asset as 'cured' (i.e. no longer be in default) and therefore reclassified out of stage 3 when it no longer meets any of the default criteria. In respect of restructured facilities which are classified in stage 3, these would be required to complete the moratorium period (if any) and meet the scheduled payments (all on current basis) for at least 1 year (except for retail facilities), or as determined by the Branch for consideration for classifying the facility in stage 2/stage 1.

Significant increase in credit risk

The Branch continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12 months ECL or life time ECL, the Branch assess as whether there has been a significant increase in credit risk since initial recognition. The quantitative criteria used to determine a significant increase in credit risk is a series of relative and absolute thresholds. All financial assets that are 90 days past due are deemed to have significant increase in credit risk since initial recognition and migrated to stage 2 even if other criteria do not indicate a significant increase in credit risk. Retail facilities however, migrate to stage 2 based on days past due movement and the IFRS 9 presumption of 30 days past due is rebuttable but not rebutted.

The Branch considers a financial instrument with an external rating of “investment grade” (high grade) as at the reporting date to have low credit risk. In addition to the above quantitative criteria, the Branch applies qualitative criteria for the assessment of significant increase in credit risk based on monitoring of certain early warning signals.

The below table summarises the effect of CRM on standardised approach capital requirements and RWA density provides riskiness of each asset class

As at 30 Jun 2023

Table - CR4 - Standardised approach - credit risk exposure and CRM effects						
	a	b	c	d	e	f
	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
Asset classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
Sovereigns and their central banks	1,095,862	-	1,095,862	-	-	0%
Public Sector Entities	-	-	-	-	-	0%
Multilateral development banks	-	-	-	-	-	0%
Banks	1,403,135	304,358	1,403,135	199,526	564,368	35%
Securities firms	-	-	-	-	-	0%
Corporates	3,409,756	1,322,861	3,409,756	733,911	4,139,719	100%
Regulatory retail portfolios	3,013	-	3,013	-	3,013	100%
Secured by residential property	31,022	-	31,022	-	10,858	35%
Secured by commercial real estate	73,475	-	73,475	-	73,475	100%
Equity Investment in Funds (EIF)	-	-	-	-	-	0%
Past-due loans	25,032	-	25,032	-	25,032	100%
Higher-risk categories	-	-	-	-	-	0%
Other assets	96,012	-	96,012	-	92,092	-
Total	6,137,307	1,627,219	6,137,307	933,437	4,908,556	69%

As at 31 Dec 2022

Table - CR4 - Standardised approach - credit risk exposure and CRM effects						
	a	b	c	d	e	f
	Exposures before CCF and		Exposures post-CCF and		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
Sovereigns and their central banks	1,330,288	-	1,330,288	-	-	0%
Public Sector Entities	-	-	-	-	-	0%
Multilateral development banks	-	-	-	-	-	0%
Banks	1,152,386	184,279	1,152,386	131,203	445,514	35%
Securities firms	-	-	-	-	-	0%
Corporates	3,059,832	1,056,072	3,056,183	562,335	3,631,967	100%
Regulatory retail portfolios	2,845	-	2,845	-	2,845	100%
Secured by residential property	41,156	-	41,156	-	14,405	35%
Secured by commercial real estate	81,980	-	81,980	-	81,980	100%
Equity Investment in Funds (EIF)	-	-	-	-	-	0%
Past-due loans	25,043	-	25,043	-	25,043	100%
Higher-risk categories	75,946	-	75,946	-	69,103	91%
Other assets						
Total	5,769,476	1,240,351	5,765,827	693,538	4,270,857	66%

As at 30 Jun 2022

Table - CR4 - Standardised approach - credit risk exposure and CRM effects						
	a	b	c	d	e	f
	Exposures before CCF and		Exposures post-CCF and		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
Sovereigns and their central banks	762,190	-	762,190	-	-	0%
Public Sector Entities	-	-	-	-	-	0%
Multilateral development banks	-	-	-	-	-	0%
Banks	2,082,768	180,877	2,082,768	126,461	697,436	32%
Securities firms	-	-	-	-	-	0%
Corporates	2,776,899	767,019	2,776,899	356,735	3,129,623	100%
Regulatory retail portfolios	4,039	-	4,039	-	4,039	100%
Secured by residential property	59,581	-	59,581	-	30,339	51%
Secured by commercial real estate	127,074	-	127,074	-	127,074	100%
Equity Investment in Funds (EIF)	-	-	-	-	-	0%
Past-due loans	-	-	-	-	-	0%
Higher-risk categories		-		-	-	0%
Other assets	66,541		66,541		58,210	
Total	5,879,092	947,896	5,879,092	483,196	4,046,721	64%

The below table summarises the credit risk exposure under the standardised approach by asset class and their corresponding risk weight

As at 30 Jun 2023

Table - CR5 - Standardised approach - exposures by asset classes and risk weights									
Risk weight	a	b	c	d	e	f	g	h	i
	0%	20%	35%	50%	75%	100%	150%	Others	Total credit exposures amount (post CCF and post-CRM)
Asset classes									
Sovereigns and their central banks	1,095,862							-	1,095,862
Public Sector Entities								-	-
Multilateral development banks								-	-
Banks		790,275	-	812,147	-	240	-	-	1,602,661
Securities firms								-	
Corporates	3,948					4,139,719		-	4,143,667
Regulatory retail portfolios						3,013		-	3,013
Secured by residential property			31,022			-		-	31,022
Secured by commercial real estate						73,475		-	73,475
Equity Investment in Funds (EIF)								-	
Past-due loans						25,032		-	25,032
Higher-risk categories								-	
Other assets	3,920					92,092		-	96,012
Total	1,103,730	790,275	31,022	812,147	-	4,333,571	-	-	7,070,744

As at 31 Dec 2022

Table - CR5 - Standardised approach - exposures by asset classes and risk weights									
	a	b	c	d	e	f	g	h	i
	0%	20%	35%	50%	75%	100%	150%	Others	Total credit exposures amount (post CCF and post-CRM)
Asset classes									
Sovereigns and their central banks	1,330,288							-	1,330,288
Public Sector Entities								-	-
Multilateral development banks								-	-
Banks		654,667	-	628,682	-	240	-	-	1,283,589
Securities firms								-	
Corporates	5,100					3,631,967		-	3,637,067
Regulatory retail portfolios						2,845		-	2,845
Secured by residential property			41,156			-		-	41,156
Secured by commercial real estate						81,980		-	81,980
Equity Investment in Funds (EIF)								-	
Past-due loans						25,043		-	25,043
Higher-risk categories								-	
Other assets	6,843					69,103		-	75,946
Total	1,342,231	654,667	41,156	628,682	-	3,811,178	-	-	6,477,914

As at 30 Jun 2022

Table - CR5 - Standardised approach - exposures by asset classes and risk weights									
	a	b	c	d	e	f	g	h	i
	0%	20%	35%	50%	75%	100%	150%	Others	Total credit exposures amount (post CCF and post-CRM)
Asset classes									
Sovereigns and their central banks	762,190							-	762,190
Public Sector Entities								-	-
Multilateral development banks								-	-
Banks		1,357,662	-	851,328	-	240	-	-	2,209,229
Securities firms								-	
Corporates	4,011					3,129,623		-	3,133,634
Regulatory retail portfolios						4,039		-	4,039
Secured by residential property			44,987			14,594		-	59,581
Secured by commercial real estate						127,074		-	127,074
Equity Investment in Funds (EIF)								-	
Past-due loans								-	
Higher-risk categories								-	
Other assets	8,331					58,210		-	66,541
Total	774,532	1,357,662	44,987	851,328	-	3,333,779	-	-	6,362,288

8. Market risk

Market risk is defined as the potential loss in value of financial instruments or contracts or portfolio of instruments/ caused by adverse movements in market variables such as interest rates, foreign exchange rates, equity prices, volatility, spreads etc.

Table - MR1 - Market risk under the standardised approach	30-Jun-23	31-Dec-22	30-Jun-22
	RWA	RWA	RWA
General Interest rate risk (General and Specific)			
Equity risk (General and Specific)			
Foreign exchange risk	8,397	3,440	5,788
Commodity risk			
Options			
Simplified approach			
Delta-plus method			
Scenario approach			
Securitisation			
Total	8,397	3,440	5,788