PILLAR 3 DISCLOSURE

National Bank of Kuwait UAE.
(branches of National Bank of Kuwait, S.A.K.P. Kuwait)

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, Al Shuhada 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 Pillar III disclosures for the year ended 31 December 2022 have been appropriately verified.
The below table summarizes the Key Metrics of Capital Adequacy Ratio for UAE branches.

						AED (000)
	Table - KM1 - Key metrics (at UAE Branches level)	Dec-22	Sep-22	Jun-22	Mar-22	Dec-21
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1)	1,964,515	1,899,733	1,899,733	1,899,733	1,899,733
1a	Fully loaded ECL accounting model	1,964,515	1,899,733	1,899,733	1,899,733	1,899,733
2	Tier 1	1,964,515	1,899,733	1,899,733	1,899,733	1,899,733
2a	Fully loaded ECL accounting model Tier 1	1,964,515	1,899,733	1,899,733	1,899,733	1,899,733
3	Total capital	2,017,954	1,955,989	1,950,370	1,952,921	1,949,844
3a	Fully loaded ECL accounting model total capital	2,017,954	1,955,989	1,950,370	1,952,921	1,949,844
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	4,529,879	4,756,391	4,308,117	4,510,678	4,295,436
	Risk-based capital ratios as a percentage of RWA					
5	Common Equity Tier 1 ratio (%)	%43.37	%39.94	%44.10	%42.12	%44.23
5a	Fully loaded ECL accounting model CET1 (%)	%43.37	%39.94	%44.10	%42.12	%44.23
6	Tier 1 ratio (%)	%43.37	%39.94	%44.10	%42.12	%44.23
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	%43.37	%39.94	%44.10	%42.12	%44.23
7	Total capital ratio (%)	%44.55	%41.12	%45.27	%43.30	%45.39
7a	Fully loaded ECL accounting model total capital ratio (%)	%44.55	%41.12	%45.27	%43.30	%45.39
	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 (%)	%36.37	%32.94	%37.10	%35.12	%37.23
	Leverage Ratio					
13	Total leverage ratio measure	6,374,080	7,059,784	6,363,990	5,725,156	5,764,078
14	Leverage ratio (%) (row 2/row 13)	%30.82	%26.91	%29.85	%33.18	%32.96
14a	Fully loaded ECL accounting model leverage ratio (%) (row 2A/row 13)	%30.82	%26.91	%29.85	%33.18	%32.96
14b	Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	%30.82	%26.91	%29.85	%33.18	%32.96
	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	1,337,131	1,464,821	770,521	868,814	942,729
22	Total liabilities	3,686,283	4,465,030	3,852,520	3,301,184	3,328,788
23	Eligible Liquid Assets Ratio (ELAR) (%)	%36.27	%32.81	%20.00	%26.32	%28.32
	ASRR					

24	Total available stable funding	4,355,307	5,167,058	4,759,200	4,562,457	4,517,047
25	Total Advances	3,804,943	4,100,634	3,659,321	4,046,057	3,673,111
26	Advances to Stable Resources Ratio (%)	%87.36	%79.36	%76.89	%88.68	%81.32

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 co-ordinated 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 on executing 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*
		Dec-22	Sep-22	Jun-22	Mar-22	Dec-21	Dec-22
1	Credit risk (excluding counterparty credit risk)	4,273,120	4,496,179	4,044,928	4,252,907	4,008,714	448,678
2	Of which: standardised approach (SA)	4,273,120	4,496,179	4,044,928	4,252,907	4,008,714	448,678
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)	1,962	4,323	6,044	2,140	156	206
7	Of which: standardised approach for counterparty credit risk						
8	Of which: Internal Model Method (IMM)						
9	Of which: other CCR						
10	Credit valuation adjustment (CVA)						
11	Equity positions under the simple risk weight approach						
12	Equity investments in funds - look-through approach						
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	Of which: securitisation internal ratings-based approach (SEC-IRBA)						
18	Of which: securitisation external ratings-based approach (SEC-ERBA)						
19	Of which: securitisation standardised approach (SEC-SA)						
20	Market risk	3,440	4,531	5,788	4,274	4,099	361
21	Of which: standardised approach (SA)	3,440	4,531	5,788	4,274	4,099	361
22	Of which: internal models approach (IMA)						
23	Operational risk	251,358	251,358	251,358	251,358	282,467	26,393
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)**	**4,529,879**	**4,756,391**	**4,308,117**	**4,510,678**	**4,295,436**	**475,637**

* Minimum capital requirements applied is 10.5%

3. MAIN SOURCES OF DIFFERENCES BETWEEN REGULATORY EXPOSURE AMOUNTS AND CARRYING VALUES IN FINANCIAL STATEMENTS

The following table provide linkage of regulatory exposures with the financial statements of Branch.

		a	b	c	d	e
Table - LIA - Explanations of differences between accounting and regulatory exposure amounts		**Total**	**Items subject to:**			
			Credit risk framework	**Securitisation framework**	**Counterparty credit risk framework**	**Market risk framework**
1	Asset carrying value amount under scope of regulatory (as per Financila statements)	5,708,992	5,769,478	-	-	-
2	Liabilities carrying value amount under regulatory scope	-	-	-	-	
3	Total net amount under regulatory scope of consolidation	5,708,992	5,769,478	-	-	-
4	Off-balance sheet amounts	1,240,350	1,240,350	-	-	-
5	Differences in valuations	-		-	-	-
6	Differences due to different netting rules, other than those already included in row 2	11,276				
7	Differences due to consideration of provisions	49,210	-			
8	Differences due to prudential filters	-	-	-	-	-
9	Exposure amounts considered for regulatory purposes	7,009,828	7,009,828	-	-	-

Off Balance sheet amounts in the above table are prior to application of CCF

Differences arise due to fact that balances are shown net of provisions in financial statements whereas they are shown gross in regulatory consolidation and due fair valuation of financial assets and derivatives.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, in the most advantageous market to which the Branch has access at that date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique.

When available, the Branch measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Derivative financial instruments and hedge accounting

The Branch deals in forward foreign exchange contracts for customers and to manage its foreign currency positions and cash flows. All derivative financial instruments of the Branch are recorded in the statement of financial position at fair value. The fair value of a derivative is the equivalent of the unrealised gain or loss from marking to market the derivative using prevailing market rates or internal pricing models. Positive and negative fair values are reported as assets and liabilities respectively and are offset when there is both an intention to settle net and a legal right to offset exists.

4. COMPOSITION OF CAPITAL

The Branch's Regulatory Capital comprises:

a. 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

b. 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		Amounts 2022	Amounts 2021	CC2 Reference
	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	B
2	Retained earnings	474,430	414,948	
3	Accumulated other comprehensive income (and other reserves)	71,281	64,672	
4	Directly issued capital subject to phase-out from CET1 (only applicable to non-joint stock companies)	-	-	
5	Common share capital issued by third parties (amount allowed in group CET1)	-	-	
6	Common Equity Tier 1 capital before regulatory deductions	**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)	(1,309)	-	
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**	(1,309.0)	-	
25	**Common Equity Tier 1 capital (CET1)**	1,964,515	1,899,733	
	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	-	-	
	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	-	-	
38	**Additional Tier 1 capital (AT1)**	-	-	
39	**Tier 1 capital (T1= CET1 + AT1)**	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)	53,439	50,111	
45	**Tier 2 capital before regulatory adjustments**	53,439	50,111	
	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**	-	-	
51	**Tier 2 capital (T2)**	53,439	50,111	
52	**Total regulatory capital (TC = T1 + T2)**	2,017,954	1,949,844	
53	**Total risk-weighted assets**	4,529,879	4,295,436	
	Capital ratios and buffers			
54	Common Equity Tier 1 (as a percentage of risk-weighted assets)	%43.37	%44.23	
55	Tier 1 (as a percentage of risk-weighted assets)	%43.37	%44.23	
56	Total capital (as a percentage of risk-weighted assets)	%44.55	%45.39	
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	
59	Of which: bank-specific countercyclical buffer requirement	-	%0.00	
60	Of which: higher loss absorbency requirement (e.g. DSIB)	-	%0.00	
61	Common Equity Tier 1 (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirement.	%36.37	%37.23	
	The CBUAE Minimum Capital Requirement			
62	Common Equity Tier 1 minimum ratio	%7.00	%7.00	
63	Tier 1 minimum ratio	%8.50	%8.50	
64	Total capital minimum ratio	%10.50	%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		-	
66	Significant investments in common stock of financial entities	-	-	
67	Mortgage servicing rights (net of related tax liability)		-	
68	Deferred tax assets arising from temporary differences (net of related tax liability)	-	-	
	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)	64,126	60,133	
70	Cap on inclusion of provisions in Tier 2 under standardised approach	53,439	50,111	
71	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)			
72	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach			
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)			
73	Current cap on CET1 instruments subject to phase-out arrangements	-	-	
74	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	-	
75	Current cap on AT1 instruments subject to phase-out arrangements	-	-	
76	Amount excluded from AT1 due to cap (excess after redemptions and maturities)	-	-	

77	Current cap on T2 instruments subject to phase-out arrangements	-	-	
78	Amount excluded from T2 due to cap (excess after redemptions and maturities)	-	-	

Reconciliation of Regulatory Capital to Balance Sheet

The below table provides reconciliation between regulatory capital and balance sheet

Table - CC2 - Reconciliation of regulatory capital to balance sheet	**Balance sheet as in published financial statements (AED 000)**	**Under regulatory scope (AED 000)**	**Balance sheet as in published financial statements (AED 000)**	**Under regulatory scope (AED 000)**	**Reference (CC1)**
	As at period-end Dec 2022	**As at period-end Dec 2022**	**As at period-end Dec 2021**	**As at period-end Dec 2021**	
Assets					
Cash and short term funds	683,473	683,473	1,201,215	1,201,215	
Deposits with banks and other financial institutions		-	-	-	
Investments Securities	1,240,112	1,240,112	324,981	324,981	
Loans and advances to customers - Gross loans	3,715,035	3,715,035	3,717,644	3,717,644	
Of which: Eligible general provision (max %1.25 of CRWA under standardised approach) included in Tier 2	53,439	53,439	50,023	50,023	A
Premises and equipment	38,959	38,959	37,031	37,031	
Other assets	31,413	31,413	13,628	13,628	
Derivative financial instruments	-	-	138	138	
Total assets	5,708,992	5,708,992	5,294,637	5,294,637	
Liabilities					
Due to banks and other financial institutions	880,960	880,960	1,147,982	1,147,982	
Customer deposits	2,732,121	2,732,121	2,135,673	2,135,673	
Other liabilities	74,337	74,337	55,499	55,499	
Total liabilities	3,687,418	3,687,418	3,339,154	3,339,154	
Shareholders' equity					
Paid-in share capital			-	-	
Of which: amount eligible for CET1	1,420,113	1,420,113	1,420,113	1,420,113	B
Of which: amount eligible for AT1			-	-	
Retained earnings	474,430	474,430	414,948	414,948	
Of which: amount eligible for CET1	474,430		414,948	-	C
Statutory reserve	71,281		64,672	-	
Of which: amount eligible for CET1	71,281	71,281	64,672	64,672	D
General impairment reserve	55,750		55,750		
Eligible general provision (max %1.25 of CRWA under standardised approach) included in Tier 2		53,439		50,111	
Intangile assets		(1,309)			
Accumulated other comprehensive income			-	-	
Total shareholders' equity	2,021,574	2,017,954	1,955,483	1,949,844	
	-	-	-	-	

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

5. LEVERAGE RATIO

The Leverage Ratio is a separate, additional requirement from the risk-based capital requirement. It is defined as the 'capital' measure divided by the 'exposure' measure. The capital measure is made up of Tier 1 capital. The exposure measure is a sum of on-balance sheet assets, derivative exposure, securities finance transactions and off-balance sheet exposures.

The Branch is in compliance with the requirements stipulated by CBUAE for the Leverage Ratio set at a minimum of 3%.

The below table provide the details of leverage ratio

Table - LR2 - Leverage ratio common disclosure template (January 2014 standard)		Dec-22	Sep-22	Jun-22	Mar-22	Dec-21
On-balance sheet exposures						
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	5,770,785	6,517,179	5,879,092	5,312,296	5,326,084
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)	(1,309)	-	-	-	-
7	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)	5,769,476	6,517,179	5,879,092	5,312,296	5,326,084
Derivative exposures						
8	Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	-	5,604	5,166	1,882	193
9	Add-on amounts for PFE associated with all derivatives transactions	9,808	16,010	25,052	8,819	585
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)	9,808	21,615	30,218	10,700	778
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	1,946,410	1,691,177	1,592,339	1,430,949	1,560,477
20	(Adjustments for conversion to credit equivalent amounts)	(1,351,614)	(1,170,187	(1,137,659	(1,028,789	(1,123,261)
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)	594,796	520,990	454,680	402,160	437,216
Capital and total exposures						
23	Tier 1 capital	1,964,515	1,899,733	1,899,733	1,899,733	1,899,733
24	Total exposures (sum of rows 7, 13, 18 and 22)	6,374,080	7,059,784	6,363,990	5,725,156	5,764,078
Leverage ratio						
25	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)	%30.8	%26.9	%29.9	%33.2	%33.0
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	%27.8	%23.9	%26.9	%30.2	%30.0

6. LIQUIDITY RISK

Liquidity risk is defined as the inability to generate sufficient financial resources to meet all obligations and commitments as they fall due, or the ability only to secure them at excessive cost. It is the policy of the Branch to maintain adequate liquidity at all times, in all geographical locations.

The Branch's liquidity management is guided by its internal liquidity policy, which is reviewed annually and approved by the Board. The local management assigns responsibilities and ensures the Branch has sufficient resources to carry out liquidity risk management work in an independent and effective manner. The primary responsibilities for the management of liquidity are with the ALCO and the Branch Treasurer and Group Treasurers. Day-to-day cash-flows and liquidity management are handled by the 'local' treasury teams at Branch. The longer-term liquidity and funding profile of the Branch is monitored and managed by Branch Treasury under the guidance of the Group Treasury.

The Branch's liquidity policy specifies the main goals, roles and responsibilities, processes and procedures for managing the Branch's liquidity risk. It also encompasses the Branch's contingency funding plan, which is intended to provide a framework for effective responses to any potential liquidity crisis, whether triggered by Bank-specific or by systemic liquidity shortages.

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

Head Office had earlier provided a letter of undertaking to CBUAE from a liquidity perspective and similar undertakings could be provided to the regulator with its commitment to cover the Branch in an eventuality to meet any stress scenarios requirements.

The Bank's liquidity risk strategy is centred on maintaining an adequate liquidity position at all times, primarily by means of an acceptable maturity mismatch profile, relying on more 'stable' deposits and maintaining an adequate stock of liquid assets at all times. Further, the Bank's liquidity objectives are:

- to ensure strategies are in conformity with the regulatory requirements of the CBUAE
- to ensure the use of proper tools in ascertaining liquidity risk;
- Continuously to seek sources of stable customer funds and to keep its funding costs as low as possible;
- to limit its dependence on the use of short-term inter-bank funding;
- to leverage its strong position, reputation and credit strength in order to secure long-term funding, such as customer deposits, institutional deposits, government deposits and debt issuance at a competitive cost;
- to ensure the Bank's ability to generate or obtain cash or its equivalent in a timely and cost-efficient manner so that the Bank can meet its obligations;
- to maintain market confidence; and
- to ensure profitable business opportunities can be pursued without liquidating assets at undesirable times, or raising additional unsecured funding on an unreasonable scale or timescale.

The liquidity and funding management process includes:

- self-imposed and regulatory liquidity ratios, including ratios in accordance with Basel III principles;
- maintaining a diverse range of funding sources with adequate back-up facilities;
- monitoring depositor concentration in order to avoid undue reliance on individual large depositors and ensure a satisfactory overall funding mix; and
- liquidity stress tests to make sure the Branch can survive liquidity squeezes under different stress scenarios.

The Branch monitors and reports various internal and regulatory liquidity metrics in order to manage and comply with liquidity risk on an on-going basis. Further, the Head Office monitors the branch liquidity against various internal metrics.

Table - LIQ1 - Liquidity Coverage Ratio AND Table - LIQ2 - Net Stable Funding Ratio are not applicable to the branch hence are not disclosed.

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

Table - ELAR - Eligible Liquid Assets Ratio		**Dec-22**		**Sep-22**		**Jun-22**		**Mar-22**		**Dec-21**	
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	1,337,131		1,464,821		770,521		868,814		942,729	
1.2	UAE Federal Government Bonds and Sukuks										
	Sub Total (1.1 to 1.2)	1,337,131	1,337,131	1,464,821	1,464,821	770,521	770,521	868,814	868,814	942,729	942,729
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**	**1,337,131**	**1,337,131**	**1,464,821**	**1,464,821**	**770,521**	**770,521**	**868,814**	**868,814**	**942,729**	**942,729**
2	Total liabilities		3,686,283		4,465,030		3,852,520		3,301,184		3,328,788
3	**Eligible Liquid Assets Ratio (ELAR)**		**0.36**		**0.33**		**0.20**		**0.26**		**0.28**

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**	**Dec-22**	**Sep-22**	**Jun-22**	**Mar-22**	**Dec-21**
	1.1	Net Lending (gross loans - specific and collective provisions + interest in suspense)	3,175,466	3,291,327	2,938,686	3,416,426	3,122,039
	1.2	Lending to non-banking financial institutions					
	1.3	Net Financial Guarantees & Stand-by LC (issued - received)	77,952	74,603	76,957	77,673	
	1.4	Interbank Placements	551,525	734,704	643,678	551,958	551,072
	1.5	**Total Advances**	3,804,943	4,100,634	3,659,321	4,046,057	3,673,111
2		**Calculation of Net Stable Ressources**					
	2.1	Total capital + general provisions	2,049,112	2,023,242	1,997,665	1,989,758	1,975,885
		Deduct:					
	2.1.1	Goodwill and other intangible assets					
	2.1.2	Fixed Assets	38,959	37,158	37,257	36,618	37,030
	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**	38,959	37,158	37,257	36,618	37,030
	2.2	**Net Free Capital Funds**	2,010,153	1,986,084	1,960,408	1,953,140	1,938,855
	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			367,250	580,390	764,015
	2.3.3	Refinancing of Housing Loans					
	2.3.4	Borrowing from non-Banking Financial Institutions	230	244	316	196	60
	2.3.5 (a)	Customer Deposits with remaining life of more than 6 months (BRF 9)	203,023	368,494			
	2.3.5 (b)	85% of the rest of Customer Deposits	2,141,901	2,812,236	2,431,226	2,028,731	1,814,117
	2.3.6	Capital market funding/ term borrowings maturing after 6 months from reporting date					
	2.3.7	**Total other stable resources**	2,345,154	3,180,974	2,798,792	2,609,317	2,578,192
	2.4	**Total Stable Resources (2.2+2.3.7)**	4,355,307	5,167,058	4,759,200	4,562,457	4,517,047
3		**Advances TO STABLE RESOURCES RATIO (1.6/ 2.4*100)**	87.36	79.36	76.89	88.68	81.32

The Balance Sheet and off Balance Sheet items are broken down into maturity buckets and the resultant liquidity gaps in the below table.

2022							
AED (000)	**Total**	**Less than 1 Month**	**OVER 01 MTHS TO 03 MTHS**	**OVER 03 MTHS TO 06 MTHS**	**OVER 06 MTHS TO 1 Year**	**OVER 1 year TO 5 Year**	**OVER 5 Years**
Cash and Short term Funds	683,474	591,661	91,813	-	-	-	-
Loans and advances to customers	3,715,035	39,903	355,153	272,576	254,122	2,636,548	156,733
Investments at Amortised Cost	1,240,112	1,240,112	-	-	-	-	-
Land, premises & equipment	38,959	-	-	-	-	-	38,959
Other assets	31,413	31,413	-	-	-	-	-
Total Assets	**5,708,992**	**1,903,089**	**446,965**	**272,576**	**254,122**	**2,636,548**	**195,692**
Due to banks & FI›s	880,960	880,960	-	-	-	-	-
Customers› deposits	2,732,121	1,699,820	804,602	25,119	199,580	3,000	-
Other liabilities	74,337	74,337	-	-	-	-	-
Share holders› equity	2,021,574	-	-	-	-	-	2,021,574
Total Liabilities and shareholder Equity	**5,708,992**	**2,655,117**	**804,602**	**25,119**	**199,580**	**3,000**	**2,021,574**
On Balance sheet Gap		**(752,028)**	**(357,637)**	**247,457**	**54,542**	**2,633,548**	**(1,825,883)**
Cumulative Gap		**(752,028)**	**(1,109,665)**	**(862,208)**	**(807,666)**	**1,825,882**	**(0)**

2021							
AED (000)	**Total**	**Less than 1 Month**	**OVER 01 MTHS TO 03 MTHS**	**OVER 03 MTHS TO 06 MTHS**	**OVER 06 MTHS TO 1 Year**	**OVER 1 year TO 5 Year**	**OVER 5 Years**
Cash and Short term Funds	1,201,215	1,201,215	-	-	-	-	-
Loans and advances to customers	3,717,644	137,354	376,782	195,488	278,037	2,485,958	244,025
Investments at Amortised Cost	324,981	324,981	-	-	-	-	-
Land, premises & equipment	37,031	-	-	-	-	-	37,031
Other assets	13,766	13,766	-	-	-	-	-
Total Assets	**5,294,637**	**1,677,316**	**376,782**	**195,488**	**278,037**	**2,485,958**	**281,056**
Due to banks & FI›s	1,147,982	200,342	-	183,625	764,015	-	-
Customers› deposits	2,135,673	1,325,977	797,327	2,159	9,210	1,000	-
Other liabilities	55,499	55,499	-	-	-	-	-
Share holders› equity	1,955,483	-	-	-	-	-	1,955,483
Total Liabilities and shareholder Equity	**5,294,637**	**1,581,818**	**797,327**	**185,784**	**773,225**	**1,000**	**1,955,483**
On Balance sheet Gap		**95,498**	**(420,545)**	**9,704**	**(495,188)**	**2,484,958**	**(1,674,427)**
Cumulative Gap		**95,498**	**(325,047)**	**(315,343)**	**(810,531)**	**1,674,427**	**1**

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.

7.1 Credit risk management strategy

The approach to credit risk management is based on the foundation to preserve the independence and integrity of the credit risk assessment, management and reporting processes, combined with clear policies, limits and approval structures which guide the day-to-day initiation and management of the credit risk exposure. This approach comprises credit limits which are established for all customers after a careful assessment of their creditworthiness.

Standing procedures, outlined in the Branch/Group's Credit Policies and Manuals, require that all credit proposals be subjected to detailed screening by the domestic or international credit risk management divisions prior to submission to the appropriate credit committee. Whenever necessary, credit facilities are secured by acceptable forms of collateral to mitigate the related credit risks. The Board of Directors defines the Branch/Group's credit risk management strategy and ratifies significant credit risk policies approved by the Group's Executive Committee to ensure alignment of the Group's exposure with its risk appetite.

7.2 Credit risk management structure

Senior management implements the Board of Directors' credit risk strategy and develops policies and procedures for identifying, assessing, monitoring and controlling credit risk.

The Group's Executive Committee, chaired by the Group Chief Executive Officer (GCEO) and comprising senior executives from the business divisions, meets regularly to review significant credit policies and the Group's corporate and consumer credit portfolios and advises the Board appropriately.

All significant credit policies and amendments to policies are reviewed and approved annually by the Executive Committee and ratified by the Board. Within this framework, limits and approval authorities are exercised by the officers delegated with defined approval authorities.

Country limits are determined based on the outlook of economic and political factors, along with the review of reports from recognised and creditable market sources and application of local business and market knowledge. Significant country-limit exposures are subject to periodic approval by the Board of Directors or the Board Credit Committee.

7.3 Key features of corporate credit risk management

The Branch Credit portfolio is segregated into two major segment

1. Corporate Banking
2. Consumer Banking

1. Corporate Banking

Corporate credit facilities are granted based on detailed credit risk assessments which consider the purpose of the facility and source of repayment, prevailing and potential macro-economic factors, industry trends and the customer's positioning within its industry peer-group.

Internal credit-rating models are regularly reviewed by the Group Risk Management function (GRM) in co-ordination with line management and the Executive Committee and continually enhanced in line with industry credit risk management "best practices".

All new proposals, along with reviews of material changes to existing credit facilities, are reviewed and approved by the appropriate credit committee.

The Group has the following hierarchy of credit committees at the Head Office Level:

- Board Credit Committee (BCC), which consists of non-executive Board Members and approves all facilities exceeding the mandate of the other committees;
- Senior International Credit Committee (SICC), which consists of the GCEO, the Deputy GCEO and the Group Chief Risk Officer (GCRO) and is responsible for reviewing, approving or recommending all credit proposals originating from the Group's international offices that exceed the Management International Credit Committee's mandate as well as those concerning 'criticised' accounts; and
- Management International Credit Committee (MICC), which consists of the Head of Group Risk Management, the Chief Credit Officer, the CEO International Banking Group and certain Senior members of the International Banking Group and the Assistant General Manager of International Credit and is responsible for reviewing, approving or recommending all credit proposals originating from the Group's international offices except those concerning 'criticised' accounts, which are escalated to the Senior International Credit Committee.

The credit committees have a set of approval authorities in place as delegated by the Board and which vary by reference to the type of counterparty (for example, sovereign, financial institution and corporate), the counterparty rating (investment grade or speculative) and whether the facility is secured or non-cash, among other factors. Specific approval authorities exist for fully-secured facilities as well as 'criticised accounts.

Credit facility administration is undertaken by a segregated function to ensure proper execution of all credit approvals and maintenance of documentation, and proactive control over maturities, expiry of limits, collateral valuation and contractual covenants.

2. Consumer Banking

Credit risk is managed through a framework that sets out policies and procedures covering the measurement and management of credit risk. There is a clear segregation of duties between transaction originators in the businesses and approvers. Within this framework, all credit exposure limits are approved within a defined credit approval authority framework. Policies and procedures specific to each business/product line are approved by the Management International Credit Committee (MICC), and significant policies are ratified by the Board.

Credit loss recognition process/quantification is handled by International Retail Banking division in International Banking Group and Group Risk Management (GRM), independent of the business.

7.4 Credit review procedures and loan classification

The Group's policy is to assess the credit risk in commercial banking through a risk-rating process which provides transparency and consistency to enable comparison between obligors. The Group uses an industry standard risk-rating tool to make these assessments. Under this risk-rating framework, the borrowers are rated based on financial and business assessments.

The risk-rating process derives obligor risk-ratings ("ORRs") and facility risk-ratings ("FRRs"). The rating methodology focuses on factors such as operating performance, liquidity, debt service and capital structure. The ratio analysis includes the assessment of each ratio's trend across multiple periods, in terms of both rate change and the volatility of the trend. It also compares the value of the ratio for the most-recent period with the values of the comparable peer group. Qualitative assessments of the operations, liquidity and capital structure are also included in the assessment. The Group has implemented risk-rating models for commercial, real estate, high net worth individuals and project finance facilities. The Group also has an approved framework for FRRs. While the ORR does not take into consideration factors such as the availability of collateral and support, the FRR is a measure of the quality of the credit exposure based on the expected loss in the event of default after considering collateral and support. The availability of eligible collateral or support substantially reduces the extent of the loss in the event of default and such risk mitigating factors are reflected in the FRR.

In cases where the risk-rating tool is not applicable, the Bank assigns a rating based on an internal assessment which is mapped to the relevant external rating scale.

Credit facilities to Corporates are structured across various products and maturities and are subject to review at least annually. Semi-annual "short-form" reviews are also performed subject to certain additional criteria.

Consumer Credit Risk Management proactively monitors portfolios considering the external environment, analysing growth in selected segments and, as per risk strategy, aims to support portfolio growth within acceptable risk appetite thresholds.

Credit risk is monitored with three lines of defence.

First Line - The Business owns and manages risks and controls (including the identification and assessment of risk and controls) in adherence to credit policies governing the business and across the value chain in line with risk appetite.

Second Line - The Credit Risk Management function develops and maintains the risk management framework which enables the business to manage the risk and control environment within the Board-approved risk appetite.

Third Line - Internal Audit independently tests, verifies and evaluates controls for effective credit risk management and the implementation of policies and procedures.

Group credit risk monitoring

The Group has also introduced a portfolio risk-rating process through which the overall portfolio quality is assessed at regular intervals and analysed for credit committees. In addition, a RAROC (Risk-Adjusted Return on Capital) model is in use to guide business lines and Management in pricing credit facilities granted to corporate clients. The RAROC model is based on the premise that pricing should be aligned with the risk embedded in the proposal.

The Group's credit exposures are regularly reviewed and monitored through a system of triggers and early-warning signals aimed at detecting adverse symptoms which could result in a deterioration of credit risk quality. The triggers and early-warning systems along with market intelligence, facility utilisation and collateral valuation updates are included in the regular review of the credit facilities to enable timely corrective action by Management. These reviews are performed on a semi-annual, annual and ad-hoc basis as required. The results of the monitoring process are reflected in the internal rating.

The total portfolio credit risk is monitored on an ongoing basis with formal monthly and quarterly reporting to ensure senior management awareness of shifts in credit quality and portfolio performance along with changing external factors such as economic and business cycles.

Cross-border exposures are monitored by the central credit risk management function against specific limits set for this purpose.

7.5 Credit Quality of Asset

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

Table - CR1 - Credit quality of assets 2021						
	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**	
Loans	10,647	3,735,379	28,382	10,647	17,735	3,717,644
Debt securities		324,981	146		146	324,835
Off-balance sheet exposures	10,634	916,869	13,096	10,634	2,462	914,407
Total	**21,281**	**4,977,229**	**41,624**	**21,281**	**20,343**	**4,956,886**

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	**2022**	**2021**
Defaulted loans and debt securities at the end of the previous reporting period	**10,647**	**82,146**
Loans and debt securities that have defaulted since the last reporting period	14,396	10,647
Returned to non-default status		-
Amounts written off	-	82,146
Other changes		-
Defaulted loans and debt securities at the end of the reporting period (1+2-3-4±5)	25,043	10,647

7.6 Additional disclosure related to the credit quality of assets

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 Management purposes
- 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 unlikeliness 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 geographical distribution of the gross credit exposure before taking into consideration credit enhancements is as detailed below:

2022						
AED'000	**UAE**	**Middle East**	**Europe**	**North America**	**Asia**	**Total**
Sovereigns and their central banks	1,330,288	-	-	-	-	**1,330,288**
Banks	721,260	542,216	35,134	27,030	11,025	**1,336,665**
Corporates	3,348,344	255,734	275,438	236,388	1	**4,115,904**
Regulatory retail portfolios	2,845	-	-	-	-	**2,845**
Secured by residential property	12,714	28,030	412	-	-	**41,156**
Secured by commercial real estate	4,482	77,498	-	-	-	**81,980**
Past-due loans	11,010	14,033				**25,043**
Other assets	75,946					**75,946**
Total	**5,506,889**	**917,512**	**310,983**	**263,418**	**11,026**	**7,009,828**

2021						
AED'000	**UAE**	**Middle East**	**Europe**	**North America**	**Asia**	**Total**
Sovereigns and their central banks	935,536	-	-	-	-	**935,536**
Banks	667,040	565,399	34,540	115,495	2,876	**1,385,349**
Corporates	3,020,355	180,340	150,050	293,188	-	**3,654,580**
Regulatory retail portfolios	4,855	53	-	-	2	**4,910**
Secured by residential property	32,367	29,836	-	504	-	**62,707**
Secured by commercial real estate	74,611	77,776	-	-	-	**152,388**
Past-due loans	10,647					**-**
Other assets	58,117					**58,117**
Total	**4,803,527**	**853,404**	**184,590**	**409,187**	**2,879**	**6,253,587**

The Industry-wise distribution of the gross credit exposure before taking into consideration credit enhancements is as detailed below:

	AED'000	
Industry sector	**2022**	**2021**
Banks and other financial institutions	2,730,356	2,320,886
Trading	2,434,004	2,000,650
Real Estate	199,255	258,171
Retail	3,996	4,582
Government	1,642,218	1,669,298
Total	**7,009,828**	**6,253,587**

The gross credit exposure by residual contractual maturity is as detailed below:

Dec 2022					
	Less than 3 mths	**More than 3 mth less than one year**	**More than one year less five year**	**Over five year**	**Total**
Sovereigns and their central banks	380,288	950,000	-	-	**1,330,288**
Banks	626,974	39,361	626,901	43,430	**1,336,665**
Corporates	479,862	950,885	1,926,612	758,545	**4,115,904**
Regulatory retail portfolios	448	343	2,054	-	**2,845**
Secured by residential property	-	49	2,040	39,067	**41,156**
Secured by commercial real estate	59,949	152	21,034	844	**81,980**
Past-due loans	11,010	4,028		10,005	**25,043**
Other assets	75,946				**75,946**
Total	**2,501,743**	**578,217**	**2,444,077**	**729,550**	**7,009,828**

AED'000	**Less than 3 mths**	**More than 3 mth less than one year**	**More than one year less five year**	**Over five year**	**Total**
Sovereigns and their central banks	935,536	-	-	-	**935,536**
Banks	667,661	85,648	632,041	-	**1,385,349**
Corporates	769,045	484,324	1,711,386	679,177	**3,643,933**
Regulatory retail portfolios	34	316	4,560	-	**4,910**
Secured by residential property	-	647	19,701	42,359	**62,707**
Secured by commercial real estate	60,703	7,281	76,389	8,015	**152,388**
Past-due loans	10,647				**10,647**
Other assets	58,117				**58,117**
Total	**2,501,743**	**578,217**	**2,444,077**	**729,550**	**6,253,587**

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

2022

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	1,330,288	-	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	3,081,226	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	%0
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**

2021

	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	935,537	-	935,537	-	-	%0
Public Sector Entities	-	-	-	-	-	%0
Multilateral development banks	-	-	-	-	-	%0
Banks	1,189,110	196,241	1,160,968	162,485	456,303	%34
Securities firms	-	-	-	-	-	%0
Corporates	2,923,315	731,262	2,805,577	506,068	3,311,102	%100
Regulatory retail portfolios	4,910	-	4,910	-	4,910	%100
Secured by residential property	62,707	-	62,707	-	33,243	%53
Secured by commercial real estate	152,388	-	152,388	-	152,388	%100
Equity Investment in Funds (EIF)	-	-	-	-	-	%0
Past-due loans	-	-	-	-	-	%0
Higher-risk categories	58,117	-	58,117	-	50,925	%88
Other assets						
Total	**5,326,084**	**927,503**	**5,180,204**	**668,552**	**4,008,870**	**%69**

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

2022									
Table - CR5 - Standardised approach - exposures by asset classes and risk weights									
	a	**b**	**c**	**d**	**e**	**f**	**g**	**h**	**i**
Asset classes	**%0**	**%20**	**%35**	**%50**	**%75**	**%100**	**%150**	**Others**	**Total credit exposures amount (post CCF and post-CRM)**
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**

2021									
	a	**b**	**c**	**d**	**e**	**f**	**g**	**h**	**i**
Asset classes	**%0**	**%20**	**%35**	**%50**	**%75**	**%100**	**%150**	**Others**	**Total credit exposures amount (post CCF and post-CRM)**
Sovereigns and their central banks	935,537							-	935,537
Public Sector Entities								-	-
Multilateral development banks								-	-
Banks		691,467	-	628,382	-	3,176	428	-	1,323,453
Securities firms								-	
Corporates	543					3,311,102		-	3,311,645
Regulatory retail portfolios						4,910		-	4,910
Secured by residential property			45,330			17,377		-	62,707
Secured by commercial real estate						152,388		-	152,388
Equity Investment in Funds (EIF)								-	
Past-due loans								-	
Higher-risk categories								-	
Other assets	7,192					50,925		-	58,117
Total	**943,272**	**691,467**	**45,330**	**628,382**	**-**	**3,539,878**	**428**	**-**	**5,848,757**

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.

The Branch and Group identifies market risk inherent in its financial claims and loans, FX exposure, and defines market risk management strategy through the following:

- Implementation of Market Risk Management Framework
- Well-defined processes and strong and effective controls

- Recognition of Market Risk as inherent to Bank's Business Model and Macro-Economic Environment.
- Clear segregation of "front", "back" and 'middle' office duties.
- Bank's approach to accept, limit and increase Market Risks
- Regular and effective monitoring and reporting of exposures and risk measures
- Regular monitoring of market prices and valuation of financial instruments
- Defined set of internal limits and regular reporting on the adherence to those limits
- Regular independent review of internal controls and limits
- Implementation of adequate infrastructure

The Group is exposed to transactional foreign currency risk to the extent that there is a mismatch between the currencies in which transactions are denominated and the respective functional currency of the Group companies and ultimately upon translation to the Base Currency of the Group.

The currency exposures are monitored on a regular basis and compared against approved risk appetite.

Table - MR1 - Market risk under the standardised approach	**2022**	**2021**
	RWA	**RWA**
General Interest rate risk (General and Specific)		
Equity risk (General and Specific)		
Foreign exchange risk	**3,440**	**4,099**
Commodity risk		
Options		
Simplified approach		
Delta-plus method		
Scenario approach		
Securitisation		
Total		

9. Interest Rate Risk on Banking book

Interest rate risk in the banking book (IRRBB) refers to the current or prospective risk to the bank's capital and earnings arising from adverse movements in interest rates that affect the bank's banking book positions. When interest rates change, the present value and timing of future cash flows change. This in turn changes the underlying value of assets, liabilities and off-balance sheet items and hence its economic value. Changes in interest rates also affect a bank's earnings by altering interest rate-sensitive income and expenses, affecting its net interest income (NII).

The NBK Group Treasury (Headquarter) centrally manages interest rate risks; nevertheless, at the NBK, UAE branch, the bank maintains overall balanced positions in its duration of rate-sensitive assets (RSA) and rate-sensitive liabilities (RSL) for different maturity buckets, ensuring that the bank is not exposed to significant risks from parallel or non-parallel shifts in yield curve. The Bank manages IRRBB through both economic value and earnings-based measures.

The Board directs and oversees the management of IRRBB activities (on Group Exposures) with the Board Risk and Compliance Committee (BRCC) providing oversight to the Asset and Liability Executive Committee (ALEC). Senior executives of the Bank constitute the Assets and Liability Executive Committee. The Group Treasury with Asset and Liability Management (ALM) Unit has overall responsibility for interest rate risk management. The Market Risk Management, Group Risk Management (GRM), mandate includes standard policies, proposing limits and systems for monitoring and reporting to ensure that IRRBB exposures are aligned with the approved policy guidance. The Group's internal systems capture all material sources of IRRBB and assess the effect of market changes on the scope of the business activities. In addition to absorb the impact of an interest rate shock on its economic value, the Bank's business and risk management strategies take into account the Bank's ability to generate stable earnings sufficient to maintain normal business operations.

The Bank uses time buckets to classify the RSA and the RSL. The assets and liabilities are mapped to respective time buckets based on either respective maturities or next re-pricing date, whichever is earlier. Items such as capital, reserves & surplus, bills payable, inter-office adjustment, provisions, cash and fixed assets are treated as non-rate sensitive. The midpoint of each time bucket is considered as the proxy for the maturity of all assets and liabilities in that time bucket. The Bank has generated yield curves using zero-coupon market yields for various instruments and they are mapped to the same set of products for respective maturities.

A more conservative approach has also been applied for non-maturity deposits (NMDs) and treated as next-day maturity. No assumptions on loan prepayments are currently applied.

The NII sensitivities are based on scenarios and shocks prescribed by BCBS. The calculations are done under following scenarios:

- Parallel shock up
- Parallel shock down

A shock of +/- 200 basis points ("bps") for AED, USD, EUR, SAR, KWD and +/- 250 bps for GBP to the current market implied path of interest rates across all currencies is applied (effects over one year).

The six BCBS prescribed interest rate shock scenarios below are applied for each currency to determine the delta EVE.

- Parallel Shock up
- Parallel Shock Down
- Steepener

- Flattener
- Short rate Shock up
- Short rate Shock Down

IRRBB EVE risk measure is computed as the maximum of worst delta EVE across all the six BCBS prescribed stress scenarios.

IRRBB Quantitative information

The following table shows the impact on the NBK, UAE Branch's net interest income (NII) in the banking book as well as the change of the economic value (delta EVE) for the banking book positions from interest rate shock scenarios.

In AED' 000	Δ EVE		Δ NII	
	2022/12/31	2021/12/31	2022/12/31	2021/12/31
Parallel up	(21,978)	(17,464)	30,312	46,620
Parallel down	22,557	18,444	(31,866)	(48,552)
Steepener	13,931	6,340		
Flattener	(18,850)	(10,310)		
Short rate up	(26,149)	(16,630)		
Short rate down	26,434	14,015		
Maximum Loss	**(26,149)**	**(17,464)**	**(31,866)**	**(48,552)**
Reporting Period	31/12/2022		31/12/2021	
Capital (Tier 1)		**1,965,824**		**1,899,733**

The maximum effect on **Economic Value of Equity (EVE)** is **AED (26,149)** thousand as of December 2022 ,31, compared to **AED (17,464)** thousand as of December 2020 ,31. The increase in EVE loss in comparison to the previous year reflects raising interest rate environment and hawkish monetary policies.

The maximum effect on one-year net interest income (NII) is **AED (31,866)** thousand as of December 2022 ,31, compared to **AED (48,552)** thousand as of December 2021 ,31.

10. Operational risk

Operational risks are managed at Group level through a Board-approved operational risk management framework which defines the roles and responsibilities of the BRCC, the EC, the operational risk management function and the internal audit function for monitoring, managing and reporting operational risk. The key components of the Board-approved framework are:

- comprehensive, documented policies, procedures and controls which reflect CBK and Basel III guidelines for internal controls and sound practices for managing and supervising operational risks in banks;
- annual and ad-hoc risk and control self-assessments conducted by business line management in coordination with and supported by the operational risk management function;
- quarterly key risk indicator submission and validation to identify risk trends and develop mitigating actions;
- operational incident and loss reporting and investigation of causes and failed controls; and
- assessment of external operational loss incidents occurring at other banks, which are cross-checked against the Group's internal control system to proactively identify any potential control weaknesses.

The Group's risk management and compliance function works closely with all of the Group's business lines to raise awareness of operational risk. In addition to the risk opinions and constant support provided by the operational risk management function through daily activities, operational risk awareness is achieved through a comprehensive training programme developed and delivered by the operational risk management function to the various business units. The aim of this training programme is to cultivate strategic relationships with business line management and to encourage open communication and ownership of risk issues.

Risk and control self-assessments are conducted annually and on an ad-hoc basis to ensure Executive Management has a clear picture of the operational risk exposure in terms of residual risks and to highlight any major internal control weaknesses. The focus is on business units performing the self-assessment of actual risks facing them and on the effectiveness of the controls they are implementing which is then validated and reassessed by the operational risk management function.

Key risks across business and support units are identified and monitored on a quarterly basis using various key risk indicators developed with the business units in line with the Group's risk appetite.

The capture and reporting of operational risk incidents and losses are established as a firm process across all business and support units. Close co-ordination with business units and the internal audit function enables operational risk management to track operational incidents and losses and to propose mitigating actions for business units to follow in order to address control weaknesses.

In addition, a comprehensive business continuity and disaster recovery management programme has been implemented and fully tested and is designed to cope with business disruptions and major disasters.

The Group's operational risk management function leads the process management and control function across the Group to ensure control gaps are minimised across its key processes. Operational risk reporting is escalated periodically to the BRCC to ensure comprehensive oversight and review is conducted by relevant members of the Board and Executive Management.

11. Remuneration (REMA)

NBK Group's remuneration framework is under the supervision of the Board of Directors. As per the Group's policies and charters, the Board is responsible to review and approve the Remuneration Policy and oversee the implementation of the remuneration framework.

The Board Nomination and Remuneration Committee (BNRC) comprise four non-executive Board members.

The main objective of the Committee is to carry out the nomination and remuneration responsibilities. In terms of remuneration mandates, the Committee supports the Board in setting up the Group's remuneration framework and ensures effective implementation in accordance with the Group's Remuneration Policy and Corporate Governance Code.

NBK Group Remuneration Policy is developed and implemented at the Group level and covers NBK subsidiaries and foreign branches.

NBK Group has a clear Remuneration Policy, instructions and processes, ensuring a sound remuneration framework throughout the organisation. It supports the Group's ability to recruit and retain the right talents and competences and motivate high-calibre, skilled and knowledgeable employees, thereby ensuring sound risk management and sustained profitability.

The Policy aims to support the Group to operate a "total reward" philosophy taking account of all components of financial remuneration.

Group Policy aims to reward success, not failure, and attempts to align employees' remuneration with its risk framework and risk appetite and is designed to reward competitively the achievement of long-term sustainable performance, attract and motivate the very best persons who are committed to a long-term career with the Bank, and who will perform their role in the long-term interests of its shareholders.

In case any provisions of the Remuneration Policy document deviate from any of the local statutory or regulatory requirements, the local statutory and regulatory requirements will take precedence over the provisions of the Remuneration Policy.

Senior management and Material Risk takers are defined as under

Senior Management includes all employees at the level of Executive Manager (EM) and higher.

Material Risk-Takers includes the General Manager, heads of business functions and their deputies (Executive manager and higher included in Senior Management category). The Branch's core business units are:

- Corporate Banking
- Treasury Group
- Consumer Banking

The two components of remuneration:

Fixed remuneration includes salaries, other benefits and other cash allowances and are fixed and do not vary with performance.

Variable Remuneration (performance-based remuneration) consist of cash bonus.

The details of remuneration paid are as under

Table - REM1 - Remuneration awarded during the financial year				**AED (000)**
		2022		**2021**
Remuneration Amount	**Senior Management**	**Other Material Risk-takers**	**Senior Management**	**Other Material Risk-takers**
Number of employees	19	21	17	19
Fixed Remuneration	12,294	12,959	12,332	10,293
Variable Remuneration	2,276	2,390	1,881	1,862
Total Remuneration	**14,570**	**15,349**	**14,213**	**12,155**