

NATIONAL BANK OF OMAN (SAOG)

UAE Branches

PILLAR 3 REPORT- September 2023

Table of Contents

| | |
|--|----|
| Overview | 3 |
| Overview of Risk Management & RWAs | 3 |
| Capital Adequacy (KM1) | 4 |
| Overview of RWA (OV1) | 6 |
| Table Composition of Capital (CC1) | 7 |
| Table Composition of Capital (CC2) | 8 |
| Leverage Ratio (LR2) | 9 |
| Eligible Liquid Assets Ratio (ELAR) | 10 |
| Advances to Stable Resource Ratio (ASRR) | 11 |
| Credit Quality of Assets (CR1) | 12 |
| Standardized Approach - Credit Risk Exposures & CRM Impact (CR4) | 12 |
| Standardized Approach - Exposures by Asset Class & Risk Weights (CR5)..... | 13 |
| Market Risk - (MR1) | 13 |

Overview

The following information is compiled in terms of the requirements of the Central Bank of the U.A.E. Banks are obliged to report certain qualitative and quantitative information with regards to their risk profile and capital adequacy on a regular basis to the public, which incorporates the revised Basel III Pillar 3 requirements on market discipline.

Reporting framework

The information disclosed in this report is based on the definitions, calculation methodologies and measurements as defined by the Amended Regulations. All tables, diagrams, quantitative information and commentary in this risk and capital management report are unaudited unless otherwise noted.

References to fixed format templates as required under the revised Pillar 3 disclosure requirements are made throughout this document and highlighted in the relevant sections.

Period of reporting

This report is in respect of the quarter ended 30 September 2023, including comparative information (where applicable).

Activities

National Bank of Oman SAOG (the “Bank” or the “Head Office”) was established in the Sultanate of Oman in 1973 as a joint stock company and is engaged in retail banking, wholesale banking and investment banking services. The Bank in the United Arab Emirates (“UAE”) operates with two branches i.e. Abu Dhabi and Dubai (the “Branches”) under a commercial bank licence granted by the UAE Central Bank. The registered office of the Branches is P.O. Box 3822, Abu Dhabi, UAE. Abu Dhabi Branch started its operation in 1976. Dubai Branch started its operation in December 2013.

The principal activities of the Branches are granting of loans, advances and the provision of other commercial banking services.

These financial statements reflect the activities of the Dubai and Abu Dhabi Branches only and exclude all transactions, assets and liabilities of the Head Office and other branches of the Head Office outside United Arab Emirates.

Overview of Risk Management & RWAs Capital Adequacy (KM1)

The ultimate objectives of capital management are threefold:

- Ensure stability of the bank by holding enough capital to cover unexpected loss.
- Enhance the efficiency of the bank, by increasing the risk adjusted return at various levels of aggregation (and thereby ensuring that “excess” capital is not held unnecessarily)
- Incentivize informed decision making and proactive risk management through an efficient and effective allocation of capital across the business.

The capital management plan envisaged for the bank is based on the regulatory risk capital framework of Basel II and using standardized approach for calculating the credit as well market risk and the basic indicator approach for operational risk as prescribed by CBUAE.

The capital management policy of the bank aims to ensure that on a risk adjusted return on capital basis (RAROC), individual lines of business are allocated an appropriate amount of capital. The RAROC model has been implemented for the entire portfolio except for Retail banking where the Central Bank of Oman has defined caps on interest rates, which are followed.

The Asset Liability Committee (ALCO) reviews and monitors capital adequacy and requirement for capital on an ongoing basis. Capital adequacy calculation is prepared and submitted for ALCO’s review every quarter. Various stress scenarios, taking into account the earning volatility, credit and market risk impact along with capital allocation by line of business is reviewed in this forum.

A set of triggers are followed as part of the capital management so as to provide the bank with an early warning system in terms of its level of capital, to enable it to take suitable measures at an early stage to prevent capital falling below acceptable limits.

The Bank prepares ICAAP (Internal Capital Adequacy Assessment Process) document in line with Basel II guidelines to evaluate all Enterprise-wide Risks that are not fully captured in the Pillar I Risks. This document addresses through objective and subjective evaluation, the adequacy of capital after considering the impact of additional risks, such as, Residual Credit Risk, Residual Credit Risk Mitigation (CRM) Risk, Residual Credit Risk - Equity, Residual Market Risk - Currency, Credit Concentration Risk, Interest Rate Risk in Banking Book, Settlement Risk, Reputation Risk, Strategic Risk and Compliance Risk as well as various levels of stress tests. The assessment under ICAAP is carried out and submitted to the Central Bank of UAE in accordance with the prescribed guidelines. The bank will also factor in the regulatory guidelines, wherever applicable on Basel III, while carrying out its assessment.

The Central Bank of UAE (‘CBUAE’) supervises the Branches on a consolidated basis, and therefore receives information on the capital adequacy of, and sets capital requirements for, the Branches as a whole. Effective from 2017, the capital is computed at the Branches level using the Basel III framework of the Basel Committee on Banking Supervision (‘Basel Committee’), after applying the amendments advised by the CBUAE, within national discretion. The Basel III framework, like Basel II, is structured around three ‘pillars’: minimum capital requirements, supervisory review process and market discipline.

The Branches’ regulatory capital is analyzed into two tiers:

CET1 capital is the highest quality form of capital, comprising share capital, legal, statutory and other reserves, fair value reserve, retained earnings, after deductions for intangibles and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes under ‘CBUAE’ guidelines.

Tier 2 capital comprises of collective provision which shall not exceed 1.25% of total credit risk weighted assets.

The CBUAE issued Basel III capital regulations, which came into effect from 1 February 2017 introducing minimum capital requirements at three levels, namely Common Equity Tier 1 (‘CET1’), Additional Tier 1 (‘AT1’) and Total Capital. The minimum capital adequacy requirements as set out by the Central Bank are as follows:

Minimum common equity tier 1 (CET 1) ratio of 7% of risk weighted assets (RWAs). Minimum tier 1 ratio of 8.5% of RWAs.

Total capital adequacy ratio of 10.5% of RWAs.

Capital conservation buffer – 2.5% of RWAs.

Capital adequacy and the use of regulatory capital are monitored on a regular basis by the Branches’ management, employing techniques based on the guidelines developed by the Basel Committee and the Central Bank of United Arab Emirates. The required information is filed with the regulators on a quarterly basis.

The UAE Central Bank issued Basel III capital regulation vide its notice no. CBUAE/BSN/2020/66 dated January 07, 2020 which was partially effective as at December 31, 2019 (as per the regulation, only Pillar II is applicable in December 2019 and the rest will be applicable from June 2020).

During the years ended 31 December 2022, 2021, and 2020, the Branches have complied in full of all its externally imposed capital requirements.

| | | Sep-23 | Jun-23 | Mar-23 | Dec-22 | Sep-22 |
|-----|--|-----------|-----------|-----------|-----------|-----------|
| | | AED '000 | AED '000 | AED '000 | AED '000 | AED '000 |
| | Available capital (amounts) | | | | | |
| 1 | Common Equity Tier 1 (CET1) | 230,480 | 230,447 | 230,374 | 230,323 | 221,653 |
| 1a | Fully loaded ECL accounting model | | | | | |
| 2 | Tier 1 | 230,480 | 230,447 | 230,374 | 230,323 | 221,653 |
| 2a | Fully loaded ECL accounting model Tier 1 | | | | | |
| 3 | Total capital | 236,179 | 236,623 | 238,102 | 238,513 | 229,869 |
| 3a | Fully loaded ECL accounting model total capital | | | | | |
| | Risk-weighted assets (amounts) | | | | | |
| 4 | Total risk-weighted assets (RWA) | 517,322 | 553,989 | 678,086 | 709,631 | 710,714 |
| | Risk-based capital ratios as a percentage of RWA | | | | | |
| 5 | Common Equity Tier 1 ratio (%) | 44.55% | 41.60% | 33.97% | 32.46% | 31.19% |
| 5a | Fully loaded ECL accounting model CET1 (%) | | | | | |
| 6 | Tier 1 ratio (%) | 44.55% | 41.60% | 33.97% | 32.46% | 31.19% |
| 6a | Fully loaded ECL accounting model Tier 1 ratio (%) | | | | | |
| 7 | Total capital ratio (%) | 45.65% | 42.71% | 35.11% | 33.61% | 32.34% |
| 7a | Fully loaded ECL accounting model total capital ratio (%) | | | | | |
| | Additional CET1 buffer requirements as a percentage of RWA | | | | | |
| 8 | Capital conservation buffer requirement (2.5% from 2019) (%) | | | | | |
| 9 | Countercyclical buffer requirement (%) | | | | | |
| 10 | Bank D-SIB additional requirements (%) | | | | | |
| 11 | Total of bank CET1 specific buffer requirements (%) (row 8 + row 9+ row 10) | | | | | |
| 12 | CET1 available after meeting the bank's minimum capital requirements (%) | 35.15% | 32.21% | 24.61% | 23.11% | 21.84% |
| | Leverage Ratio | | | | | |
| 13 | Total leverage ratio measure | 1,694,835 | 1,700,195 | 1,755,788 | 1,860,138 | 1,605,180 |
| 14 | Leverage ratio (%) (row 2/row 13) | 14% | 14% | 13% | 12% | 14% |
| 14a | Fully loaded ECL accounting model leverage ratio (%) (row 2A/row 13) | | | | | |
| 14b | Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves) | 0% | 0% | 0% | 0% | 0% |
| | Liquidity Coverage Ratio | | | | | |
| 15 | Total HQLA | NA | NA | NA | NA | NA |
| 16 | Total net cash outflow | NA | NA | NA | NA | NA |
| 17 | LCR ratio (%) | NA | NA | NA | NA | NA |
| | Net Stable Funding Ratio | | | | | |
| 18 | Total available stable funding | NA | NA | NA | NA | NA |
| 19 | Total required stable funding | NA | NA | NA | NA | NA |
| 20 | NSFR ratio (%) | NA | NA | NA | NA | NA |
| | ELAR | | | | | |
| 21 | Total HQLA | 524,471 | 554,216 | 240,342 | 448,589 | 386,358 |
| 22 | Total liabilities | 1,017,921 | 1,025,690 | 1,067,853 | 1,190,471 | 947,108 |
| 23 | Eligible Liquid Assets Ratio (ELAR) (%) | 52% | 54% | 23% | 38% | 41% |
| | ASRR | | | | | |
| 24 | Total available stable funding | 1,109,781 | 1,022,427 | 1,077,929 | 1,213,611 | 928,132 |
| 25 | Total Advances | 583,064 | 553,791 | 703,704 | 608,848 | 478,015 |
| 26 | Advances to Stable Resources Ratio (%) | 52.54% | 54.16% | 65.28% | 50.17% | 51.50% |

The Bank's UAE operations, uses CBUAE prescribed UAE specific alternative approaches (i.e., ELAR and ASRR as reported in BRF 8 & 7 templates of CBUAE respectively) and accordingly, the Bank is not under LCR/ NSFR regime currently.

Overview of RWA (OV1)

Following metrics and RWA is calculated based on latest applicable CBUAE Capital Adequacy regulations for Banks operating in the UAE.

| | | Sep-23 | Jun-23 | at 10.5% |
|----|---|----------------|----------------|------------------------------|
| | | AED' 000 | AED' 000 | AED' 000 |
| | | RWA | | Minimum capital requirements |
| | | T | T-1 | T |
| 1 | Credit risk (excluding counterparty credit risk) | 455,950 | 494,091 | 47,875 |
| 2 | Of which: standardised approach (SA) | 455,950 | 494,091 | 47,875 |
| 3 | | | | |
| 4 | | | | |
| 5 | | | | |
| 6 | Counterparty credit risk (CCR) | | | |
| 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 | 1,709 | 236 | 179 |
| 21 | Of which: standardised approach (SA) | 1,709 | 236 | 179 |
| 22 | | | | |
| 23 | Operational risk | 59,663 | 59,663 | 6,265 |
| 24 | | | | |
| 25 | | | | |
| 26 | Total (1+6+10+11+12+13+14+15+16+20+23) | 517,322 | 553,989 | 54,319 |

Composition of Capital CC1

| | | Sep-23 |
|-----------|---|----------------|
| | | AED' 000 |
| | 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 | 390,375 |
| 2 | Retained earnings | (193,367) |
| 3 | Accumulated other comprehensive income (and other reserves) | 56,669 |
| 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 | 253,677 |
| | Common Equity Tier 1 capital regulatory adjustments | |
| 19 | Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability) | 22,483 |
| 24 | Total regulatory adjustments to Common Equity Tier 1 | 22,483 |
| 25 | Common Equity Tier 1 capital (CET1) | 230,480 |
| | Additional Tier 1 capital: instruments | |
| | Additional Tier 1 capital: regulatory adjustments | |
| 39 | Tier 1 capital (T1= CET1 + AT1) | 230,480 |
| | Tier 2 capital: instruments and provisions | |
| 44 | Provisions | 5,699 |
| 45 | Tier 2 capital before regulatory adjustments | 5,699 |
| | Tier 2 capital: regulatory adjustments | |
| 51 | Tier 2 capital (T2) | 5,699 |
| 52 | Total regulatory capital (TC = T1 + T2) | 236,179 |
| 53 | Total risk-weighted assets | 517,322 |
| | Capital ratios and buffers | |
| 54 | Common Equity Tier 1 (as a percentage of risk-weighted assets) | 44.55% |
| 55 | Tier 1 (as a percentage of risk-weighted assets) | 0.00% |
| 56 | Total capital (as a percentage of risk-weighted assets) | 45.65% |
| 61 | Common Equity Tier 1 (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirement. | 35.15% |
| | The CBUAE Minimum Capital Requirement | |
| 62 | Common Equity Tier 1 minimum ratio | 7.00% |
| 63 | Tier 1 minimum ratio | 8.50% |
| 64 | Total capital minimum ratio | 10.50% |
| | Amounts below the thresholds for deduction (before risk weighting) | |
| 68 | Deferred tax assets arising from temporary differences (net of related tax liability) | 22,483 |
| | 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) | 10,324 |
| 70 | Cap on inclusion of provisions in Tier 2 under standardised approach | 5,699 |
| | Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022) | |
| 73 | <i>Current cap on CET1 instruments subject to phase-out arrangements</i> | |
| 74 | <i>Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)</i> | |
| 75 | <i>Current cap on AT1 instruments subject to phase-out arrangements</i> | |
| 76 | <i>Amount excluded from AT1 due to cap (excess after redemptions and maturities)</i> | |
| 77 | <i>Current cap on T2 instruments subject to phase-out arrangements</i> | |
| 78 | <i>Amount excluded from T2 due to cap (excess after redemptions and maturities)</i> | |

Composition of Capital CC2 Leverage Ratio (LR2)

| Dec 2022 | a | b |
|---|--|---|
| AED' 000 | Balance sheet as in published financial statements | Under regulatory scope of consolidation |
| | As at period-end | As at period-end |
| Assets | | |
| Cash and balances at central banks | 448,589 | 448,589 |
| Items in the course of collection from other banks | 215,883 | 215,883 |
| Trading portfolio assets | 117,478 | 117,478 |
| Financial assets designated at fair value | | |
| Derivative financial instruments | | |
| Loans and advances to banks | | |
| Loans and advances to customers | 566,261 | 566,261 |
| Reverse repurchase agreements and other similar secured lending | | |
| Available for sale financial investments (Includes FVOCI) | 0 | 0 |
| Current and deferred tax assets | 47,779 | 47,779 |
| Prepayments, accrued income and other assets | 38,980 | 38,980 |
| Investments in associates and joint ventures | | |
| Goodwill and other intangible assets | | |
| Of which: goodwill | | |
| Of which: intangibles (excluding MSRs) | | |
| Of which: MSRs | | |
| Property, plant and equipment | 10,652 | 10,652 |
| Total assets | 1,445,622 | 1,445,622 |
| Liabilities | | |
| Deposits from banks | | |
| Items in the course of collection due to other banks | 66,668 | 66,668 |
| Customer accounts | 1,070,897 | 1,070,897 |
| Repurchase agreements and other similar secured borrowing | | |
| Trading portfolio liabilities | | |
| Financial liabilities designated at fair value | | |
| Derivative financial instruments | | |
| Debt securities in issue | | |
| Accruals, deferred income and other liabilities | 54,360 | 54,360 |
| Current and deferred tax liabilities | | |
| Of which: DTLs related to goodwill | | |
| Of which: DTLs related to intangible assets (excluding MSRs) | | |
| Of which: DTLs related to MSRs | | |
| Subordinated liabilities | | |
| Provisions | | |
| Retirement benefit liabilities | | |
| Total liabilities | 1,191,925 | 1,191,925 |
| Shareholders' equity | | |
| Paid-in share capital | 390,375 | 390,375 |
| Of which: amount eligible for CET1 | 390,375 | 390,375 |
| Of which: amount eligible for AT1 | | |
| Retained earnings (incl Statutory Reserves) | -163,978 | -163,978 |
| Accumulated other comprehensive income | | |
| Placement from Head Office | 27,300 | 27,300 |
| Total shareholders' equity | 253,697 | 253,697 |

The leverage ratio deals with the risk of buildup of excessive on and off balance sheet exposures. The summarized position of leverage ratio is provided below:

| | | Sep 23 | Dec 22 |
|--|---|-----------|-----------|
| | | AED' 000 | AED' 000 |
| On-balance sheet exposures | | | |
| 1 | On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral) | 1,568,855 | 1,583,577 |
| 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) | | |
| 7 | Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6) | 1,568,855 | 1,583,577 |
| Derivative exposures | | | |
| 8 | Replacement cost associated with <i>all</i> derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting) | | |
| 9 | Add-on amounts for PFE associated with <i>all</i> derivatives transactions | | |
| 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) | | |
| Securities financing transactions | | | |
| 14 | Gross SFT <i>assets</i> (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 | 335,624 | 377,169 |
| 20 | (Adjustments for conversion to credit equivalent amounts) | (209,644) | (204,958) |
| 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) | 125,980 | 172,211 |
| Capital and total exposures | | | |
| 23 | Tier 1 capital | 230,480 | 230,323 |
| 24 | Total exposures (sum of rows 7, 13, 18 and 22) | 1,694,835 | 1,755,788 |
| Leverage ratio | | | |
| 25 | Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) | 14% | 13% |
| 25a | Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) | | |
| 26 | CBUAE minimum leverage ratio requirement | | |
| 27 | Applicable leverage buffers | | |

Liquidity

Eligible Liquid Assets Ratio (ELAR)

The following table presents the breakdown of the Bank's available high-quality liquid assets (HQLA), as measured and defined according to the CBUAE Liquidity Regulations.

| | | | Sep 23 |
|-----|--|----------------|-----------------------|
| | | | AED' 000 |
| 1 | High Quality Liquid Assets | Nominal amount | Eligible Liquid Asset |
| 1.1 | Physical cash in hand at the bank + balances with the CBUAE | 524,471 | |
| 1.2 | UAE Federal Government Bonds and Sukuks | | |
| | Sub Total (1.1 to 1.2) | 524,471 | 524,471 |
| 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 |
| 1.5 | Foreign Sovereign debt instruments or instruments issued by their respective central banks | | 0 |
| 1.6 | Total | 524,471 | 524,471 |
| 2 | Total liabilities | | 1,017,921 |
| 3 | Eligible Liquid Assets Ratio (ELAR) | | 0.52 |

Advances to Stables Resource Ratio (ASRR)

The following table presents the breakdown of the Bank's Advances to Stable Resources Ratio (ASRR), as per the CBUAE Liquidity Regulations

| | | Items | Sep 23 |
|----------|--------------|---|------------------|
| 1 | | Computation of Advances | AED' 000 |
| | 1.1 | Net Lending (gross loans - specific and collective provisions + interest in suspense) | 505,127 |
| | 1.2 | Lending to non-banking financial institutions | 43,973 |
| | 1.3 | Net Financial Guarantees & Stand-by LC (issued - received) | -11,949 |
| | 1.4 | Interbank Placements | 45,913 |
| | 1.5 | Total Advances | 583,064 |
| 2 | | Calculation of Net Stable Resources | |
| | 2.1 | Total capital + general provisions | 299,205 |
| | | Deduct: | |
| | 2.1.1 | Goodwill and other intangible assets | |
| | 2.1.2 | Fixed Assets | 8,206 |
| | 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 | 8,206 |
| | 2.2 | Net Free Capital Funds | 290,999 |
| | 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 | |
| | 2.3.3 | Refinancing of Housing Loans | |
| | 2.3.4 | Borrowing from non-Banking Financial Institutions | 100,610 |
| | 2.3.5 | Customer Deposits | 718,172 |
| | 2.3.6 | Capital market funding/ term borrowings maturing after 6 months from reporting date | |
| | 2.3.7 | Total other stable resources | 818,782 |
| | 2.4 | Total Stable Resources (2.2+2.3.7) | 1,109,781 |
| 3 | | Advances TO STABLE RESOURCES RATIO (1.6/ 2.4*100) | 52.54 |

Credit Quality of Assets (CR1)

| Sep 23 | | a | | b | c | d | e | | f |
|----------|-----------------------------|--------------------------|-------------------------|------------------------|--|--|---|--------------------|---|
| AED' 000 | | Gross carrying values of | | Allowances/Impairments | Of which ECL accounting provisions for credit losses on SA exposures | Of which ECL accounting provisions for credit losses on SA exposures | | Net values (a+b-c) | |
| | | Defaulted exposures | Non-defaulted exposures | | | Allocated in regulatory category of Specific | Allocated in regulatory category of General | | |
| 1 | Loans | 309,404 | 539,598 | 310,294 | 301,327 | 8,967 | 538,708 | | |
| 2 | Debt securities | | 0 | 1,357 | | 1,357 | -1,357 | | |
| 3 | Off-balance sheet exposures | | 335,624 | 0 | | 0 | 335,624 | | |
| 4 | Total | 309,404 | 875,222 | 311,651 | 301,327 | 10,324 | 872,975 | | |

Standardized Approach - Credit Risk Exposures & CRM Impact (CR4)

| Sep 23 (AED'000) | | a | | b | c | d | e | | f |
|-------------------|------------------------------------|------------------------------|--------------------------|----------------------------|--------------------------|---------------------|--------------|--|---|
| Asset classes | | Exposures before CCF and CRM | | Exposures post-CCF and CRM | | RWA and RWA density | | | |
| | | On-balance sheet amount | Off-balance sheet amount | On-balance sheet amount | Off-balance sheet amount | RWA | RWA density | | |
| 1 | Sovereigns and their central banks | 732,073 | | 732,073 | | 37,116 | 5.1% | | |
| 2 | Public Sector Entities | | | | | | | | |
| 3 | Multilateral development banks | | | | | | | | |
| 4 | Banks | 133,302 | | 133,302 | | 40,848 | 30.6% | | |
| 5 | Securities firms | | | | | | | | |
| 6 | Corporates | 324,757 | 335,624 | 324,757 | 125,980 | 289,121 | 89.0% | | |
| 7 | Regulatory retail portfolios | 3,247 | | 3,247 | | 3,247 | 100.0% | | |
| 8 | Secured by residential property | | | | | | | | |
| 9 | Secured by commercial real estate | | | | | | | | |
| 10 | Equity Investment in Funds (EIF) | | | | | | | | |
| 11 | Past-due loans | 309,404 | | 8,077 | | 8,077 | 2.6% | | |
| 12 | Higher-risk categories | | | | | | | | |
| 13 | Other assets | 66,072 | | 66,072 | | 77,542 | 117.4% | | |
| 14 | Total | 1,568,855 | 335,624 | 1,267,527 | 125,980 | 455,950 | 29.1% | | |

The Branches has in place group standards, regulations of the U.A.E. Central Bank and policies and procedures dedicated to monitor and manage risk from such activities.

The Bank on an overall basis has adopted ICAAP as a strategic management tool in evaluating all its material risks inherent in its business portfolio and ensuring that appropriate capital buffers and risk mitigating actions are established for the management of these risks

Standardized Approach - Exposures by Asset Classes & Risk Weights (CR5)

| Sep 23 (AED'000) | | a | b | c | d | e | f | g | h | i |
|-------------------|------------------------------------|----------------|---------------|----------|---------------|----------|----------------|----------|---------------|---|
| | Risk weight | 0% | 20% | 35% | 50% | 75% | 100% | 150% | Others | Total credit exposures amount (post CCF and post-CRM) |
| | Asset classes | | | | | | | | | |
| 1 | Sovereigns and their central banks | 694,957 | | | | | 37,116 | | | 732,073 |
| 2 | Public Sector Entities | | | | | | | | | - |
| 3 | Multilateral development banks | | | | | | | | | - |
| 4 | Banks | | 86,009 | | 47,292 | | | | | 133,302 |
| 5 | Securities firms | | | | | | | | | - |
| 6 | Corporates | | | | | | 324,757 | | | 324,757 |
| 7 | Regulatory retail portfolios | | | | | | 3,247 | | | 3,247 |
| 8 | Secured by residential property | | | | | | | | | - |
| 9 | Secured by commercial real estate | | | | | | | | | - |
| 10 | Equity Investment in Funds (EIF) | | | | | | | | | - |
| 11 | Past-due loans | | | | | | 309,404 | | | 309,404 |
| 12 | Higher-risk categories | | | | | | | | | - |
| 13 | Other assets | 26,475 | | | | | 14,301 | | 25,296 | 66,072 |
| 14 | Total | 721,432 | 86,009 | - | 47,292 | - | 688,825 | - | 25,296 | 1,568,855 |

Market risk under the standardized approach (SA)

| | | Sep 23 (AED'000) |
|---|---|-------------------|
| | | RWA |
| 1 | General Interest rate risk (General and Specific) | |
| 2 | Equity risk (General and Specific) | |
| 3 | Foreign exchange risk | 1,709 |
| 4 | Commodity risk | |
| | Options | |
| 5 | Simplified approach | |
| 6 | Delta-plus method | |
| 7 | | |
| 8 | Securitisation | |
| 9 | Total | 1709 |