



NATIONAL BANK OF FUJAIRAH

**PILLAR 3**  
DISCLOSURES

31 December 2024

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## 1. Executive Summary

The National Bank of Fujairah’s (“NBF” or the “Bank”) Basel Pillar 3 disclosures have been prepared in accordance with the guidelines prescribed by the Central Bank of the UAE (CBUAE) and the Formal Disclosure Policy of the Bank. The Bank and its subsidiaries are together referred to as ‘the Group’ in this document.

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 Bank’s risk profile in a manner that enhances comparability with other financial institutions.

Capital management and risk management are important parts of the Bank’s strategy formulation process and are reflected in the Bank’s long term objectives. The primary objective of the NBF’s capital and risk management strategy is to protect the financial strength of the Bank, ensure its sustainability and safeguard its reputation, whilst recognizing that prudent risk taking remains an integral part of NBF’s business. The NBF risk management strategy applies across all businesses and risk categories and is founded on:

- Transparency, assessment and responsiveness, and
- Management accountability

### Capital Management

The Bank’s Capital Position as at **31 December 2024** shows that the Group holds adequate capital.

<b>CAPITAL ADEQUACY ASSESSMENT SUMMARY AED'000</b>	
<b>Particulars</b>	<b>Regulatory Capital Pillar I</b>
Risk Weighted Assets (RWA)	40,602,603
Mandated Capital @ 13%*	5,278,338
Available Capital	6,735,888
Surplus / (Shortfall)	1,457,550
Capital Adequacy Ratio	16.59%
Stress Impact in Bps	-

\*Mandated Capital including buffers is 13% of Total RWA.

<b>CET 1 CAPITAL ADEQUACY ASSESSMENT SUMMARY AED'000</b>	
<b>Particulars</b>	<b>Regulatory Capital Pillar I</b>
Risk Weighted Assets (RWA)	40,602,603
Mandated CET1 @ 9.50% (Incl. buffers)	3,857,247
Available Capital	6,281,081
Surplus / (Shortfall)	2,423,834
CET 1 Ratio	15.47%
Stress Impact in Bps	-

The results of the capital assessment indicate that the targets and triggers in place to manage capital adequacy, are appropriate.

The Management Risk Committee, through Asset and Liability Committee (ALCO), reviews the level of capital resources in relation to the changes in the risk profile of the Bank, the stress testing and the business and operating expenses of a capital nature each month. The Committee makes appropriate recommendation to the Board Risk and Sustainability Committee and the Board of Directors regarding additional capital requirements.

### **Risk Management**

The Board provides a clear operational structure for the Group to manage risk in a manner that ensures the establishment of appropriate controls consistent with the Bank's risk appetite, risk profile and capital strength. These controls, via the Enterprise-wide Risk Management Framework (ERMF), are understood by and regularly cascaded to relevant staff.

The ERMF promotes continuous monitoring and the integrated evaluation of different risk types and their interaction, to assess the enterprise-wide overall risk profile.

NBF examines its risk profile from a regulatory capital and economic capital perspective to ensure its capital base remains above the minimum regulatory threshold, is adequate to withstand certain defined stress scenarios and is sufficient to support NBF's strategic objectives and operational goals.

This Pillar 3 Report provides details on the Bank's risk profile by risk asset classes, which form the basis for the calculation of its capital requirement. Numbers are stated in AED thousands unless stated otherwise.

## 2. Table KM1: Key metrics (at consolidated group level)

The key metrics focus on the capital and liquidity position of the Bank:

		Dec'24	Sep'24	Jun'24	Mar'24	Dec'23
		A	B	C	D	E
		T	T-1	T-2	T-3	T-4
<b>Available capital (amounts)*</b>						
1	Common Equity Tier 1 (CET1) (with IFRS 9 transitional arrangement)	6,281,081	5,587,852	5,369,632	5,232,319	5,001,501
1a	Fully loaded ECL accounting model	6,250,967	5,522,753	5,307,408	5,159,228	4,917,095
2	Tier 1(with IFRS 9 transitional arrangement)	6,281,081	7,883,477	6,655,182	6,517,869	6,287,051
2a	Fully loaded ECL accounting model Tier 1	6,250,967	7,818,378	6,592,958	6,444,778	6,202,645
3	Total capital (with IFRS 9 transitional arrangement)	6,735,888	8,322,438	7,081,477	6,928,174	6,683,096
3a	Fully loaded ECL accounting model total capital	6,705,774	8,257,339	7,019,253	6,855,083	6,598,690
<b>Risk-weighted assets (amounts)</b>						
4	Total risk-weighted assets (RWA)	40,602,603	39,149,530	37,978,414	36,580,815	35,252,532
<b>Risk-based capital ratios as a percentage of RWA</b>						
5	Common Equity Tier 1 ratio (%)	15.47%	14.27%	14.14%	14.30%	14.19%
5a	Fully loaded ECL accounting model CET1 (%)	15.40%	14.11%	13.97%	14.10%	13.95%
6	Tier 1 ratio (%)	15.47%	20.14%	17.52%	17.82%	17.83%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	15.40%	19.97%	17.36%	17.62%	17.59%
7	Total capital ratio (%)	16.59%	21.26%	18.65%	18.94%	18.96%
7a	Fully loaded ECL accounting model total capital ratio (%)	16.52%	21.09%	18.48%	18.74%	18.72%
<b>Additional CET1 buffer requirements as a percentage of RWA</b>						
8	Capital conservation buffer requirement	2.50%	2.50%	2.50%	2.50%	2.50%
9	Countercyclical buffer requirement (%)	0.132%	0.052%	0.085%	0.085%	0.066%
10	Bank D-SIB additional requirements (%)	-	-	-	-	-
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9+ row 10)	2.63%	2.55%	2.59%	2.59%	2.57%
12	CET1 available after meeting the bank's minimum capital requirements (%)	6.09%	7.27%	7.14%	7.30%	7.19%
<b>Leverage Ratio</b>						
13	Total leverage ratio measure	70,909,843	69,082,056	65,758,626	62,758,401	60,841,356
14	Leverage ratio (%) (row 2/row 13)	8.86%	11.41%	10.12%	10.39%	10.33%
14a	Fully loaded ECL accounting model leverage ratio (%) (row 2A/row 13)	8.82%	11.32%	10.03%	10.27%	10.19%
14b	Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	-	-	-	-	-
<b>Liquidity Coverage Ratio</b>						
15	Total HQLA	-	-	-	-	-
16	Total net cash outflow	-	-	-	-	-
17	LCR ratio (%)	-	-	-	-	-

		Dec'24	Sep'24	Jun'24	Mar'24	Dec'23
		A	B	C	D	E
		T	T-1	T-2	T-3	T-4
<b>Net Stable Funding Ratio</b>						
18	Total available stable funding	-	-	-	-	-
19	Total required stable funding	-	-	-	-	-
20	NSFR ratio (%)	-	-	-	-	-
<b>ELAR**</b>						
21	Total HQLA	15,385,813	15,270,899	13,718,218	13,502,172	12,250,804
22	Total liabilities	52,473,208	49,849,036	47,349,811	45,477,496	44,030,517
23	Eligible Liquid Assets Ratio (ELAR) (%) **	29.32%	30.63%	28.97%	29.69%	27.82%
<b>ASRR**</b>						
24	Total available stable funding	48,849,674	46,897,843	44,391,881	43,297,612	41,552,206
25	Total Advances	32,938,565	31,335,563	30,391,541	29,042,269	28,634,350
26	Advances to Stable Resources Ratio (%)	67.43%	66.82%	68.46%	67.08%	68.91%

\* CBUAE Pillar 3 explanatory notes - Fully Loaded means bank's regulatory capital compared with a situation where the IFRS 9 transitional arrangement had not been applied.

\*\* ELAR and ASRR ratios are calculated on a 90 day average basis as per CBUAE guidelines.

The US\$ 350 million (AED 1.286 billion) AT1 capital securities, issued in October 2019, were called on 16 September 2024 and settled on the first call date i.e., October 2024.

On 16 September 2024, following the approval of NBF's shareholders, through a special resolution at the GAM held on 26 June 2024, and the necessary regulatory approvals, NBF successfully issued AT1 capital securities, amounting to US\$ 275 million (AED 1.01 billion) as part of the strengthening of its capital structure supporting its business and operational strategy and refinancing of the afore-mentioned existing AT1 capital securities of US\$ 350 million (AED 1.286 billion). These securities have been classified as equity in accordance with IAS 32: Financial Instruments – Classification and are perpetual, sub-ordinated and unsecured. The transaction costs relating to the issuance were accounted for as a deduction from equity. This new issuance was privately placed with the Government of Fujairah. The capital instruments allowed for the mandatory conversion into ordinary shares, at a ratio of AED 2.85:1, within two years of this issuance. These capital securities have been converted to paid-up share capital on 31 December 2024.

In line with the above-mentioned approval of the General Assembly Meeting (GAM), regulatory authorities and the Board of Directors, the AT1 capital securities, amounting to US\$ 275 million (AED 1.01 billion), were converted on 31 December 2024 into paid-up share capital represented by 354,412,281 shares of AED 1 each issued at AED 2.85 for each note, resulting in the recognition of AED 655,662,719 in share premium within statutory reserve.

The Bank's lead regulator, the Central Bank of the UAE, sets and monitors regulatory capital requirements. The requirements of capital for subsidiaries, NBF Financial Services FZC and NBF Markets (Cayman) Limited, are determined by the Free Zone Authority of Fujairah and Cayman Island Government General Registry respectively.

The Group's objectives and strategy when managing capital are:

- To maintain an adequate level and achieve an optimum structure for the Group's capital commensurate with its strategy, risk profile and relative positioning in the market;
- To comply with regulatory capital requirements set by the Central Bank of the UAE;

- To safeguard the Group's ability to continue as a going concern and to optimise returns for shareholders;
- To efficiently allocate capital to various businesses and to optimise risk and reward;
- To ensure effective internal organisation and processes and to assess and manage material risks on an ongoing basis; and
- To provide for any unforeseen losses.

The Group's capital management is carried out centrally and determines the level of risk weighted asset growth and the optimal amount and mix of capital required to support planned business growth.

In implementing capital requirements, the Bank calculates its capital adequacy ratio in accordance with the 'Capital Adequacy Regulations' issued by the Central Bank of the UAE. The Central Bank of the UAE introduced the implementation of Basel III reporting which the Group has adopted and has also developed and implemented risk management measurement tools and robust practices to be compliant with the Basel III Standardised approach. The Central Bank of the UAE places considerable emphasis on the Internal Capital Adequacy Assessment Process ("ICAAP") and the Group has aligned its policy framework and ICAAP in compliance with the Central Bank of the UAE requirements.

The Bank and its subsidiaries have complied with all regulatory capital requirements throughout the year.

#### *Regulatory Capital*

The Bank's risk weighted assets (RWA) are weighted on the basis of relative credit, market, and operational risks. Credit risk includes both on and off balance sheet risks. In accordance with the Basel III Compliance – Standardized Approach, the Bank is following the standardized measurement approach for credit, market and operational risk, under the existing Pillar 1 of Basel III requirements with the addition of the respective changes pertinent to capital supply.

The quantitative requirements, based on the regulations and guidelines, have been detailed below:

- i. Total regulatory capital (net of regulatory adjustments) – at least 10.50% of risk weighted assets (RWA) – comprises of two tiers:
  - a. Tier 1 capital – at least 8.50% of RWA, composed of:
    - Common equity Tier 1 (CET1) – at least 7.00% of RWA; and
    - Additional Tier 1 (AT1).

Common equity Tier 1 (CET1) includes ordinary share capital, statutory reserve, special reserve, retained earnings and fair value reserves relating to unrealized gains on investments classified as FVOCI / available for sale with a haircut of 55%; and Additional Tier 1 (AT1) comprises of Tier 1 capital securities.

- b. Tier 2 capital

It includes collective impairment provision and subordinated facilities. Collective impairment provision, including impairment reserve general, shall not exceed 1.25% of total credit risk weighted assets.

- ii. Banks must maintain a Capital Conservation Buffer (CCB) of 2.50% of RWA in the form of CET1 capital. CBUAE may also require banks to implement Countercyclical Buffer (CCyB), to protect the banks from periods of excess aggregate credit growth. CCyB must be met by using CET1 capital and the level may vary between 0 and 2.50% of RWAs. At the date of this report, the Bank is not required to hold additional capital to satisfy a CCyB.



*Minimum capital requirements - Central Bank of the UAE:*

Capital element	Basel III 2024
Minimum common equity tier 1 ratio	7.00%
Minimum tier 1 capital ratio	8.50%
Minimum capital adequacy ratio	10.50%
Capital conservation buffer	2.50%

*Capital Stress Testing:*

The Group carried out and submitted to the Central Bank of the UAE stress testing exercise in accordance with the macroeconomic and business scenarios prescribed by the Central Bank of the UAE through its related guidelines. The results also included the mitigation plan / management action in response to the impact of the stress scenario on the capital adequacy of the Group. The Group passed the Central Bank of the UAE stress test.

The stress testing exercise achieves the following objectives:

- It provides a forward-looking assessment of risk under a stressed scenario;
- It assesses the impact of various Macroeconomic Variables on UAE markets;
- It elaborates the methodologies, and the assumptions undertaken in the process;
- It assists the Group to shape its strategy, by gauging the capital impact of the stress scenarios;
- It enables the Group to assess extreme risk scenarios, along with contingency plans for such events; and
- It ensures senior management and the Board of Directors have sufficient information to facilitate contingency planning.

*Capital Allocation:*

The Group also assesses its capital requirements taking into consideration its growth and business plans, and quantifies its regulatory, risk and economic capital requirements within its integrated ICAAP Framework. Risks such as residual risk, concentration risk, liquidity risk, interest rate risk in banking book (IRRBB), settlement risk, reputational risk, strategic risk, money laundering and cyber risk form part of ICAAP quantification.

### **3. OVA: Bank Risk Management Approach**

The NBF Group recognizes that risk exists in all of our activities and that we need to have a clear and ordered approach to identification, assessment, measurement, reporting and treatment of risks based on a clear statement of Risk Appetite. Our Board of Directors considers the context of our business strategy and internal and external drivers of risk and sets boundaries for acceptable risk taking in our Risk Appetite Statement. Management then seeks to implement the Business Strategy and Operational Plans within those boundaries. To do this effectively, we apply a “Three Lines of Defence” operating model in relation to the management of risk. The key principle of the model is that risk management capability must be embedded within the business to be effective. The role of each line is:

First Line – Businesses own risks and obligations, and the controls and mitigation strategies that help manage them.

Second Line – Functionally segregated Risk Management and Compliance functions develop risk management frameworks, define the risk management principles in the bank’s Policies, provide objective review and challenge regarding the effectiveness of risk management within the first line businesses, and execute specific

risk management activities where the functional segregation of duties is required, or a specific expertise is required.

Third Line – An independent Internal Audit function reporting to the Board, monitors the effectiveness of risk management in the first and second lines and compliance with the Enterprise-wide Risk Management Framework and the Bank's Policies.

We then apply a structured approach to risk measurement and reporting which is assessed against our Risk Appetite and is overseen by specialized risk governance committees to ensure transparency and that any position outside appetite or trending in that direction has appropriate remediation action plans approved and governed to finalization.

Risk governance is key to successful risk taking. It involves a formal structure used to support risk-based decision making and oversight across all our operations.

The Board has established the Board Risk Committee, to assist it in carrying out its responsibilities that are set out in its Charter. It receives regular reporting from management, and it provides guidance to management where required as well as consideration and approval of specific matters referred to it.

Management has a number of management committees focused on our Material Risk classes or categories that are tasked with decision making and oversight of remediation where required.

Our Material Risks are defined as:

### **Credit Risk**

Credit Risk is defined within NBF as: The risk of loss arising from the non-performance by a customer, client or counterparty in any of its financial obligations towards NBF. The definition of Credit Risk includes country risk, concentration risk and related party risks.

NBF's detailed policies in respect of Credit Risk are set out in the NBF Credit Risk Framework & Policy (CRF&P).

### **Treasury Risk**

The risk of loss arising from activities undertaken in, or impacted by, financial markets generally. This includes both Market Price Risk as well as ancillary risk such as Liquidity, Funding (liability) and Interest Rate Risk in the Banking Book.

NBF's detailed policies in respect of Treasury Risk are set out in the NBF Group Market Risk Management Policy and Liquidity Risk Management Policy as well as the Treasury Risk Process Guidance.

### **Operational Risk**

The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk but excludes strategic and reputational risk.

NBF's detailed policies in respect of Operational Risk are set out in the NBF Operational Risk Management Framework (ORMF). The ORMF aggregates the following additional elements of risks:

- Information Technology Risk;
- Disaster Recovery and Business Continuity Management;
- Human Resources/Personnel Risk;
- Processing Risks;
- Insurance Risk; and
- Risks in new Businesses, Products & Systems.

### **Regulatory Compliance Risk**

The risk of losses, fines or penalties resulting from the failure of people, or of the organization to comply with legislation or regulation.

NBF's policies in respect of compliance risk are set out in the Bank's Compliance Policy. Anti-Money Laundering and Counter Terrorist Financing ('AML/CTF') Risks are documented in the Bank's AML Policy, and Sanctions Risks are documented in the Sanctions Policy and supporting processes.

### **Information Security Risk**

The potential that a given threat will exploit vulnerabilities of an asset or group of assets and thereby cause harm to the organization.

NBF's Information Security Risk Management Framework (ISRMF) ensures that information security risks in the entity are identified, assessed, and evaluated, and that these risks are treated in accordance with the information security requirements and business objectives of NBF.

NBF's detailed policies in respect to Information Security are defined in the Information Security Management System (ISMS) Framework. This ensures:

- NBF's Information resources in whatever form they exist both electronic and non-electronic are appropriately protected from compromise of their confidentiality, integrity and availability.
- Controls and protection requirements are accomplished in a manner consistent with the business and work flow requirements of NBF ISRMF and ISMS supports the general concepts specified in National Electronic Security Authority (NESA), National Cyber Risk Management Framework (NCRMF) and ISO/IEC 27001 and is designed to assist the satisfactory implementation of information security controls at NBF.

### **Shari'ah Compliance Risk**

Whilst considered and reported as part of the overall Operational Risk Management Framework for capital purposes, Shari'ah Compliance has such significance that it has its own Framework, Governance processes and Assurance. We have an Internal Shari'ah Supervision Committee to provide guidance on and approval for matters pertaining to Islamic Shari'ah.

### **Country and Transfer Risk**

Country Risk is defined as the risk of loss resulting from events in a foreign country, which may include changes in economic, social, political or regulatory conditions that affect obligors in that country and, potentially, obligations denominated in that country's currency.

Transfer Risk is defined as the risk that a borrower will not be able to convert local currency into foreign exchange and so be unable to make foreign currency debt service payments.

NBF is always committed to the implementation of best practices and governance standards.

The Board of Directors has overall responsibility for the establishment and oversight of the enterprise risk management framework. The Board sets the overall risk appetite and strategy in consultation with the senior management and approves all principal governance committee charters, policies and guidelines to manage the above mentioned risks. The Board has established committees, as detailed in the Corporate Governance Report (published on the NBF website), to enhance the oversight mechanism to carry out its responsibilities effectively.

### ***Risk Appetite, Enterprise wide Risk Management and the Internal Control Framework:***

Risk Appetite is the degree of risk that it is prepared to accept in pursuit of its strategic objectives and strategic plan, considering the Bank's various stakeholders, including depositors, shareholders and other relevant parties. The Risk Appetite Statement (RAS) intends to document the Bank's willingness to undertake risk to achieve its strategic plan objectives. The RAS is used as the primary guiding document in the execution of the business strategy, and therefore all strategic decisions are also considered in context of the defined RAS.

The RAS is a Board approved articulation of the aggregate level and types of risk that the Bank will accept or avoid in order to achieve its business objective. For each material risk, the Board has defined the maximum level of risk that the Bank is willing to operate within.

The Board sets the risk appetite, policies and has approved the Enterprise-wide Risk Management Framework. The Bank follows a three lines of defence structure, as explained above, with management control being the first, independent risk management oversight being the second, and an independent audit assurance being the third. The principal responsibility for the execution and implementation of policies and procedures and internal controls rests with respective functions and departments in accordance with the approved framework. An independent Risk Management function carries out the oversight through independent review and approval of procedures, spot checks to assess adequacy of internal controls and meeting of compliance requirements. It performs specialist activities to monitor and assess, operational risk, credit portfolio risk, market risk and liquidity risk.

The role of the Internal Audit Function within the Group is to provide independent and objective assurance that the process for identifying, evaluating and managing significant risks faced by the Group is appropriate and effectively applied. In addition, it also provides an independent check on the compliance with laws and regulations and measuring compliance with the Group's policies and procedures. Additionally, Internal Audit provides consulting services which are advisory in nature and are generally performed at the specific request of the Senior Management. It is led by the Head of Internal Audit who reports to the Audit Committee of the Board. To perform its role effectively, Internal Audit has organizational independence from management, to enable unrestricted evaluation of management activities and personnel.

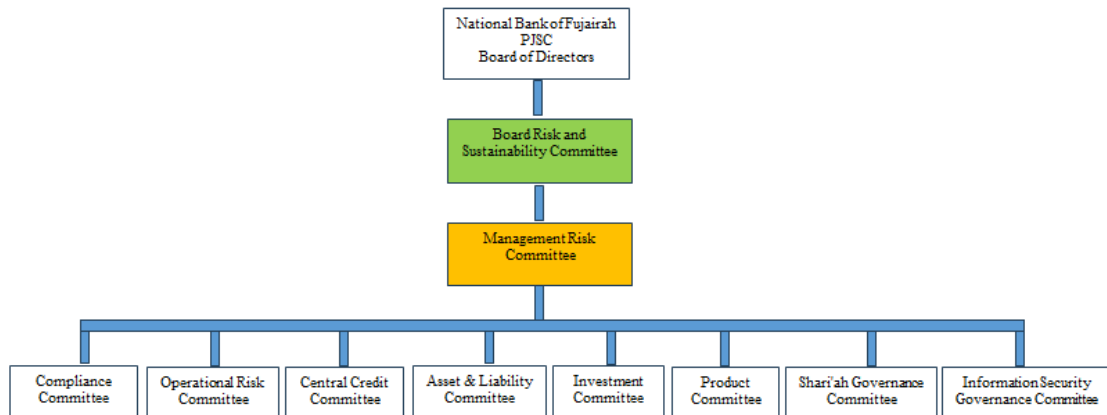
NBF has zero tolerance for non-compliance with its Risk Appetite, policies and procedures and strongly promotes a risk based culture across the Bank. The Bank reinforces it through various channels that include communication of Risk Appetite and risk policies annually to all staff for mandatory reading, a compulsory training program and quarterly compliance certification process. The Bank has also established robust operational risk program to report any error or process failure and, regular monitoring of Key Risk Indicators.

The Bank has a well-established mechanism to set and monitor operating limits, with any deviations from risk thresholds captured in the Breach register with clear delegation of authority for approval of remediation at management and board governance committees.

Responses to the Risk Profile being outside our Appetite is based on whether there is a breach of a hard limit, a Management Action Trigger or a target range. These indicators are measured through management information systems and platforms developed by the Bank. Responses to risks that arise in our business will depend on the type and level of the risk. Risks can be Accepted, Avoided, Treated or Transferred.

All risks within Appetite are deemed to be accepted. Risks outside our Appetite require decision making.

Our Risk Governance Structure is set out below:



The Board Risk and Sustainability Committee and the Management Risk Committee consider and govern all risk types across the Bank. Other committees are accountable for oversight of the following risks in consideration of the requirements of the named policies.

Committee	Risks	Policies
Central Credit Committee	Credit Risk Country and Transfer Risk	Credit Risk Framework and Policy Credit Underwriting Guidelines Delegated Authorities for Lending
Operational Risk Committee	Operational Risks	Operational Risk Management Framework Operational Risk Policy Business Continuity and Disaster Recovery Policy Crisis Management Policy Outsourcing Policy Reputational Risk Framework Fraud Risk Framework Information Security Risk Management Framework Insurance Risk Policy Legal Risk Policy
Asset and Liability Committee	Funding Risk Liquidity Risk Capital Adequacy Market Risk	Liquidity Risk Policy Market Risk Policy Treasury Risk Process Guidelines Trading Book Policy
Shari'ah Governance Committee	Shari'ah Compliance Risk	Shari'ah Governance Framework
Information Security Governance Committee	Technology Risk	ISMRF ISMS
Compliance Committee	Regulatory Compliance Risk AML/CTF Risk Sanctions Risk	Compliance Policy AML Policy Sanctions Policy
Product Committee	Operational Risk Strategic Risk Legal Risk Compliance Risk	Product Development and Management Policy
Investment Committee	Investment Risk Market Risk	Investment Risk Policy Market Risk Policy

### Stress Testing

Stress testing is an important aspect of our challenge and validation activities within the Second Line of Defence. It allows us to model critical metrics after application of a range of extreme but plausible stress scenarios on Capital Adequacy, Liquidity and Funding.

We conduct a major Econometric Stress test each year using the stress scenarios set by our regulator, which is approved by the Board of Directors and is reported to the Central Bank of the UAE.

In addition, we apply internally determined stress scenarios on our Capital, Funding and Liquidity on a monthly basis and these metrics have visibility in ALCO, Management Risk Committee and Board Risk and Sustainability Committee.

#### 4. Table OV1: Overview of RWA

	A	B	C
	RWA		Minimum capital requirements
	T	T – 1	T
<b>Credit risk (excluding counterparty credit risk)</b>	<b>36,384,556</b>	<b>35,116,904</b>	<b>3,820,378</b>
Of which: standardised approach (SA)	36,253,461	34,989,707	3,806,613
Of which: foundation internal ratings based (F IRB) approach	-	-	-
Of which: supervisory slotting approach	-	-	-
Of which: advanced internal ratings based (A IRB) approach	-	-	-
Counterparty credit risk (CCR)	-	-	-
Of which: standardised approach for counterparty credit risk	-	-	-
Of which: Internal Model Method (IMM)	-	-	-
Of which: other CCR	-	-	-
Credit valuation adjustment (CVA)	131,095	127,197	13,765
Equity positions under the simple risk weight approach	-	-	-
Equity investments in funds – look- through approach	-	-	-
Equity investments in funds - mandate-based approach	-	-	-
Equity investments in funds - fall back- approach	-	-	-
Settlement risk	-	-	-
Securitisation exposures in the banking book	-	-	-
Of which: securitisation internal ratings-based approach (SEC - IRBA)	-	-	-
Of which: securitisation external ratings-based approach (SEC - ERBA)	-	-	-
Of which: securitisation standardised approach (SEC - SA)	-	-	-
<b>Market risk</b>	<b>40,002</b>	<b>18,525</b>	<b>4,200</b>
Of which: standardised approach (SA)	40,002	18,525	4,200
Of which: internal models approach (IMA)	-	-	-
<b>Operational risk</b>	<b>4,178,045</b>	<b>4,014,101</b>	<b>438,695</b>
Amounts below thresholds for deduction (subject to 250% risk weight)	-	-	-
Floor adjustment	-	-	-
<b>Total</b>	<b>40,602,603</b>	<b>39,149,530</b>	

NBF is principally exposed to credit risk which represents almost 89.61% per cent of the Bank's Risk Weighted Assets followed by operational risk which accounts for around 10.29% of Risk Weighted Assets. The Bank has a relatively small market risk exposure as reflected in its risk weighted assets.

**5. Table LI1: Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories**

	A	B	C	D	E	F	G
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items:				Not subject to capital requirements or subject to deduction from capital
			Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisation framework	Subject to market risk framework	
<b>Assets</b>							
Cash and balances with the Central Bank of the UAE	14,391,244	14,415,057	14,415,057	-	-	-	-
Due from banks and financial institutions	2,229,905	2,235,206	2,235,206	-	-	-	-
Investments and Islamic instruments	9,445,809	9,468,540	9,468,540	-	-	-	-
Loans and advances and Islamic financing receivables	32,392,174	33,252,446	33,252,446	-	-	-	-
Property and equipment	378,389	378,389	378,389	-	-	-	-
Intangibles	199,423	199,423	199,423	-	-	-	-
Acceptances	1,302,132	-	-	-	-	-	-
Other assets	539,992	558,673	514,000	44,673	-	-	-
<b>Total Assets</b>	<b>60,879,068</b>	<b>60,507,734</b>	<b>60,463,061</b>	<b>44,673</b>	-	-	-
<b>Liabilities</b>							
Due to banks and repurchase agreements	4,571,482	4,571,482	-	-	-	-	-
Customer deposits and Islamic customer deposits	45,757,020	45,757,020	-	-	-	-	-
Term borrowings	808,060	808,060	-	-	-	-	-
Acceptances	1,306,664	1,306,664	-	-	-	-	-
Other liabilities	1,580,167	1,580,167	-	-	-	-	-
<b>Total Liabilities</b>	<b>54,023,393</b>	<b>54,023,393</b>	-	-	-	-	-

*Difference between carrying value reported in Financial statements and regulatory consolidation*

- Exposures under the scope of regulatory consolidation include accrued interest whereas it is included in other assets in the published financial statements. General / collective provision is netted from Loans and advances, Due from banks and Investments under published financial statements but not deducted for the purposes of Basel reporting as these are reported as other liabilities.
- Other assets in the financial statements include acceptances whereas they are part of off-balance sheet exposure under Basel reporting.



(c) IFRS 9 transitional arrangement ECL is included in the Basel reporting.

(d) Haircut of 55% is taken under Basel reporting for accumulated other comprehensive income. No haircut is applied in case of accumulated other comprehensive loss.

**6. Table LI2: Main sources of differences between regulatory exposure amounts and carrying values in financial statements**

		A	B	C	D	E
		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 consolidation (as per template LI1)	60,507,734	60,463,061	-	44,673	-
2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	54,023,393	-	-	-	-
3	Total net amount under regulatory scope of consolidation	-	-	-	-	-
4	Off-balance sheet amounts	10,781,129	10,781,129	-	-	-
5	Differences in valuations	-	-	-	-	-
6	Differences due to different netting rules, other than those already included in row 2	-	-	-	-	-
7	Differences due to consideration of provisions	-	-	-	-	-
8	Differences due to prudential filters	-	-	-	-	-
9	<b>Exposure amounts considered for regulatory purposes</b>	-	-	-	-	-

**7. LIA: Main sources of differences between regulatory exposure amounts and carrying values in financial statements**

Exposure under the scope of regulatory consolidation includes accrued interest whereas it is included in other assets in the financial statements.

General provision is netted from Loans and advances, Due from banks and Investments in the Financial Statements but not deducted for the purposes of Basel reporting where these are reported as other liabilities.

**Systems and Controls for Valuation Estimates**

**Classification and measurement of Financial instruments**

The Group classifies its financial assets into the following measurement categories:

- i. those to be measured at fair value (either through other comprehensive income, or through profit or loss); and



ii. those to be measured at amortised cost.

The classification depends on the Group's business model for managing financial assets and the contractual terms of the financial assets' cash flows. The Group classifies its financial liabilities at amortised cost unless it has designated liabilities at fair value through profit or loss or is required to measure liabilities at fair value through profit or loss such as derivative liabilities.

### **Financial assets measured at fair value through other comprehensive income**

#### *Debt instruments*

Investments in debt instruments are measured at fair value through other comprehensive income where they have:

- contractual terms that give rise to cash flows on specified dates, that represent solely payments of principal and interest on the principal amount outstanding; and
- are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

These debt instruments are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income within a separate component of equity. Impairment losses or reversals, interest revenue and foreign exchange gains and losses are recognised in the income statement. Upon disposal, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the income statement.

The measurement of credit impairment is based on the three-stage expected credit loss model as applied to financial assets at amortised cost.

#### *Equity instruments*

Investment in equity instruments that are neither held for trading nor contingent consideration, are measured at fair value through other comprehensive income, where an irrevocable election has been made by management.

Amounts presented in other comprehensive income are not subsequently transferred to profit or loss.

### **Financial assets measured at fair value through profit or loss**

Financial assets at fair value through profit or loss comprise:

- financial assets held for trading; and
- financial assets specifically designated as fair value through profit or loss on initial recognition.

Financial instruments held at fair value through profit or loss are initially recognised at fair value, with transaction costs recognised in the income statement as incurred. Subsequently, they are measured at fair value and any gains or losses are recognised in the income statement as they arise. Where a financial asset is measured at fair value, a credit valuation adjustment is included to reflect the credit worthiness of the counterparty, representing the movement in fair value attributable to changes in credit risk.

#### *Financial instruments held for trading*

A financial instrument is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term, or forms part of a portfolio of financial instruments that are managed together and for which there is evidence of short-term profit taking, or it is a derivative not in a

qualifying hedge relationship. Trading derivatives and trading securities are classified as held for trading and recognised at fair value through profit or loss.

*Financial instruments designated as measured at fair value through profit or loss*

Upon initial recognition, financial instruments may be designated as measured at fair value through profit or loss. A financial asset may only be designated at fair value through profit or loss if doing so eliminates or significantly reduces measurement or recognition inconsistencies (i.e. eliminates an accounting mismatch) that would otherwise arise from measuring financial assets or liabilities on a different basis.

A financial liability may be designated at fair value through profit or loss if it eliminates or significantly reduces an accounting mismatch or:

- if a host contract contains one or more embedded derivatives; or
- if financial assets and liabilities are both managed and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Where a financial liability is designated at fair value through profit or loss, the movement in fair value attributable to changes in the Group's own credit quality is calculated by determining the changes in credit spreads above observable market interest rates and is presented separately in other comprehensive income.

**Financial assets measured at amortised cost**

*Debt instruments*

Investments in debt instruments are measured at amortised cost where they have:

- contractual terms that give rise to cash flows on specified dates, that represent solely payments of principal and interest on the principal amount outstanding; and
- are held within a business model whose objective is achieved by holding to collect contractual cash flows.

These debt instruments are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at amortised cost. The measurement of credit impairment is based on the three-stage expected credit loss model described in annual Group financial statements.

**Valuation methodologies, mark-to-market and mark-to-model**

For Treasury related asset classes, the Bank uses market prices from independent sources for valuations. Bloomberg and FIS Front Arena are used for mark-to-market and mark-to-model methodologies. For equity instruments representing investment in funds, fund managers provide valuations on a periodic basis.

If a quoted market price is not available or if a market for a financial instrument is not active, the fair value is determined by using valuation techniques. Valuation techniques include net present value, discounted cash flow methods and comparison to similar instruments for which a market observable price exists.

The fair value of derivatives that are not exchange traded is estimated at the amount that the Bank would receive or pay to terminate the contract at the date of the consolidated financial statements, taking into account current market conditions and the current creditworthiness of the counterparty.

**Description of the independent price verification process:**

The price verification is carried out independently by the Treasury Middle Office function on a daily basis which is subject to internal audit process and review by external auditors each quarter to ensure pricing models are fit-for-purpose.

**8. Table CC1: Composition of regulatory capital**

		A	B
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
<b>Common Equity Tier 1 capital: instruments and reserves</b>			
1	Directly issued qualifying common share (and equivalent for non joint stock companies) capital plus related stock surplus	2,580,412	Same as (h) from CC2 template
2	Retained earnings	1,410,422	
3	Accumulated other comprehensive income (and other reserves)	2,489,670	
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	<b>Common Equity Tier 1 capital before regulatory deductions</b>	<b>6,480,504</b>	
<b>Common Equity Tier 1 capital regulatory adjustments</b>			
7	Prudent valuation adjustments	-	
8	Goodwill (net of related tax liability)	-	CC2 (a) minus (d)
9	Other intangibles including mortgage servicing rights (net of related tax liability)	199,423	CC2 (b) minus (e)
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	-	

		A	B
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
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 (IFRS 9 transitory adjustment)	-	
24	<b>Total regulatory adjustments to Common Equity Tier 1</b>	<b>199,423</b>	
25	<b>Common Equity Tier 1 capital (CET1)</b>	<b>6,281,081</b>	
<b>Additional Tier 1 capital: instruments</b>			
26	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	-	CC2 (i)
27	Of which: classified as equity under applicable accounting standards	-	
28	Of which: classified as liabilities under applicable accounting standards	-	
29	<i>Directly issued capital instruments subject to phase out from additional Tier 1</i>	-	
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	<i>Of which: instruments issued by subsidiaries subject to phase out</i>	-	
32	Additional Tier 1 capital before regulatory adjustments	-	
<b>Additional Tier 1 capital: regulatory adjustments</b>			
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	-	

		A	B
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
36	CBUAE specific regulatory adjustments	-	
37	Total regulatory adjustments to additional Tier 1 capital	-	
38	<b>Additional Tier 1 capital (AT1)</b>	-	
39	<b>Tier 1 capital (T1= CET1 + AT1)</b>	<b>6,281,081</b>	
<b>Tier 2 capital: instruments and provisions</b>			
40	Directly issued qualifying Tier 2 instruments plus related stock surplus	-	
41	<i>Directly issued capital instruments subject to phase out from Tier 2</i>	-	
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	<i>Of which: instruments issued by subsidiaries subject to phase out</i>	-	
44	Provisions	454,807	1.25% of CRWA
45	<b>Tier 2 capital before regulatory adjustments</b>	<b>454,807</b>	
<b>Tier 2 capital: regulatory adjustments</b>			
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	<b>Total regulatory adjustments to Tier 2 capital</b>	-	
51	<b>Tier 2 capital (T2)</b>	<b>454,807</b>	
52	<b>Total regulatory capital (TC = T1 + T2)</b>	<b>6,735,888</b>	
53	<b>Total risk weighted assets</b>	<b>40,602,603</b>	
<b>Capital ratios and buffers</b>			
54	<b>Common Equity Tier 1 (as a percentage of risk weighted assets)</b>	15.47%	
55	<b>Tier 1 (as a percentage of risk weighted assets)</b>	15.47%	
56	<b>Total capital (as a percentage of risk weighted assets)</b>	16.59%	

		A	B
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
57	<b>Institution specific buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus higher loss absorbency requirement, expressed as a percentage of risk weighted assets)</b>	2.63%	
58	<b>Of which: capital conservation buffer requirement</b>	2.50%	
59	<b>Of which: bank specific countercyclical buffer requirement</b>	0.13%	
60	<b>Of which: higher loss absorbency requirement (e.g. DSIB)</b>		
61	<b>Common Equity Tier 1 (as a percentage of risk weighted assets) available after meeting the bank's minimum capital requirement.</b>	6.09%	
<b>The CBUAE Minimum Capital Requirement</b>			
62	Common Equity Tier 1 minimum ratio	7.00%	
63	Tier 1 minimum ratio	8.50%	
64	Total capital minimum ratio	10.50%	
<b>Amounts below the thresholds for deduction (before risk weighting)</b>			
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)	-	
<b>Applicable caps on the inclusion of provisions in Tier 2</b>			
69	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	648,957	
70	Cap on inclusion of provisions in Tier 2 under standardised approach	454,807	1.25% of CRWA
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	-	

## 9. Table CC2: Reconciliation of regulatory capital to balance sheet

	A	B	C
	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Ref
	As at period-end	As at period-end	
<b>Assets</b>			
Cash and balances with the Central Bank of the UAE	14,391,244	14,415,057	-
Due from banks and financial institutions	2,229,905	2,235,206	-
Investments and Islamic instruments	9,445,809	9,468,540	-
Loans and advances and Islamic financing receivables	32,392,174	33,252,446	a
Acceptances	1,302,132	-	-
Other assets	539,992	558,673	b
Property and equipment	378,389	378,389	-
Intangibles	199,423	199,423	-
<b>Total assets</b>	<b>60,879,068</b>	<b>60,507,734</b>	-
<b>Liabilities</b>			
Due to banks and Repurchase agreements	4,571,482	4,571,482	-
Customer deposits and Islamic customer deposits	45,757,020	45,757,020	-
Term borrowings	808,060	808,060	-
Acceptances	1,306,664	1,306,664	-
Other liabilities	1,580,167	1,580,167	-
<b>Total liabilities</b>	<b>54,023,393</b>	<b>54,023,393</b>	-
<b>Equity</b>			
Paid-in share capital	2,580,412	2,580,412	-
Of which: amount eligible for CET1	2,580,412	2,580,412	-
Of which: amount eligible for AT1	-	-	-
Retained earnings	1,767,370	1,410,422	c
Statutory reserve	1,709,784	1,709,784	-
Special reserve	764,977	764,977	-
Tier 1 capital securities	-	-	-
Accumulated other comprehensive income	33,132	14,909	d
<b>Total shareholders' equity</b>	<b>6,855,675</b>	<b>6,480,504</b>	-

*Difference between carrying value reported in Financial statements and regulatory consolidation*

- (a) Exposures under scope of regulatory consolidation include accrued interest whereas it is included in 'other assets' in the financial statements. General/ collective provision is netted from Loans and advances, Due from banks and Investments under financials but not deducted for the purposes of Basel reporting where it is reported as other liabilities.

- (b) Other assets in the financial statements include acceptances whereas they are part of off-balance sheet exposure under Basel reporting.
- (c) IFRS 9 transitional arrangement ECL is included in the Basel reporting.
- (d) Haircut of 55% is taken under Basel reporting for accumulated other comprehensive income. No haircut is applied in case of accumulated other comprehensive loss.

## 10. CCA: Main features of regulatory capital instruments

		Quantitative / qualitative information
1	Issuer	N/A
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
3	Governing law(s) of the instrument	N/A
	Regulatory treatment	N/A
4	Transitional arrangement rules (i.e. grandfathering)	N/A
5	Post-transitional arrangement rules (i.e. grandfathering)	N/A
6	Eligible at solo/group/group and solo	N/A
7	Instrument type (types to be specified by each jurisdiction)	N/A
8	Amount recognised in regulatory capital (currency in millions, as of most recent reporting date)	N/A
9	Nominal amount of instrument (in millions)	N/A
9a	Issue price	N/A
9b	Redemption price	N/A
10	Accounting classification	N/A
11	Original date of issuance	N/A
12	Perpetual or dated	N/A
13	Original maturity date	N/A
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	Coupons / dividends	N/A
17	Fixed or floating dividend/coupon	N/A
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	N/A
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
21	Existence of step-up or other incentive to redeem	N/A
22	Non-cumulative or cumulative	N/A
23	Convertible or non-convertible	N/A
24	Writedown feature	N/A
25	If writedown, writedown trigger(s)	N/A
26	If writedown, full or partial	N/A
27	If writedown, permanent or temporary	N/A
28	If temporary write-down, description of writeup mechanism	N/A
28a	Type of subordination	N/A
29	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned).	N/A
30	Non-compliant transitioned features	N/A
31	If yes, specify non-compliant features	N/A



## 11. Table CCyB1 : Geographical distribution of credit exposures used in the countercyclical capital buffer

The Group is not exposed to countercyclical capital buffer except for the following geographies:

Geographical breakdown	A	B		C	D	E
	Countercyclical capital buffer rate	Exposure values and/or risk-weighted assets used in the computation of the countercyclical capital buffer		Risk-weighted assets	Bank-specific countercyclical capital buffer rate	Countercyclical buffer amount
		Exposure values				
Great Britain	2.00%	1,313,165		639,445	2.00%	12,789
Cayman Islands	2.00%	830,961		421,312	2.00%	8,426
France	1.00%	599,328		298,370	1.00%	2,984
Netherlands	2.00%	382,150		193,557	2.00%	3,871
Belgium	1.00%	354,157		305,619	1.00%	3,056
Spain	0.50%	246,427		119,323	0.50%	597
Germany	0.75%	218,489		103,666	0.75%	777
British Virgin Islands	2.00%	216,539		216,539	2.00%	4,331
Republic of Korea	1.00%	208,239		41,648	1.00%	416
Sweden	2.00%	175,882		64,145	2.00%	1,283
Australia	1.00%	134,483		66,136	1.00%	661
Denmark	2.50%	122,585		91,381	2.50%	2,285
Hong Kong	0.50%	85,650		67,664	0.50%	338
Luxembourg	0.50%	2,617		1,328	0.50%	7
Panama	1.00%	8		8	1.00%	-
Ireland	1.50%	-		-	1.50%	-
<b>Sum</b>		<b>4,890,680</b>		<b>2,630,141</b>		
<b>Total</b>		<b>41,126,971</b>		<b>31,620,368</b>	<b>0.1323%</b>	

## 12. Liquidity risk management

### Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its obligations associated with financial liabilities that are settled by delivering cash or another financial asset. It includes the risk of inability to fund assets at appropriate maturities and rates, and inability to liquidate assets at a reasonable price and in an appropriate time frame, and inability to meet obligations as they become due. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to diminish.

The Group's approach to managing liquidity is to maintain, as far as possible, sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or putting the Group's reputation at risk.

### ***Management of liquidity risk***

Treasury is entrusted with the responsibility of ensuring compliance with both statutory liquidity requirements and internal risk limits. All liquidity risk management policies and procedures are subject to review and approval by the Asset and Liability Committee (ALCO), Management Risk Committee (MRC), Board Risk and Sustainability Committee (BRSC) and the Board.

The Group maintains a portfolio of short term liquid assets, largely made up of cash and balances with the Central Bank of the UAE representing 23.64% (31 December 2023: 22.15%) of total assets which also include mandatory cash reserve deposits with the Central Bank of the UAE. Short term liquid assets also include investment grade marketable securities, due from banks and financial institutions and other interbank facilities, to ensure that sufficient liquidity is maintained both under normal conditions and simulated stress scenarios.

The Group uses lending to stable resource ratio (LSRR) of 1:1 and eligible liquid assets ratio (ELAR) of 10%, which represents high quality liquid assets as stipulated by the Central Bank of the UAE, as key risk indicators and monitors them on a regular basis. The Group uses more prudent internal LSRR measure of 0.925:1 as a trigger point for action planning.

The Group manages its concentration of deposits by continuing to widen the customer base and sources of liabilities and setting in place caps on individual size and varying maturities.

Liquidity positions, key risk indicators and actions are discussed at ALCO to monitor and review achievement of short and long term liquidity strategies and thresholds.

Liquidity risk appetite is prudently and proactively reviewed taking into consideration the market events and relevant risk management standards. Adherence to the longer stress period is being achieved through reliance on both higher quality and adequate level of liquid assets. The Group monitors 30 days stress test under two scenarios of local market crisis and one / two notch downgrade of NBF Issuer Credit Rating in line with its liquidity risk appetite. The Bank has also defined a contingency funding plan to manage any liquidity crisis situation.

The Bank has a Board approved Liquidity Policy and Treasury Risk Management Framework in place that:

1. Defines Liquidity Risk and the roles and responsibilities of those charged with responsibility for Liquidity Risk Management in relation to the activities and exposures taken by the Bank;
2. Defines the organization structure relating to Liquidity Risk Management;
3. Establishes a framework of independent monitoring and reporting;
4. Codifies standards of measurement of Liquidity Risk;
5. Ensures compliance with the regulatory requirements relating to Liquidity Risk ; and
6. Defines the Bank's plan for obtaining required funding in the event of a shortage of liquidity in the market (the Contingency Funding Plan).

## Funding strategy

NBF's funding and liquidity strategy is an integral part of its planning and risk management framework. The Bank's funding strategy takes into consideration the Board approved liquidity risk appetite and policies, regulatory requirements and best practices. The Bank front runs its liquidity for the planned business growth and focuses on diversification of sources of funding in terms of customers, counterparties, geographies, industries, products and maturities.

The Bank's funding is raised through retail banking, corporate banking and financial institution, business banking and Treasury operations. Business segments are required to self-fund the credit growth and the interbank and capital markets funding are determined and managed through ALCO. NBF follows a fully centralized model which consolidates funding and liquidity management at the Asset and Liability Management (ALM) Desk within Treasury function. The ALM Desk distributes funding across various business segments and ensures compliance with strict mismatch limits and manages pools of liquid assets. The Bank has well defined funds transfer pricing (FTP) policy which is used as cost for transfer of liquidity to/from the ALM Desk to business segments.

## Stress testing

Liquidity Stress testing is performed monthly. The liquidity stress test results are circulated to management and presented to ALCO. ALCO's Charter and processes ensure that the forecast Liquidity requirements, based on projections of loans, deposits and market conditions for proactive liquidity management, are considered with actions mandated. In addition, a daily predictive report for next 30 days is monitored by ALCO members outside the formal meetings to ensure early actions to deal with deterioration in liquidity ratios such as Advances to Deposits ("AD") ratio and ELAR.

In addition, Risk Management monitors Liquidity stress for three board approved scenarios, Business as usual, Local market crisis and one or two notch downgrade and assesses the adequacy of available funding to meet worst case events. NBF's liquidity stress scenarios take into consideration the Bank's business model, and market conditions that are dynamically adjusted in line with bank specific and market specific factors.

Liquidity stress covers the following aspects:

- Stickiness of funding sources (assess the likelihood of roll over of funding lines and how the fund providers are likely to behave under stress, including deposit run off) ;
- Drying up of market liquidity;
- Access to Central Bank facilities; and
- Off balance sheet commitments and other contingent liabilities.

The Stress Scenarios used include:

- 30 days Liquidity Cash flows Stress Testing (under business as usual, local market crisis and one and two notch rating downgrade); and
- Structural Liquidity Cash Flows Stress testing (scenarios covering deposits strains & defaults in loan repayments by borrowers. Stress testing of ELAR and Liquidity Coverage Ratios).

To effectively manage Liquidity Risk, the Bank actively diversifies its funding sources and maintains a healthy balance of cash and cash equivalents, and readily marketable securities. Furthermore, Deposits maintained by the top 20 depositors are monitored closely and presented to ALCO and MRC to ensure concentrations are understood.

## Contingency Funding Plans

The Bank's Contingency Funding Plan (CFP) provides a framework with a high degree of flexibility and reliability to respond quickly in a variety of situations. Application of contingency measures is dependent upon whether an NBF specific crisis or market crisis exists. The Bank's CFP Policy requires both qualitative and quantitative analysis of the market and Bank's liquidity position to proactively manage any crisis situation.

The Bank has implemented systems for monitoring the balance sheet structure and liquidity profile on a daily basis including intraday monitoring capability with projected cash flows and liquidity position. The Bank monitors defined liquidity risk thresholds and corrective measures, if required, are initiated based on predictive position at warning limits that have been prudently established well within hard limits.

Some of the key liquidity measures that are measured and monitored on a daily basis include:

- Asset and liability cumulative cash flow gap less than 3 months with a minimum acceptable level to be less than 50% of the Liquid Assets was at **-23.03%** as at 31 December 2024.
- Net Funding Gap greater than 1 year with a minimum acceptable level to be < 25% of Liquid Assets was at **17.43%** as at 31 December 2024.
- The Group uses lending to stable resource ratio (LSRR) of 1:1 and eligible liquid assets ratio of 10%, which represents high quality liquid assets as stipulated by the Central Bank of the UAE, as key risk indicators and monitors them on a regular basis. The Group uses more prudent internal LSRR measure of 0.925:1 as a trigger point for action planning.
- LCR and NSFR are calculated daily and circulated solely for internal readiness purposes as NBF is not a D-SIB and not yet approved by CBUAE to publish the same to meet regulatory expectations. Currently, only D-SIBs are required to publish LCR and NSFR.

## Concentration limits on collateral pools and sources of funding (both products and counterparties)

The Bank manages the concentration of its funding profile deliberately and sets limits at individual trade and at counterparty level with due focus on spreading maturities. The Bank has a relatively high level of concentration of deposits from related parties that is considered a strength given the significant historical stable source of this funding. Excluding related party deposits, our Top 20 Depositors represent **17.30%** of deposits as at 31 December 2024. Non-resident deposits which should be no more than 15% were at **8.33%** as at 31 December 2024.

Current Account and Savings Account balances (CASA) stand at **43.25%** of total deposits as at 31 December 2024. Over a period of 30 days, the core balance represents **74.83%** and **56.08%** of CASA balances at **90%** and **99%** confidence level respectively. This is based on behavioral historical analysis using a regression approach.

## Liquidity exposures and funding needs at the level of individual legal entities, foreign branches and subsidiaries, taking into account legal, regulatory and operational limitations on the transferability of capital.

NBF does not have any significant subsidiaries and the Liquidity Exposure and funding needs are managed centrally at NBF for the Group.

## Balance sheet and off-balance sheet items broken down into maturity buckets and the resultant liquidity gaps.

### On-balance sheet

	A	B	C	D	E	F	G
	Less than 1 month	1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 5 years	Over 5 years	Total
<b>At 31 December 2024</b>							
Cash and balances with the Central Bank of the UAE	5,804,408	2,892,498	4,344,472	1,349,866	-	-	14,391,244
Due from banks and financial institutions	1,510,285	291,425	412,403	15,792	-	-	2,229,905
Investments and Islamic Investment instruments	59,323	392,053	743,023	520,642	6,354,573	1,376,195	9,445,809
Loans and advances and Islamic financing receivables	5,914,180	5,113,213	4,119,376	2,423,071	8,872,073	5,950,261	32,392,174
Acceptances and other assets	510,544	998,053	287,132	46,395	-	-	1,842,124
Property, equipment and intangibles	-	-	-	-	-	577,812	577,812
<b>Total assets</b>	<b>13,798,740</b>	<b>9,687,242</b>	<b>9,906,406</b>	<b>4,355,766</b>	<b>15,226,646</b>	<b>7,904,268</b>	<b>60,879,068</b>
Due to banks	1,043,520	-	-	-	-	-	1,043,520
Customer deposits and Islamic customer deposits	28,875,822	6,007,137	4,307,779	5,008,907	1,557,292	83	45,757,020
Repurchase agreements	-	407,641	218,999	296,549	2,604,773	-	3,527,962
Term borrowings	-	-	-	-	808,060	-	808,060
Acceptances and other liabilities	423,188	2,042,760	287,132	133,751	-	-	2,886,831
Total equity	-	-	-	-	-	6,855,675	6,855,675
<b>Total liabilities and equity</b>	<b>30,342,530</b>	<b>8,457,538</b>	<b>4,813,910</b>	<b>5,439,207</b>	<b>4,970,125</b>	<b>6,855,758</b>	<b>60,879,068</b>
<b>On Balance Sheet Gap</b>	<b>(16,543,790)</b>	<b>1,229,704</b>	<b>5,092,496</b>	<b>(1,083,441)</b>	<b>10,256,521</b>	<b>1,048,510</b>	<b>-</b>
<b>Cumulative Gap</b>	<b>(16,543,790)</b>	<b>(15,314,086)</b>	<b>(10,221,590)</b>	<b>(11,305,031)</b>	<b>(1,048,510)</b>	<b>-</b>	<b>-</b>

### Off-balance sheet

	A	B	C	D	E	F	G
	Less than 1 month	1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 5 years	Over 5 years	Total
<b>At 31 December 2024</b>							
Guarantees	7,362,269	-	-	-	-	-	7,362,269
Letters of credit	561,103	973,637	152,128	91,026	5,531	-	1,783,425
Forward foreign exchange contracts	11,855,198	3,946,748	3,552,396	2,119,855	117,504	-	21,591,701
Currency options	15,096	72,500	264,456	321,776	1,057,824	-	1,731,652
Interest rate derivatives	-	-	-	178,575	2,317,585	615,190	3,111,350
Commodity derivatives	14,273	416,176	6,790	-	-	-	437,239
<b>Total</b>	<b>19,807,939</b>	<b>5,409,061</b>	<b>3,975,770</b>	<b>2,711,232</b>	<b>3,498,444</b>	<b>615,190</b>	<b>36,017,636</b>

**13. Table LR1: Summary comparison of accounting assets vs leverage ratio exposure**

		<b>A</b>
1	Total consolidated assets as per published financial statements	60,879,068
2	Adjustments for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-
3	Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference	-
4	Adjustments for temporary exemption of central bank reserves (if applicable)	-
5	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-
6	Adjustments for regular-way purchases and sales of financial assets subject to trade date accounting	-
7	Adjustments for eligible cash pooling transactions	-
8	Adjustments for derivative financial instruments	-
9	Adjustment for securities financing transactions (ie repos and similar secured lending)	-
10	Adjustments for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	-
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	-
12	Other adjustments	(1,302,132)
13	<b>Leverage ratio exposure measure</b>	<b>59,576,936</b>

#### 14. Table LR2: Leverage ratio common disclosure template

		A	B
		T	T-1
<b>On-balance sheet exposures</b>			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	59,576,936	58,529,182
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	<b>Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)</b>	<b>59,576,936</b>	<b>58,529,182</b>
<b>Derivative exposures</b>			
8	Replacement cost associated with <i>all</i> derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	87,670	150,307
9	Add-on amounts for PFE associated with <i>all</i> derivatives transactions	541,293	433,213
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	<b>Total derivative exposures (sum of rows 8 to 12) * 1.4 (beta factor)</b>	<b>880,548</b>	<b>816,928</b>
<b>Securities financing transactions</b>			
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	<b>Total securities financing transaction exposures (sum of rows 14 to 17)</b>	<b>-</b>	<b>-</b>
<b>Other off-balance sheet exposures</b>			
19	Off-balance sheet exposure at gross notional amount	10,452,359	9,735,946
20	(Adjustments for conversion to credit equivalent amounts)	-	-
21	(Specific and general provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital)	-	-
22	<b>Off-balance sheet items (sum of rows 19 to 21)</b>	<b>10,452,359</b>	<b>9,735,946</b>
<b>Capital and total exposures</b>			
23	<b>Tier 1 capital</b>	-	7,883,477
24	<b>Total exposures (sum of rows 7, 13, 18 and 22)</b>	<b>70,909,843</b>	<b>69,082,056</b>
<b>Leverage ratio</b>			
25	<b>Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)</b>	8.86%	11.41%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	8.82%	11.32%
26	CBUAE minimum leverage ratio requirement	3.00%	3.00%
27	<b>Applicable leverage buffers</b>	5.82%	8.32%

The increase in on-balance sheet exposure is primarily due to increase in investments and sovereign, corporate loans and claims secured by residential property exposures of the Bank. It is evident from the ratio NBF stands well above regulatory minima.

### 15. Eligible Liquid Assets Ratio

1	High Quality Liquid Assets	Nominal amount	Eligible Liquid Asset
1.1	Physical cash in hand at the bank + balances with the CBUAE	13,603,286	
1.2	UAE Federal Government Bonds and Sukuks	469,341	
	Sub Total (1.1 to 1.2)	14,072,627	14,072,627
1.3	UAE local governments publicly traded debt securities	1,070,125	
1.4	UAE Public sector publicly traded debt securities	-	
	Subtotal (1.3 to 1.4)	1,070,125	1,070,125
1.5	Foreign Sovereign debt instruments or instruments issued by their respective central banks	243,061	243,061
1.6	<b>Total</b>	<b>15,385,813</b>	<b>15,385,813</b>
2	Total liabilities		52,473,208
3	<b>Eligible Liquid Assets Ratio (ELAR)</b>		<b>29.32%</b>



## 16. Advances to Stable Resource Ratio

		Items	Amount
<b>1</b>		<b>Computation of Advances</b>	
	1.1	Net Lending (gross loans - (Stage 3 for Loans and advances (Principal) + Provision for interest & fees past due more than 90 days and legacy interest in suspense))	29,913,867
	1.2	Lending to non-banking financial institutions	205,461
	1.3	Net Financial Guarantees & Stand - by LC (issued - received)	1,110,063
	1.4	Interbank Placements	1,709,174
	<b>1.5</b>	<b>Total Advances</b>	<b>32,938,565</b>
<b>2</b>		<b>Calculation of Net Stable Resources</b>	
	2.1	Total capital + general provisions	7,554,114
		<b>Deduct:</b>	
	2.1.1	Goodwill and other intangible assets	194,891
	2.1.2	Fixed Assets	394,759
	2.1.3	Funds allocated to branches abroad	-
	2.1.5	Unquoted Investments	514
	2.1.6	Investment in subsidiaries, associates and affiliates	-
	<b>2.1.7</b>	<b>Total deduction</b>	<b>590,164</b>
	<b>2.2</b>	<b>Net Free Capital Funds</b>	<b>6,963,950</b>
	<b>2.3</b>	<b>Other stable resources:</b>	
	2.3.1	Funds from the head office	-
	2.3.2	Interbank deposits with remaining life of more than 6 months	3,483,891
	2.3.3	Refinancing of Housing Loans	-
	2.3.4	Borrowing from non-Banking Financial Institutions	953,666
	2.3.5	Customer Deposits	37,448,167
	2.3.6	Capital market funding/ term borrowings maturing after 6 months from reporting date	-
	<b>2.3.7</b>	<b>Total other stable resources</b>	<b>41,885,724</b>
	<b>2.4</b>	<b>Total Stable Resources (2.2+2.3.7)</b>	<b>48,849,674</b>
<b>3</b>		<b>Advances TO STABLE RESOURCES RATIO (1.5/ 2.4*100)</b>	<b>67.43%</b>

## 17. CRA: General qualitative information about credit risk

The Bank's business model principally focuses on servicing the needs of customers in the Corporate Banking, Business Banking and Retail Banking space. The Bank has limited market risk appetite and the business model revolves around financing needs of the customers in the above business segments. The Bank also has a strong Treasury offering, Financial Institutions business and proprietary Investments which are additional sources of credit risk. The Bank is well regarded for its Trade Finance expertise and major component of credit risk profile represents trade related exposures.

Credit risk exposures are governed by the Board approved risk appetite statement and credit risk policies to ensure that NBF achieves an optimum level of return on its capital employed and operating within an acceptable level of Credit Risk, our policies and processes aim to:

- i. maintain sound credit granting standards;
- ii. monitor and control credit risk;
- iii. properly evaluate new business opportunities;
- iv. identify and administer recovery for problem credits;
- v. ensure appropriate returns for the risks taken; and
- vi. ensure proper diversification with reduced concentration.

NBF employs the "Three Lines of Defence" risk management philosophy under the Bank's Enterprise wide Risk Management Framework (ERMF) which is explained in section 3 (OVA).

For further details on credit risk management, compliance and internal audit functions, please refer Note 5 (Financial risk management) of the NBF annual consolidated financial statements, published on the Bank's website.

## 18. Table CR1: Credit quality of assets

		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	
1	Loans	1,766,473	32,735,741	2,110,040	1,525,015	585,025	32,392,174
2	Debt securities*	-	9,467,028	22,731	-	22,731	9,444,297
3	Off balance sheet exposures	170,656	9,983,795	159,098	123,198	35,900	9,995,353
4	<b>Total</b>	<b>1,937,129</b>	<b>52,186,564</b>	<b>2,291,869</b>	<b>1,648,213</b>	<b>643,656</b>	<b>51,831,824</b>

\* Debt securities includes the total portfolio of investment which qualifies for ECL under IFRS 9

Default status of an exposure is triggered when it passes 90 days past due. We also consider other risk indicators that may result in treating an exposure as default status after exercise of mature judgement.

The table presents Loans and Advances including Islamic financing receivable in row 1.

**19. Table CR2: Changes in stock of defaulted loans and debt securities including accrued interest/profit**

		<b>Amount</b>
1	<b>Defaulted loans and debt securities at the end of the previous reporting period</b>	<b>1,679,876</b>
2	Loans and debt securities that have defaulted since the last reporting period	339,427
3	Returned to non-default status	981
4	Amounts written off	293,448
5	Other changes	(251,156)
6	<b>Defaulted loans and debt securities at the end of the reporting period (1+2-3-4±5)</b>	<b>1,976,030</b>

The Bank has prudently provided for the defaulted customers during the year and written off loans after exhausting all possible recovery efforts. There has been no default observed in debt securities. The Bank’s remedial team pursues the recovery, both locally and internationally, from defaulted assets.

The Bank has presented Loans and advances including Islamic financing receivable in this template.

**20. CRB: Additional disclosure related to the credit quality of assets**

The following definitions are used in managing our credit risk.

Past due: payments not made as per schedule but not impaired.

Impaired: Assets that have well defined credit weaknesses that jeopardize settlement of the debt, financial soundness and repayment capacity of the borrower is not assured and timely repayment of obligations is in jeopardy. There is a distinct possibility that the Bank may sustain some loss unless the deficiencies are corrected.

Exposures Past Due – 90 days and above, but not impaired, amounted to [AED 22.4 million](#), as at 31 December 2024. These are based on the underlying credit position, stage of negotiations with the customers for resolution, nature of the accounts and the bank’s judgement on financial and non-financial factors with reasonable anticipation of funds being received through identified cash-flows.

Please refer NBF annual consolidated financial statements, published on the Bank’s website, Note 4 (e) material accounting policies – Financial Instruments for further details.

**Breakdown of Loans and advances and Islamic financing receivables, impaired exposures, related allowances and write-offs by Industry, including ageing analysis of accounting past-due exposures**

2024	Funded exposure	Funded exposure Stage 3	Stage 3 ECL - Funded	Write-off	Past dues	
					Up to 89 days	90 days & above
Trade	13,647,123	335,184	319,583	128,836	38,814	1,836
Construction and real estate	4,539,900	534,999	518,600	25,377	1,071	1,732
Government	941,051	-	-	-	-	-
Manufacturing	4,985,828	530,813	457,519	106,038	16,122	18,814
Financial institutions	2,118,605	-	-	-	-	-
Service industries	2,543,993	56,186	49,343	32,732	11,342	-
Individuals	5,725,714	309,291	179,970	465	1,271	-
<b>Total</b>	<b>34,502,214</b>	<b>1,766,473</b>	<b>1,525,015</b>	<b>293,448</b>	<b>68,620</b>	<b>22,382</b>

**Breakdown of Loans and advances and Islamic financing receivables, impaired exposures, related allowances and write-offs by geography, including ageing analysis of accounting past-due exposures**

2024	Funded exposure	Funded exposure Stage 3	Stage 3 ECL - Funded	Write-off	Past dues	
					Up to 89 days	90 days & above
Within UAE	30,332,202	1,766,473	1,525,015	293,448	52,774	22,382
GCC countries	1,344,508	-	-	-	6,063	-
Europe	530,018	-	-	-	1,157	-
Americas	435,469	-	-	-	-	-
Other	1,860,017	-	-	-	8,626	-
<b>Total</b>	<b>34,502,214</b>	<b>1,766,473</b>	<b>1,525,015</b>	<b>293,448</b>	<b>68,620</b>	<b>22,382</b>

### Exposures by Residual Maturity

2024	Less than 1 month	1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 5 years	Over 5 years	Total
Loans and advances and Islamic financing receivables	5,914,180	5,113,213	4,119,376	2,423,071	8,872,073	5,950,261	32,392,174
Investments	59,323	392,053	743,023	520,642	6,354,573	1,376,195	9,445,809

### Breakdown of total restructured exposures on loans and advances and Islamic financing receivables and acceptances and relevant off balance sheet exposures between impaired and not impaired exposures

2024	Not impaired	Impaired	Total
Restructured portfolio	996,568	427,203	1,423,771

## 21. CRC: Qualitative disclosure requirements related to credit risk mitigation techniques

### Core features of policies and processes for, and indication of the extent to which the bank makes use of, on and off balance sheet netting.

The Bank does not use on and off balance sheet netting for Capital Adequacy Reporting.

### Core features of policies and processes for collateral evaluation and management.

The Bank's collateral management and evaluation for the purposes of capital adequacy reporting takes into consideration the Central Bank of the UAE and Basel requirements. The Collateral evaluation and consideration for determining risk mitigation towards risk weighted assets and capital calculation are as follows:

Cash 100%; Cash deposits held under margin or pledge in same currency as the loan / credit facility

Guarantees from Local and Federal Government of UAE and CB UAE, 100%. Foreign Sovereign Government Bonds rated BBB minus or above, 100%

Sovereign Government Bonds issued by other GCC countries and G 7 countries only will be considered as permissible collateral under this section. Attributable values of such Sovereign Government Bonds will be as follows:

- Countries with AAA rating 100%
- Countries with rating AA+ down to & including A minus 70%
- Countries with rating below A minus 0% subject to active & available Country Limit being in place  
(Excludes countries included in the Bank's Sanctions List)

ECAI rating as follows:

- Banks with AAA rating 100%
- Banks with rating AA+ down to & including AA minus 80% Subject to active & available Bank Limit being in place.

Listed Shares on a recognized stock exchange 70% Previous 3 months' average closing price should be used. Should be traded on a deep and liquid market.

## 22. Table CR3: Credit risk mitigation techniques - overview

		A	B	C	D	E	F	G
		Exposures unsecured: carrying amount	Exposures secured by collateral	Exposures secured by collateral of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1	Loans*	46,823,522	5,443,932	5,443,932	-	-	-	-
2	Debt securities	9,468,540	-	-	-	-	-	-
3	<b>Total</b>	<b>56,292,062</b>	<b>5,443,932</b>	<b>5,443,932</b>	-	-	-	-
4	Of which defaulted	2,014,453	12,446	12,446	-	-	-	-

\*The above numbers reconcile with CR2 of the Basel return

## 23. CRD: Qualitative disclosures on banks' use of external credit ratings under the standardised approach for credit risk

**Names of the external credit assessment institutions (ECAIs) and export credit agencies (ECAs) used by the bank, and the reasons for any changes over the reporting period;**

NBF uses external ratings from recognized rating agencies and follows approach explained in document BCBS-28 para 96-98 for assigning risk weights:

96. If there is only one assessment by an ECAIs chosen by a bank for a particular claim, that assessment should be used to determine the risk weight of the claim.

97. If there are two assessments by ECAIs chosen by a bank which map into different risk weights, the higher risk weight will be applied.

98. If there are three or more assessments with different risk weights, the assessments corresponding to the two lowest risk weights should be referred to and the higher of those two risk weights will be applied.

The Bank follows and complies with the same principle i.e. In case of two ratings, the lower rating is considered. For multiple ratings, the second lowest rating is considered.

**The asset classes for which ECAIs and ECAs is used:**

1. Claims on Sovereign
2. Claims on Multilateral Development Banks
3. Claims on Banks
4. Claims on Corporate (Rated Bonds)
5. Rated Off Balance sheet and Derivatives

### A description of the process used to transfer the issuer to issue credit ratings onto comparable assets in the banking book

The Bank uses Moody's CreditLens system for Probability of Default (PD) mapping.

### The alignment of the alphanumerical scale of each agency used with the risk buckets (except where the relevant supervisor publishes a standard mapping with which the bank must comply)

Credit ratings of all exposures are determined from the ECAIs and mapped to the exposures assigning a risk weight according to the supervisory tables. Standardised approach risk weights corresponding to the Credit Ratings assigned by ECAIs have been prescribed by the Central Bank of the UAE for different asset classes and the same is followed by the Bank.

### 24. Table CR4: Standardised approach - credit risk exposure and Credit Risk Mitigation (CRM) effects

	Asset classes	A	B	C	D	E	F
		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	16,315,777	-	16,315,777	-	92,495	1%
2	Public Sector Entities	544,181	-	544,181	-	225,885	42%
3	Multilateral development banks	160,001	-	160,001	-	35,629	22%
4	Banks	10,163,694	738,417	10,163,694	686,095	4,948,463	45%
5	Securities firms	-	-	-	-	-	-
6	Corporates	24,325,327	10,750,624	19,039,571	7,004,311	24,796,569	71%
7	Regulatory retail portfolios	873,451	194,473	715,275	-	536,456	50%
8	Secured by residential property	4,069,885	-	4,069,885	-	2,278,409	56%
9	Secured by commercial real estate	2,089,572	-	2,089,572	-	2,089,572	100%
10	Equity Investment in Funds (EIF)	-	-	-	-	-	-
11	Past-due loans	2,026,899	172,636	157,008	172,527	409,286	19%
12	Higher-risk categories	1,511	-	1,511	-	2,267	150%
13	Other assets	1,165,696	-	1,154,896	-	838,430	72%
14	<b>Total</b>	<b>61,735,994</b>	<b>11,856,150</b>	<b>54,411,371</b>	<b>7,862,933</b>	<b>36,253,461</b>	<b>49%</b>

## 25. Table CR5: Standardised approach - exposures by asset classes and risk weights

		A	B	C	D	E	F	G	H	I
Risk weight	Asset class	0%	20%	35%	50%	75%	100%	150%	Others	Total credit exposures amount (post CCF and post-CRM)
		1	Sovereigns and their central banks	16,022,961	208,176	-	67,560	-	17,080	
2	Public Sector Entities	-	317,034	-	129,333	-	97,814	-	-	544,181
3	Multilateral development banks	88,743	-	-	71,258	-	-	-	-	160,001
4	Banks	378,170	2,234,721	-	7,585,688	-	536,279	114,931	-	10,849,789
5	Securities firms	-	-	-	-	-	-	-	-	-
6	Corporates	-	247,602	-	824,319	-	20,724,809	-	4,247,152*	26,043,882
7	Regulatory retail portfolios	-	-	-	-	715,275	-	-	-	715,275
8	Secured by residential property	-	-	2,756,118	-	-	1,313,767	-	-	4,069,885
9	Secured by commercial real estate	-	-	-	-	-	2,089,572	-	-	2,089,572
10	Equity Investment in Funds (EIF)	-	-	-	-	-	-	-	-	-
11	Past-due loans	-	-	-	-	-	170,035	159,500	-	329,535
12	Higher-risk categories	-	-	-	-	-	-	1,511	-	1,511
13	Other assets	316,466	-	-	-	-	838,430	-	-	1,154,896
14	<b>Total</b>	<b>16,806,340</b>	<b>3,007,533</b>	<b>2,756,118</b>	<b>8,678,158</b>	<b>715,275</b>	<b>25,787,786</b>	<b>275,942</b>	<b>4,247,152</b>	<b>62,274,304</b>

\* This pertains to claims on corporates with Risk weight of 85%

## 26. Qualitative disclosure related to counterparty credit risk

Our Risk Appetite Statement defines the amount of risk (volatility of expected results) the Bank is willing to accept in pursuit of a desired financial performance or strategic objectives. Limits are allocated based on an assessment of the credit worthiness of each counterparty together with exposure caps based on the creditworthiness of the country of origin and the individual characteristics of the counterparty.

The Bank has recently developed a Counterparty Credit Risk (CCR) policy. The primary objective of the CCR Policy is to set out principles, methodology and tools to enable effective recognition of CCR and its impact on the capital requirements of the Bank.

The CCR policy includes procedures with respect to identification and calculation of Wrong Way Risk (WWR) exposures.

We do not have any additional collateral requirement in the event of a rating downgrade.



## 27. Table CCR1: Analysis of counterparty credit risk (CCR) exposure by approach

		A	B	C	D	E	F
		Replacement cost	Potential future exposure	EEPE	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
1	SA-CCR (for derivatives)	87,670	541,293	-	1.4	880,548	419,535
2	Internal Model Method (for derivatives and SFTs)	-	-	-	-	-	-
3	Simple Approach for credit risk mitigation (for SFTs)	-	-	-	-	-	-
4	Comprehensive Approach for credit risk mitigation (for SFTs)	-	-	-	-	-	-
5	VaR for SFTs	-	-	-	-	-	-
6	<b>Total</b>	-	-	-	-	-	<b>419,535</b>

## 28. Table CCR2: Credit valuation adjustment (CVA) capital charge

		A	B
		EAD post-CRM	RWA
1	All portfolios subject to the Standardised CVA capital charge*	891,609	131,095
2	All portfolios subject to the Simple alternative CVA capital charge	-	-

\*All securities financing transactions (SFTs) that are subject to fair value accounting and except those transacted directly with a central counterparty. EAD post CRM: exposure at default. This refers to the amount used for the capital requirements calculation. It is therefore the amount of the credit valuation adjustments having applied the CRM techniques.

## 29. Table CCR3: Standardised approach - CCR exposures by regulatory portfolio and risk weights

	A	B	C	D	E	F	G	H
Risk weight	0%	20%	50%	75%	100%	150%	Others	Total credit exposure
Sovereigns	-	-	-	-	-	-	-	-
Public Sector Entities (PSEs)	-	-	-	-	-	-	-	-
Multilateral development banks (MDBs)	-	-	-	-	-	-	-	-
Banks	-	576,813	13,246	-	-	14,120	-	<b>604,179</b>
Securities firms	-	-	-	-	-	-	-	-
Corporates	-	-	-	-	276,369	-	-	<b>276,369</b>
Regulatory retail portfolios	-	-	-	-	-	-	-	-
Secured by residential property	-	-	-	-	-	-	-	-
Secured by commercial real estate	-	-	-	-	-	-	-	-
Equity Investment in Funds (EIF)	-	-	-	-	-	-	-	-
Past-due loans	-	-	-	-	-	-	-	-
Higher-risk categories	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-
<b>Total</b>	-	<b>576,813</b>	<b>13,246</b>	-	<b>276,369</b>	<b>14,120</b>	-	<b>880,548</b>

### 30. Table CCR5: Composition of collateral for CCR exposure

	A	B	C	D	E	F
	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash - domestic currency	-	-	-	-	-	-
Cash - other currencies	-	-	-	-	-	-
Domestic sovereign debt	-	-	-	-	-	-
Government agency debt	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-

### 31. Table CCR6: Credit derivative exposures

	A	B
	Protection bought	Protection sold
<b>Notionals</b>	-	-
Single name credit default swaps	-	-
Index credit default swaps	-	-
Total return swaps	-	-
Credit options	-	-
Other credit derivatives	-	-
<b>Total notionals</b>	-	-
<b>Fair values</b>	-	-
Positive fair value (asset)	-	-
Negative fair value (liability)	-	-

### 32. Table CCR8: Exposures to central counterparties

		A	B
		EAD (post-CRM)	RWA
1	<b>Exposures to QCCPs (total)</b>	-	-
2	Exposures for trades at QCCPs (excluding initial margin and default fund contribution); of which:	-	-
3	(i) OTC derivatives	-	-
4	(ii) Exchange-traded derivatives	-	-
5	(iii) Securities financing transactions	-	-
6	(iv) Netting sets where cross-product netting has been approved	-	-
7	Segregated initial margin	-	-
8	Non-segregated initial margin	-	-
9	Pre-funded default fund contributions	-	-
10	Unfunded default fund contributions	-	-
11	<b>Exposures to non-QCCPs (total)</b>	-	-
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contribution); of which:	-	-
13	(i) OTC derivatives	880,548	419,535
14	(ii) Exchange-traded derivatives	-	-
15	(iii) Securities financing transactions	-	-
16	(iv) Netting sets where cross-product netting has been approved	-	-
17	Segregated initial margin	-	-
18	Non-segregated initial margin	-	-
19	Pre-funded default fund contributions	-	-
20	Unfunded default fund contributions	-	-

### 33. MRA: General qualitative disclosure requirements related to market risk

NBF's Market Risk policy statement seeks to define market risks inherent in any business operation of the Bank and provides policy guidelines to measure, monitor, report and control all the identified risks. Market risk is inherent in lending, funding and financial markets operations activities (hereinafter referred to as 'banking operations'). Market risk management across the Bank is the responsibility of the Treasury department supported by independent Middle Office and Market Risk functions. The Bank's financial markets operations are governed by the objectives stated in its Liquidity Risk Management Policy, Investment Policy and in the Market Risk Management Policy. NBF adopts a well-managed risk philosophy in regards to the Bank's core business activities and this is the case for NBF's Treasury activities.

## **Structure and organisation of the market risk management function**

The Head of Treasury is accountable for managing the Market Risk in both the Trading Book and the Banking Book. The Asset and Liability Management Committee (ALCO) sets management parameters and tolerances for the different components of Market Risk. It ensures that the parameters and tolerances for the components of Market Risk deliver an outcome that is within the Bank's approved Risk Appetite. Treasury Middle Office (TMO) is accountable for the reporting of the Bank's position against the Parameters and Tolerance for all components of Market Risks in both the Trading Book and Banking Book daily. TMO uses indices and valuation criteria approved by ALCO to calculate the Bank's mark to market position for all components of the Bank's exposure to Market Risk. In the event that TMO detects a breach of the tolerance for Market Risk, it advises Risk Management. Risk Management confirms the calculations and provide this advice to the Head of TMO. In the event that breach or anticipated breach is confirmed, the Head of TMO advises the Chairman of ALCO and the Chief Risk Officer (CRO) who convenes a meeting of ALCO to provide direction to the Head of Treasury with regard to curing the breach and restoring the Bank to a position within its Risk Appetite and Tolerance.

## **The scope and nature of risk reporting and/or measurement systems**

TMO monitors limit utilization daily through a multi layered Limit Monitoring System which uses data and reports from the treasury systems. Limit monitoring report is prepared daily and the historical utilizations for all limit exposures are presented for periodic management review. This forms a part of the monthly ALCO pack which is provided to senior management.

The following is a sample of limit types monitored by market risk on a daily basis:

- Stop loss limit for foreign exchange and interest rate derivatives trading desk.
- Overall DV01 / PV01 limits for the Interest Rate Derivatives.
- DV01 / PV01 Limits by time buckets.
- Open Position limits for foreign exchange by currency groups and overall open position limits.
- Option premium limits for buying options.
- Notional limits for Forward Rate Agreements and Interest Rate Swaps (IRS) /Currency Rate Swaps (CRS).

Market Risk is a function independent of business risk taking activities, and reports to the CRO. All limit breaches are recorded by Treasury Middle Office ("TMO") and reported to the CRO, Head of Treasury and the responsible desk head. Treasury must provide adequate explanation for any limit breaches and the strategy to remedy the breach. All limit breaches and related information are reported to ALCO and MRC monthly.

### 34. Table MR1: Market risk under the standardised approach (SA)

		A
		RWA
1	General Interest rate risk (General and Specific)	-
2	Equity risk (General and Specific)	1
3	Foreign exchange risk	39,691
4	Commodity risk	-
	Options	
5	Simplified approach	310
6	Delta plus method	-
7	Scenario approach	-
8	Securitisation	-
9	<b>Total</b>	<b>40,002</b>

### 35. IRRBBA risk management objectives and policies

#### Qualitative disclosure

IRRBB refers to the current or prospective risk to a bank's capital and to its earnings arising from the impact of adverse movements in interest rates on interest rate sensitive positions in the Banking Book.

IRRBB arises because interest rates can vary significantly over time, while the business of banking typically involves intermediation activity that produces exposures to both maturity mismatch such as long-maturity assets funded by short-maturity liabilities and rate mismatch such as fixed rate loans funded by variable rate deposits. In addition, there is optionality embedded in many common banking products (non-maturing deposits, term deposits, fixed rate loans) that is triggered upon changes in interest rates.

When interest rates change, the present value and timing of future cash flows change. This in turn changes the underlying value of a bank's 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 main driver of IRRBB is a change in market interest rates, both current and expected, as expressed by changes to the shape, slope and level of a range of different yield curves.

The risk appetite for IRRBB is defined in terms of the risk to both Economic Value and earnings. It is defined as the maximum allowable impact of interest rate shocks in terms of change in the Economic Value of Equity ( $\Delta$ EVE) and Net Interest Income ( $\Delta$ NII), computed based on a set of prescribed interest rate shock and stress scenarios.

In addition, the Bank also runs stress scenarios pursuant to internal policy guidelines.

If any breach of tolerance is identified, the Head of Treasury shall ensure that appropriate action by way of hedging is entered into to restore the position within tolerance.

IRRBB is assessed monthly. The outcome is assessed against the maximum tolerance defined in the Risk Appetite Statement in terms of changes in Economic Value of Equity ( $\Delta$ EVE) and Net Interest Income ( $\Delta$ NII).

Interest rate risk is reported monthly to ALCO, and Investment Committee at each meeting. Reports to Committees include:

1. The Bank's interest rate risk profile (Re-pricing GAP reports) over a relevant time horizon;
2. Projected Net Interest Income, Sensitivity to Net Interest Income (NII) over a 12-month horizon and based on predefined shocks calibrated for significant currencies;
3. Economic Value of Equity based on predefined standardized shocks;
4. Regulatory capital requirement to cover IRRBB; and
5. The Hedging strategies deployed and the assessed effectiveness of the strategies.

Six prescribed interest rate shock scenarios are used to capture parallel and non-parallel gap risks for EVE and two prescribed interest rate shock scenarios for NII. These scenarios are applied to IRRBB exposures in each currency for which the bank has material positions. The calibration of the interest rate shock size meets the Basel guidelines.

1. Parallel shock up;
2. Parallel shock down;
3. Steepener shock (short rates down and long rates up);
4. Flattener shock (short rates up and long rates down);
5. Short rates shock up; and
6. Short rates shock down.

As part of a broader stress-testing framework, additional stress scenarios based upon historical market events and severe but plausible hypothetical scenarios are also undertaken. As the purpose of these scenarios is to consider the impact of additional stress, the directional impact is always negative.

The Bank uses Interest Rate Swaps to hedge Interest Rate Risk in the Banking Book specifically for Loans & Advances and Investment in Fixed Income Instruments. We currently follow Hedge accounting whereby the mark to market movement of Hedged instrument and Hedging instrument are accounted for under IFRS Accounting guidelines to the extent of Hedged risk (interest rate risk). Any ineffective hedge portion is recorded under the P&L.

For  $\Delta$ EVE, commercial margins and other spread components have been included in the cash flows used in the computation. The discount rates used are the benchmark rate / risk free rate for respective currencies such as EIBOR rates for AED and SOFR for USD. AED and USD are the major currencies that constitute the core of the Bank's balance sheet.

All Interest Bearing Non-Maturing Deposits (NMDs) are bucketed using an assumed six month repricing maturity and all non-interest bearing NMDs are assigned 1 year repricing maturity. The average is approximately nine months.

The Bank is using the prepayment model prescribed in the Basel guidelines. Prepayment speeds vary according to the interest rate shock scenario. There is baseline conditional prepayment rate (CPR) and the scenario multiplier utilised is defined in Basel Guidelines. The multipliers reflect the expectation that prepayments will generally be higher during periods of falling interest rates and lower during periods of rising interest rates.

The Bank uses the relevant interest rate curves for all major currencies to which bank has underlying exposure, for example SOFR curve for USD and EIBOR for AED. USD and AED exposures constitute more than 95% of the balance sheet of the Bank.

Quantitative disclosure:

1.	Average repricing maturity assigned to Non Maturing Deposits (NMDs) - All Interest Bearing NMDs are bucketed using a six month repricing maturity and all non-interest bearing NMDs are assigned one year repricing maturity.
2.	Longest repricing maturity assigned to Non Maturing Deposits (NMDs) – All non-interest bearing NMDs are assigned one year repricing maturity

### 36. Table IRRBB1: Quantitative information on IRRBB

In reporting currency AED	ΔEVE		ΔNII	
	T	T-1	T	T-1
Parallel up	(480,943)	(503,781)	243,197	133,313
Parallel down	659,077	637,069	(209,946)	(127,205)
Steeper	(449,614)	(336,686)	-	-
Flattener	336,921	238,363	-	-
Short rate up	91,939	(1,198)	-	-
Short rate down	(52,124)	26,158	-	-
<b>Maximum</b>	<b>(480,943)</b>	<b>(503,781)</b>	-	-
<b>Period</b>	<b>T</b>		<b>T-1</b>	
<b>Tier 1 capital</b>	<b>6,281,081</b>		<b>6,287,051</b>	

### 37. OR1: General qualitative information on a Bank's operational risk framework

#### Policies, frameworks and guidelines for the management of operational risk

Operational Risk is a Material Risk of the Bank and its overarching governance is set out in the Enterprise wide Risk Management Framework. As a Material Risk it has its own Framework and Policy and specific operational risk categories such as Business Continuity Risks and Outsourcing Risks are covered by their own policies and standards.

The Operational Risk Management Framework requires that all operational risks be identified, and assessed on an inherent, residual and target basis. The assessment methodology gives the risk a rating based on the Likelihood and Consequence of the risk materializing into an event. The risk rating takes into account internal loss data, external loss data and the business environment and internal control factors relevant for the risk in the specific context of the product or service.



The impact of new or changed systems, products and processes are assessed using a “Risk in Change” methodology. Risks are rated and reported against a Board approved matrix to allow us to produce an Operational Risk Profile which is presented at the Operational Risk Committee, Management Risk Committee and Board Risk Committee. BF has an overarching Board approved Operational Risk Management Framework (ORMF) which lays down the broad framework of Governance, Risk appetite, Policy and process structure of Operational Risk Management and measurement of Operational Risk. The ORMF is supported by a documented and Board approved Operational Risk Policy (ORP) which details the Objectives, Governance, Risk Classification, identification, reporting & assessment and accounting methodology. ORP includes a Risk and Control Assessment program that enables a risk based sample and review of controls over the risks that are assessed. Consideration is given to information gained through the operational risk assessments and reviews that have been conducted, as well as through other avenues such as exception reporting, operational loss events and near misses and internal and external audits. Operational Risk in new products is considered as part of Product Development Policy (PDP) governed by Product Committee and any new process or change in process is subjected to “Risk in Change” methodology.

Operational Risk Management function reports to the Chief Risk Officer and prudent governance is achieved through the Bank’s Operational Risk Committee (ORC) that meets at least monthly to discuss ongoing operational risk issues as well as review the Bank’s Operational Risk Profile and related metrics.

The Committee reports to the Bank’s Management Risk Committee (MRC) that supervises Enterprise wide Risks.

NBF uses the Standardized Approach for calculation of Operational Risk capital requirements. Our methodology for Operational Risk measurement has been described above. Risk ratings are formally reviewed each year in the Risk and Control Self-Assessment process but are also dynamically reviewed in light of changes to process, the effectiveness of controls as assessed through testing or in light of the root cause of an event and this can occur at any time. Monthly Operational Risk reporting to the ORC and MRC includes the Operational Risk profile, details of events and losses, analysis of the root cause of events and any emerging issues.

Quarterly reporting to Board Risk and Sustainability Committee (BRSC) includes the overall profile, material developments and emerging issues. The reporting also includes an update on Operational Risk losses booked and action taken to mitigate reoccurrence, our five highest rated risks, Frauds, Key Risk Indicators and our Reputational Risk profile.

Risk mitigation generally involves a treatment plan to address shortcomings in the control environment. For some risk types, we mitigate loss through the use of insurance as a risk transfer method.

NBF maintains an annual insurance plan which outlines the transferable risks and the recommended coverage. Currently the Bank has the following risk coverage:

1. Bankers Blanket Bond, Professional Indemnity and Directors and Officers insurance;
2. Damage to Electronic Equipment;
3. Property All Risks including Business Interruption; and
4. Public Liability.

## 38. REMA: Remuneration policy

### Qualitative disclosures

The Bank's remuneration policy focuses on fair compensation for all jobs in line with the market and it establishes close alignment to the performance of the bank, departments and staff members. The performance of the Bank is measured using a Strategic Balanced Scorecard, where a quarterly review takes place at Mancom, in addition to the scheduled standing agenda at the Board.

In setting the Group wide policy, the Bank takes into consideration best practices and regulatory requirements for its remuneration and decisions. The Bank has established governance processes for overseeing the implementation of remuneration policy and practices. The Board has established the Board Nomination and Remuneration Committee (BNRC) with the following members; H.H Sheikh Saleh Bin Mohammad Al Sharqi (Chairman, NBF) – Chairman, Dr. Raja Easa Al Gurg (Deputy Chairperson, NBF) – Alternate Chairman, and Saif Sultan Al Salami (Member of the Board).

The Bank uses the services of Hay Korn Ferry for Job Evaluations for all job roles, and for Annual Salary scale adjustments for benchmarking of remuneration with the market for all job roles is undertaken. Management, with awareness of BNRC, engaged AON McLagan to conduct a special study to implement changes to compensation policy in line with the CBUAE Corporate Governance Regulation requirements.

The new policy was approved by the BNRC and the Board in November 2022 and was reflected in determination of variable pay received in 2023. Based on market study conducted by AON in early 2024 for UAE Banks, the policy was revised and deferral changed to 85% paid and 15% deferred.

In line with the Central Bank requirements staff are placed into categories of Senior Management, Material Risk Takers (MRT) and Control Functions. The CEO and his senior reports, and Heads of the Control Functions are classified as Senior Management, and MRTs are subject to bonus deferral arrangements. The compensation scheme for control functions complies with the Central Bank of the UAE guidelines.

Performance is evaluated in line with role-based expectations and discussions take place between staff and line managers, with the relevant Balanced Scorecard and individual objectives, through a formal Semi Annual and Annual PDR exercise.

*The bonus scheme for Control Functions is as follows:*

The Bonus Scheme for staff in the three Control Functions reflects the nature of their responsibilities and is determined independently of the performance of the Bank.

The bonus is based on pre-determined performance targets as laid out by the Board Risk and Sustainability Committee for Risk Management and Compliance, and the Board Audit Committee for Internal Audit.

### 39. Table REM1: Remuneration awarded during the financial year

	Remuneration Amount	A	B
		Senior Management	Other Material Risk-takers
1	Number of employees	20	19
2	Total fixed remuneration (3 + 5 + 7)	24,430	19,025
3	Of which: cash-based	24,430	19,025
4	Of which: deferred		
5	Of which: shares or other share-linked instruments	-	-
6	Of which: deferred		
7	Of which: other forms		
8	Of which: deferred		
9	Number of employees	18	18
10	Total variable remuneration (11 + 13 + 15)	21,926	6,989
11	Of which: cash-based	18,721	6,033
12	Of which: deferred	3,205	956
13	Of which: shares or other share-linked instruments	-	-
14	Of which: deferred		
15	Of which: other forms	-	-
16	Of which: deferred		
17	<b>Total Remuneration (2+10)</b>	<b>46,356</b>	<b>26,014</b>

The fixed remuneration reflects the payment of salaries and allowances during the 2024 financial year, and for clarity does not include any bonus related accruals.

In line with UAE regulatory requirements, variable remuneration awarded in 2024, for the 2023 performance included a deferral element in the form of deferred cash and therefore has no consideration of shares and / or any linked vesting periods.

In addition to the reporting in the table above, the Bank makes provision for End of Service Benefits in compliance with the UAE labour law.

### 40. Table REM2: Special payments

Special Payments	Guaranteed Bonuses		Sign on Awards		Severance Payments	
	Number of employees	Total amount	Number of employees	Total amount	Number of employees	Total amount
Senior Management	-	-	1	450	-	-
Other material risk-takers	-	-	-	-	2	785

#### 41. Table REM3: Deferred remuneration

Deferred and retained remuneration	Total amount of outstanding deferred remuneration	Of which: Total amount of outstanding deferred and retained remuneration exposed to explicit and/or implicit adjustment	Total amount of amendment during the year due to explicit adjustments	Total amount of amendment during the year due to implicit adjustments	Total amount of deferred remuneration paid out in the financial year
Senior management (no.)	18	-	-	-	14
Cash	3,507	-	-	-	671
Shares	-	-	-	-	-
Cash-linked instruments	-	-	-	-	-
Other	-	-	-	-	-
Other material risk-takers (no.)	16	-	-	-	17
Cash	1,131	-	-	-	430
Shares	-	-	-	-	-
Cash-linked instruments	-	-	-	-	-
Other	-	-	-	-	-
<b>Total</b>	<b>4,638</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,101</b>



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