1. Overview

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

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

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

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

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

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

The Basel Accord framework consists of three pillars:

- Pillar 1 provides a framework for measuring capital requirements for credit, operational and market risks under the "Standardised Approach";
- Pillar 2 relates to the supervisory review process and emphasises the importance of the Internal Capital Adequacy Assessment Process (ICAAP) performed by banks; and
- Pillar 3 aims to complement the capital adequacy requirements under Pillar 1 and Pillar 2 by requiring banks to provide a consistent and understandable disclosure framework which facilitates comparison, thus enhancing the safety and soundness of the banking industry in UAE.

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

The Pillar III disclosures for the year ended 31 December 2024.

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

	Table - KM1 - Key metrics (at UAE Branches level)	Dec-24	Sep-24	Jun-24	Mar-24	Dec-23
	Available capital (AED 000)					
1	Common Equity Tier 1 (CET1)	2,192,090	2,129,019	2,128,912	2,128,805	2,128,760
1a	Fully loaded ECL accounting model	2,192,090	2,129,019	2,128,912	2,128,805	2,128,760
2	Tier 1	2,192,090	2,129,019	2,128,912	2,128,805	2,128,760
2a	Fully loaded ECL accounting model Tier 1	2,192,090	2,129,019	2,128,912	2,128,805	2,128,760
3	Total capital	2,283,942	2,208,899	2,208,899	2,201,185	2,196,822
3a	Fully loaded ECL accounting model total capital	2,283,942	2,208,899	2,208,899	2,201,185	2,196,822
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	7,654,082	7,099,961	6,693,839	6,086,054	5,667,263
	Risk-based capital ratios as a percentage of RWA					
5	Common Equity Tier 1 ratio (%)	28.64%	29.99%	31.80%	34.98%	37.56%
5a	Fully loaded ECL accounting model CET1 (%)	28.64%	29.99%	31.80%	34.98%	37.56%
6	Tier 1 ratio (%)	28.64%	29.99%	31.80%	34.98%	37.56%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	28.64%	29.99%	31.80%	34.98%	37.56%
7	Total capital ratio (%)	29.84%	31.11%	33.00%	36.17%	38.76%
7a	Fully loaded ECL accounting model total capital ratio (%)	29.84%	31.11%	33.00%	36.17%	38.76%
	Additional CET1 buffer requirements as a percentage of RWA					
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.50%	2.50%	2.50%	2.50%	2.50%
9	Countercyclical buffer requirement (%)	-	-	-	-	-
10	Bank D-SIB additional requirements (%)	-	-	-	-	-
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9+ row 10)	2.50%	2.50%	2.50%	2.50%	2.50%
12	CET1 available after meeting the bank's minimum capital requirements (%)	21.64%	22.99%	24.80%	27.98%	30.56%
	Leverage Ratio					
13	Total leverage ratio measure	13,924,960	11,303,085	10,303,823	10,336,645	9,841,306
14	Leverage ratio (%) (row 2/row 13)	15.74%	18.84%	20.66%	20.59%	21.63%
14a	Fully loaded ECL accounting model leverage ratio (%) (row 2A/row 13)	15.74%	18.84%	20.66%	20.59%	21.63%
14b	Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	15.74%	18.84%	20.66%	20.59%	21.63%
	Liquidity Coverage Ratio					
15	Total HQLA					-
16	Total net cash outflow					-
17	LCR ratio (%)					-
	Net Stable Funding Ratio					
18	Total available stable funding					-
19	Total required stable funding					-
20	NSFR ratio (%)					-
	ELAR					
21	Total HQLA	1,671,847	1,655,981	1,377,720	1,185,679	1,388,238
22	Total liabilities	9,050,983	6,616,934	5,994,208	6,488,118	6,471,958
23	Eligible Liquid Assets Ratio (ELAR) (%)	18.47%	25.03%	22.98%	18.27%	21.45%
	ASRR					
24	Total available stable funding	9,745,906	7,540,480	6,985,781	7,379,360	7,074,794
25	Total Advances	5,225,175	5,249,795	4,884,504	4,837,399	4,145,421
26	Advances to Stable Resources Ratio (%)	53.61%	69.62%	69.92%	65.55%	58.59%

2. OVERVIEW OF RISK MANAGEMENT AND RWA

Risk management

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

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

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

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

The function also ensures that:

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

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

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

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

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

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

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

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

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

The Group organizes and manages its operations by segmentation of business lines into corporate, retail, private banking etc. International Banking Group (IBG) located in Kuwait (established by the Board of Directors of NBK SAK) is responsible for the

management and oversight of NBK branch and subsidiary operations located outside Kuwait. It comprises a dedicated senior management team committed and closely involved in the strategic decisions and directions of the Branch along with EC.

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

Capital management

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

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

The actions include:

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

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

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

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

	Table - OV1 - Overview of RWA	RWA (AED 000)					Minimum capital requirements *
		Dec-24	Sep-24	Jun-24	Mar-24	Dec-23	Dec-24
1	Credit risk (excluding counterparty credit risk)	7,333,329	6,801,825	6,396,076	5,787,120	5,444,974	770,000
2	Of which: standardised approach (SA)	7,333,329	6,801,825	6,396,076	5,787,120	5,444,974	770,000
3							
4							
5							
6	Counterparty credit risk (CCR)	14,817	1,781	2,873	3,314	-	1,556
7	Of which: standardised approach for counterparty credit risk	-	-	-	-	-	-
8							
9							
10							
11							
12	Equity investments in funds - look-through approach	-	-	-	-	-	-
13	Equity investments in funds - mandate-based approach	-	-	-	-	-	-
14	Equity investments in funds - fall-back approach	-	-	-	-	-	-
15	Settlement risk	-	-	-	-	-	-
16	Securitisation exposures in the banking book	-	-	-	-	-	-
17							
18	Of which: securitisation external ratings-based approach (SEC-ERBA)	-	-	-	-	-	-
19	Of which: securitisation standardised approach (SEC-SA)	-	-	-	-	-	-
20	Market risk	20,988	11,407	9,942	10,672	7,121	2,204
21	Of which: standardised approach (SA)	20,988	11,407	9,942	10,672	7,121	2,204
22							
23	Operational risk	284,948	284,948	284,948	284,948	215,168	29,919
24							
25							
26	**Total (1+6+10+11+12+13+14+15+16+20+23)**	**7,654,082**	**7,099,961**	**6,693,839**	**6,086,054**	**5,667,263**	**803,679**

* Minimum capital requirements applied is 10.5%

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

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

	Table - LI2 - Explanations of differences between accounting and regulatory exposure amounts	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 (as per Financila statements)**	11,320,623	11,416,215	-	-	-
2	Liabilities carrying value amount under regulatory scope	-	-	-	-	
3	Total net amount under regulatory scope of consolidation	11,320,623	11,416,215	-	-	-
4	Off-balance sheet amounts	5,133,203	5,133,203	-	-	-
5	*Differences in valuations*	-		-	-	-
6	*Differences due to different netting rules, other than those already included in row 2*	23,291	-	-	-	-
7	*Differences due to consideration of provisions*	72,301	-	-	-	-
8	*Differences due to prudential filters*	-	-	-	-	-
9	**Exposure amounts considered for regulatory purposes**	16,549,418	16,549,418	-	-	-

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

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

Fair value measurement

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

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

Derivative financial instruments and hedge accounting

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

4. COMPOSITION OF CAPITAL

The Branch's Regulatory Capital comprises:

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

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

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

	Table - CC1 - Composition of regulatory capital	31 Dec 2024 AED(000)	30 Jun 2024 AED(000)	31 Dec 2023 AED(000)	30 Jun 2023 AED(000)	CC2 Reference
	Common Equity Tier 1 capital: instruments and reserves					
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	1,420,113	1,420,113	1,420,113	1,420,113	B
2	Retained earnings	680,291	621,377	621,377	474,430	C
3	Accumulated other comprehensive income (and other reserves)	95,824	88,925	88,925	71,281	D
4	*Directly issued capital subject to phase-out from CET1 (only applicable to non-joint stock companies)*	-	-	-	-	
5	Common share capital issued by third parties (amount allowed in group CET1)	-	-	-	-	
6	**Common Equity Tier 1 capital before regulatory deductions**	**2,196,228**	**2,130,415**	**2,130,415**	**1,965,824**	
	Common Equity Tier 1 capital regulatory adjustments					
7	Prudent valuation adjustments	-	-	-	-	
8	Goodwill (net of related tax liability)	-	-	-	-	
9	Other intangibles including mortgage servicing rights (net of related tax liability)	(4,138)	(1,503)	(1,655)	(1,719)	
10	Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of related tax liability)	-	-	-	-	
11	Cash flow hedge reserve	-	-	-	-	
12	Securitisation gain on sale	-	-	-	-	
13	Gains and losses due to changes in own credit risk on fair valued liabilities	-	-	-	-	
14	Defined benefit pension fund net assets	-	-	-	-	
15	Investments in own shares (if not already subtracted from paid-in capital on reported balance sheet)	-	-	-	-	
16	Reciprocal cross-holdings in CET1, AT1, Tier 2	-	-	-	-	
17	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-	-	
18	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-	-	-	
19	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-	-	-	
20	Amount exceeding 15% threshold	-	-	-	-	
21	Of which: significant investments in the common stock of financials	-	-	-	-	
22	Of which: deferred tax assets arising from temporary differences	-	-	-	-	
23	CBUAE specific regulatory adjustments	-	-	-	-	
24	**Total regulatory adjustments to Common Equity Tier 1**	(4,138)	(1,503)	(1,655)	(1,719)	
25	**Common Equity Tier 1 capital (CET1)**	2,192,090	2,128,912	2,128,760	1,964,105	

	Table - CC1 - Composition of regulatory capital	31 Dec 2024 AED(000)	30 Jun 2024 AED(000)	31 Dec 2023 AED(000)	30 Jun 2023 AED(000)	CC2 Reference
	Additional Tier 1 capital: instruments					
26	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	-	-	-	-	
27	OF which: classified as equity under applicable accounting standards	-	-	-	-	
28	Of which: classified as liabilities under applicable accounting standards	-	-	-	-	
29	*Directly issued capital instruments subject to phase-out from additional Tier 1*	-	-	-	-	
30	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in AT1)	-	-	-	-	
31	*Of which: instruments issued by subsidiaries subject to phase-out*	-	-	-	-	
32	Additional Tier 1 capital before regulatory adjustments	-	-	-	-	
	Additional Tier 1 capital: regulatory adjustments					
33	Investments in own additional Tier 1 instruments	-	-	-	-	
34	Investments in capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-	-	
35	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-	-	
36	CBUAE specific regulatory adjustments	-	-	-	-	
37	Total regulatory adjustments to additional Tier 1 capital	-	-	-	-	
38	**Additional Tier 1 capital (AT1)**	**-**	**-**	**-**	**-**	
39	**Tier 1 capital (T1= CET1 + AT1)**	**2,192,090**	**2,128,912**	**2,128,760**	**1,964,105**	
	Tier 2 capital: instruments and provisions					
40	Directly issued qualifying Tier 2 instruments plus related stock surplus	-	-	-	-	
41	*Directly issued capital instruments subject to phase-out from Tier 2*	-	-	-	-	
42	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 30) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	-	-	-	-	
43	*Of which: instruments issued by subsidiaries subject to phase-out*	-	-	-	-	
44	Provisions (max 1.25% of CRWA under standardised approach)	91,852	79,987	68,062	61,357	A
45	**Tier 2 capital before regulatory adjustments**	91,852	79,987	68,062	61,357	
	Tier 2 capital: regulatory adjustments					
46	Investments in own Tier 2 instruments	-	-	-	-	
47	Investments in capital, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	-	-	-	
48	Significant investments in the capital, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	-	-	-	
49	CBUAE specific regulatory adjustments	-	-	-	-	
50	**Total regulatory adjustments to Tier 2 capital**	-	-	-	-	
51	**Tier 2 capital (T2)**	91,852	79,987	68,062	61,357	
52	**Total regulatory capital (TC = T1 + T2)**	2,283,942	2,208,899	2,196,822	2,025,462	
53	**Total risk-weighted assets**	7,654,082	6,693,838	5,667,263	5,132,121	

	Table - CC1 - Composition of regulatory capital	31 Dec 2024 AED(000)	30 Jun 2024 AED(000)	31 Dec 2023 AED(000)	30 Jun 2023 AED(000)	CC2 Reference
	Capital ratios and buffers					
54	**Common Equity Tier 1 (as a percentage of risk-weighted assets)**	9,938,024	8,902,737	7,864,085	7,157,583	
55	**Tier 1 (as a percentage of risk-weighted assets)**	17,592,106	15,596,575	13,531,347	12,289,704	
56	**Total capital (as a percentage of risk-weighted assets)**	27,530,130	24,499,313	21,395,432	19,447,287	
57	**Institution specific buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus higher loss absorbency requirement, expressed as a percentage of risk-weighted assets)**	2.5%	2.5%	2.5%	2.5%	
58	**Of which: capital conservation buffer requirement**	2.5%	2.5%	2.5%	2.5%	
59	**Of which: bank-specific countercyclical buffer requirement**	-	-	-	-	
60	**Of which: higher loss absorbency requirement (e.g. DSIB)**	-	-	-	-	
61	**Common Equity Tier 1 (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirement.**	9,938,024	8,902,737	7,864,085	7,157,583	
	The CBUAE Minimum Capital Requirement					
62	Common Equity Tier 1 minimum ratio	7.0%	7.0%	7.0%	7.0%	
63	Tier 1 minimum ratio	8.5%	8.5%	8.5%	8.5%	
64	Total capital minimum ratio	10.5%	10.5%	10.5%	10.5%	
	Amounts below the thresholds for deduction (before risk weighting)					
66	Significant investments in common stock of financial entities	-	-	-	-	
68	Deferred tax assets arising from temporary differences (net of related tax liability)					
	Applicable caps on the inclusion of provisions in Tier 2					
69	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	110,222	95,984	81,675	73,628	
70	Cap on inclusion of provisions in Tier 2 under standardised approach	91,852	79,987	68,062	61,357	
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)					
73	*Current cap on CET1 instruments subject to phase-out arrangements*	-	-	-	-	
74	*Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)*	-	-	-	-	
75	*Current cap on AT1 instruments subject to phase-out arrangements*	-	-	-	-	
76	*Amount excluded from AT1 due to cap (excess after redemptions and maturities)*	-	-	-	-	
77	*Current cap on T2 instruments subject to phase-out arrangements*	-	-	-	-	
78	*Amount excluded from T2 due to cap (excess after redemptions and maturities)*	-	-	-	-	

Reconciliation of Regulatory Capital to Balance Sheet

The below table provides reconciliation between regulatory capital and balance sheet

Table - CC2 - Reconciliation of regulatory capital to balance sheet	Balance sheet as in published financial statements (AED 000)	Under regulatory scope (AED 000)	Balance sheet as in published financial statements (AED 000)	Under regulatory scope (AED 000)	Reference (CC1)
	As at period-end Dec 2024	As at period-end Dec 2024	As at period-end Dec 2023	As at period-end Dec 2023	
Assets					
Cash and short term funds	973,792	973,792	1,339,531	1,339,531	
Deposits with banks and other financial institutions	4,002,115	4,002,115	2,162,975	2,162,975	
Investments Securities	1,380,264	1,380,264	998,609	998,609	
Loans and advances to customers - Gross loans	4,851,863	4,851,863	4,094,165	4,094,165	
Of which: Eligible general provision (max 1.25% of CRWA under standardised approach) included in Tier 2	91,852	91,852	68,062	68,062	A
Premises and equipment	39,123	39,123	37,475	37,475	
Other assets	73,466	73,466	48,223	48,223	
Derivative financial instruments	-	-	-	-	
Total assets	**11,320,623**	**11,320,623**	**8,680,978**	**8,680,978**	
Liabilities					
Due to banks and other financial institutions	193,687	193,687	614,760	614,760	
Customer deposits	8,714,200	8,714,200	5,766,126	5,766,126	
Other liabilities	139,390	139,390	102,072	102,072	
Total liabilities	**9,047,277**	**9,047,277**	**6,482,958**	**6,482,958**	
Shareholders' equity					
Paid-in share capital					
Of which: amount eligible for CET1	1,420,113	1,420,113	1,420,113	1,420,113	B
Of which: amount eligible for AT1	-	-	-	-	
Retained earnings	680,291	680,291	621,377	621,377	
Of which: amount eligible for CET1	680,291	-	621,377	-	C
Statutory reserve	96,528	-	88,925	-	
Of which: amount eligible for CET1	96,528	96,528	88,925	88,925	D
General impairment reserve	77,118	77,118	67,605	67,605	
Accumulated other comprehensive income	(704)	(704)	-	-	
Total shareholders' equity	**2,273,346**	**2,273,346**	**2,198,020**	**2,198,020**	

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

5. LEVERAGE RATIO

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

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

The below table provide the details of leverage ratio

	Table - LR2 - Leverage ratio common disclosure template (January 2014 standard) (AED 000)	Dec-24	Sep-24	Jun-24	Mar-24	Dec-23
On-balance sheet exposures						
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	11,417,013	8,992,043	8,324,199	8,773,044	8,721,541
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)	(4,138)	(1,396)	(1,503)	(1,610)	(1,655)
7	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)**	11,412,875	8,990,647	8,322,696	8,771,434	8,719,886
Derivative exposures						
8	Replacement cost associated with *all* derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	7,406	11	1,178	3,282	-
9	Add-on amounts for PFE associated with *all* derivatives transactions	43,332	6,573	9,081	8,554	-
10	(Exempted CCP leg of client-cleared trade exposures)	-	-	-	-	-
11	Adjusted effective notional amount of written credit derivatives	-	-	-	-	-
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-	-	-	-
13	**Total derivative exposures (sum of rows 8 to 12)**	71,033	9,218	14,363	16,570	-
Securities financing transactions						
14	Gross SFT *assets* (with no recognition of netting), after adjusting for sale accounting transactions	-	-	-	-	-
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-	-	-	-
16	CCR exposure for SFT assets	-	-	-	-	-
17	Agent transaction exposures	-	-	-	-	-
18	**Total securities financing transaction exposures (sum of rows 14 to 17)**	-	-	-	-	-
Other off-balance sheet exposures						
19	Off-balance sheet exposure at gross notional amount	5,729,110	5,479,152	4,711,252	3,861,698	2,955,344
20	(Adjustments for conversion to credit equivalent amounts)	(3,288,059)	(3,175,931)	(2,744,488)	(2,313,058)	(1,833,924)
21	(Specific and general provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital)					
22	**Off-balance sheet items (sum of rows 19 to 21)**	2,441,052	2,303,221	1,966,764	1,548,640	1,121,420
Capital and total exposures						
23	**Tier 1 capital**	2,192,090	2,129,019	2,128,912	2,128,805	2,128,760
24	**Total exposures (sum of rows 7, 13, 18 and 22)**	13,924,960	11,303,085	10,303,823	10,336,645	9,841,306
Leverage ratio						
25	**Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)**	**15.7%**	**18.8%**	**20.7%**	**20.6%**	**21.6%**
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	-	-	-	-	-
26	CBUAE minimum leverage ratio requirement	3%	3%	3%	3%	3%
27	**Applicable leverage buffers**	12.7%	15.8%	17.7%	17.6%	18.6%

6. LIQUIDITY RISK

Liquidity risk is defined as the inability to generate sufficient financial resources to meet all obligations and commitments as

they fall due, or the ability only to secure them at excessive cost. It is the policy of the Branch to maintain adequate liquidity at all times, in all geographical locations.

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

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

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

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

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

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

The liquidity and funding management process includes:

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

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

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

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

Table - ELAR - Eligible Liquid Assets Ratio (AED 000)		Dec-24		Sep-24		Jun-24		Mar-24		Dec-23	
1	High Quality Liquid Assets	Nominal amount	Eligible Liquid Asset	Nominal amount	Eligible Liquid Asset	Nominal amount	Eligible Liquid Asset	Nominal amount	Eligible Liquid Asset	Nominal amount	Eligible Liquid Asset
1.1	Physical cash in hand at the bank + balances with the CBUAE	1,671,847		1,655,981		1,377,720		1,185,679		1,388,238	
1.2	UAE Federal Government Bonds and Sukuks	-		-		-		-		-	
	Sub Total (1.1 to 1.2)	1,671,847	1,671,847	1,655,981	1,655,981	1,377,720	1,377,720	1,185,679	1,185,679	1,388,238	1,388,238
1.3	UAE local governments publicly traded debt securities	-		-		-		-		-	
1.4	UAE Public sector publicly traded debt securities	-		-		-		-		-	
	Sub total (1.3 to 1.4)	-	-	-	-	-	-	-	-	-	-
1.5	Foreign Sovereign debt instruments or instruments issued by their respective central banks	-	-	-	-	-	-	-	-	-	-
1.6	**Total**	**1,671,847**	**1,671,847**	**1,655,981**	**1,655,981**	**1,377,720**	**1,377,720**	**1,185,679**	**1,185,679**	**1,388,238**	**1,388,238**
2	Total liabilities		9,050,983		6,616,934		5,994,208		6,488,118		6,471,958
3	**Eligible Liquid Assets Ratio (ELAR)**		**18.47%**		**25.03%**		**22.98%**		**18.27%**		**21.45%**

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

Table - ASRR - Advances to Stables Resource Ratio							
		Items (AED 000)	Amount	Amount	Amount	Amount	Amount
1		Computation of Advances	Dec-24	Sep-24	Jun-24	Mar-24	Dec-23
	1.1	Net Lending (gross loans - specific and collective provisions + interest in suspense)	4,000,876	4,059,195	3,258,688	3,302,947	3,359,043
	1.2	Lending to non-banking financial institutions	-	-	-	-	-
	1.3	Net Financial Guarantees & Stand-by LC (issued - received)	362,153	360,638	248,628	249,076	51,878
	1.4	Interbank Placements	862,146	829,962	1,377,188	1,285,376	734,500
	1.5	**Total Advances**	5,225,175	5,249,795	4,884,504	4,837,399	4,145,421
2		**Calculation of Net Stable Ressources**					
	2.1	Total capital + general provisions	2,298,393	2,345,415	2,300,297	2,247,396	2,212,098
		Deduct:					
	2.1.1	Goodwill and other intangible assets	4,138	1,396	1,503	-	-
	2.1.2	Fixed Assets	34,985	35,331	34,767	36,899	37,474
	2.1.3	Funds allocated to branches abroad	-	-	-	-	-
	2.1.5	Unquoted Investments	-	-	-	-	-
	2.1.6	Investment in subsidiaries, associates and affiliates	-	-	-	-	-
	2.1.7	**Total deduction**	39,123	36,727	36,270	36,899	37,474
	2.2	**Net Free Capital Funds**	2,259,270	2,308,688	2,264,027	2,210,497	2,174,624
	2.3	**Other stable resources:**					
	2.3.1	Funds from the head office	-	-	-	-	-
	2.3.2	Interbank deposits with remaining life of more than 6 months	-	-	-	-	-
	2.3.3	Refinancing of Housing Loans					
	2.3.4	Borrowing from non-Banking Financial Institutions	13,497	516	583	375	86
	2.3.5 (a)	Customer Deposits with remaining life of more than 6 months (BRF 9)	31,051	18,047	57,280	74,462	53,825
	2.3.5 (b)	85% of the rest of Customer Deposits	7,442,088	5,213,229	4,663,891	5,094,026	4,846,259
	2.3.6	Capital market funding/ term borrowings maturing after 6 months from reporting date	-	-	-	-	-
	2.3.7	**Total other stable resources**	7,486,636	5,231,792	4,721,754	5,168,863	4,900,170
	2.4	**Total Stable Resources (2.2+2.3.7)**	9,745,906	7,540,480	6,985,781	7,379,360	7,074,794
3		**Advances TO STABLE RESOURCES RATIO (1.6/ 2.4*100)**	53.61	69.62	69.92	65.55	58.59

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

Dec-24							
AED (000)	Total	Less than 1 Month	OVER 01 MTHS TO 03 MTHS	OVER 03 MTHS TO 06 MTHS	OVER 06 MTHS TO 1 Year	OVER 1 year TO 5 Year	OVER 5 Years
Cash and Short term Funds	4,975,907	1,891,007	3,084,900	-	-	-	-
Loans and advances to customers	4,851,863	343,974	525,239	126,061	359,708	3,343,464	153,418
Investments at Amortised Cost	1,380,264	138,452	1,150,000	-	-	-	91,813
Land, premises & equipment	39,123	-	-	-	-	-	39,123
Other assets	73,466	73,466	-	-	-	-	-
Total Assets	**11,320,623**	**2,446,899**	**4,760,139**	**126,061**	**359,708**	**3,343,464**	**284,353**
Due to banks & FI's	193,688	193,688	-	-	-	-	-
Customers' deposits	8,714,200	4,444,066	3,760,887	223,417	16,803	-	269,027
Other liabilities	139,390	139,390	-	-	-	-	-
Share holders' equity	2,273,346	-	-	-	-	-	2,273,346
Total Liabilities and shareholder Equity	**11,320,624**	**4,777,144**	**3,760,887**	**223,417**	**16,803**	**-**	**2,542,373**
On Balance sheet Gap		**(2,330,245)**	**999,252**	**(97,356)**	**342,905**	**3,343,464**	**(2,258,020)**
Cumulative Gap		**(2,330,245)**	**(1,330,993)**	**(1,428,350)**	**(1,085,445)**	**2,258,019**	**(0)**

Dec-23							
AED (000)	Total	Less than 1 Month	OVER 01 MTHS TO 03 MTHS	OVER 03 MTHS TO 06 MTHS	OVER 06 MTHS TO 1 Year	OVER 1 year TO 5 Year	OVER 5 Years
Cash and Short term Funds	3,502,506	2,088,594	1,413,913	-	-	-	-
Loans and advances to customers	4,094,165	500,061	104,547	349,323	884,492	2,223,968	31,773
Investments at Amortised Cost	998,609	998,609	-	-	-	-	-
Land, premises & equipment	37,475	-	-	-	-	-	37,475
Other assets	48,223	48,223	-	-	-	-	-
Total Assets	**8,680,978**	**3,635,486**	**1,518,460**	**349,323**	**884,492**	**2,223,968**	**69,248**
Due to banks & FI's	614,760	411,377	203,383	-	-	-	-
Customers' deposits	5,766,126	3,443,792	1,671,539	597,456	53,338	-	-
Other liabilities	102,072	102,072	-	-	-	-	-
Share holders' equity	2,198,020	-	-	-	-	-	2,198,020
Total Liabilities and shareholder Equity	**8,680,978**	**3,957,241**	**1,874,922**	**597,456**	**53,338**	**-**	**2,198,020**
On Balance sheet Gap		**(321,755)**	**(356,463)**	**(248,133)**	**831,154**	**2,223,968**	**(2,128,772)**
Cumulative Gap		**(321,755)**	**(678,218)**	**(926,351)**	**(95,197)**	**2,128,771**	**(0)**

7. CREDIT RISK

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

7.1 Credit risk management strategy

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

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

7.2 Credit risk management structure

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

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

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

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

7.3 Key features of corporate credit risk management

The Branch Credit portfolio is segregated into two major segment

1. Corporate Banking

2. Consumer Banking

1. Corporate Banking

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

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

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

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

- Board Credit Committee (BCC), which consists of non-executive Board Members and approves all facilities exceeding the mandate of the other committees;

- Senior International Credit Committee (SICC), which consists of the GCEO, the Deputy GCEO and the Group Chief Risk Officer (GCRO) and is responsible for reviewing, approving or recommending all credit proposals originating from the Group's international offices that exceed the Management International Credit Committee's mandate as well as those concerning 'criticised' accounts; and

- Management International Credit Committee (MICC), which consists of the Head of Group Risk Management, the Chief Credit Officer, the CEO International Banking Group and certain Senior members of the International Banking Group and the Assistant General Manager of International Credit and is responsible for reviewing, approving or recommending all credit proposals originating from the Group's international offices except those concerning 'criticised' accounts, which are escalated to the Senior International Credit Committee.

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

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

2. Consumer Banking

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

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

7.4 Credit review procedures and loan classification

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

The risk-rating process derives obligor risk-ratings ("ORRs") and facility risk-ratings ("FRRs"). The rating methodology focuses on

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

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

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

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

Credit risk is monitored with three lines of defence.

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

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

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

7.5 Group credit risk monitoring

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

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

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

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

7.6 Credit Quality of Asset

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

Table - CR1 - Credit quality of assets - 2024						
	a	b	c	d	e	f
	Gross carrying values of		Allowances/Impairments	credit losses on SA exposures		Net values (a+b-c)
	Defaulted exposures	Non-defaulted exposures		Allocated in regulatory category of Specific	Allocated in regulatory category of General	
Loans	95,081	4,829,083	72,301	57,291	15,010	4,851,863
Debt securities		1,381,755	1,491	-	-	1,380,264
Off-balance sheet exposures	10,346	5,122,857	26,189	10,346	15,843	5,107,014
Total	**105,427**	**11,333,695**	**99,981**	**67,637**	**30,853**	**11,339,141**

Table - CR1 - Credit quality of assets - 2023						
	a	b	c	d	e	f
	Gross carrying values of		Allowances/Impairments	credit losses on SA exposures		Net values (a+b-c)
	Defaulted exposures	Non-defaulted exposures		Allocated in regulatory category of Specific	Allocated in regulatory category of General	
Loans	28,793	4,104,132	38,760	28,793	9,967	4,094,165
Debt securities		998,609	57	-	57	998,552
Off-balance sheet exposures	10,346	2,390,630	13,807	10,346	3,461	2,387,169
Total	**39,139**	**7,493,371**	**52,624**	**39,139**	**13,485**	**7,479,886**

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

Table - CR2 - Changes in the stock of defaulted loans and debt securities	2024	2023
Defaulted loans and debt securities at the end of the previous reporting period	28,793	25,043
Loans and debt securities that have defaulted since the last reporting period	66,288	10,244
Returned to non-default status	-	-
Amounts written off	-	-
Other changes		(6,494)
Defaulted loans and debt securities at the end of the reporting period (1+2-3-4±5)	95,081	28,793

7.7 Additional disclosure related to the credit quality of assets

Definition of default

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

- the borrower is unlikely to pay its credit obligations to the Branch in full, without recourse by the Branch to actions such as realising security (if any is held);
- the borrower is past due more than 90 days on any material credit obligation to the Branch; or
- borrower is considered as credit impaired based on qualitative assessment for internal credit risk Management purposes
- retail facilities from commencement of legal recourse.

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

The Branch considers investments and interbank balances as in default when the coupon or principal payment is past due for 1 day.

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

- breaches of covenants
- borrower having past due liabilities to public creditors or employees
- borrower is deceased

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

Significant increase in credit risk

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

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

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

Dec-24						
AED'000	UAE	Middle East	Europe	North America	Asia	Total
Sovereigns and their central banks	1,753,409	-	-	-	-	1,753,409
Banks	1,378,496	5,088,372	210,254	28,745	217,920	6,923,787
Corporates	5,289,602	654,940	1,561,220	-	80,000	7,585,762
Regulatory retail portfolios	5,555	-	-	-	-	5,555
Secured by residential property	16,335	12,735	-	-	-	29,070
Secured by commercial real estate	24,344	4,034	-	-	-	28,378
Past-due loans	87,530	7,551	-	-	-	95,081
Other assets	128,376	-	-	-	-	128,376
Total	**8,683,647**	**5,767,632**	**1,771,474**	**28,745**	**297,920**	**16,549,418**

Dec-23						
AED'000	UAE	Middle East	Europe	North America	Asia	Total
Sovereigns and their central banks	1,379,236	-	-	-	-	1,379,236
Banks	1,437,421	2,623,518	98,682	25,372	348,907	4,533,900
Corporates	3,929,907	532,062	232,624	275,408	-	4,970,001
Regulatory retail portfolios	3,057	-	-	-	-	3,057
Secured by residential property	14,705	19,265	-	318	-	34,288
Secured by commercial real estate	2,048	85,646	-	-	-	87,694
Past-due loans	21,242	7,551	-	-	-	28,793
Other assets	85,548	-	-	-	-	85,548
Total	**6,873,164**	**3,268,042**	**331,306**	**301,098**	**348,907**	**11,122,517**

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

	AED'000	
Industry sector	2024	2023
Banks and other financial institutions	8,714,744	6,038,760
Trading	5,377,316	2,826,434
Real Estate	505,489	160,211
Retail	34,706	16,250
Government	1,917,163	2,080,862
Total	16,549,418	11,122,517

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

Dec 2024					
AED'000	Less than 3 mths	More than 3 mth less than one year	More than one year less five year	Over five year	Total
Sovereigns and their central banks	1,753,409	-	-	-	1,753,409
Banks	5,293,980	543,395	1,086,412	-	6,923,787
Corporates	1,152,029	2,239,700	3,481,481	712,552	7,585,762
Regulatory retail portfolios	441	74	5,040	-	5,555
Secured by residential property	-	-	2,461	26,609	29,070
Secured by commercial real estate	-	496	27,882	-	28,378
Past-due loans	86,740	-	4,818	3,523	95,081
Other assets	128,376	-	-	-	128,376
Total	2,501,743	578,217	2,444,077	729,550	16,549,418

Dec 2023					
AED'000	Less than 3 mths	More than 3 mth less than one year	More than one year less five year	Over five year	Total
Sovereigns and their central banks	1,379,236	-	-	-	1,379,236
Banks	3,279,249	450,904	674,239	129,508	4,533,900
Corporates	678,666	1,348,296	2,872,408	70,631	4,970,001
Regulatory retail portfolios	93	253	2,711	-	3,057
Secured by residential property	-	-	4,641	29,647	34,288
Secured by commercial real estate	59,862	-	27,832	-	87,694
Past-due loans	21,242	-	4,028	3,523	28,793
Other assets	85,548	-	-	-	85,548
Total	2,501,743	578,217	2,444,077	729,550	11,122,517

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

Table - CR4 - Standardised approach - credit risk exposure and CRM effects Dec 2024						
	a	b	c	d	e	f
	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
Asset classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
Sovereigns and their central banks	1,753,409	-	1,753,409	-	18,300	1%
Public Sector Entities	-	-	-	-	-	0%
Multilateral development banks	-	-	-	-	-	0%
Banks	5,476,263	1,447,524	5,476,263	679,968	1,845,262	30%
Securities firms	-	-	-	-	-	0%
Corporates	3,900,083	3,685,679	3,900,083	2,624,995	5,278,961	81%
Regulatory retail portfolios	5,555	-	5,555	-	5,555	100%
Secured by residential property	29,070	-	29,070	-	10,175	35%
Secured by commercial real estate	28,378	-	28,378	-	28,378	100%
Equity Investment in Funds (EIF)	-	-	-	-	-	0%
Past-due loans	95,081	-	37,753	-	37,753	100%
Higher-risk categories	-	-	-	-	-	0%
Other assets	128,376	-	128,376	-	123,763	96%
Total	**11,416,215**	**5,133,203**	**11,358,887**	**3,304,963**	**7,348,146**	50%

Table - CR4 - Standardised approach - credit risk exposure and CRM effects Dec 2023						
	a	b	c	d	e	f
	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
Asset classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
Sovereigns and their central banks	1,379,236	-	1,379,236	-	-	0%
Public Sector Entities	-	-	-	-	-	0%
Multilateral development banks	-	-	-	-	-	0%
Banks	3,858,574	675,326	3,858,574	487,569	1,326,969	31%
Securities firms	-	-	-	-	-	0%
Corporates	3,244,351	1,725,650	3,244,351	1,019,044	3,938,432	92%
Regulatory retail portfolios	3,057	-	3,057	-	3,057	100%
Secured by residential property	34,288	-	34,288	-	12,001	35%
Secured by commercial real estate	87,694	-	87,694	-	87,694	100%
Equity Investment in Funds (EIF)	-	-	-	-	-	0%
Past-due loans	28,793	-	28,793	-	-	0%
Higher-risk categories	-	-	-	-	-	0%
Other assets	85,548	-	85,548	-	76,821	90%
Total	**8,721,541**	**2,400,976**	**8,721,541**	**1,506,613**	**5,444,974**	53%

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

Table - CR5 - Standardised approach - exposures by asset classes and risk weights Dec 2024									
	a	b	c	d	e	f	g	h	i
Asset classes	0%	20%	35%	50%	75%	100%	150%	Others	Total credit exposures amount (post CCF and post-CRM)
Sovereigns and their central banks	1,661,909	91,500	-	-	-	-	-	-	1,753,409
Public Sector Entities	-	-	-	-	-	-	-	-	-
Multilateral development banks	-	-	-	-	-	-	-	-	-
Banks	-	4,416,740	-	1,555,154	-	184,337	-	-	6,156,231
Securities firms	-	-	-	-	-	-	-	-	-
Corporates	1,124	1,556,241	-	-	-	4,967,713	-	-	6,525,078
Regulatory retail portfolios	-	-	-	-	-	5,555	-	-	5,555
Secured by residential property	-	-	29,070	-	-	-	-	-	29,070
Secured by commercial real estate	-	-	-	-	-	28,378	-	-	28,378
Equity Investment in Funds (EIF)	-	-	-	-	-	-	-	-	-
Past-due loans	-	-	-	-	-	37,753	-	-	37,753
Higher-risk categories	-	-	-	-	-	-	-	-	-
Other assets	9,938	-	-	-	-	123,763	-	-	133,701
Total	**1,672,971**	**6,064,481**	**29,070**	**1,555,154**	**-**	**5,347,499**	**-**	**-**	**14,669,175**

Table - CR5 - Standardised approach - exposures by asset classes and risk weights Dec 2023									
	a	b	c	d	e	f	g	h	i
Asset classes	0%	20%	35%	50%	75%	100%	150%	Others	Total credit exposures amount (post CCF and post-CRM)
Sovereigns and their central banks	1,379,236	-	-	-	-	-	-	-	1,379,236
Public Sector Entities	-	-	-	-	-	-	-	-	-
Multilateral development banks	-	-	-	-	-	-	-	-	-
Banks	-	2,820,626	-	1,525,346	-	171	-	-	4,346,143
Securities firms	-	-	-	-	-	-	-	-	-
Corporates	2,097	416,388	-	-	-	3,855,154	-	-	4,273,639
Regulatory retail portfolios	-	-	-	-	-	3,057	-	-	3,057
Secured by residential property	-	-	34,288	-	-	-	-	-	34,288
Secured by commercial real estate	-	-	-	-	-	87,694	-	-	87,694
Equity Investment in Funds (EIF)	-	-	-	-	-	-	-	-	-
Past-due loans	-	-	-	-	-	-	-	-	-
Higher-risk categories	-	-	-	-	-	-	-	-	-
Other assets	9,002	-	-	-	-	76,821	-	-	85,823
Total	**1,390,335**	**3,237,014**	**34,288**	**1,525,346**	**-**	**4,022,897**	**-**	**-**	**10,209,880**

8. Market risk

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

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

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

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

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

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

Table - MR1 - Market risk under the standardised approach	31-Dec-24 RWA	30-Jun-24 RWA	31-Dec-23 RWA	30-Jun-23 RWA
General Interest rate risk (General and Specific)	-	-	-	-
Equity risk (General and Specific)	-	-	-	-
Foreign exchange risk	20,988	9,942	7,121	8,397
Commodity risk	-	-	-	-
Options	-	-	-	-
Simplified approach	-	-	-	-
Delta-plus method	-	-	-	-
Scenario approach				
Securitisation	-	-	-	-
Total	**20,988**	**9,942**	**7,121**	**8,397**

9. Interest Rate Risk on Banking book

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

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

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

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

A more conservative approach has also been applied for non-maturity deposits (NMDs) and treated as next-day maturity. Based on business models and client profiles no additional criteria applied on loan prepayments.

The NII sensitivities are based on scenarios and shocks prescribed by Central Bank of UAE. The calculations are done under the following scenarios:

- Parallel shock up
- Parallel shock down

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

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

- Parallel Shock up
- Parallel Shock Down
- Steepener
- Flattener
- Short rate Shock up
- Short rate Shock Down

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

IRRBB Quantitative information

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

In AED' 000	Δ EVE		Δ NII	
	Dec-24	Dec-23	Dec-24	Dec-23
Parallel up	(37,288)	(16,593)	36,378	40,860
Parallel down	39,678	16,875	(38,109)	(42,632)
Steepener	16,996	12,233		
Flattener	(25,112)	(15,952)		
Short rate up	(38,477)	(21,288)		
Short rate down	38,773	21,456		
Maximum Loss	**(38,477)**	**(21,288)**		
Reporting Period	**12/31/2024**		**12/31/2023**	
Capital (Tier 1)	**2,192,090**		**2,128,760**	

The maximum effect on Economic Value of Equity (EVE) is AED **(38,477)** thousand as of December 31, 2024, compared to AED (21,288) thousand as of December 31, 2023. The ΔEVE / Tier 1 capital of the branch is 1.76%, which is significantly lower than floor requirements.

The maximum effect on one-year net interest income (NII) between parallel up and parallel down scenario is AED **(38,109)** thousand as of December 31, 2024, compared to AED (42,632) thousand as of December 31, 2023.

10. Operational risk

Operational risks are managed at Group level through a Board-approved operational risk management framework which defines the roles and responsibilities of the BRCC, the EC, the operational risk management function and the internal audit

function for monitoring, managing and reporting operational risk. The key components of the Board-approved framework are:

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

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

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

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

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

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

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

11. Remuneration (REMA)

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

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

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

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

NBK Group has a clear Remuneration Policy, instructions and processes, ensuring a sound remuneration framework throughout

the organisation. It supports the Group's ability to recruit and retain the right talents and competences and motivate high-calibre, skilled and knowledgeable employees, thereby ensuring sound risk management and sustained profitability.

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

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

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

Senior management and Material Risk takers are defined as under

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

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

- Corporate Banking
- Treasury Group
- Consumer Banking

The two components of remuneration:

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

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

The details of remuneration paid are as under

Table - REM1 - Remuneration awarded during the financial year				AED (000)
Remuneration Amount	2024		2023	
	Senior Management	Other Material Risk-takers	Senior Management	Other Material Risk-takers
Number of employees	25	28	21	24
Fixed Remuneration	18,234	19,501	13,186	14,380
Variable Remuneration	4,515	4,842	2,384	2,653
Total Remuneration	**22,749**	**24,344**	**15,570**	**17,033**