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BASEL III – PILLAR 3 DISCLOSURES
FOR THE YEAR ENDED 31 DECEMBER 2023

Contents

BASEL III – PILLAR 3 DISCLOSURES
31 DECEMBER 2023

Introduction
The Central Bank of the UAE (CBUAE) supervises Emirates NBD (P.J.S.C.) (the "Bank") and its subsidiaries (together referred to as the "Group") on a consolidated basis, and therefore receives information on the capital adequacy of, and sets capital requirements for the Group as a whole. The capital requirements are computed at a Group level using Basel III framework of the Basel Committee on Banking Supervision ("Basel Committee"), after applying the amendments advised by the CBUAE, within national discretion. The Basel framework is structured around three 'pillars', Pillar 1 on minimum capital requirements and Pillar 2 on supervisory review process complemented by disclosures under Pillar 3 on market discipline.

Pillar 3 disclosures 2023
Pillar 3 disclosures complement the minimum capital requirements and the supervisory review process. Its aim is to encourage market discipline by developing disclosure requirements which allow market participants to assess specified information on the scope of application of Basel III, capital, particular risk exposures and risk assessment processes, and hence the capital adequacy of the Group. Disclosures consist of both qualitative and quantitative information and are provided at the consolidated level.

The CBUAE issued Basel III capital regulations, which came into effect from 1 February 2017 introducing minimum capital requirements at three levels, namely Common Equity Tier 1 (CET1), Additional Tier 1 (AT1) and Total Capital. Additional capital buffers (Capital Conservation Buffer (CCB) and Countercyclical Capital Buffer (CCyB) – maximum up to 2.5% for each buffer) introduced are over and above the minimum CET1 requirement of 7%.

In November 2020, CBUAE issued revised standards and guidelines for capital adequacy in the UAE. The new version to the standards also includes additional guidance on the topics of Credit Risk, Market Risk, and Operational Risk. In December 2022, CBUAE published revised capital guidelines mainly focused on updates on Pillar 2.

CBUAE requires the Pillar 2 – Supervisory Review Process to focus on each bank's Internal Capital Adequacy Assessment Process (ICAAP) in addition to Pillar 1 capital calculations. The ICAAP should include a risk based forward looking view of, but not limited to, Credit, Market and Operational Risk Capital.

The revised Pillar 3 disclosures, based on a common framework, are an effective means of informing the market about the risks faced by the Group, and provide a consistent and understandable disclosure framework that enhances transparency and improves comparability and consistency.

In compliance with the CBUAE Basel III standards and guidelines, these disclosures include qualitative and quantitative information on the Group's risk management objectives and policies, risk assessment processes, capital management and capital adequacy. The Group's Pillar 3 disclosures are in line with the key elements governed by the disclosure policy framework consistent with the CBUAE Basel III standards which is approved by the Group Board Audit Committee.

Verification
The Pillar 3 disclosures for the year ended 31 December 2023 have been reviewed by the Group's internal and statutory auditors.

Implementation of Basel III standards and guidelines
- The Group is compliant with Standardised Approach for Credit, Market and Operational Risk (Pillar 1) as applicable in 2023.
- The Group also assigns capital on other than Pillar 1 risk categories which are part of the Pillar 2 framework.

Group structure
The Bank was incorporated in the United Arab Emirates on 16 July 2007 consequent to the merger between Emirates Bank International P.J.S.C. ("EBI") and National Bank of Dubai P.J.S.C. ("NBD"), under the Commercial Companies Law (Federal Law Number 8 of 1984 as amended) as a Public Joint Stock Company (P.J.S.C.).

The Bank is listed on Dubai Financial Market (TICKER: "EMIRATESNBD"). The Group's principal business activities are corporate & institutional banking, retail banking & wealth management, global markets & treasury (GM&T) and Islamic banking. The Bank's website is www.emiratesnbd.com.

The direct subsidiaries of the Group are as follows:

Subsidiaries	Group % Share holding	Nature of business	Country of incorporation	Description of accounting treatment (Consolidation/ Investment Accounting)	Description of regulatory capital treatment (Consolidation/ Deduction from capital/neither)
Buzz Contact Centre Solutions LLC	100	Call centre management services	Dubai, U.A.E.	Consolidation	Consolidation
DenizBank Anonim Sirketi	100	Banking	Türkiye	Consolidation	Consolidation
Emirates Funds LLC	100	Asset management	Dubai, U.A.E.	Consolidation	Consolidation
Emirates Funds Managers (Jersey) Limited	100	Asset management	Jersey, England	Consolidation	Consolidation
Emirates Islamic Bank P.J.S.C.	99.9	Islamic banking	Dubai, U.A.E.	Consolidation	Consolidation
Emirates Money Consumer Finance LLC	100	Consumer finance	Dubai, U.A.E.	Consolidation	Consolidation
Emirates NBD Asset Management Limited	100	Asset management	Dubai, U.A.E.	Consolidation	Consolidation
Emirates NBD Capital (KSA) LLC	100	Investment services	KSA	Consolidation	Consolidation
Emirates NBD Capital PSC	100	Investment services	Dubai, U.A.E.	Consolidation	Consolidation
Emirates NBD Egypt S.A.E.	100	Banking	Egypt	Consolidation	Consolidation
Emirates NBD Global Funding Limited	100	Medium term borrowing and money market transactions	Cayman Islands	Consolidation	Consolidation
Emirates NBD Properties LLC	100	Real estate management	Dubai, U.A.E.	Consolidation	Neither (1)
Emirates NBD Securities LLC	100	Brokerage services	Dubai, U.A.E.	Consolidation	Consolidation
Emirates NBD Trust Company (Jersey) Limited	100	Trust administration services	Jersey, England	Consolidation	Consolidation
ENBD London Branch Nominee Company	100	Asset management	England	Consolidation	Consolidation
Tanfeeth LLC	100	Shared services organization	Dubai, U.A.E.	Consolidation	Consolidation
The Emirates National Dubai Real Estate Company LLC (2)	100	Nominee company for mortgage business	KSA	Consolidation	Consolidation

Other entities consolidated by the Group are as follows:

Entities	Nature of business	Description of accounting treatment (Consolidation/ Investment Accounting)	Description of regulatory capital treatment (Consolidation/ Deduction from capital/neither)
Emirates NBD Global Markets Limited	SPE for funding purpose	Consolidation	Consolidation
EIB Sukuk Company Limited	SPE for asset securitisation	Consolidation	Consolidation
EI Funding Limited	SPE for asset securitisation	Consolidation	Consolidation

(1) Included in gross credit exposures as investment at carrying value
(2) Under liquidation

Key metrics of the Group (KM1)

Key prudential regulatory metrics have been included in the following table:

	AED in millions	31 December 2023	30 September 2023	30 June 2023	31 March 2023	31 December 2022
	Available capital (amounts) [2]					
1	Common Equity Tier 1 (CET1)	**87,150**	90,012	84,382	81,403	76,582
1a	Fully loaded ECL accounting model [1]	**84,373**	87,608	81,967	78,832	73,359
2	Tier 1	**96,279**	99,140	93,511	90,532	85,711
2a	Fully loaded ECL accounting model Tier [1]	**93,502**	96,737	91,096	87,960	82,488
3	Total capital	**102,653**	105,025	99,081	96,186	91,180
3a	Fully loaded ECL accounting model total capital [1]	**99,876**	102,622	96,666	93,615	87,957
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	**583,780**	533,132	507,783	514,861	498,870
	Risk-based capital ratios as a percentage of RWA					
5	Common Equity Tier 1 ratio (%)	**14.93%**	16.88%	16.62%	15.81%	15.35%
5a	Fully loaded ECL accounting model CET1 (%)	**14.45%**	16.43%	16.14%	15.31%	14.71%
6	Tier 1 ratio (%)	**16.49%**	18.60%	18.42%	17.58%	17.18%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	**16.01%**	18.15%	17.94%	17.08%	16.53%
7	Total capital ratio (%)	**17.58%**	19.70%	19.51%	18.68%	18.28%
7a	Fully loaded ECL accounting model total capital ratio (%)	**17.11%**	19.25%	19.04%	18.18%	17.63%
	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 (%)	**0.05%**	0.05%	0.00%	0.00%	0.00%
10	Bank D-SIB additional requirements (%)	**1.50%**	1.50%	1.50%	1.50%	1.50%
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9+ row 10)	**4.05%**	4.05%	4.00%	4.00%	4.00%
12	CET1 available after meeting the bank's minimum capital requirements (%)	**7.08%**	9.20%	9.01%	8.18%	7.78%
	Leverage Ratio					
13	Total leverage ratio measure	**943,629**	889,759	865,116	836,078	799,150
14	Leverage ratio (%) (row 2/row 13)	**10.20%**	11.14%	10.81%	10.83%	10.73%
14a	Fully loaded ECL accounting model leverage ratio (%) (row 2a/row 13)	**9.91%**	10.87%	10.53%	10.52%	10.32%
14b	Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	**9.91%**	11.14%	10.81%	10.83%	10.73%
	Liquidity Coverage Ratio					
15	Total HQLA	**200,038**	169,708	168,527	154,731	141,551
16	Total net cash outflow	**95,290**	85,749	82,590	83,287	84,921
17	LCR ratio (%)	**209.93%**	197.91%	204.05%	185.78%	166.68%
	Net Stable Funding Ratio					
18	Total available stable funding	**567,686**	543,406	533,577	510,969	493,475
19	Total required stable funding	**454,161**	432,956	423,484	413,883	406,372
20	NSFR ratio (%)	**125.00%**	125.51%	126.00%	123.46%	121.43%

Quarter on Quarter CET1 capital decreased by AED 2.9 billion. Pre-hyperinflation profit for the quarter of AED 4.7 billion was offset by proposed dividend of AED 7.6 billion.

Year on year CET1 capital increased by AED 12 billion. Pre-hyperinflation profit for the year of AED 24.6 billion was offset by proposed dividend of AED 7.6 billion, adverse movement of currency translation reserve by AED 4.3 billion and increase in regulatory deductions of AED 0.7 billion.

Refer overview (OV1) disclosure for further details on RWA.

1 "Fully Loaded" means Group's regulatory capital compared with a situation where the transitional arrangement had not been applied. CBUAE introduced transitional arrangements as per circular no. 04/2020 "Regulation Regarding Accounting Provisions and Capital Requirements – Transitional Arrangements".

Pursuant to the above regulation, CBUAE issued a regulation for a 'Prudential Filter' that permits banks to add back increase in IFRS 9 provisions (stage 1 and stage 2) to the regulatory capital over a transition period of 5 years, on a proportionate basis. The increase in IFRS 9 provision requirements is determined by calculating the difference between the IFRS 9 provision as of 31 December 2019 and the IFRS 9 provision as at the respective reporting date. The proportion of the increase in IFRS 9 provisions that is permitted to be added-back to regulatory capital from 1 January 2020 onwards will be phased out over a 5-year transition period (100%, 100%, 75%, 50%, 25% for the years 2020 to 2024 respectively).

2 Impacts of implementing IAS 29 on hyperinflation accounting in financial statements are excluded from regulatory ratios calculations.

Differences between accounting and regulatory scopes of consolidation and mapping of financial statements categories with regulatory risk categories (LI1)

Below table splits the financial balance sheet into each regulatory risk category. The regulatory risk category drives the approach applied in the calculation of regulatory exposures and RWA.

	a	b	c	d	e	f	g
			Carrying values of items:				
31 December 2023 AED in millions	**Carrying values as reported in published financial statements**	**Carrying values under scope of regulatory consolidation**	**Subject to credit risk framework**	**Subject to counterparty credit risk framework**	**Subject to the securitisation framework**	**Subject to market risk framework**	**Not subject to capital requirements or subject to deduction from capital**
Assets							
Cash and deposits with central bank	**96,031**	**96,031**	**96,031**	**–**	**–**	**–**	**–**
Due from banks	**92,302**	**92,302**	**92,302**	**–**	**–**	**–**	**–**
Investment securities	**173,246**	**173,822**	**173,822**	**–**	**–**	**10,013**	**–**
Loans and receivables	**445,105**	**445,105**	**445,105**	**–**	**–**	**–**	**–**
Positive fair value of derivatives	**15,284**	**15,284**	**–**	**15,284**	**–**	**14,594**	**–**
Customer acceptances	**8,468**	**8,468**	**8,468**	**–**	**–**	**–**	**–**
Property & equipment	**5,264**	**4,728**	**3,330**	**–**	**–**	**–**	**1,398**
Goodwill & intangibles	**5,683**	**5,683**	**–**	**–**	**–**	**–**	**5,683**
Other assets	**21,390**	**21,698**	**21,698**	**–**	**–**	**–**	**–**
Total assets	**862,773**	**863,121**	**840,756**	**15,284**	**–**	**24,607**	**7,081**
Liabilities							
Due to banks	**40,321**	**40,321**	**–**	**–**	**–**	**–**	**40,321**
Customer deposits	**584,561**	**584,561**	**–**	**–**	**–**	**–**	**584,561**
Debt issued and other borrowed funds	**66,116**	**66,116**	**–**	**–**	**–**	**–**	**66,116**
Sukuk payable	**4,673**	**4,673**	**–**	**–**	**–**	**–**	**4,673**
Negative fair value of derivatives	**17,389**	**17,389**	**–**	**17,389**	**–**	**12,790**	**–**
Customer acceptances	**8,468**	**8,468**	**–**	**–**	**–**	**–**	**8,468**
Other liabilities	**31,273**	**33,764**	**627**	**–**	**–**	**–**	**33,137**
Total liabilities	**752,801**	**755,292**	**627**	**17,389**	**–**	**12,790**	**737,276**

	a	b	c	d	e	f	g
			Carrying values of items:				
31 December 2022 AED in millions	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisation framework	Subject to market risk framework	Not subject to capital requirements or subject to deduction from capital
Assets							
Cash and deposits with central bank	74,618	74,618	74,618	–	–	–	–
Due from banks	73,467	73,467	73,467	–	–	–	–
Investment securities	125,807	126,383	126,383	–	–	6,197	–
Loans and receivables	416,604	416,604	416,604	–	–	–	–
Positive fair value of derivatives	17,206	17,206	–	17,206	–	16,755	–
Customer acceptances	9,029	9,029	9,029	–	–	–	–
Property & equipment	4,106	3,619	2,787	–	–	–	832
Goodwill & intangibles	5,779	5,779	–	–	–	–	5,779
Other assets	15,346	15,149	15,106	–	–	–	43
Total assets	**741,962**	**741,854**	**717,994**	**17,206**	**–**	**22,952**	**6,654**
Liabilities							
Due to banks	37,279	37,279	–	–	–	–	37,279
Customer deposits	502,953	502,953	–	–	–	–	502,953
Debt issued and other borrowed funds	53,487	53,487	–	–	–	–	53,487
Sukuk payable	3,673	3,673	–	–	–	–	3,673
Negative fair value of derivatives	20,206	20,206	–	20,206	–	15,334	–
Customer acceptances	9,029	9,029	–	–	–	–	9,029
Other liabilities	22,030	23,008	–	–	–	–	23,008
Total liabilities	**648,657**	**649,635**	**–**	**20,206**	**–**	**15,334**	**629,429**

Differences between accounting and regulatory scopes of consolidation and mapping of financial statements categories with regulatory risk categories (LI1) continued

The amounts shown in the column 'Carrying values under scope of regulatory consolidation' do not equal the sum of the amounts shown in the remaining columns of this table for line items 'Derivatives' and Investment Securities' as the assets in this column are subject to regulatory capital charges for credit risk, counterparty credit risk and market risk. Variances between the financial and regulatory consolidated balance sheets in LI1 arise primarily from differences in the basis of consolidation. Non-financial subsidiaries are not consolidated for regulatory purposes. Impact from IAS 29 on hyperinflation accounting is not considered in scope of regulatory consolidation.

Main sources of differences between regulatory exposure amounts and carrying values in financial statements (LI2)

		a	b	c	d	e
				Items subject to:		
	31 December 2023 **AED in millions**	**Total**	**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)	**856,040**	**840,756**	**–**	**15,284**	**24,607**
2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	**18,016**	**627**	**–**	**17,389**	**12,790**
3	Total net amount under regulatory scope of consolidation	**838,024**	**840,129**	**–**	**(2,105)**	**11,817**
4	Off-balance sheet amounts excluding derivatives	**77,601**	**77,601**	**–**		
5	Differences due to different netting rules, other than those already included in row 2	**–**	**–**	**–**	**–**	**–**
6	Differences due to consideration of provisions and interest in suspense	**44,656**	**44,656**	**–**	**–**	**–**
7	Differences due to prudential filters	**–**	**–**	**–**	**–**	**–**
8	Derivatives	**14,289**	**–**	**–**	**14,289**	**–**
9	**Exposure amounts considered for regulatory purposes**	**974,570**	**962,386**	**–**	**12,184**	**11,817**

Impact of IAS 29 on hyperinflation accounting is not considered in regulatory scope of consolidation.

		a	b	c	d	e
				Items subject to:		
	31 December 2022 AED in millions	Total	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)	735,200	717,994	–	17,206	22,952
2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	20,206	–	–	20,206	15,334
3	Total net amount under regulatory scope of consolidation	714,994	717,994	–	(3,000)	7,618
4	Off-balance sheet amounts excluding derivatives	62,811	62,811	–	–	
5	Differences due to different netting rules, other than those already included in row 2	–	–	–	–	–
6	Differences due to consideration of provisions and interest in suspense	52,365	52,365	–	–	–
7	Differences due to prudential filters	–	–	–	–	–
8	Derivatives	16,342	–	–	16,342	–
9	**Exposure amounts considered for regulatory purposes**	**846,512**	**833,170**	**–**	**13,342**	**7,618**

Major differences between carrying values and amounts considered for regulatory purposes are:

- Off-balance sheet amounts subject to credit risk including undrawn portions of committed facilities, trade finance commitments and guarantees post credit conversion factor (CCF). Further potential future exposures (PFE) are added for counterparty credit risk on derivative exposures.
- Credit risk adjustments, including Expected Credit Losses (ECL) and interest in suspense (IIS) which are grossed up for regulatory exposures.

Capital management

The Group's approach to capital management is driven by strategic and organisational requirements, taking into account the regulatory, economic and commercial environment. The Group aims to maintain a strong capital base to support the risks inherent in the business and invest in accordance with strategy, meeting both consolidated and local regulatory capital requirements consistently.

Additional capital buffers (CCB and CCyB – maximum up to 2.5% for each buffer) introduced over and above the minimum CET1 requirement of 7%.

Over and above additional capital buffers, the Group as a Domestic Systemically Important Bank (D-SIB) is required to keep an additional D-SIB buffer of 1.5% of the capital base.

Regulatory capital

The Group's capital base is divided into three main categories, namely CET1, AT1 and Tier 2, depending on their characteristics.

- CET1 capital is the highest quality form of capital, comprising share capital, share premium, legal, statutory and other reserves, fair value reserve, retained earnings, non-controlling interest after deductions for goodwill and intangibles and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes under CBUAE guidelines.
- AT1 capital comprises eligible non-common equity capital instruments.
- Tier 2 capital comprises qualifying subordinated debt, and undisclosed reserve.

Details of the Group's qualifying equity and AT1 instruments are set out in Appendix A.

Composition of regulatory capital (CC1)

This provides a breakup of the elements constituting the Group's capital.

	AED in millions	**31 December 2023**	31 December 2022	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	**24,271**	24,271	b
2	Retained earnings	**80,596**	64,680	f
3	Accumulated other comprehensive income (and other reserves)	**(11,052)**	(6,452)	
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**	**93,815**	**82,499**	
	Common Equity Tier 1 capital regulatory adjustments			
7	Prudent valuation adjustments	**–**	–	
8	Goodwill (net of related tax liability)	**(5,683)**	(5,779)	a
9	Other intangibles (net of related tax liability)	**(1,398)**	(833)	
10	Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of related tax liability)	**–**	(43)	
11	Cash flow hedge reserve	**462**	784	
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)	**(46)**	(46)	
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)	**–**	–	

Composition of regulatory capital (CC1) continued

	AED in millions	**31 December 2023**	31 December 2022	CC2 Reference
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**	**(6,665)**	**(5,917)**	e
25	**Common Equity Tier 1 capital (CET1)**	**87,150**	**76,582**	
	Additional Tier 1 capital: instruments			
26	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	**9,129**	9,129	c
27	*Of which: classified as equity under applicable accounting standards*	**9,129**	9,129	
28	*Of which: classified as liabilities under applicable accounting standards*	**–**	–	
29	Directly issued capital instruments subject to phase-out from additional AT1	**–**	–	
30	AT1 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**	**9,129**	**9,129**	
	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)**	**9,129**	**9,129**	
39	**Tier 1 capital (T1= CET1 + AT1)**	**96,279**	**85,711**	
	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	**6,374**	5,469	d
45	**Tier 2 capital before regulatory adjustments**	**6,374**	**5,469**	
	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)**	**6,374**	**5,469**	
52	**Total regulatory capital (TC = T1 + T2)**	**102,653**	**91,180**	
53	**Total risk-weighted assets**	**583,780**	**498,870**	
	Capital ratios and buffers			
54	Common Equity Tier 1 (as a percentage of risk-weighted assets)	**14.93%**	15.35%	
55	Tier 1 (as a percentage of risk-weighted assets)	**16.49%**	17.18%	

Composition of regulatory capital (CC1) continued

	AED in millions	**31 December 2023**	31 December 2022	CC2 Reference
56	Total capital (as a percentage of risk-weighted assets)	**17.58%**	18.28%	
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)	**4.05%**	4.00%	
58	*Of which: capital conservation buffer requirement*	**2.50%**	2.50%	
59	*Of which: bank-specific countercyclical buffer requirement*	**0.05%**	0.00%	
60	*Of which: higher loss absorbency requirement (e.g., DSIB)*	**1.50%**	1.50%	
61	Common Equity tier 1 (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirement.	**7.08%**	7.78%	
	The CBUAE Minimum Capital Requirement			
62	Common Equity tier 1 minimum ratio	**7.00%**	7.00%	
63	Tier 1 minimum ratio	**8.50%**	8.50%	
64	Total capital minimum ratio	**10.50%**	10.50%	
	Amounts below the thresholds for deduction (before risk weighting)	**–**	–	
65	Non-significant investments in the capital and other TLAC liabilities of other financial entities	**–**	–	
66	Significant investments in common stock of financial entities	**–**	–	
67	Mortgage servicing rights (net of related tax liability)	**–**	–	
68	Deferred tax assets arising from temporary differences (net of related tax liability)	**–**	–	
	Applicable caps on the inclusion of provisions in tier 2			
69	Provisions eligible for inclusion in tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	**13,862**	12,605	
70	Cap on inclusion of provisions in tier 2 under standardised approach	**6,374**	5,470	d
71	Provisions eligible for inclusion in tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	**–**	–	
72	Cap for inclusion of provisions in tier 2 under internal ratings-based approach	**–**	–	
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)			
73	Current cap on CET1 instruments subject to phase-out arrangements	**–**	–	
74	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	**–**	–	
75	Current cap on AT1 instruments subject to phase-out arrangements	**–**	–	
76	Amount excluded from AT1 due to cap (excess after redemptions and maturities)	**–**	–	
77	Current cap on T2 instruments subject to phase-out arrangements	**–**	–	
78	Amount excluded from T2 due to cap (excess after redemptions and maturities)	**–**	–	

Increase in pre-hyperinflation profit of AED 24.6 billion (2022: AED 16.1 billion) for the year was offset by proposed dividend of AED 7.6 billion (2022: AED 3.8 billion). The movement in accumulated other comprehensive income is primarily due to Turkish Lira depreciation year on year.

Reconciliation of regulatory capital to balance sheet (CC2)

The following table enable users to identify the differences between the scope of accounting consolidation and the scope of regulatory consolidation, and to show the link between the bank's balance sheet in its published financial statements and the numbers that are used in the composition of capital disclosure template set out in Template CC1. Variances between the financial and regulatory consolidated balance sheets are consistent with LI1 disclosure.

31 December 2023 AED in millions	Balance sheet as in published financial statements	Under regulatory scope of consolidation	CC1 Reference
Assets			
Cash and deposits with central bank	96,031	96,031	
Due from banks	92,302	92,302	
Investment securities	173,246	173,822	
Loans & receivables	445,105	445,105	
Positive fair value of derivatives	15,284	15,284	
Customer acceptances	8,468	8,468	
Property & equipment	5,264	4,728	
Goodwill & intangibles	5,683	5,683	a
Other assets	21,390	21,698	
Total assets	**862,773**	**863,121**	
Liabilities			
Due to banks	40,321	40,321	
Customer deposits	584,561	584,561	
Debt issued and other borrowed funds	66,116	66,116	
Sukuk payable	4,673	4,673	
Negative fair value of derivatives	17,389	17,389	
Customer acceptances	8,468	8,468	
Other liabilities	31,273	33,764	
Total Liabilities	**752,801**	**755,292**	
Issued capital	6,317	6,317	b
Treasury shares	(46)	–	
Tier 1 capital notes	9,129	9,129	c
Share premium reserve	17,954	17,954	b
Legal and statutory reserve	3,158	3,158	
Other reserves	2,945	2,945	
Fair value reserve	(1,570)	(1,570)	
Currency translation reserve	(7,461)	(15,585)	
Retained earnings	79,373	80,596	f
Common equity tier 1 capital regulatory deductions	–	(6,665)	e
Non-controlling interest	173	–	
Provisions eligible for inclusion in tier 2 capital	–	6,374	d
Total Capital	**109,972**	**102,653**	

Variances between financial and regulatory consolidated balance sheets arise primarily from difference in basis of consolidation.

Reconciliation of regulatory capital to balance sheet (CC2) continued

31 December 2022 AED in millions	Balance sheet as in published financial statements	Under regulatory scope of consolidation	CC1 Reference
Assets			
Cash and deposits with central bank	74,618	74,618	
Due from banks	73,467	73,467	
Investment securities	125,807	126,383	
Loans & receivables	416,604	416,604	
Positive fair value of derivatives	17,206	17,206	
Customer acceptances	9,029	9,029	
Property & equipment	4,106	3,619	
Goodwill & intangibles	5,779	5,779	a
Other assets	15,346	15,149	
Total assets	**741,962**	**741,854**	
Liabilities			
Due to banks	37,279	37,279	
Customer deposits	502,953	502,953	
Debt issued and other borrowed funds	53,487	53,487	
Sukuk payable	3,673	3,673	
Negative fair value of derivatives	20,206	20,206	
Customer acceptances	9,029	9,029	
Other liabilities	22,030	23,008	
Total Liabilities	**648,657**	**649,635**	
Issued capital	6,317	6,317	b
Treasury shares	(46)	–	
Tier 1 capital notes	9,129	9,129	c
Share premium reserve	17,954	17,954	b
Legal and statutory reserve	3,158	3,158	
Other reserves	2,945	2,945	
Fair value reserve	(1,296)	(1,296)	
Currency translation reserve	(7,308)	(11,259)	
Retained earnings	62,346	64,680	f
Common equity tier 1 capital regulatory deductions	–	(5,917)	e
Non-controlling interest	106	–	
Provisions eligible for inclusion in tier 2 capital	–	5,469	d
Total Capital	**93,305**	**91,180**	

Geographical distribution of credit exposures used in the countercyclical capital buffer (CCyB1)

CBUAE has not prescribed CCyB requirement in UAE. However, banks are required to maintain CCyB as per geographical distribution of its private sector exposures. Following table provides an overview of the geographical distribution of private sector credit exposures relevant for the calculation of countercyclical buffer.

	a	b	c	d	e	f
		Exposure values and/or risk-weighted assets used in the computation of the countercyclical capital buffer				
31 December 2023 AED in millions	**Counter cyclical capital buffer rate (%)**	**Exposure values**	**Risk-weighted assets**	**Minimum Capital Requirement**	**Share of Minimum Capital (%)**	**Bank-specific counter cyclical capital buffer rate (%)**
Geographical breakdown						
Norway	**2.50%**	**3**	**3**	**–**	**0.00%**	**0.00%**
Hong Kong	**1.00%**	**747**	**656**	**95**	**0.17%**	**0.00%**
Luxembourg	**0.50%**	**388**	**396**	**57**	**0.10%**	**0.00%**
Sweden	**2.00%**	**18**	**12**	**2**	**0.00%**	**0.00%**
United Kingdom	**2.00%**	**8,013**	**7,335**	**1,064**	**1.89%**	**0.04%**
Germany	**0.75%**	**1,494**	**1,525**	**221**	**0.39%**	**0.00%**
Australia	**1.00%**	**136**	**134**	**19**	**0.03%**	**0.00%**
France	**0.50%**	**760**	**735**	**107**	**0.19%**	**0.00%**
Netherlands	**1.00%**	**2,980**	**2,829**	**410**	**0.73%**	**0.01%**
Croatia	**1.00%**	**–**	**–**	**–**	**0.00%**	**0.00%**
Denmark	**2.50%**	**2**	**2**	**–**	**0.00%**	**0.00%**
Romania	**1.00%**	**33**	**33**	**5**	**0.01%**	**0.00%**
Slovakia	**1.50%**	**2**	**1**	**–**	**0.00%**	**0.00%**
Ireland	**1.00%**	**16**	**15**	**2**	**0.00%**	**0.00%**
Estonia	**1.50%**	**1**	**1**	**–**	**0.00%**	**0.00%**
Iceland	**2.00%**	**2**	**2**	**–**	**0.00%**	**0.00%**
Bulgaria	**2.00%**	**6**	**6**	**1**	**0.00%**	**0.00%**
Czech Republic	**2.00%**	**–**	**–**	**–**	**0.00%**	**0.00%**
Lithuania	**1.00%**	**–**	**–**	**–**	**0.00%**	**0.00%**
Slovenia	**0.50%**	**12**	**5**	**1**	**0.00%**	**0.00%**
Others	**0.00%**	**513,617**	**374,397**	**54,288**	**96.47%**	**0.00%**
Sum[1]		**14,613**	**13,690**			
Total[2]		**528,230**	**388,087**			**0.05%**

	a	b	c	d	e	f
		Exposure values and/or risk-weighted assets used in the computation of the countercyclical capital buffer				
31 December 2022 AED in millions	Counter cyclical capital buffer rate (%)	Exposure values	Risk-weighted assets	Minimum Capital Requirement	Share of Minimum Capital (%)	Bank-specific counter cyclical capital buffer rate (%)
Geographical breakdown						
Norway	2.00%	1	–	–	0.00%	0.00%
Hong Kong	1.00%	617	585	85	0.21%	0.00%
Luxemburg	0.50%	220	227	33	0.08%	0.00%
Sweden	1.00%	12	4	1	0.00%	0.00%
United Kingdom	1.00%	6,096	5,591	811	2.02%	0.00%
Others	0.00%	379,965	270,725	39,255	97.69%	0.00%
Sum[1]		**6,945**	**6,407**			
Total[2]		**386,911**	**277,132**			**0.00%**

1 Sum of private sector credit exposures and related RWA in jurisdictions with a non-zero countercyclical buffer rate only.
2 Total of private sector credit exposures and related RWA across all jurisdictions.

Leverage Ratio

Summary comparison of accounting assets versus leverage ratio exposure (LR1)

The following table reconciles the total assets in the published financial statements to the leverage ratio exposure measure.

	AED in millions	31 December 2023	30 September 2023	31 December 2022
1	Total consolidated assets as per published financial statements	**862,773**	835,563	741,962
2	Adjustments for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	**3,247**	3,810	1,677
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	**2,762**	(4,227)	(3,864)
9	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	**–**	–	–
10	Adjustments for off-balance sheet items (i.e., conversion to credit equivalent amounts of off-balance sheet exposures)	**92,663**	72,157	76,470
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	**–**	–	–
12	Other adjustments[1]	**(17,816)**	(17,544)	(17,095)
13	**Leverage ratio exposure measure**	**943,629**	**889,759**	**799,150**

1 This includes assets deducted from CET1 capital, customer acceptances (considered as off-balance sheet) and Impact of IAS 29 on hyperinflation accounting excluded.

Leverage Ratio continued

Leverage ratio common disclosure template (LR2)

The table below provides a breakdown of the components of the leverage ratio denominator, as well as information on the actual leverage ratio, minimum requirements, and buffers as of period end.

	AED in millions	31 December 2023	30 September 2023	31 December 2022
	On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	**824,763**	794,583	704,642
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	**(7,081)**	(6,954)	(6,655)
7	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)**	**817,682**	**787,629**	**697,987**
	Derivative exposures			
8	Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	**5,225**	5,727	4,152
9	Add-on amounts for PFE associated with all derivatives transactions	**7,668**	5,526	5,377
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 (Calculated as rows 8 to 12)*1.4**	**18,050**	**15,754**	**13,342**
	Securities financing transactions			
14	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	**15,234**	14,219	11,351
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)**	**15,234**	**14,219**	**11,351**
	Other off-balance sheet exposures			
19	Off-balance sheet exposure at gross notional amount	**236,501**	194,633	198,730
20	Adjustments for conversion to credit equivalent amounts	**(143,838)**	(122,476)	(122,260)
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)**	**92,663**	**72,157**	**76,470**
	Capital and total exposures			
23	**Tier 1 capital**	**96,279**	**99,140**	**85,711**
24	**Total exposures (sum of rows 7, 13, 18 and 22)**	**943,629**	**889,759**	**799,150**
	Leverage ratio			
25	**Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)**	**10.20%**	11.14%	10.73%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	**10.20%**	11.14%	10.73%
26	CBUAE minimum leverage ratio requirement	**3.00%**	3.00%	3.00%
27	Applicable leverage buffers	**0.50%**	0.50%	0.50%

Overview of risk management and risk weighted assets (RWA)

Risk management approach

Please refer Note 46 of the Group's annual financial statements for the risk management framework including: risk governance structure, risk profile and risk measurement systems of the bank, risk mitigation and risk reporting to the Board of Directors ('Board') and senior management.

The Group conducts a wide-ranging stress testing exercise that support the requirements of risk management and capital planning. This includes execution of stress tests mandated by regulators. The Group's stress testing is supported by dedicated teams and infrastructure. The stress testing exercise assesses capital strength and enhances resilience to external shocks, thereby helping to understand and mitigate risks and informed decision making on capital levels.

Overview of risk weighted assets (RWAs) (OV1)

The following table provides an overview of total RWAs forming the denominator of the risk-based capital requirements. Further breakdowns of RWA are presented in subsequent parts.

	AED in millions	31 December 2023	30 September 2023	31 December 2022	Minimum capital requirements 31 December 2023
1	Credit risk (excluding counterparty credit risk)	**496,061**	456,300	419,870	**72,178**
2	*Of which: standardised approach (SA)*	**496,061**	456,300	419,870	**72,178**
3	Counterparty credit risk (CCR)	**8,171**	8,532	8,670	**1,189**
4	*Of which: standardised approach for counterparty credit risk*	**8,171**	8,532	8,670	**1,189**
5	Credit valuation adjustment (CVA)	**5,603**	5,848	8,010	**815**
6	Equity investments in funds – look-through approach	**–**	–	–	**–**
7	Equity investments in funds – mandate-based approach	**–**	–	–	**–**
8	Equity investments in funds – fall-back approach	**112**	112	1,026	**16**
9	Settlement risk	**–**	–	–	**–**
10	Securitisation exposures in the banking book	**–**	–	–	**–**
11	*Of which: securitisation external ratings-based approach (SEC-ERBA)*	**–**	–	–	**–**
12	*Of which: securitisation standardised approach (SEC-SA)*	**–**	–	–	**–**
13	Market risk	**14,477**	14,016	12,970	**2,106**
14	*Of which: standardised approach (SA)*	**14,477**	14,016	12,970	**2,106**
15	Operational risk	**59,356**	48,324	48,324	**8,636**
16	**Total (1+3+5+8+13+15)**	**583,780**	**533,132**	**498,870**	**84,940**

The regulatory minimum capital requirement is calculated at 14.55% of the RWA including CBUAE assigned capital buffers.

Credit risk weighted assets (excluding CCR) increased by AED 40 billion quarter on quarter and AED 76 billion year on year due to growth in lending, interbank placements and other off balance sheet commitments.

Operational risk increased due to increase in average operating income.

Credit Risk

Please refer Note no. 46 D in the annual financial statements for criteria, approach, structure, and organization of credit risk management and reporting of risk exposures, risk mitigation and stress testing related to credit risk. For definition of default please refer Note 5(i) of annual financial statements.

Credit quality of assets (CR1)

The table provides a comprehensive picture of the credit quality of the Group's (on- and off-balance sheet) assets.

		a	b	c	d	e	f
		Gross carrying values of			**Of which ECL accounting provisions for credit losses on SA exposures**		
	31 December 2023 AED in millions	**Defaulted exposures[3]**	**Non-defaulted exposures**	**Allowances/ Impairments**	**Allocated in regulatory category of Specific**	**Allocated in regulatory category of General**	**Net values (a+b-c)**
1	Loans	**22,022**	**458,863**	**35,780**	**21,918**	**13,862**	**445,105**
2	Debt securities[1]	**–**	**162,646**	**111**	**–**	**111**	**162,535**
	Total	**22,022**	**621,509**	**35,891**	**21,918**	**13,973**	**607,640**
3	Off-balance sheet exposures[2]	**3,261**	**1,086,001**	**–**	**627**	**1,544**	

		a	b	c	d	e	f
		Gross carrying values of			Of which ECL accounting provisions for credit losses on SA exposures		
	31 December 2022 AED in millions	Defaulted exposures[3]	Non-defaulted exposures	Allowances/ Impairments	Allocated in regulatory category of Specific	Allocated in regulatory category of General	Net values (a+b-c)
1	Loans	27,254	428,755	39,405	26,800	12,605	416,604
2	Debt securities[1]	–	118,810	68	–	68	118,743
	Total	**27,254**	**547,565**	**39,473**	**26,800**	**12,673**	**535,347**
3	Off-balance sheet exposures[2]	2,750	1,114,165	–	–	697	–

1 Debt Securities includes only banking book securities.
2 Includes letters of credit, guarantees, liability on risk participations, customer acceptances, irrevocable loan commitments and notional amount of derivatives.
3 Defaulted exposures are net of interest in suspense (IIS).

Changes in stock of defaulted loans and debt securities (CR2)

The following table identifies the changes in the bank's stock of defaulted exposures, the flows between non-defaulted and defaulted exposure categories and reductions in the stock of defaulted exposures due to write-offs.

	AED in millions	**31 December 2023**	31 December 2022
1	Defaulted loans and debt securities at the end of the previous reporting period	**27,254**	29,160
2	Loans and debt securities that have defaulted since the last reporting period	**8,252**	3,250
3	Returned to non-default status	**(114)**	(627)
4	Amounts written off	**(8,059)**	(1,901)
5	New financial assets, net of repayments and others	**(5,311)**	(2,628)
6	**Defaulted loans and debt securities at the end of the reporting period**	**22,022**	**27,254**

Additional disclosure related to the credit quality of assets (CRB)

Definition of Default

Please refer Note 6 in the annual financial statements for scope and definitions of 'past due' and 'credit-impaired' exposures.

Past due exposures not impaired

There were no past due exposures which were not impaired as at 31 December 2023 (2022: nil).

The methods used for determining accounting provisions for credit losses and adopting an ECL accounting model for categorization of ECL accounting provisions in general and specific categories for standardised approach exposures has been detailed in the annual financial statements Note 6(j).

Restructured Financial Assets

Please refer Note 6(j) of the annual financial statements for the year ended 31 December 2023 for policy on restructured financial assets details.

As at 31 December 2023, impaired restructured loans constituted AED 5.7 billion (2022: AED 16.5 billion).

Gross credit exposures by currency classification

The Group's gross credit exposures by foreign and local currency, both funded and non-funded is detailed below:

31 December 2023 AED in millions	**Loans and receivables**	**Debt securities**	**Other assets**	**Total funded**	**Commitments**	**Derivatives**	**Other off-balance sheet exposures**	**Total non-funded**	**Grand Total**
Foreign Currency	**173,796**	**104,305**	**139,716**	**417,817**	**9,994**	**8,850**	**38,438**	**57,282**	**475,099**
AED	**314,712**	**58,341**	**85,448**	**458,501**	**10,301**	**3,334**	**27,335**	**40,970**	**499,471**
Total	**488,508**	**162,646**	**225,164**	**876,318**	**20,295**	**12,184**	**65,773**	**98,252**	**974,570**

31 December 2022 AED in millions	Loans and receivables	Debt securities	Other assets	Total funded	Commitments	Derivatives	Other off-balance sheet exposures	Total non-funded	Grand Total
Foreign Currency	160,542	75,396	109,282	345,220	5,365	9,025	37,016	51,406	396,626
AED	308,428	43,414	64,268	416,110	8,242	4,317	21,217	33,776	449,886
Total	**468,970**	**118,810**	**173,550**	**761,330**	**13,607**	**13,342**	**58,233**	**85,182**	**846,512**

Other assets include cash & deposits with Central Banks, due from banks, trading securities, investment securities (net of debt securities), investment properties, investment in associate, property & equipment, and other assets.

Gross credit exposures by maturity

The following table lists the Group's gross exposures by residual maturity:

31 December 2023 AED in millions	**Loans and receivables**	**Debt securities**	**Other assets**	**Total funded**	**Commitments**	**Derivatives**	**Other off-balance sheet exposures**	**Total non-funded**	**Grand Total**
Less than 3 months	**147,215**	**20,420**	**168,626**	**336,261**	**1,922**	**4,161**	**31,016**	**37,099**	**373,360**
3 months to 1 year	**60,763**	**48,681**	**37,177**	**146,621**	**13,069**	**2,254**	**21,472**	**36,795**	**183,416**
1 year to 5 years	**143,259**	**58,181**	**5,796**	**207,236**	**4,964**	**3,853**	**9,673**	**18,490**	**225,726**
Over 5 years	**93,868**	**35,364**	**13,565**	**142,797**	**340**	**1,916**	**3,612**	**5,868**	**148,665**
Add: Grossing up of interest in suspense & provisions	**43,403**	**–**	**–**	**43,404**	**–**	**–**	**–**	**–**	**43,404**
Total	**488,508**	**162,646**	**225,164**	**876,318**	**20,295**	**12,184**	**65,773**	**98,252**	**974,570**

31 December 2022 AED in millions	Loans and receivables	Debt securities	Other assets	Total funded	Commitments	Derivatives	Other off-balance sheet exposures	Total non-funded	Grand Total
Less than 3 months	176,950	27,123	132,582	336,655	1,245	2,374	27,239	30,858	367,513
3 months to 1 year	48,034	23,040	21,748	92,822	11,910	3,930	20,748	36,588	129,410
1 year to 5 years	147,790	37,155	5,526	190,471	161	6,642	6,584	13,387	203,858
Over 5 years	43,831	31,492	13,694	89,017	291	396	3,662	4,349	93,366
Add: Grossing up of interest in suspense & provisions	52,365	–	–	52,365	–	–	–	–	52,365
Total	**468,970**	**118,810**	**173,550**	**761,330**	**13,607**	**13,342**	**58,233**	**85,182**	**846,512**

Gross credit exposures by maturity continued

Other assets include cash & deposits with Central Banks, due from banks, trading securities, investment securities (net of debt securities), investment properties, investment in associate, property & equipment and other assets.

Gross credit exposures by geography

The Group's gross credit exposures by geography, both funded and non-funded is detailed below:

31 December 2023 AED in millions	Loans and receivables	Debt securities	Other assets	Total funded	Commitments	Derivatives	Other off-balance sheet exposures	Total non-funded	Grand Total
United Arab Emirates	**353,966**	**84,891**	**97,035**	**535,892**	**9,278**	**5,565**	**39,224**	**54,067**	**589,959**
GCC excluding UAE*	**23,985**	**18,564**	**16,219**	**58,768**	**2,832**	**1,094**	**5,320**	**9,246**	**68,014**
Arab League (excluding GCC)	**10,047**	**4,017**	**13,836**	**27,900**	**53**	**1,100**	**1,786**	**2,939**	**30,839**
Asia	**78,993**	**8,498**	**65,361**	**152,852**	**1,333**	**1,089**	**15,949**	**18,371**	**171,223**
Africa	**490**	**–**	**1,048**	**1,538**	**16**	**22**	**14**	**52**	**1,590**
North America	**479**	**21,579**	**3,092**	**25,150**	**159**	**88**	**66**	**313**	**25,463**
South America	**8**	**–**	**1,227**	**1,235**	**–**	**–**	**73**	**73**	**1,308**
Caribbean	**2,953**	**–**	**221**	**3,174**	**52**	**61**	**–**	**113**	**3,287**
Europe	**16,097**	**24,586**	**24,711**	**65,394**	**6,572**	**2,804**	**3,289**	**12,665**	**78,059**
Australia	**343**	**–**	**1,380**	**1,723**	**–**	**61**	**52**	**113**	**1,836**
Others	**1,147**	**511**	**1,034**	**2,692**	**–**	**300**	**–**	**300**	**2,992**
Total	**488,508**	**162,646**	**225,164**	**876,318**	**20,295**	**12,184**	**65,773**	**98,252**	**974,570**

31 December 2022 AED in millions	Loans and receivables	Debt securities	Other assets	Total funded	Commitments	Derivatives	Other off-balance sheet exposures	Total non-funded	Grand Total
United Arab Emirates	347,988	66,314	71,241	485,543	8,057	6,326	31,983	46,366	531,909
GCC excluding UAE*	20,756	14,713	15,651	51,120	1,869	1,919	4,589	8,377	59,497
Arab League (excluding GCC)	10,685	4,482	13,084	28,251	63	885	1,740	2,688	30,939
Asia	71,357	4,772	36,958	113,087	1,838	1,034	16,910	19,782	132,869
Africa	907	–	1,016	1,923	–	14	133	147	2,070
North America	243	4,997	4,192	9,432	5	54	117	176	9,608
South America	7	–	473	480	–	–	37	37	517
Caribbean	3,059	–	87	3,146	136	63	–	199	3,345
Europe	12,980	22,398	28,121	63,499	1,639	2,774	2,244	6,657	70,156
Australia	262	–	1,982	2,244	–	33	478	511	2,755
Others	726	1,134	745	2,605	–	240	2	242	2,847
Total	**468,970**	**118,810**	**173,550**	**761,330**	**13,607**	**13,342**	**58,233**	**85,182**	**846,512**

Other assets include cash & deposits with Central Banks, due from banks, trading securities, investment securities (net of debt securities), investment properties, property & equipment and other assets.

* This includes Saudi Arabia, Bahrain, Kuwait, Oman, and Qatar

Gross credit exposures by economic activity

The Group's gross credit exposures by economic activity, both funded and non-funded is detailed below:

31 December 2023 AED in millions	**Loans and receivables**	**Debt securities**	**Other assets**	**Total funded**	**Commitments**	**Derivatives**	**Other off-balance sheet exposures**	**Total non-funded**	**Grand Total**
Agriculture, fishing & related activities	**4,329**	**–**	**–**	**4,329**	**52**	**4**	**428**	**484**	**4,813**
Crude, oil gas, mining & quarrying	**1,671**	**1,280**	**–**	**2,951**	**26**	**24**	**1,380**	**1,430**	**4,381**
Manufacturing	**28,118**	**–**	**373**	**28,491**	**2,359**	**86**	**6,720**	**9,165**	**37,656**
Electricity & Water	**11,265**	**1,691**	**–**	**12,956**	**1**	**–**	**1**	**2**	**12,958**
Construction	**11,459**	**–**	**–**	**11,459**	**336**	**47**	**15,802**	**16,185**	**27,644**
Trade	**32,183**	**140**	**–**	**32,323**	**3,101**	**60**	**6,886**	**10,047**	**42,370**
Transport, Storage & Communication	**32,582**	**1,358**	**1,061**	**35,001**	**537**	**248**	**1,807**	**2,592**	**37,593**
Financial Institutions and Investment companies	**60,512**	**13,114**	**95,460**	**169,086**	**6,710**	**9,148**	**13,812**	**29,670**	**198,756**
Real Estate	**45,304**	**911**	**2**	**46,217**	**2,688**	**462**	**3,880**	**7,030**	**53,247**
Services	**24,006**	**312**	**5,579**	**29,897**	**1,038**	**599**	**3,581**	**5,218**	**35,115**
Sovereign	**80,895**	**143,058**	**101,414**	**325,367**	**115**	**612**	**9,308**	**10,035**	**335,402**
Personal	**131,852**	**–**	**3**	**131,855**	**1,291**	**290**	**220**	**1,801**	**133,656**
All Others	**16,708**	**782**	**21,272**	**38,762**	**2,041**	**604**	**1,948**	**4,593**	**43,355**
Add: Grossing up of interest in suspense	**7,624**	**–**	**–**	**7,624**	**–**	**–**	**–**	**–**	**7,624**
Total	**488,508**	**162,646**	**225,164**	**876,318**	**20,295**	**12,184**	**65,773**	**98,252**	**974,570**

31 December 2022 AED in millions	Loans and receivables	Debt securities	Other assets	Total funded	Commitments	Derivatives	Other off-balance sheet exposures	Total non-funded	Grand Total
Agriculture, fishing & related activities	5,024	–	597	5,621	20	42	661	723	6,344
Crude, oil gas, mining & quarrying	2,686	1,160	125	3,971	197	64	1,314	1,575	5,546
Manufacturing	23,822	19	304	24,145	1,551	138	6,114	7,803	31,948
Electricity & Water	9,790	1,072	116	10,978	43	–	230	273	11,251
Construction	12,425	–	–	12,425	387	58	13,773	14,218	26,643
Trade	30,465	138	–	30,603	2,490	140	9,047	11,677	42,280
Transport, Storage & Communication	16,906	464	939	18,309	1,727	156	1,902	3,785	22,094
Financial Institutions and Investment companies	38,417	10,230	75,904	124,551	2,142	10,203	12,032	24,377	148,928
Real Estate	48,201	–	–	48,201	2,040	753	2,879	5,672	53,873
Services	29,017	687	1,274	30,978	653	179	2,180	3,012	33,990
Sovereign	112,037	104,442	74,872	291,351	730	189	6,270	7,189	298,540
Personal	114,031	109	12	114,152	976	806	2	1,784	115,936
All Others	13,189	489	19,407	33,085	651	614	1,829	3,094	36,179
Add: Grossing up of interest in suspense	12,960	–	–	12,960	–	–	–	–	12,960
Total	**468,970**	**118,810**	**173,550**	**761,330**	**13,607**	**13,342**	**58,233**	**85,182**	**846,512**

Other assets include cash & deposits with Central Banks, due from banks, trading securities, investment securities (net of debt securities), investment properties, property & equipment and other assets

Impaired loans by geography

The details of impaired loans by geography are as below:

	Overdue (Gross of Interest in Suspense/ ECL)			Expected Credit Losses (ECL)		Adjustments			
31 December 2023 AED in millions	**Less than 90 days**	**90 days and above**	**Total**	**Specific***	**General****	**Write-offs**	**Write-backs**	**Interest in Suspense**	**Total Impaired Assets**
United Arab Emirates	**–**	**23,053**	**23,053**	**16,882**	**–**	**7,453**	**3,997**	**6,881**	**(710)**
GCC excluding UAE***	**–**	**1,691**	**1,691**	**1,452**	**–**	**471**	**–**	**457**	**(218)**
Arab League (excluding GCC)	**–**	**429**	**429**	**256**	**–**	**131**	**220**	**82**	**91**
Asia	**–**	**3,762**	**3,762**	**3,131**	**–**	**4**	**1,066**	**177**	**454**
Africa	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
North America	**–**	**1**	**1**	**–**	**–**	**–**	**–**	**–**	**1**
South America	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Caribbean	**–**	**139**	**139**	**15**	**–**	**–**	**–**	**10**	**114**
Europe	**–**	**154**	**154**	**70**	**–**	**–**	**12**	**17**	**67**
Australia	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Others	**–**	**417**	**417**	**112**	**–**	**–**	**6**	**–**	**305**
Total	**–**	**29,646**	**29,646**	**21,918**	**13,862**	**8,059**	**5,301**	**7,624**	**104**

	Overdue (Gross of Interest in Suspense/ ECL)			Expected Credit Losses (ECL)		Adjustments			
31 December 2022 AED in millions	Less than 90 days	90 days and above	Total	Specific*	General**	Write-offs	Write-backs	Interest in Suspense	Total Impaired Assets
United Arab Emirates	–	33,688	33,688	22,050	–	1,014	1,447	11,727	(89)
GCC excluding UAE***	–	2,452	2,452	1,632	–	–	20	987	(167)
Arab League (excluding GCC)	–	573	573	350	–	28	257	102	121
Asia	–	2,984	2,984	2,468	–	859	555	128	388
Africa	–	–	–	–	–	–	–	–	–
North America	–	–	–	–	–	–	–	–	–
South America	–	–	–	–	–	–	–	–	–
Caribbean	–	79	79	3	–	–	–	3	73
Europe	–	149	149	113	–	–	10	13	23
Australia	–	–	–	–	–	–	–	–	–
Others	–	289	289	184	–	–	–	–	105
Total	**–**	**40,214**	**40,214**	**26,800**	**12,605**	**1,901**	**2,289**	**12,960**	**454**

* Specific provisions represent Stage 3 Expected Credit Losses (ECL).
** General provisions represent Stage 1 and Stage 2 ECL.
*** This includes Saudi Arabia, Bahrain, Kuwait, Oman, and Qatar

Impaired loans by economic activity

	Overdue (Gross of Interest in Suspense/ ECL)			Expected Credit Losses (ECL)		Adjustments			
31 December 2023 AED in millions	**Less than 90 days**	**90 days and above**	**Total**	**Specific***	**General****	**Write-offs**	**Write-backs**	**Interest in Suspense**	**Total Impaired Assets**
Agriculture, fishing & related activities	**–**	**130**	**130**	**106**	**–**	**3**	**30**	**11**	**13**
Crude, oil gas, mining & quarrying	**–**	**271**	**271**	**128**	**–**	**–**	**8**	**–**	**143**
Manufacturing	**–**	**1,464**	**1,464**	**1,226**	**–**	**1,010**	**40**	**306**	**(68)**
Electricity and water	**–**	**567**	**567**	**404**	**–**	**–**	**36**	**–**	**163**
Construction	**–**	**5,623**	**5,623**	**5,288**	**–**	**768**	**359**	**2,306**	**(1,971)**
Trade	**–**	**3,942**	**3,942**	**2,837**	**–**	**158**	**587**	**1,069**	**36**
Transport, Storage & Communication	**–**	**318**	**318**	**252**	**–**	**11**	**31**	**40**	**26**
Financial Institutions	**–**	**2,111**	**2,111**	**1,788**	**–**	**2,158**	**1,240**	**580**	**(257)**
Real Estate	**–**	**6,510**	**6,510**	**4,103**	**–**	**2,322**	**1,446**	**1,922**	**485**
Services	**–**	**1,391**	**1,391**	**1,531**	**–**	**1,005**	**431**	**–**	**(140)**
Sovereign	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Personal	**–**	**5,651**	**5,651**	**3,759**	**–**	**473**	**226**	**1,116**	**776**
All Others	**–**	**1,668**	**1,668**	**496**	**–**	**151**	**867**	**274**	**898**
Total	**–**	**29,646**	**29,646**	**21,918**	**13,862**	**8,059**	**5,301**	**7,624**	**104**

	Overdue (Gross of Interest in Suspense/ ECL)			Expected Credit Losses (ECL)		Adjustments			
31 December 2022 AED in millions	Less than 90 days	90 days and above	Total	Specific*	General**	Write-offs	Write-backs	Interest in Suspense	Total Impaired Assets
Agriculture, fishing & related activities	–	256	256	218	–	168	14	15	23
Crude, oil gas, mining & quarrying	–	22	22	21	–	–	–	–	1
Manufacturing	–	1,481	1,481	1,237	–	6	319	269	(25)
Electricity and water	–	299	299	235	–	–	–	–	64
Construction	–	6,180	6,180	5,282	–	6	60	2,108	(1,210)
Trade	–	3,800	3,800	2,836	–	25	147	947	17
Transport, Storage & Communication	–	305	305	270	–	3	11	31	4
Financial Institutions	–	9,287	9,287	6,365	–	3	83	2,192	730
Real Estate	–	8,336	8,336	4,480	–	1	782	2,678	1,178
Services	–	2,944	2,944	1,648	–	270	272	1,463	(167)
Sovereign	–	–	–	–	–	–	–	–	–
Personal	–	5,520	5,520	2,423	–	1,123	237	2,671	426
All Others	–	1,784	1,784	1,785	–	296	364	586	(587)
Total	**–**	**40,214**	**40,214**	**26,800**	**12,605**	**1,901**	**2,289**	**12,960**	**454**

* Specific provisions represent Stage 3 Expected Credit Losses (ECL).
** General provisions represent Stage 1 and Stage 2 ECL.

Qualitative disclosure requirements related to credit risk mitigation techniques (CRC)

Please refer Note 46 in the annual financial statements for criteria, approach, structure, and organization of credit risk management and reporting of risk exposures, risk mitigation and stress testing related to credit risk.

The Group has adopted comprehensive approach for collateral valuation assessment. Categories of collaterals include cash/fixed deposits, shares, guarantees (corporate and bank guarantees) and gold. As at 31 December 2023, total eligible collaterals held by the Group amounted to AED 41.6 billion (2022: AED 38.7 billion). CR3 table below discloses collaterals securing loans and debt securities only. Out of these, AED 17.7 billion (2022: AED 16.08 billion) were held as cash collaterals.

Credit risk mitigation (CRM) techniques – overview (CR3)

The following table discloses the extent of use of credit risk mitigation techniques.

		a	b	c	d	e	f	g
	31 December 2023 AED in millions	**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	**384,717**	**59,542**	**26,788**	**847**	**829**	**–**	**–**
2	Debt securities	**162,535**	**–**	**–**	**–**	**–**	**–**	**–**
3	**Total**	**547,252**	**59,542**	**26,788**	**847**	**829**	**–**	**–**
4	Of which defaulted	**–**	**229**	**172**	**34**	**34**	**–**	**–**

		a	b	c	d	e	f	g
	31 December 2022 AED in millions	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	361,201	51,389	19,870	4,015	729	–	–
2	Debt securities	118,743	–	–	–	–	–	–
3	**Total**	**479,944**	**51,389**	**19,870**	**4,015**	**729**	**–**	**–**
4	Of which defaulted	135	290	114	30	30	–	–

Qualitative disclosures on use of external credit ratings under the standardised approach for credit risk (CRD)

Recognition of external credit assessment institutions (ECAI)

The standardised approach requires banks to use risk assessments prepared by ECAIs to determine the risk weightings applied to rated counterparties. As advised by CBUAE; Moody's Investor Service (Moody's), Standard and Poor's rating agency (S&P) and Fitch ratings (Fitch) have been used for ratings purpose.

The Group in line with CBUAE guidelines follows below rating matrix in determining the risk weights.

Long term rating correspondence

S & P	Fitch	Moody's
AAA to AA-	AAA to AA-	Aaa to Aa3
A+ to A-	A+ to A-	A1 to A3
BBB+ to BBB-	BBB+ to BBB-	Baa1 to Baa3
BB+ to BB-	BB+ to BB-	Ba1 to Ba3
B+ to B-	B+ to B-	B1 to B3
Below B-	Below B-	Below B-
Unrated	Unrated	Unrated

If there is only one rating, that rating is used to determine the risk weight of the exposure. If there are two ratings that map to different risk weights, the higher risk weight is applied.

If there are three ratings with different risk weights, the ratings corresponding to the two lowest risk weights is referred to. If these give rise to the same risk weight, that risk weight is applied. If different, the higher risk weight is applied

ECAIs risk assessments are used within the Group as part of the determination of risk weightings for the following classes of exposure:

- Sovereigns
- Public Sector Enterprises
- Banks
- Corporates

All other exposure classes are assigned risk weights as prescribed in the CBUAE standards.

Credit risk exposures and credit risk mitigation (CRM) effects (CR4)

The following table illustrates the effect of CRM on capital calculations and RWA density, providing a synthetic metric on riskiness of each portfolio.

31 December 2023 AED in millions	Exposure before CCF and CRM		Exposure post CCF and CRM		RWA and RWA Density	
	On Balance Sheet	Off Balance Sheet	On Balance Sheet	Off Balance Sheet	RWA	RWA Density
Asset Class						
Sovereigns and their central banks	**313,501**	**9,838**	**313,358**	**9,771**	**56,091**	**17%**
Public Sector Entities	**84,255**	**27,713**	**80,465**	**8,130**	**69,318**	**78%**
Multilateral development banks	**1,274**	**15**	**1,274**	**15**	**22**	**2%**
Banks	**101,727**	**28,313**	**93,508**	**21,551**	**60,623**	**53%**
Securities firms	**6**	**–**	**6**	**–**	**6**	**100%**
Corporates	**150,455**	**103,543**	**125,836**	**50,822**	**171,776**	**97%**
Regulatory retail portfolios	**91,124**	**73,102**	**88,204**	**3,201**	**69,119**	**76%**
Secured by residential property	**25,409**	**1,294**	**25,407**	**621**	**11,049**	**42%**
Secured by commercial real estate	**42,441**	**1,617**	**40,775**	**891**	**41,666**	**100%**
Equity Investment in Funds (EIF)	**9**	**–**	**9**	**–**	**113**	**1250%**
Past-due loans	**29,646**	**3,261**	**139**	**2,369**	**3,507**	**140%**
Higher-risk categories	**–**	**–**	**–**	**–**	**–**	**–**
Other assets	**36,471**	**–**	**36,471**	**–**	**21,055**	**58%**
Total	**876,318**	**248,696**	**805,452**	**97,371**	**504,345**	**56%**

31 December 2022 AED in millions	Exposure before CCF and CRM		Exposure post CCF and CRM		RWA and RWA Density	
	On Balance Sheet	Off Balance Sheet	On Balance Sheet	Off Balance Sheet	RWA	RWA Density
Asset Class						
Sovereigns and their central banks	285,056	7,546	285,037	6,943	48,764	17%
Public Sector Entities	59,171	29,647	56,754	8,105	56,700	87%
Multilateral development banks	950	–	950	–	–	0%
Banks	80,791	25,521	73,393	18,585	46,971	51%
Securities firms	–	3	–	3	3	100%
Corporates	121,541	92,307	101,559	45,654	143,196	97%
Regulatory retail portfolios	80,088	52,661	77,726	2,886	60,804	75%
Secured by residential property	23,651	1,002	23,651	281	9,832	41%
Secured by commercial real estate	40,843	1,053	39,728	604	40,333	100%
Equity Investment in Funds (EIF)	82	–	82	–	1,026	1250%
Past-due loans	40,214	2,750	340	2,750	3,534	114%
Higher-risk categories	–	–	–	–	–	–
Other assets	28,943	–	28,943	–	18,403	64%
Total	**761,330**	**212,490**	**688,163**	**85,811**	**429,566**	**56%**

Exposures by asset classes and risk weights (CR5)

The following table presents the breakdown of credit risk exposures under the standardised approach by asset class and risk weight.

31 December 2023 AED in millions	**Exposures amount (post CCF and post CRM) Risk Weights**								
Regulatory portfolio	**0%**	**20%**	**35%**	**50%**	**75%**	**100%**	**150%**	**Others**	**Total credit exposure**
Sovereigns	**253,242**	**16,055**	**–**	**1,905**	**–**	**51,927**	**–**	**–**	**323,129**
Public Sector Entities (PSEs)	**–**	**23,557**	**–**	**864**	**–**	**64,190**	**–**	**–**	**88,611**
Multilateral development banks (MDBs)	**1,179**	**110**	**–**	**–**	**–**	**–**	**–**	**–**	**1,289**
Banks	**–**	**32,848**	**–**	**56,665**	**–**	**25,200**	**346**	**–**	**115,059**
Securities firms	**–**	**–**	**–**	**–**	**–**	**6**	**–**	**–**	**6**
Corporates	**–**	**1,960**	**–**	**3,890**	**–**	**160,799**	**28**	**9,980**	**176,658**
Regulatory retail portfolios	**–**	**4**	**–**	**7**	**89,488**	**1,906**	**–**	**–**	**91,405**
Secured by residential property	**–**	**–**	**21,945**	**–**	**2,863**	**1,220**	**–**	**–**	**26,028**
Secured by commercial real estate	**–**	**–**	**–**	**–**	**–**	**41,666**	**–**	**–**	**41,666**
Equity Investment in Funds (EIF)	**–**	**–**	**–**	**–**	**–**		**–**	**9**	**9**
Past-due loans	**–**	**31**	**–**	**–**	**–**	**419**	**2,058**	**–**	**2,508**
Higher-risk categories	**–**	**–**	**–**	**–**	**–**		**–**	**–**	**–**
Other assets	**16,170**	**427**	**–**	**–**	**–**	**18,497**	**973**	**405**	**36,471**
Total	**270,591**	**74,992**	**21,945**	**63,331**	**92,351**	**365,830**	**3,405**	**10,394**	**902,839**

Risk weight composition on PSEs has improved due to higher quality exposures during the year, coupled with overall increase in exposures across all asset classes.

The composition on banks have slightly moved to higher risk weights due to increase in unsecured exposures.

31 December 2022 AED in millions	Exposures amount (post CCF and post CRM) Risk Weights								
Regulatory portfolio	0%	20%	35%	50%	75%	100%	150%	Others	Total credit exposure
Sovereigns	234,656	10,277	–	1,238	–	45,250	559	–	291,981
Public Sector Entities (PSEs)	–	9,800	–	638	–	54,421	–	–	64,859
Multilateral development banks (MDBs)	950	–	–	–	–	–	–	–	950
Banks	81	34,268	–	35,155	–	22,330	140	4	91,978
Securities firms	–	–	–	–	–	3	–	–	3
Corporates	–	1,267	–	3,636	–	134,147	61	8,103	147,213
Regulatory retail portfolios	–	2	–	6	79,213	1,391	–	–	80,612
Secured by residential property	–	–	20,875	–	2,125	933	–	–	23,932
Secured by commercial real estate	–	–	–	–	–	40,333	–	–	40,333
Equity Investment in Funds (EIF)	–	–	–	–	–	–	–	82	82
Past-due loans	–	19	–	2	–	2,149	920	–	3,090
Higher-risk categories	–	–	–	–	–	–	–	–	–
Other assets	12,321	313	–	–	–	14,342	914	1,050	28,941
Total	**248,008**	**55,946**	**20,875**	**40,675**	**81,338**	**315,229**	**2,594**	**9,239**	**773,974**

Counterparty credit risk (CCR)

Counterparty Credit Risk (CCR) is the risk that the counterparty to a transaction could default before the final settlement. The value of derivative transactions will change with fluctuations in factors such as interest rates, foreign exchange rates, equities, or commodities. The Group is exposed to CCR from its sales, trading, and balance sheet management activities. CCR is managed through the Counterparty Credit Risk Policy and methodology framework.

Counterparty credit risk oversight and management

The Board Credit and Investment Committee (BCIC) is the board level committee with an oversight on counterparty credit risk. The Group Risk Committee (GRC) and Management Credit Committee (MCC) are the management level committees responsible for the same and have an oversight on policy, methodology and limit framework.

Group Market & Treasury Credit Risk (MTCR) is a group function which is independent from the first line client relationship and product risk taking units. MTCR reports directly to the Group Chief Risk Officer (CRO), has second line responsibility for measuring, monitoring and assists with managing counterparty credit risk in the Group.

Identification

Existing credit underwriting process, new products and process approvals (NPPA) and ongoing discussions with business units and obligors are the methods adopted by the Group in its CCR management process.

Measurement

Mark-to-market, potential future exposure, issuer (risk) exposure, repo exposure and settlement (risk) exposure are calculated and reported on a daily basis. Approved risk measurement methodology is used to model statistical CCR measures such as the Potential Future Exposure (PFE). For derivative contracts, the total credit exposure of a contract is computed as peak exposure at a specified confidence interval over the remaining term of the contract.

Monitoring, Control and Reporting

Only authorized sales and trading activities for approved products and risk types are used by the Global Markets & Treasury business. Limits are approved to reflect credit exposure amount and tenor appetite. CCR positions are monitored daily against approved and allocated CCR limits. Exceptions, including any temporary breaches, are reported and escalated to senior management. CCR limits are reviewed annually in accordance with applicable credit policies, processes and approval delegation. Interim reviews are undertaken where necessitated by change in counterparty credit worthiness and/or business plans. Appropriate counterparty credit limits are established for each counterparty based on the Group's assessment of the counterparty's creditworthiness. CCR limits are subject to regular review and are approved within the overarching framework of credit risk management. Counterparties are actively monitored and reviewed. Collateral may be taken to partially or fully cover mark-to-market exposures on outstanding positions. The collateral agreement typically includes a minimum threshold amount where additional collateral is to be posted by either party if the mark-to-market exposures exceed the agreed threshold. Master agreements, such as those from the International Swaps and Derivatives Agreement (ISDA) also allow for closeout netting if either counterparty defaults. The group also uses Central Clearing Counterparty (CCP) through clearing banks to reduce counterparty risk for Over the Counter (OTC) derivatives.

Counterparty credit risk limits

The Group's credit policy focuses on the core credit principles, lending guidelines and parameters, control, monitoring and IFRS 9 reporting requirements, problem loan identification, management of high-risk borrowers and provisioning. Standard procedures specific to businesses are in place to manage various types of risks across different business segments, products and portfolios.

Counterparty credit risk (CCR) continued

Counterparty credit risk capital calculation

For regulatory capital charge purposes of Over the Counter (OTC) derivatives, the Group calculates pre-settlement capital adequacy requirement using following counterparty credit risk measures:

- Standardized Approach to Counterparty Credit Risk Capital Calculation (SA-CCR) from December 2021.
- Standardized Credit Valuation Adjustment Capital Charge (S-CVA) from 30 June 2022.

Risk Category	Approach	Application
Derivatives	Standardized approach for Counterparty Credit Risk (SA-CCR)	SA-CCR calculates the exposure at default of derivatives and “long-settlement transactions” exposed to counterparty credit risk. It builds EAD as (i) a “Replacement Cost”, were the counterparty to default today; combined with (ii) an “Add On” with its appropriate multiplier, essentially potential future exposure. The SA-CCR exposure at default (EAD) is an input to the bank’s regulatory capital calculation where it is combined with the counterparty’s external ratings to derive risk weights.
	Standardized Credit Valuation Adjustment(S-CVA)	Group also provides capital requirement to cover the risk of mark-to-market losses on the expected counterparty risk (such losses being known as CVA) to OTC derivatives.

Wrong Way Risk (WWR)

WWR arises when there is adverse (positive) correlation between a client’s credit worthiness (probability of default) and the Group’s credit exposure to that client. WWR is broadly categorized as either general or specific.

General Wrong Way Risk (GWWR)

GWWR arises where there is adverse (positive) correlation between the client’s credit worthiness (PD) and the Group’s exposure to the client owing to a co-dependency on non-client specific, market driven risk factors such as market levels for Forex, Interest Rates or Commodities. GWWR transactions are strongly discouraged and require pre-approval.

Specific Wrong Way Risk (SWWR)

SWWR arises when there is adverse (positive) correlation between the client’s credit worthiness and the Group’s exposure to the client owing to the respective counterparty-group specific reasons. These would include trades with direct or indirect reference (including underlying collateral) to the counterparty or related entity’s (parent, holding company, subsidiary, group entity) equity price or credit spread. These also include direct or indirect reference to the Group’s security issuances. SWWR transactions are not permitted unless pre-approved.

Policy guidelines related to WWR are integrated in the Group’s Counterparty Credit Risk Policy Framework. The goal of these guidelines is to provide best practices and guidelines for the identification, approval, reporting and mitigation of specific and general WWR.

Derivative Master Netting Agreements and Margin Agreements

Credit risk from derivatives is mitigated where possible through netting agreements whereby derivative assets and liabilities with the same counterparty can be offset. The Group policy requires all netting arrangements to be legally documented. ISDA master agreements are the Group’s preferred manner for documenting OTC derivatives.

The agreements provide the contractual framework within which dealing activities across a full range of OTC products are conducted and contractually bind both parties to apply close-out netting across all outstanding transactions covered by an agreement if either party defaults or other predetermined events occur.

The Group considers the level of legal certainty regarding enforceability of its offsetting rights under master netting agreements and credit support annexes to be an important factor in its risk management process.

In-house legal counsel independently review relevant jurisdictions, counterparties and respective master agreements and advise business and risk units on close-out netting and collateral enforceability.

The SA-CCR and S-CVA capital charge accordingly incorporates the margining impact due to these enforceable netting and margining agreements.

Impact of the group’s rating downgrade on collateral

The liquidity impact of a downgrade on collateral management from the Group’s perspective is not material as the collateral agreements are generally not linked to the Group’s rating.

Analysis of counterparty credit risk (CCR) exposure (CCR1)

The following table provides details of counterparty credit risk regulatory requirements and the main parameters. CBUAE requires banks to calculate CCR using standardized approach.

	31 December 2023 **AED in millions**	**a** **Replacement cost**	**b** **Potential future exposure**	**c** **EEPE**	**d** **Alpha used for computing regulatory EAD**	**e** **EAD post-CRM**	**f** **RWA**
1	SA-CCR (for derivatives)	**3,618**	**5,085**	**–**	**1.4**	**12,184**	**8,171**
2	Simple approach for credit risk mitigation (for SFTs)	**–**	**–**	**–**	**–**	**–**	**–**
3	Comprehensive approach for credit risk mitigation (for SFTs)	**–**	**–**	**–**	**–**	**–**	**–**
4	**Total**	**3,618**	**5,085**	**–**	**–**	**12,184**	**8,171**

	31 December 2022 AED in millions	a Replacement cost	b Potential future exposure	c EEPE	d Alpha used for computing regulatory EAD	e EAD post-CRM	f RWA
1	SA-CCR (for derivatives)	4,152	5,377	–	1.4	13,342	8,670
2	Simple Approach for credit risk mitigation (for SFTs)	–	–	–	–	–	–
3	Comprehensive Approach for credit risk mitigation (for SFTs)	–	–	–	–	–	–
4	**Total**	**4,152**	**5,377**	**–**	**–**	**13,342**	**8,670**

Credit valuation adjustment (CVA) capital charge (CCR2)

	31 December 2023 **AED in millions**	**a** **EAD post-CRM**	**b** **RWA**
1	All portfolios subject to the Standardised CVA capital charge	**12,184**	**5,603**
2	All portfolios subject to the Simple alternative CVA capital charge	**–**	**–**

	31 December 2022 AED in millions	a EAD post-CRM	b RWA
1	All portfolios subject to the Standardised CVA capital charge	13,342	8,010
2	All portfolios subject to the Simple alternative CVA capital charge	–	–

CCR exposures by regulatory portfolio and risk weights (CCR3)

The following table presents information on the risk-weighting of CCR exposures under the standardised approach by regulatory portfolio.

31 December 2023 **AED in millions**	**Risk weight**							
	a	**b**	**c**	**d**	**e**	**f**	**g**	**h**
Regulatory portfolio	**0%**	**20%**	**50%**	**75%**	**100%**	**150%**	**Others**	**Total credit exposure**
Sovereigns	**37**	**–**	**–**	**–**	**583**	**–**	**–**	**620**
Public Sector Entities (PSEs)	**–**	**81**	**–**	**–**	**1,208**	**–**	**–**	**1,289**
Multilateral development banks (MDBs)	**15**	**–**	**–**	**–**	**–**	**–**	**–**	**15**
Banks	**–**	**2,086**	**3,732**	**–**	**1,560**	**31**	**–**	**7,409**
Securities firms	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Corporates	**–**	**382**	**132**	**–**	**2,300**	**–**	**2**	**2,816**
Regulatory retail portfolios	**–**	**–**	**–**	**17**	**18**	**–**	**–**	**35**
Secured by residential property	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Secured by commercial real estate	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Equity Investment in Funds (EIF)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Past-due loans	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Higher-risk categories	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Other assets	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total	**52**	**2,549**	**3,864**	**17**	**5,669**	**31**	**2**	**12,184**

31 December 2022 AED in millions	Risk weight							
	a	b	c	d	e	f	g	h
Regulatory portfolio	0%	20%	50%	75%	100%	150%	Others	Total credit exposure
Sovereigns	29	–	–	–	168	–	–	197
Public Sector Entities (PSEs)	–	243	–	–	916	–	–	1,159
Multilateral development banks (MDBs)	–	–	–	–	–	–	–	–
Banks	–	1,877	5,228	–	1,413	3	4	8,525
Securities firms	–	–	–	–	3	–	–	3
Corporates	–	292	177	–	2,891	–	5	3,365
Regulatory retail portfolios	–	–	–	32	61	–	–	93
Secured by residential property	–	–	–	–	–	–	–	–
Secured by commercial real estate	–	–	–	–	–	–	–	–
Equity Investment in Funds (EIF)	–	–	–	–	–	–	–	–
Past-due loans	–	–	–	–	–	–	–	–
Higher-risk categories	–	–	–	–	–	–	–	–
Other assets	–	–	–	–	–	–	–	–
Total	**29**	**2,412**	**5,405**	**32**	**5,452**	**3**	**9**	**13,342**

Composition of collateral for CCR exposure (CCR5)

Below table provides the breakdown of types of collateral posted or received related to derivative transactions.

	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			
31 December 2023 AED in millions	**Segregated**	**Unsegregated**	**Segregated**	**Unsegregated**	**Fair value of collateral received**	**Fair value of posted collateral**
Cash – other currencies	**287**	**426**	**343**	**1,027**	**–**	**–**
Government agency debt	**–**	**–**	**–**	**–**	**–**	**–**
Corporate bonds	**–**	**–**	**–**	**100**	**–**	**–**
Total	**287**	**426**	**343**	**1,127**	**–**	**–**

	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			
31 December 2022 AED in millions	Segregated	Unsegregated	Segregated	Unsegregated	Fair value of collateral received	Fair value of posted collateral
Cash – other currencies	1,279	354	165	1,151	–	–
Total	**1,279**	**354**	**165**	**1,151**	**–**	**–**

Credit derivative exposures (CCR6)

The below table shows the credit derivative exposures that the Group holds.

	a	b	a	b
AED in millions	**31 December 2023 Protection bought**	**31 December 2023 Protection sold**	31 December 2022 Protection bought	31 December 2022 Protection sold
Notional				
Single-name credit default swaps	**44**	**74**	73	55
Index credit default swaps	**–**	**–**	–	–
Total return swaps	**3,587**	**3,587**	894	894
Credit options	**–**	**–**	–	–
Other credit derivatives	**–**	**–**	–	–
Total notional	**3,631**	**3,661**	**967**	**949**
Fair values				
Positive fair value (asset)	**366**	**–**	–	251
Negative fair value (liability)	**–**	**367**	254	–

Exposures to central counterparties (CCR8)

	AED in millions	a 31 December 2023 EAD (post-CRM)	b 31 December 2023 RWA	a 31 December 2022 EAD (post-CRM)	b 31 December 2022 RWA
1	**Exposures to QCCPs**	**–**	**–**	**4**	**–**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contribution); of which:	–	–	4	–
3	(i) OTC derivatives	–	–	4	–
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	**Exposures to non-QCCPs**	**–**	**–**	**–**	**–**
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contribution); of which:	–	–	–	–
13	(i) OTC derivatives	–	–	–	–
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	–	–	–	–

Market risk

Market risk is the risk that the value of financial instruments in the Group's books – with the inclusion of some other financial assets and liabilities could produce a loss because of changes in future market conditions.

The Group takes on market risks in the pursuit of its strategic and business objectives.

The Group predominantly pursues opportunities in the market that exposes itself to the following categories of market risk – which are actively managed and monitored:

- Interest Rate Risk: losses in value due to changes in the level, slope and curvature of yield curves, the volatility of interest rates and changes in credit spreads
- FX Risk: losses in value due to exposures to changes in spot prices, forward prices and volatilities of currency rates
- Credit Spread Risk: losses in the value due to change in credit spreads driven by associated credit risk of the security issuer/underlying
- Commodity Price Risk: losses in value due to exposures to changes in spot prices, forward prices, and volatilities of commodities such as precious metals.

Respective desk head/ managers are accountable for managing market risk within the approved limits. These managers have extensive knowledge of markets and products, their risk exposures and of the financial instruments available to hedge their exposures.

The Group's risk exposures to market risk are segregated into trading and banking books. The trading book include those financial instruments held with trading intent arising from market-making, position-taking and other so designated financial instruments accounted for at fair value daily. The banking book include financial instruments not held with trading intent that arise from the management of Interest rate risk and FX risk from the Group's retail and corporate and institutional banking assets and liabilities, and other financial investments designated as either fair value through other comprehensive income (FVOCI) or amortised cost.

Market risk oversight and management process

As part of the Group's enterprise-wide risk management framework, an extensive governance process is applied to the market risk taking activities. This governance framework includes, inter alia:

- Approval by the Board Risk Committee ("BRC") and Group Asset-Liability Committee (Group ALCO) of a set of risk limits with appropriate monitoring, reporting and limits excesses' escalation procedures;
- Independent valuation of financial instruments in the trading book and measurement of market risk;
- A comprehensive set of policies, procedures and limits; and
- Monitoring a wide range of risk metrics appropriate for the respective trading activities – such as risk sensitivities, gross and net open positions, Value-at-Risk (VaR) and stop-loss limits.

The Group uses appropriate and independently validated market standard models for the revaluation and risk measurement of its trading book financial products and receives regular market information from independent market data providers in order to measure and monitor market risk.

Trading book oversight by MTCR

MTCR is a group risk function which is independent from the first line market risk taking units. MTCR reports directly to the Group CRO, has second line responsibility for measuring, monitoring, and managing market risk in the Group, in co-operation with other independent and support functions across the Group's global businesses.

MTCR monitors the limits' utilisation in the trading book of the Group on a daily basis through a multi-layered Limit Monitoring System which uses independently sourced data and reports from the Global Markets & Treasury IT systems.

Depending on the trading exposure and as appropriate, MTCR uses appropriate metrics including:

- Non statistical metrics: Interest rate sensitivity, (DV01/PV01), FX sensitivity (FX01), Net open/ Net Gross outstanding positions, Maximum notional and tenor measures, Derivatives' Greek sensitivities (Delta, Gamma, Vega), and Stop Loss limits;
- Statistical metrics: Value-at-Risk (VaR), by Desk as well as total for the whole Trading Book.

At a minimum, trading book limits are reviewed and approved by BRC and Group ALCO on an annual basis. Portfolio updates are presented to Group ALCO on a monthly basis as well as to BRC on a quarterly basis.

Market risk capital

The Group calculates market risk capital requirements using Basel III standardised approach. The following risk types are covered by Basel III standardised approach.

Interest rate risk:	Risk arising from fluctuations in the level of interest rates in the market environment and impacts prices of interest rate sensitivities financial instruments.
Equity risk:	Risk arising from fluctuations in equity prices, volatilities, and dividend yields.
Foreign exchange risk:	Risk arising from fluctuations in foreign exchange rates and impacts transactions denominated in a currency other than the domestic currency of the Group.
Commodity risk:	Risk arising from fluctuations in the prices of commodities.
Options Risk:	Risk arising from fluctuations in the volatilities and prices/ rates impacts financial instruments with optionality.

Market risk under the standardised approach (MR1)

The following table provides the components of capital requirement under the standardised approach for market risk:

	AED in millions	31 December 2023 RWA	31 December 2022 RWA
1	General Interest rate risk (General and Specific)	**12,251**	11,464
2	Equity risk (General and Specific)	**–**	–
3	Foreign exchange risk	**1,872**	1000
4	Commodity risk	**–**	–
	Options		
5	Simplified approach	**–**	–
6	Delta-plus method	**354**	506
7	Scenario approach	**–**	–
8	Securitisation	**–**	–
9	**Total**	**14,477**	**12,970**

Operational risk (ORA)

For details of Group's Operational Risk Management, kindly refer Note 46L in the financial statements

Basel III framework outlines three methods for calculating the risk charge for operational risk: Basic Indicator, Standardised Approach and Advanced Measurement Approach. The Group presently follows the Standardised Approach.

The total capital requirement for Operational Risk as at 31 December 2023 is AED 8.6 billion (2022: AED 7.0 billion). This charge is computed by categorising the Group's activities into 8 business lines (as defined by CBUAE guidelines) and multiplying the line's three-year average gross income by a pre-defined beta factor.

Interest rate risk in the banking book (IRRBB)

IRRBB risk management objectives and policies (IRRBBA)

Overview

Interest Rate Risk in the Banking Book (IRRBB) is defined as potential loss of future earnings or economic value due to adverse movement in interest rates, which arises from a mismatch in the repricing profile of assets, liabilities and off-balance sheet items in the banking book.

Management

In order to manage this risk optimally, IRRBB in non-trading portfolios is transferred to GM&T under the supervision of the Group ALCO, through Funds Transfer Pricing (FTP) framework. Interest rate risk is managed by GM&T under oversight of Group ALCO and within the risk appetite approved by the Board. The interest rate risk management process also involves utilization of off-balance sheet hedging strategies. The accounting treatment of hedges is described in the Note 6 of the financial statements. The Group finance and Group risk functions are responsible for measurement, monitoring, formulation of policy framework and provide periodic updates to the Group ALCO and the BRC. The Internal Audit provides an independent opinion to the Board Audit Committee (BAC) on the adequacy and effectiveness of risk governance and internal controls. The Group ALCO regularly monitors the interest rate risk positions and if required directs suitable remediation to ensure this remains within risk appetite.

Measurement

The Group uses two key metrics for measuring IRRBB: Net Interest Income (NII) sensitivity, an income measure which quantifies the potential change in projected net interest income over a one year horizon for defined movements in interest rates and Economic Value of Equity (EVE), a value measure which estimates the potential change in present value of the Group's assets and liabilities for defined movements in interest rates. These metrics are measured and monitored on periodic basis.

The NII sensitivity disclosed below is calculated based on a stressed assumption of parallel shifts to the yield curve as recommended by Basel and assessing the corresponding impact on NII over a one year horizon. The EVE sensitivity disclosed below is calculated based on a stressed assumption of parallel and non-parallel shifts to the yield curve as recommended by Basel Committee. Further, the EVE computations are based on a gap analysis with a repricing schedule that distributes the principal cash flows into granular time buckets and discounted with the equivalent risk-free rate. The sensitivity analysis performed for down rate shocks includes a floor to the market rates at zero, unless the market rates are already negative. The average repricing maturity of non-maturity deposits (NMD) are determined based on historical analysis conducted normally over a period of 5 years. Considering the nature, size and duration of the portfolio, the interest rate risk on account of early settlement would not be significant relative to the portfolio and is excluded from computation assumptions.

The repricing maturities assigned to NMDs are:

- Average repricing maturity assigned to NMDs – 2.2 years
- Longest repricing maturity assigned to NMDs – 5 years

Sensitivity of economic value of equity and NII – IRRBB1

The below table indicates the economic value of equity and net interest income under each of the prescribed interest rate shock scenarios.

	ΔEVE		ΔNII	
AED in millions	**2023**	2022	**2023**	2022
Parallel up	**715**	956	**2,441**	3,012
Parallel down	**55**	724	**(4,113)**	(4,532)
Steepener	**1,623**	1,702	**–**	–
Flattener	**71**	290	**–**	–
Short rate up	**208**	572	**–**	–
Short rate down	**1,272**	2,035	**–**	–
Maximum	**1,623**	2,035	**–**	–

	31 December 2023	31 December 2022
Tier 1 capital	**96,279**	85,711

Liquidity

Overview and Governance

Liquidity Risk refers to the inability of the Group to fund an increase in assets and meet obligations as they become due (Structural Funding Risk), or the inability to convert assets into cash at reasonable prices (Market Liquidity Risk). The risk arises from mismatches in the amount and timings of cash flows.

The Board, through the BRC, sets out the absolute boundaries of the Group's risk appetite. The Group ALCO is the principal senior management committee supporting the Board to effectively discharge their oversight function on the Group's liquidity risk. Group ALCO is responsible for managing the liquidity risk within the internally approved risk appetite. The Group ALCO executes the liquidity risk management strategies through GM&T. The Group finance and Group risk functions are responsible for measurement, monitoring, formulation of policy framework and provide periodic updates to the Group ALCO and the BRC. The subsidiaries and international locations manage the liquidity risk profile through the local ALCOs under the guidance of the Group ALCO.

Management

The objective of the Group's liquidity and funding management framework is to ensure that all foreseeable funding commitments, under both normal and stressed conditions can be met when due. To this end, the Group maintains a diversified funding base comprising core retail and corporate customer deposits and institutional balances. The funding profile is further augmented with term funding from capital markets and wholesale funding sources. The Group maintains a portfolio of High Quality Liquidity Assets (HQLA) across the geographies to enable the Group to respond quickly and smoothly to unforeseen liquidity requirements. The details of liquidity risk maturity analysis are in the Note 46 N & O of the annual financial statements.

The Group's ALCO through the Funds Transfer Pricing (FTP) framework incorporates the liquidity costs, benefits and risks in the internal pricing of assets and liabilities to the business lines.

The funding liquidity management process includes:

- projecting cash flows under various stress scenarios and considering the level of liquid assets necessary in relation thereto;
- mis-match analysis between assets and liabilities for different periods with a focus on shorter time frames. These gap reports are based on contractual cash flow with overlays of behavioural assumptions for non-maturing assets and liabilities and potential liquidity demand through undrawn commitments;
- monitoring balance sheet liquidity, advances to deposits ratios, long term funding ratios, Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) against internal and regulatory requirements;
- maintaining a diverse range of funding sources with back-up facilities.
- managing the deposit concentration and profile of debt maturities;
- maintaining debt financing plans;

Stress testing

Stress testing is an integral part of the Liquidity Risk Management Framework. The objective of stress testing is to ensure that the Group maintains adequate level of liquidity to be able to withstand a range of severe stress scenarios. The Group conducts liquidity stress testing across systemic, bank specific and combined scenarios and ensures that the survival horizon across these stress scenarios remains within the Board approved appetite. The stress tests are conducted on a periodic basis and updated to the Group ALCO and the BRC.

Contingency funding plan (CFP)

CFP sets out the Group's strategies to respond to a severe disruption of the Group's liquidity or funding position due to internal or external events. The plan designates the CFP team, which will be activated in the event of a liquidity crisis and establishes allocation of roles within the team. The CFP includes a set of early warning triggers consisting of internal and external indicators, which are monitored by the Group ALCO and updated to the BRC. The plan includes identification, invocation and escalation procedures and details potential actions, available sources of liquidity, mitigations and specifies a communication plan, which could be implemented based on the severity of the liquidity crisis.

Liquidity coverage ratio (LCR) (LIQ1)

LCR is a regulatory ratio introduced as a part of the Basel III framework with an objective to promote short term resilience of the liquidity risk profile of Banks. The ratio requires the banks to hold an adequate stock of High Quality Liquid Assets (HQLA) to meet the liquidity needs for a 30-calendar day liquidity stress scenario.

The Group measures and reports its LCR under the CBUAE liquidity regulations. The Group also meets the local prudential LCR requirements across the international footprint, where applicable. The LCR is calculated as a proportion of the stock of unencumbered HQLA against the net cash outflow over a 30 day period after applying the standardized haircuts.

The HQLA comprises of cash or assets that can be converted into cash at little or no loss of value. The HQLA eligible securities fall into three categories viz. level 1, level 2A and level 2B. Level 1 assets are of the highest quality and deemed most liquid e.g., Central Bank reserves. Level 2A and 2B assets are reliable source of liquidity but not to the same extent as level 1 and are capped at a maximum of 40% by the regulations.

Liquidity continued

Liquidity coverage ratio (LCR) (LIQ1) continued

The net cash outflow comprise of total expected cash outflow as reduced by total expected cash inflows for the 30-day period. The total expected cashflows are calculated by multiplying the outstanding balances of various categories of liabilities, assets, and off-balance sheet commitments by prescribed rate at which they are expected to be run off or drawn down over the 30-day period.

The LCR calculated based on CBUAE regulations is included in the following table. The LCR disclosure below is a simple average of the month end Group LCR observations over the last quarter of the year.

	AED in millions	December 2023 Total unweighted value (average)	December 2023 Total weighted value (average)	December 2022 Total unweighted value (average)	December 2022 Total weighted value (average)
1	Total HQLA	–	200,038	–	141,551
2	**Retail deposits and deposits from small business customers, of which:**				
3	Stable deposits	8,071	404	5,401	270
4	Less stable deposits	295,702	24,895	249,720	22,574
5	**Unsecured wholesale funding, of which:**				
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	61,907	15,477	48,113	12,028
7	Non-operational deposits (all counterparties)	149,713	68,582	126,040	57,838
8	Unsecured debt	–	–	–	–
9	**Secured wholesale funding**	–	25	–	**36**
10	**Additional requirements, of which:**				
11	Outflows related to derivative exposures and other collateral requirements	6,150	6,150	5,202	5,202
12	Outflows related to loss of funding of debt products	–	–	–	–
13	Credit and liquidity facilities	181,873	18,036	120,042	9,363
14	Other contractual funding obligations	9,896	9,896	8,150	8,150
15	Other contingent funding obligations	42,283	4,443	74,174	9,193
16	**Total cash outflows**		147,908		**124,654**
17	Secured lending (e.g., reverse repo)	5,925	1,734	2,051	1,538
18	Inflows from fully performing exposures	53,559	43,496	46,445	37,722
19	Other cash inflows	7,388	7,388	473	473
20	**Total cash inflows**	66,872	52,618	**48,969**	**39,733**
			Total adjusted value		Total adjusted value
21	**Total HQLA**		200,038		**141,551**
22	**Total net cash outflows**		95,290		**84,921**
23	**Liquidity coverage ratio (%)**		209.93%		**166.68%**

The Group maintained a LCR of 209.93% (2022: 166.68%) on an average during last quarter of the reporting year and 209.73% (2022: 182.34%) at the year end, which is in excess of the regulatory minimum of 100%. The LCR is influenced by the amount, profile of the funding base and the deployment of funding into customer lending or HQLA investments. The deployment alternatives are assessed on an ongoing basis and adjusted as per the market opportunities, while maintaining a prudent LCR surplus.

The HQLA over the reporting period was AED 200 billion (2022: 141.6 billion) and 90% (2022: 90%) of this comprised of HQLA level 1 assets, which represents balances held with Central Banks and other high quality sovereign securities. HQLA Level 2A and 2B assets comprised the remaining 10% (2022: 10%) of the total HQLA. The HQLA presented excludes excess liquidity held at subsidiaries that is deemed not transferable within the Group.

The retail deposits are prescribed a lower run-off factor and comprise 17% (2022: 18%) of the total cash outflow, whereas wholesale funding is prescribed a higher run-off and comprise 57% (2022: 56%) of the total cash outflows.

The Group manages liquidity at currency level and cross currency funding is utilized appropriately to manage the currency gaps. The Group measures LCR for major currencies and meets the local currency LCR as per the applicable local prudential requirements.

Net stable funding ratio (NSFR) (LIQ2)

NSFR is a regulatory ratio introduced as part of Basel III reforms with an objective to promote a sustainable funding structure at the Banks. The ratio requires the Banks to maintain a stable funding profile in relation to the composition of their assets and off-balance sheet activities.

The Group measures and reports its NSFR under the CBUAE liquidity regulations. The Group also meets the local prudential NSFR requirements across the international footprint, where applicable.

Net stable funding ratio (NSFR) (LIQ2) continued

The NSFR is calculated as a proportion of Available Stable Funding (ASF) against the Required Stable Funding (RSF). The ASF is defined as the portion of Capital and Liabilities expected to be stable over the time horizon of one year considered by NSFR. The RSF is measured based on broad characteristic of the liquidity risk profile of the assets and off-balance sheet exposures. The regulations prescribe the factor to be applied to the outstanding value of capital, liabilities, assets and off-balance sheet items for NSFR computation.

NSFR computed based on CBUAE regulations is included in the following table. The NSFR disclosure below is a simple average of the month end Group NSFR observations over the last quarter of the year.

		a	b	c	d	e
		Unweighted value by residual maturity				
	31 December 2023 AED in millions	**No maturity***	**<6 months**	**6 months to <1 year**	**≥1 year**	**Weighted value**
	Available stable funding (ASF) item					
1	**Capital:**					
2	Regulatory capital	–	–	–	112,724	112,724
3	Other capital instruments	–	–	–	–	–
4	**Retail deposits and deposits from small business customers:**					
5	Stable deposits	–	7,795	62	3	7,467
6	Less stable deposits	–	238,007	25,287	4,695	241,661
7	**Wholesale funding:**					
8	Operational deposits	–	63,639	–	–	31,820
9	Other wholesale funding	–	233,617	34,739	60,058	172,997
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	**Other liabilities:**					
12	NSFR derivative liabilities	–	–	–	20,498	–
13	All other liabilities and equity not included in the above categories	–	68,155	1,768	133	1,017
14	**Total ASF**					**567,686**
	Required stable funding (RSF) item					
15	Total NSFR high-quality liquid assets (HQLA)	–	147,317	22,226	74,028	16,631
16	**Deposits held at other financial institutions for operational purposes**					
17	**Performing loans and securities:**					
18	Performing loans to financial institutions secured by Level 1 HQLA	–	3,874	–	–	387
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	–	64,094	13,898	12,439	29,002
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	–	82,626	34,163	267,036	285,375
21	With a risk weight of less than or equal to 35% under the standardised approach for credit risk	–	–	–	26	17
22	Performing residential mortgages, of which:	–	–	–	–	–
23	With a risk weight of less than or equal to 35% under the standardised approach for credit risk	–	–	–	81,619	53,052
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	–	4,900	1,881	9,418	11,396
25	**Assets with matching interdependent liabilities**					
26	**Other assets:**					
27	Physical traded commodities, including gold	155	–	–	–	131
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	–			2,130	1,811
29	NSFR derivative assets	–			17,465	–
30	NSFR derivative liabilities before deduction of variation margin posted	–			20,650	4,130
31	All other assets not included in the above categories	–	1,684	–	30,202	30,203
32	Off-balance sheet items	224,842	–	–	–	22,026
33	**Total RSF**					**454,161**
34	**Net Stable Funding Ratio (%)**					**125.00%**

* Items to be reported in the "no maturity" time bucket do not have stated maturity. These may include but are not limited to items such as capital with perpetual maturity, non maturity deposit, short positions, open maturity positions and equities.

Net stable funding ratio (NSFR) (LIQ2) continued

The Group maintained a NSFR of 125.00% (2022: 121.43%) on an average during last quarter of the reporting year and 124.78% (2022: 122.77%) as at the year ended 31 December 2023, which is in excess of the regulatory minimum of 100%. The Group maintains a diversified funding base comprising core retail and corporate customer deposits, institutional balances and capital market term funding. This is illustrated in the composition of Available Stable Funding (ASF) broadly consisting of Capital 20% (2022: 20%), Retail deposits 44% (2022: 42%) and Wholesale deposits 36% (2022: 38%). The RSF largely comprised of the loan and advances 81% (2022: 82%) whereas the securities held in HQLA assets are prescribed a lower RSF factor.

NSFR computed based on Central Bank of UAE regulations is included in the following table. The NSFR disclosure below is a simple average of the month end Group NSFR observations over the last quarter of the year.

		a	b	c	d	e
		Unweighted value by residual maturity				
	31 December 2022 AED in millions	No maturity*	<6 months	6 months to <1 year	≥1 year	Weighted value
	Available stable funding (ASF) item					
1	**Capital:**					
2	Regulatory capital	–	–	–	97,443	97,443
3	Other capital instruments	–	–	–	–	–
4	**Retail deposits and deposits from small business customers:**					
5	Stable deposits	–	5,320	35	1	5,088
6	Less stable deposits	–	212,973	9,232	4,009	203,993
7	**Wholesale funding:**					
8	Operational deposits	–	48,113	–	–	24,056
9	Other wholesale funding	–	195,748	33,649	63,023	162,792
10	Liabilities with matching interdependent assets	–	–	–	–	
11	**Other liabilities:**					
12	NSFR derivative liabilities				21,735	
13	All other liabilities and equity not included in the above categories	–	53,730	205	–	102
14	**Total ASF**					**493,474**
	Required stable funding (RSF) item					
15	Total NSFR high-quality liquid assets (HQLA)		103,555	14,871	59,278	14,148
16	**Deposits held at other financial institutions for operational purposes**	**–**	**–**	**–**	**307**	**307**
17	**Performing loans and securities:**					
18	Performing loans to financial institutions secured by Level 1 HQLA	–	75	–	–	7
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	–	51,630	11,823	8,556	22,212
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	–	83,064	30,499	218,720	242,826
21	With a risk weight of less than or equal to 35% under the standardised approach for credit risk	–	–	–	139	90
22	Performing residential mortgages, of which:	–	–	–	–	–
23	With a risk weight of less than or equal to 35% under the standardised approach for credit risk	–	–	–	106,949	69,517
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	–	2,124	2,580	5,623	7,132
25	**Assets with matching interdependent liabilities**					
26	**Other assets:**					
27	Physical traded commodities, including gold	123,273				105
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				2,024	1,721
29	NSFR derivative assets				18,142	–
30	NSFR derivative liabilities before deduction of variation margin posted				21,735	4,347
31	All other assets not included in the above categories	–	381		24,750	24,750
32	Off-balance sheet items	194,422	–		–	19,210
33	**Total RSF**					**406,372**
34	**Net Stable Funding Ratio (%)**					**121.43%**

* Items to be reported in the "no maturity" time bucket do not have stated maturity. These may include, but are not limited to items such as capital with perpetual maturity, non maturity deposit, short positions, open maturity positions and equities.

Remuneration Policy

The Group has a Remuneration Policy designed to ensure the implementation of appropriate remuneration policies and practices across the Group, with a focus on promoting sound and effective risk management. The Remuneration Policy incorporates key aspects which include, but are not limited to, the Group's Compensation Philosophy, Remuneration Governance framework and Remuneration Structure. The Policy aligns with the UAE remuneration regulatory requirements with respect to:

- The criteria for Material Risk Taker (MRT) identification
- The application of deferred compensation as part of variable remuneration
- Performance adjustment associated with malus and claw back.

Changes to the Policy are reviewed and approved by the Group Board Nomination, Remuneration and ESG Committee (BNRESGC).

Whilst the Group Remuneration Policy covers all international entities and branches, in addition to specific Remuneration Policies applicable in India, the United Kingdom and Turkey to set out the respective remuneration principles and practices which comply with local remuneration regulations.

Composition and functions of the Group BNRESGC

The Group BNRESGC is the main body that oversees remuneration at the Group, on behalf of the Board of Directors. The BNRESGC has independent oversight and control to review and approve human resource policies and strategies endorsed by the Group Executive Committee (ExCo) or the Group Chief Executive Officer (CEO).

The BNRESGC consists of three members from the Board of Directors and assembles on a quarterly basis. Management attendance comprises of the Group CEO, the Group Chief Human Resource Officer (GCHRO) and other members of executive and senior management who may attend by invitation.

The BNRESGC guides Management on strategic human resources decisions and reviews and approves changes to human resource policies, related to for example succession planning, nationalization strategy, reward, workforce planning, ExCo compensation and human resource governance. The BNRESGC also focuses on human resource strategic issues associated with Reward including bonus planning and variable pay policies, to ensure an appropriate balance between risk and financial results.

Identification of Senior Managers and Material Risk Takers

From Group perspective, for the 2023 performance year, 17 Senior Managers (including current and former) have been identified as those responsible and accountable to the Board of Directors for the sound and prudent day-to-day management of the Group and as key staff responsible for the oversight of the Bank's key business lines. i.e., the Group CEO, the Group ExCo, Group Heads of the Control Functions,(i.e. Risk, Compliance and Audit) and Group Head of Legal.

In addition to Senior Managers, the Group has identified 45 Material Risk Takers (MRTs) (including current and former) in ENBD Group based on appropriately set qualitative and quantitative criteria to capture all categories of staff whose professional activities have a material impact on the risk profile of the Group and in line with the CBUAE Corporate Governance Regulations and Standards (September 2019). The qualitative criteria capture staff:

- Whose duties involve the assumption of risk or the taking on of exposure.
- Who engage in the design, sales and management of either securities or derivative products.
- Who are incentivised to meet certain quotas or targets by payment of variable remuneration.
- In control functions.

Design and structure of remuneration processes

The Group's general remuneration policies and practices aim to provide a total reward offering that recognizes and rewards performance aligned to our business strategy, within a sound risk management and governance framework that clearly emphasizes 'how' goals are achieved in addition to 'what' is achieved and has the following set objectives:

- Attract, retain and motivate talent through fair and equitable remuneration based on the role, with an offering that is clear and easy to understand and appropriately balanced between fixed and variable compensation.
- Foster a pay-for-performance culture, with appropriate differentiation based on performance and contribution aligned to the achievement of business objectives.

Remuneration Policy continued

Design and structure of remuneration processes continued

- Support a culture that generates sustainable growth and value over the long term to our stakeholders, customers, employees and communities.
- Align, drive and reinforce our culture, values and desired behaviours that are integral to the attainment of individual and team results and the achievement of organisational goals.
- Integrate risk management and compensation, promoting conduct based on prudent decision-making and highest ethical standards and guided by internal controls and regulatory compliance.
- Instill a sense of ownership in our employees by providing them with opportunities to share in the company's success through our competitive total reward offering that is linked to exceptional performance and financial results.

The compensation philosophy is subject to independent oversight and control by the Group BNRESGC. The Group policies provide a governance framework to promote sound and effective risk management and create, modify and maintain appropriate compensation programs and processes with adequate supervision and control.

Remuneration – overview of the key risk and their measurement

The Group has elaborated in its approved Board approved Risk Appetite Statement, its focus on steady/sustainable earnings growth through a good risk-reward balance, appropriate risk management techniques and low cost of funding. In addition, the Bank intends to optimise revenue derived from trading activities in order to moderate earnings volatility. In line with this philosophy the organization by design is geared to:

- Maintain earnings growth with strong asset quality through disciplined risk management. This is further emphasized by the independence of the risk functions from the Sales / Business / Revenue generation functions.
- Ensure that the appetite for material risks assessed by the Bank will be in line with the bank-level appetite for maintaining desirable credit ratings.

The Group continues to employ an enterprise-wide approach to risk management. The Group Enterprise and Regulatory Risk unit provides an overarching view of existing and emerging risks and facilitates coordination between key risk functions, in order to minimize risks and achieve business objectives cohesively and effectively.

A key element of our compensation philosophy is the integration of risk management and compensation, promoting conduct based on prudent decision-making and highest ethical standards, guided by internal controls and regulatory compliance. Under the guidance of the BNRESGC, the Group focuses on ensuring alignment of compensation with prudent risk taking. Compensation is linked to corporate, business and individual performance objectives and a full range of risks are considered under the Group's risk appetite statement.

Any variable remuneration to be awarded, to employees are intended to be subject to Ex-Post Risk Adjustments covered in detail further below.

Overview of main performance metrics for banks' top-level business lines and individuals

In assessing performance, there is a focus on 'how' goals are achieved in addition to 'what' is achieved, and this applies to all levels of the Bank, including business units and at the individual levels, with MRTs being held to a higher standard on the 'how'. The assessment of the 'how' is aligned to employee behaviours including but not limited to living the organisational values and demonstration of good conduct or managing conduct risk in line with the Conduct Risk Policy and Framework.

The Group Scorecard and ExCo Scorecards include qualitative and quantitative measures which are set to support the Group's vision to be the most innovative bank for its customers, people and communities.

- The qualitative measures in the Group and ExCo Scorecards are aligned with the Group's vision and set the objectives of the organization that are cascaded to business units and employees.
- From a quantitative perspective, there are metrics in the Scorecard focused on the following areas: Financials, Customer and Communities, Growth, Transformation and Innovation, and People. There are also benchmark metrics which are focused on promoting the right behaviours associated with the organization values and separate metrics set by the Control Functions.
- Setting the minimum level of performance relating to governance, controls and risk management across the organization. Where these metrics have not been met, this has a negative impact on the overall scoring for the ExCo on their Scorecards.

At the employee level, there are roles that may have standard objectives and/or KPIs applied as assessed by the business. Where appropriate, specific customer conduct objectives are included within individual performance objectives.

Remuneration Policy continued

Individual remuneration linked to bank-wide and individual performance

Fixed remuneration for employees is set appropriately based on market pay levels for the role, individual's expertise, professional experience, role responsibilities and seniority of the employee and regulatory and governance requirements.

For variable remuneration in the form of bonuses, the BNRESGC approves the bonus pool taking into account financial and non-financial performance of the Group and overall compliance with the risk appetite. The pay-for-performance principle is then applied, and bonus pools are allocated based on the performance of business units and employees measured against a range of performance metrics as set out in the relevant Scorecards. The pay for performance principle underpins variable remuneration.

Performance objectives are set by Group, ExCo and employees at the start of the performance year. The attainment of performance metrics is assessed throughout the year, formally at mid-year and year-end. Employee performance is assessed using performance ratings which are designed to support the pay-for-performance principle and enables the organization to differentiate between varying levels of performance. Individual bonuses are then determined taking into account the bonus pool funding for the relevant business and employee performance rating.

The bonus pool allocations to the Risk, Audit and Compliance functions are made irrespective of the overall financial performance of the units they support and are based on the function's performance and overall affordability only.

The Group also applies Ex-Post Risk Adjustment in the form of in-year adjustments as part of the year-end remuneration process or via operation of Malus Adjustment and/or Claw back Adjustment on awards made during periods of material restatement or downturn of financial results for the relevant period.

Variable remuneration

Variable remuneration, depending on the role is paid as an annual discretionary bonus or incentive payments. Incentive payments are awarded in cash and has been aligned to practice in the local market, whilst enabling the Bank to reward employees based on Group, business unit and individual performance. The annual discretionary bonus can comprise of both a cash bonus and a deferred award (which is granted and governed under the terms and conditions of the relevant plan rules). In line with UAE regulatory requirements, variable remuneration awarded from the 2022 Performance Year to MRTs will include a deferral element in the form of Deferred Cash.

Different forms of variable remuneration and a description of the factors that determine the mix and their relative importance

The Group's bonus scheme applies the pay-for-performance principle and operates on a discretionary basis. Bonus allocations to employees are determined based on the overall risk-adjusted Group performance, business performance and individual performance, the employee's role and responsibilities, and performance assessment based on both financial and non-financial criteria, including conduct and behaviour.

Incentives apply to certain businesses and sales roles (or operations roles which support the sales roles) and/or roles responsible for recoveries against outstanding collections. The incentives also operate on the pay-for-performance principle. Incentives are calculated based on value-add, whether it be associated with the effort made by selling products and growing portfolios or volumes of transactions processed. Quantitative targets are set for specific roles and measurement against the quantitative targets are based on a set formulaic approach. Conduct, quality and risk measures apply to the performance assessment of the employee and impact the overall incentive payout to the employee. Employees who are under an incentive scheme are not also entitled to annual bonuses.

The Group may award a guaranteed bonus to new hires, for the first year of employment only. The guaranteed bonus compensates for the loss of an annual bonus award from a prior employer that will be forfeited solely because of joining the Group, in addition to the employee's performance with the Group for the relevant performance year . In addition to the guaranteed bonuses, an employee may also be awarded a discretionary annual bonus subject to their performance and in limited cases. Guaranteed bonuses will only be awarded in exceptional circumstances and in line with regulatory requirements. Guaranteed bonuses awarded to MRTs will also be subject to deferral.

The Group may grant a buy-out award to new hires to compensate for the loss of unvested deferred compensation awards from a prior employer that will be forfeited solely because of the new hire ceasing employment with their prior employer to join the Group. Any applicable buy-outs would also be taken into account at the time the new hire is selected.

Retention awards are awarded in very limited circumstances. Retention awards are granted to select talent, existing employees based on business requirements with the aim of retaining top talent and/or critical resources to the business and taking into account the scarcity of talent both within the Group and in the marketplace.

Remuneration Policy continued

Different forms of variable remuneration and a description of the factors that determine the mix and their relative importance continued

Severance payments are considered to be both fixed and variable pay, where fixed payments are contractual such as Gratuity in line with UAE Labour Law, and variable payments are those payments which are discretionary in nature such as ex-gratia. For the purposes of REM2 disclosure below which requires disclosure of severance payments allocated to employees dismissed during the year, the Group did not make any payments to Senior Managers or MRTs for involuntary termination of employment excluding death (i.e., dismissal) during the year.

Another form of fixed remuneration captured is Employer Pension Contributions.

Remuneration related to Risk, Audit and Compliance employees.

As Senior Managers of the Group, the variable remuneration of the Head of Risk, Head of Audit and Head of Compliance are directly overseen by the BNRESGC.

Remuneration for Risk, Audit and Compliance employees is set at a level to attract and retain suitably qualified and experienced employees and is predominantly fixed remuneration (when considering the fixed: variable remuneration ratio). Performance is assessed based on the objectives of their respective functions and not on the performance of the business units that they oversee/support.

The bonus pool allocations to the Risk, Audit and Compliance functions are made irrespective of the overall financial performance of the business units they support and are based on the function's performance and overall affordability of the Group. Individual variable remuneration decisions for Control Function employees are determined independently of the business areas that they oversee/support.

Engagement of external professional consultants

External professional consultants are engaged by Human Resources and local compliance teams on a regular basis to ensure Group's remuneration policies, practices and processes are in alignment with the market and compliant with regulatory requirements in each relevant jurisdiction.

Remuneration awarded during the financial year (REM1)

The following table includes information on fixed and variable remuneration for the financial year.

	AED in millions	2023 Senior Management	2023 Other Material Risk-takers
	Fixed Remuneration*		
1	Number of employees	**17**	**45**
2	Total fixed remuneration (3 + 5 + 7)	**68**	**70**
3	Of which: cash-based	**67**	**69**
4	Of which: deferred	**–**	**–**
5	Of which: shares or other share-linked instruments	**–**	**–**
6	Of which: deferred	**–**	**–**
7	Of which: other forms	**1**	**1**
8	Of which: deferred	**–**	**–**
	Variable Remuneration		
9	Number of employees	**17**	**39**
10	Total variable remuneration (11 + 13 + 15)	**49**	**60**
11	Of which: cash-based	**49**	**60**
12	Of which: deferred	**13**	**9**
13	Of which: shares or other share-linked instruments	**–**	**–**
14	Of which: deferred	**–**	**–**
15	Of which: other forms	**–**	**–**
16	Of which: deferred	**–**	**–**
17	**Total Remuneration (2 + 10)**	**117**	**130**

* Fixed Remuneration (which then forms part of Total Remuneration) has been reported on a paid basis and excludes accrued post-employment and long-term benefits.
* The number of employees includes employees who were identified as Senior Management or MRTs at any time during the 2023 performance year, including those who were no longer Senior Management or MRTs as at the end of the year (i.e. former Senior Management / MRTs)

The specific criteria for ex-post risk adjustment is reviewed by the BNRESGC annually and applied in each case as determined by the BNRESGC in its sole discretion.

Group will take into account all relevant factors (including, where any of the circumstances described above arise, the proximity of the employee to the failure of risk management in question and the employee's level of responsibility) in deciding whether, and to what extent, it is reasonable to seek recovery of any or all of their variable remuneration.

Remuneration Policy continued
Special payments (REM2)
The following table includes quantitative information on special payments for the financial year.

31 December 2023 AED in millions	Guaranteed Bonuses		Sign on Awards		Severance Payments	
	Number of employees	Total amount	Number of employees	Total amount	Number of employees	Total amount
Special Payments						
Senior Management	1	1	–	–	–	–
Other Material Risk-takers	3	2	–	–	–	–

Deferred remuneration (REM3)
In line with UAE regulatory requirements, variable remuneration awarded to MRTs in Q1 of 2023 for the 2022 performance year included a deferral element in the form of deferred cash.

In addition, bonus deferrals were awarded in Turkey, which is a jurisdiction in which Group has subsidiaries which are subject to local regulatory requirements that require deferrals to be applied to those employees who have a material influence on the risk profile of Group's respective subsidiary.

The proportion of deferrals is based on a set percentage of bonuses and applied consistently across the said population (subject to de minimis provisions) in the relevant jurisdiction.

Policy and criteria for adjusting variable remuneration, including deferrals before vesting and after vesting through claw back arrangements:
The specific criteria for ex-post risk adjustment will be reviewed by the Group BNRESGC annually and applied in each case as determined by the Committee in its sole discretion.

Group will consider all relevant factors (including, where any of the circumstances described above arise, the proximity of the employee to the failure of risk management in question and the employee's level of responsibility) in deciding whether, and to what extent, it is reasonable to seek recovery of any or all of their variable remuneration.

The Group intends to apply ex-post risk adjustment in the form of in-year adjustments as part of the year-end remuneration process or via operation of Malus Adjustment and/or claw back adjustment on variable awards made.

The following table includes quantitative information on senior management remuneration and MRT for the financial year.

31 December 2023 AED in Millions	Total amount of outstanding deferred remuneration	Of which: Total amount of outstanding deferred and retained remuneration exposed to ex post explicit and/or implicit adjustment	Total amount of amendment during the year due to ex post explicit adjustments	Total amount of amendment during the year due to ex post implicit adjustments	Total amount of deferred remuneration paid out in the financial year
Deferred and retained remuneration					
Senior management	16	16	–	–	2
Cash	16	16	–	–	2
Shares	–	–	–	–	–
Cash-linked instruments	–	–	–	–	–
Other	–	–	–	–	–
Other material risk-takers	10	10	–	–	–
Cash	10	10	–	–	–
Shares	–	–	–	–	–
Cash-linked instruments	–	–	–	–	–
Other	–	–	–	–	–
Total	26	26	–	–	2

Appendix A: Template CCA: Main features of regulatory capital instruments

Sr no	Particulars	Equity Shares	U.S.$1,000,000,000 Perpetual Additional Tier 1 Capital Securities	U.S.$750,000,000 Perpetual Additional Tier 1 Capital Securities	U.S.$750,000,000 Perpetual Additional Tier 1 Capital Securities
1	Issuer	Emirates NBD Bank P.J.S.C.	Emirates NBD Bank P.J.S.C.	Emirates NBD Bank P.J.S.C.	Emirates NBD Bank P.J.S.C.
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)		XS1964681610	XS2134363170	XS2342723900
3	Governing law(s) of the instrument	CBUAE, SCA, CCL	English law	English law	English law
	Regulatory treatment				
4	Transitional arrangement rules (i.e. grandfathering)	Common equity tier 1	NA	NA	NA
5	Post-transitional arrangement rules (i.e. grandfathering)	Common equity tier 1	Additional tier 1	Additional tier 1	Additional tier 1
6	Eligible at solo / group / group and solo	Solo and Group	Solo and Group	Solo and Group	Solo and Group
7	Instrument type (types to be specified by each jurisdiction)	Common shares	Perpetual debt Instruments	Perpetual debt Instruments	Perpetual debt Instruments
8	Amount recognised in regulatory capital (AED in billions, as of 31 December 2023)	6.3	3.7	2.7	2.7
9	Nominal amount of instrument	NA	U.S.$1,000,000,000	U.S.$750,000,000	U.S.$750,000,000
9a	Issue price		100 percent	100 percent	100 percent
9b	Redemption price	NA	100% in case of an optional redemption or a tax event redemption, and 101% in case of a capital event redemption.	100% in case of an optional redemption or a tax event redemption, and 101% in case of a capital event redemption.	100% in case of an optional redemption or a tax event redemption, and 101% in case of a capital event redemption.
10	Accounting classification	Equity attributable to equity holders	Equity attributable to equity holders	Equity attributable to equity holders	Equity attributable to equity holders
11	Original date of issuance		20th March 2019	9th July 2020	27th May 2021
12	Perpetual or dated	Perpetual	Perpetual	Perpetual	Perpetual
13	Original maturity date	No maturity	NA	NA	NA
14	Issuer call subject to prior supervisory approval	No	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	NA	20th March 2025 / Tax Event or a Capital Event / at Par for Optional and Tax Event call, at 101% in case of a Capital Event.	9th April 2026 / Tax Event or a Capital Event / at Par for Optional and Tax Event call, at 101% in case of a Capital Event.	27th Feb 2027 / Tax Event or a Capital Event / at Par for Optional and Tax Event call, at 101% in case of a Capital Event.
16	Subsequent call dates, if applicable	NA	20th September 2025 and every 6 months thereafter	9th July 2026 and every 6 months thereafter	27th May 2027 and every 6 months thereafter

Appendix A: Template CCA: Main features of regulatory capital instruments continued

Sr no	Particulars	Equity Shares	U.S.$1,000,000,000 Perpetual Additional Tier 1 Capital Securities	U.S.$750,000,000 Perpetual Additional Tier 1 Capital Securities	U.S.$750,000,000 Perpetual Additional Tier 1 Capital Securities
	Coupons / dividends				
17	Fixed or floating dividend/coupon	NA	Fixed	Fixed	Fixed
18	Coupon rate and any related index	NA	6.125%	6.125%	4.25%
19	Existence of a dividend stopper	NA	Yes	Yes	Yes
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Partially discretionary	Partially discretionary	Partially discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Partially discretionary	Partially discretionary	Partially discretionary
21	Existence of step-up or other incentive to redeem	No	No	No	No
22	Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	NA	Non-convertible	Non-convertible	Non-convertible
24	Write down feature	NA	Yes	Yes	Yes
25	If write down, write down trigger(s)	NA	Notice from the UAE Central Bank (as the Regulator) to the Issuer that the Issuer has, or will, become Non-Viable (as defined in the Conditions) without a write-down or a public injection of capital or equivalent support (i.e., Point of Non-Viability (PONV) trigger)	Notice from the UAE Central Bank (as the Regulator) to the Issuer that the Issuer has, or will, become Non-Viable (as defined in the Conditions) without a write-down or a public injection of capital or equivalent support (i.e., Point of Non-Viability (PONV) trigger)	Notice from the UAE Central Bank (as the Regulator) to the Issuer that the Issuer has, or will, become Non-Viable (as defined in the Conditions) without a write-down or a public injection of capital or equivalent support (i.e., Point of Non-Viability (PONV) trigger)
26	If write down, full or partial	NA	Full/Partial (Both Options available)	Full/Partial (Both Options available)	Full/Partial (Both Options available)
27	If write down, permanent or temporary	NA	Permanent	Permanent	Permanent
28	If temporary write down, description of writeup mechanism	NA	NA	NA	NA
28a	Type of subordination	NA	Contractual	Contractual	Contractual

Acronyms

ALCO	Asset and Liability Committee
ALM	Asset and Liability Management
ASF	Available stable funding
AT1	Additional Tier 1
BCBS	Basel Committee on Banking Supervision
BIS	Bank for International Settlements
BRC	Board Risk Committee
CBUAE	Central Bank of UAE
CCF	Credit Conversion Factor
CCP	Central Counterparty
CCR	Counterparty Credit Risk
CCyB	Countercyclical capital buffer
CET1	Common Equity Tier 1
CRM	Credit Risk Mitigation
CFO	Chief Financial Officer
CVA	Credit Valuation Adjustment
D-SIB	Domestic Systemically Important Bank
DVA	Debit Valuation Adjustment
EAD	Exposure at default
ECAI	External Credit Assessment Institutions
ECL	Expected Credit loss
FSB	Financial Stability Board
GCC	Gulf Cooperative Council
GCRO	Group Chief Risk Officer
G-SIB	Global Systemically Important Bank
HQLA	High Quality Liquid Asset
IFRS	International Financial Reporting Standards
ICAAP	Internal Capital Adequacy Assessment Process
IRR	Interest Rate Risk
LCR	Liquidity Coverage Ratio
ExCO	Executive Committee
BN&RC	Board Nomination & Remuneration Committee
CCL	Commercial Companies Law
LGD	Loss Given Default
MDB	Multilateral Development Banks
MR	Market Risk
MTM	Mark-To-Market
NII	Net Interest Income
NSFR	Net Stable Funding Ratio
OTC	Over The Counter
PD	Probability of Default
PFE	Potential Future Exposure
PIT	Point in Time
PM	Portfolio Management
PVA	Prudent Valuation Adjustment
QCCP	Qualifying Central Counterparty
RSF	Required stable funding
RWAs	Risk-Weighted Assets
SA	Standardised Approach
SFT	Securities Financing Transactions
SME	Small and Medium sized Enterprise
SPE	Special Purpose Entity
T1	Tier 1 capital
T2	Tier 2 capital
TC	Total capital
TLAC	Total Loss-Absorbing Capacity
VaR	Value at Risk
XVA	Credit and Funding Valuation Adjustment
TM	Treasury Markets
TC	Total capital
SCA	Securities and Commodities Authority
CHRO	Chief Human Resource Officer
CEO	Chief Executive Officer
BNRESGC	Board Nomination Remuneration & ESG Committee
KPI	Key Performance Indicator

Glossary

Capital conservation buffer
A capital buffer prescribed by BCBS and CBUAE under Basel III and designed to ensure banks build up capital buffers outside periods of stress which can be drawn down as losses are incurred. Should the bank's CET1 capital fall within the capital conservation buffer range, capital distributions will be constrained by the regulators.

Countercyclical capital buffer (CCyB)
The countercyclical capital buffer is part of a set of macroprudential instruments, designed to help counter pro-cyclicality in the financial system. CCyB as defined in the Basel III standard provides for an additional capital requirement of up to 2.5 per cent of risk-weighted assets.

Counterparty credit risk (CCR)
The risk that a counterparty defaults before satisfying its obligations under a derivative, a securities financing transaction (SFT) or a similar contract.

Credit conversion factor (CCF)
Factors used to convert off-balance-sheet items into credit exposure equivalents.

Credit risk adjustment (CRA)
This includes impairment allowances or provisions balances, and changes in ECL.

Credit risk mitigation (CRM)
Credit risk mitigation is a process to mitigate potential credit losses from any given account, customer or portfolio by using a range of tools such as collateral, netting agreements, credit insurance, credit derivatives and guarantees.

Domestic systemically important banks (D-SIBs)
Domestic systemically important banks are deemed systemically relevant for the domestic financial system in which they operate. The CBUAE and the BCBS have developed a framework for identifying and dealing with D-SIBs. The Central Bank of the UAE annually assesses national banks at their consolidated group level and foreign banks at their UAE branch level; to designate banks whose failure could escalate to systemic risk for the UAE banking sector and eventually impact the economy.

Internal capital adequacy assessment process (ICAAP)
A requirement under Pillar 2 of the Basel framework to undertake a comprehensive assessment of their risks and to determine the appropriate amounts of capital to be held against these risks.

Leverage ratio
A ratio introduced under Basel III that compares Tier 1 capital to total exposures, including certain exposures held off-balance sheet as adjusted by stipulated credit conversion factors. Intended to be a simple, non-risk based backstop measure.

Liquidity coverage ratio (LCR)
The ratio of the stock of high quality liquid assets to expected net cash outflows over the following 30 days. High quality liquid assets should be unencumbered, liquid in markets during a time of stress and, ideally, be central bank eligible.

Net stable funding ratio (NSFR)
The ratio of available stable funding to required stable funding over a one-year time horizon, assuming a stressed scenario. It is a longer-term liquidity measure designed to restrain the amount of wholesale borrowing and encourage stable funding over a one-year time horizon.

RWA density
The risk-weighted asset as a percentage of exposure at default (EAD).

Securities financing transactions (SFT)
Securities Financing Transactions are secured (i.e. collateralised) transactions that involve the temporary exchange of cash against securities, or securities against other securities, e.g. stock lending or stock borrowing or the lending or borrowing of other financial instruments, a repurchase or reverse repurchase transaction, or a buy-sell back or sell-buy back transaction.

Standardised approach (SA)
In relation to credit risk, a method for calculating credit risk capital requirements using External Credit Assessment Institutions (ECAI) ratings and supervisory risk-weights. In relation to operational risk, a method of calculating the operational risk capital requirement by the application of a supervisory defined percentage charge to the gross income of eight specified business lines.

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