NATIONAL BANK OF FUJAIRAH
PILLAR 3 DISCLOSURES
31 March 2022
(Quarterly Report)

Contents

1. Executive Summary

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

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

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

- Transparency, assessment and responsiveness, and
- Management accountability

Capital Management

Capital Position as at 31st December 2021

CAPITAL ADEQUACY ASSESSMENT SUMMARY - AED'000			
Particulars	**Regulatory Capital** **Pillar I**	**Risk Capital** **Pillar I + Pillar II**	**Stressed Scenario**
Risk Weighted Assets (RWA)	30,481,161	34,641,092	43,048,262
Mandated Capital @ 13%*	3,962,551	4,503,342	5,596,274
Available Capital	5,825,370	5,825,370	5,825,370
Capital Adequacy Ratio	**19.11%**	**16.82%**	**13.53%**
CBUAE Minimum Requirement	13.00%	13.00%	13.00%
Surplus / (Shortfall)	6.11%	3.82%	0.53%

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

CET-1 CAPITAL ADEQUACY ASSESSMENT SUMMARY - AED'000			
Particulars	**Regulatory Capital** **Pillar I**	**Risk Capital** **Pillar I + Pillar II**	**Stressed Scenario**
Risk Weighted Assets (RWA)	30,481,161	34,641,092	42,987,743
Mandated CET1 @ 9.5% (Incl. buffers)	2,895,710	3,290,904	4,089,585
Available Capital	4,194,954	4,194,954	4,194,954
CET-1 Ratio	**13.76%**	**12.11%**	**9.74%**
CBUAE Minimum Requirement	9.50%	9.50%	9.50%
Surplus / (Shortfall)	4.26%	2.61%	0.24%

The results of the Pillar 1, ICAAP risk analysis and stress testing indicate that the targets and triggers employed by the Bank to manage capital adequacy are appropriate.

The Management Risk Committee reviews the level of capital resources in relation to the changing risk profile, analyses of stress testing and business and operating expenses of a capital nature each month. If required, the Committee makes appropriate recommendation to the Board Risk Committee and the Board of Directors regarding additional capital requirements.

The recommendations to the Board may include reducing the Bank's risk profile by reducing its risk weighted assets including:

- Sell-down of assets,
- Changing the prevailing mix of the asset book encouraging repayment of assets requiring large risk capital,
- Reviewing the dividend policy,
- Reviewing the capital generation plan if required.

Risk Management

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

NBF's ERMF promotes continuous monitoring and the integrated evaluation of different risk types and their interaction, to assess the enterprise–wide overall risk profile.

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

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

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

		Mar'2022	Dec'2021	Sep'2021	Jun'2021	Mar'2021
		a	**b**	**c**	**d**	**e**
		T	**T-1**	**T-2**	**T-3**	**T-4**
	Available capital (amounts)*					
1	Common Equity Tier 1 (CET1) (with IFRS9 transitional prov)	4,320,560	4,194,954	4,192,189	4,458,079	4,425,364
1a	Fully loaded ECL accounting model	4,219,547	4,176,216	4,124,599	4,094,829	4,081,951
2	Tier 1 (with IFRS9 transitional prov)	5,606,110	5,480,504	5,477,739	5,743,629	5,710,914
2a	Fully loaded ECL accounting model Tier 1	5,505,097	5,461,766	5,410,149	5,380,379	5,367,501
3	Total capital (with IFRS9 transitional prov)	5,969,703	5,825,370	5,816,527	6,095,664	6,059,705
3a	Fully loaded ECL accounting model total capital	5,868,690	5,806,632	5,748,937	5,732,414	5,716,292
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	31,976,558	30,481,161	30,126,223	31,172,947	30,892,772
	Risk-based capital ratios as a percentage of RWA					
5	Common Equity Tier 1 ratio (%)	13.5%	13.8%	13.9%	14.3%	14.3%
5a	Fully loaded ECL accounting model CET1 (%)	13.2%	13.7%	13.7%	13.1%	13.2%
6	Tier 1 ratio (%)	17.5%	18.0%	18.2%	18.4%	18.5%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	17.2%	17.9%	18.0%	17.3%	17.4%
7	Total capital ratio (%)	18.7%	19.1%	19.3%	19.6%	19.6%
7a	Fully loaded ECL accounting model total capital ratio (%)	18.4%	19.0%	19.1%	18.4%	18.5%
	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 (%)	0.01%	0.01%	0.03%	0.03%	0.01%
10	Bank D-SIB additional requirements (%)	-	-	-	-	-
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9+ row 10)	2.51%	2.51%	2.53%	2.53%	2.51%
12	CET1 available after meeting the bank's minimum capital requirements (%)	6.5%	6.8%	6.9%	7.3%	7.3%
	Leverage Ratio					
13	Total leverage ratio measure	51,483,578	51,747,319	50,013,498	50,374,027	48,523,141
14	Leverage ratio (%) (row 2/row 13)	10.89%	10.59%	10.95%	11.40%	11.77%
14a	Fully loaded ECL accounting model leverage ratio (%) (row 2A/row 13)	10.69%	10.55%	10.82%	10.68%	11.06%
14b	Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	-	-	-	-	-
	Liquidity Coverage Ratio					
15	Total HQLA	-	-	-	-	-
16	Total net cash outflow	-	-	-	-	-
17	LCR ratio (%)	-	-	-	-	-

(continued next page)

		T	T-1	T-2	T-3	T-4
	Net Stable Funding Ratio					
18	Total available stable funding	-	-	-	-	-
19	Total required stable funding	-	-	-	-	-
20	NSFR ratio (%)	-	-	-	-	-
	ELAR					
21	Total HQLA	7,034,305	9,735,105	7,078,650	7,918,467	6,110,273
22	Total liabilities	36,834,848	37,182,548	34,909,898	35,237,315	33,347,674
23	Eligible Liquid Assets Ratio (ELAR) (%)	19.10%	26.18%	20.28%	22.47%	18.32%
	ASRR					
24	Total available stable funding	34,567,966	34,628,801	33,053,286	33,627,778	31,793,247
25	Total Advances	28,100,533	26,503,401	26,332,740	26,657,971	26,313,554
26	Advances to Stable Resources Ratio (%)	81.29%	76.54%	79.67%	79.27%	82.76%

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

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

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

- To safeguard the Group's ability to continue as a going concern and to optimise returns for shareholders;
- To maintain adequate level and achieve an optimum structure for the Group's capital commensurate to its strategy, risk profile and relative positioning in the market;
- To comply with regulatory capital requirements set by the Central Bank of the UAE;
- To efficiently allocate capital to various businesses and optimal risk reward;
- To ensure effective internal organisation and processes and to assess and manage material risks on an ongoing basis; and
- To provide for any unforeseen losses.

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

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

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

Regulatory Capital

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

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

i. Total regulatory capital (net of regulatory adjustments) – at least 10.5% of risk weighted assets (RWAs) – comprises of two tiers:

   a. Tier 1 capital – at least 8.5% of RWA, composed of:
      - Common equity Tier 1 (CET1) – at least 7.0% of RWA; and
      - Additional Tier 1 (AT1)

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

   b. Tier 2 capital

   It includes collective impairment provision and sub-ordinated facilities. Collective impairment provision, including Impairment Reserve - General, shall not exceed 1.25% of total credit risk weighted assets.

ii. Banks must maintain a Capital Conservation Buffer (CCB) of 2.5% of RWAs in the form of CET1 capital. CBUAE may also require banks to implement Countercyclical Buffer (CCyB), to protect the banks from periods of excess aggregate credit growth. CCyB must be met by using CET1 capital and the level may vary between 0 - 2.5% of RWAs.

Pursuant to the Central Bank of the UAE standards pertinent to TESS issued during March and April 2020, the Regulator allowed banks to utilize the capital conservation buffer up to a maximum of 60% without supervisory consequences, effective from 15 March 2020 until 30 June 2022.

Minimum transitional arrangements as per Central Bank of the UAE*:*

Capital element	**Basel III**
Minimum common equity tier 1 ratio	**7.0%**
Minimum tier 1 capital ratio	**8.5%**
Minimum capital adequacy ratio	**10.5%**
Capital conservation buffer	**2.5%**

Capital Stress Testing:

The Group carried out and submitted to the Central Bank of the UAE stress testing exercise in accordance with the macroeconomic and business scenarios prescribed by the Central Bank of the UAE through its guidelines on '2021 Stress Testing Guidance for Participating Banks' issued in June 2021. The results also included the mitigation plan / management action in response to the impact of the stress scenario on the capital adequacy of the Group.

The stress testing exercise achieves the following objectives:

- Provides a forward looking assessment of risk under a stressed scenario;
- Impact of various Macroeconomic Variables for UAE markets;
- Elaborates the methodologies, and the assumptions undertaken in the process;
- Assisting the Group in shaping its strategy, by gauging the capital impact due to stress scenarios;
- Enable the Group to assess extreme risk scenarios, along with contingency plan for such events; and
- Reporting results to the senior management and the Board of Directors for their review and approval to facilitate contingency planning.

The Group passed the Central Bank of the UAE stress test.

Capital Allocation:

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

The Group also calculates Return on Capital (ROC) for credit applications that are priced on a risk-adjusted basis.

3. Bank Risk Management Approach

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

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

Second Line – Functionally segregated Risk Management and Compliance functions develop risk management frameworks, define the risk management principles in the bank’s Polices, provide objective review and challenge regarding the effectiveness of risk management within the first line businesses, and execute specific risk management activities where the functional segregation of duties is required or a specific expertise is required.

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

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

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

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

Management has a number management committees focused on our Material Risk classes or categories comprised of Business, Risk Management and Internal Audit members and invitees that are tasked with decision making and oversight of remediation where required.

Our Material Risks are defined as:

Credit Risk

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

NBF's detailed policies in respect of Credit Risk are set out in the NBF Credit Risk Management Framework ("CRMF") and supporting policies.

Treasury Risk

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

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

Operational Risk

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

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

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

Regulatory Compliance Risk

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

NBF's policies in respect of compliance risk are set out in the Bank's Compliance Policy. AML/CTF Risks are documented in the Bank's AML Policy, Sanctions Policy and supporting processes.

Information Security Risk

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

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

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

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

Shari'ah Compliance Risk

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

Country and Transfer Risk

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

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

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

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

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

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

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

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

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

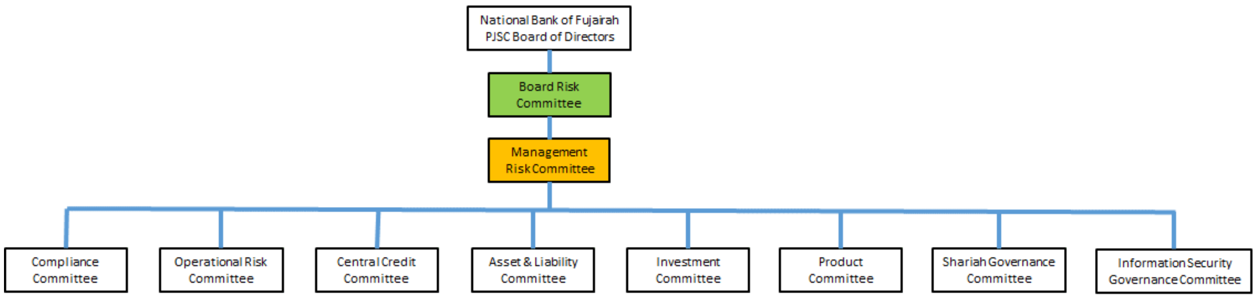
NBF has zero tolerance for non-compliance with its Risk Appetite, policies and procedures and strongly promotes a risk based culture across the Bank. The Bank reinforces it through various channels that include communication of Risk Appetite and risk policies annually to all staff for mandatory reading,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

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

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

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

Our Risk Governance Structure is set out below:



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

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

Stress Testing

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

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

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

4. Table OV1: Overview of RWA

	a	b	c
	RWA		Minimum capital requirements
	T	T-1	T
Credit risk (excluding counterparty credit risk)	29,076,793	27,551,478	
Of which: standardised approach (SA)	29,076,793	27,551,478	3,053,063
Of which: foundation internal ratings-based (F-IRB) approach	-	-	-
Of which: supervisory slotting approach	-	-	-
Of which: advanced internal ratings-based (A-IRB) approach	-	-	-
Counterparty credit risk (CCR)			
Of which: standardised approach for counterparty credit risk	-	-	-
Of which: Internal Model Method (IMM)	-	-	-
Of which: other CCR	-	-	-
Credit valuation adjustment (CVA)	-	-	-
Equity positions under the simple risk weight approach	-	-	-
Equity investments in funds - look-through approach	-	-	-
Equity investments in funds - mandate-based approach	10,617	37,790	1,115
Equity investments in funds - fall-back approach	-	-	-
Settlement risk	-	-	-
Securitisation exposures in the banking book	-	-	-
Of which: securitisation internal ratings-based approach (SEC-IRBA)	-	-	-
Of which: securitisation external ratings-based approach (SEC-ERBA)	-	-	-
Of which: securitisation standardised approach (SEC-SA)	-	-	-
Market risk	38,553	41,299	
Of which: standardised approach (SA)	38,553	41,299	4,048
Of which: internal models approach (IMA)	-	-	-
Operational risk	2,850,595	2,850,595	299,312
Amounts below thresholds for deduction (subject to 250% risk weight)	-	-	-
Floor adjustment	-	-	-
Total (1+6+10+11+12+13+14+15+16+20+23)	**31,976,558**	**30,481,161**	-

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NBF is principally exposed to credit risk which represent almost 90 per cent of the Bank's Risk Weighted Assets followed by operational risk which accounts for around 9% of Risk Weighted Assets. The Bank has a relatively small market risk exposure as reflected in its risk weighted assets.

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

		a
1	Total consolidated assets as per published financial statements	42,616,277
2	Adjustments for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-
3	Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference	-
4	Adjustments for temporary exemption of central bank reserves (if applicable)	-
5	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-
6	Adjustments for regular-way purchases and sales of financial assets subject to trade date accounting	-
7	Adjustments for eligible cash pooling transactions	-
8	Adjustments for derivative financial instruments	-
9	Adjustment for securities financing transactions (ie repos and similar secured lending)	-
10	Adjustments for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	-
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	-
12	Other adjustments	-
13	**Leverage ratio exposure measure**	**42,616,277**

6. Table LR2: Leverage ratio common disclosure template

		a	b
		T	**T-1**
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	42,616,277	42,945,548
2	Gross-up for derivatives collateral provided where deducted from balance sheet assets pursuant to the operative accounting framework	-	-
3	(Deductions of receivable assets for cash variation margin provided in derivatives transactions)	-	-
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	-	-
5	(Specific and general provisions associated with on-balance sheet exposures that are deducted from Tier 1 capital)	-	-
6	(Asset amounts deducted in determining Tier 1 capital)	-	-
7	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)**	**42,616,277**	**42,945,548**
Derivative exposures			
8	Replacement cost associated with *all* derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	191,026	178,917
9	Add-on amounts for PFE associated with *all* derivatives transactions	483,148	350,458
10	(Exempted CCP leg of client-cleared trade exposures)	-	-
11	Adjusted effective notional amount of written credit derivatives	-	-
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
13	**Total derivative exposures (sum of rows 8 to 12)**	943,843	741,125
Securities financing transactions			
14	Gross SFT *assets* (with no recognition of netting), after adjusting for sale accounting transactions	-	-
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
16	CCR exposure for SFT assets	-	-
17	Agent transaction exposures	-	-
18	**Total securities financing transaction exposures (sum of rows 14 to 17)**	-	-
Other off-balance sheet exposures			
19	Off-balance sheet exposure at gross notional amount	7,923,457	8,060,646
20	(Adjustments for conversion to credit equivalent amounts)	-	-
21	(Specific and general provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital)	-	-
22	**Off-balance sheet items (sum of rows 19 to 21)**	**7,923,457**	**8,060,646**
Capital and total exposures			
23	**Tier 1 capital**	5,606,110	5,480,504

24	**Total exposures (sum of rows 7, 13, 18 and 22)**	51,483,578	51,747,319
Leverage ratio		**T**	**T-1**
25	**Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)**	11%	11%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	11%	11%
26	CBUAE minimum leverage ratio requirement	3%	3%
27	**Applicable leverage buffers**	8%	8%

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

7. Eligible Liquid Assets Ratio

1	High Quality Liquid Assets	Nominal amount	Eligible Liquid Asset
1.1	Physical cash in hand at the bank + balances with the CBUAE	6,226,245	
1.2	UAE Federal Government Bonds and Sukuks	0	
	Sub Total (1.1 to 1.2)	6,226,245	6,226,245
1.3	UAE local governments publicly traded debt securities	303,834	
1.4	UAE Public sector publicly traded debt securities	127,777	
	Sub total (1.3 to 1.4)	431,611	431,611
1.5	Foreign Sovereign debt instruments or instruments issued by their respective central banks	376,449	376,449
1.6	**Total**	**7,034,305**	**7,034,305**
2	Total liabilities		36,834,848
3	**Eligible Liquid Assets Ratio (ELAR)**		**19.10%**

8. Advances to Stables Resource Ratio

		Items	Amount
1		**Computation of Advances**	
	1.1	Net Lending (gross loans - specific and collective provisions + interest in suspense)	26,243,346
	1.2	Lending to non-banking financial institutions	501,868
	1.3	Net Financial Guarantees & Stand-by LC (issued - received)	758,359
	1.4	Interbank Placements	596,960
	1.5	**Total Advances**	28,100,533
2		**Calculation of Net Stable Ressources**	

	2.1	Total capital + general provisions	6,157,299
		Deduct:	
	2.1.1	Goodwill and other intangible assets	0
	2.1.2	Fixed Assets	732,356
	2.1.3	Funds allocated to branches abroad	0
	2.1.5	Unquoted Investments	1,168
	2.1.6	Investment in subsidiaries, associates and affiliates	150
	2.1.7	**Total deduction**	733,674
	2.2	**Net Free Capital Funds**	5,423,625
	2.3	**Other stable resources:**	
	2.3.1	Funds from the Head Office	0
	2.3.2	Interbank deposits with remaining life of more than 6 months	1,078,578
	2.3.3	Refinancing of Housing Loans	0
	2.3.4	Borrowing from non-Banking Financial Institutions	768,146
	2.3.5	Customer Deposits	27,297,617
	2.3.6	Capital market funding/ term borrowings maturing after 6 months from reporting date	0
	2.3.7	**Total other stable resources**	29,144,341
	2.4	**Total Stable Resources (2.2+2.3.7)**	34,567,966
3		**Advances TO STABLE RESOURCES RATIO (1.6/ 2.4*100)**	81.29%