Basel III – Pillar III Disclosures

For The Year Ended 31 December 2023

Contents

1. Introduction

Banque Misr is wholly owned by the government of the Republic of Egypt and commenced its branches' operations in the United Arab Emirates (UAE) in August 1972 under the name of Banque Du Caire, which is also owned by the government of the Republic of Egypt. In July 2007, the UAE Branches (the "Branches" or the "Bank") of Banque Du Caire were fully acquired by Banque Misr (the "Head Office").

The Bank operates five branches in the UAE and offers retail and wholesale banking services through these branches. During the current year, the Bank requested permission to move its Al Ain branch to the Business Bay District in Dubai. The Central Bank has approved this request, as outlined in circular ref. CBUAE/BSD-LU/2022/3022.

The registered address of the regional office of the Bank is in the Bay Gate tower, Business Bay, P. O. Box 1502, Dubai, United Arab Emirates.

As a financial institution operating in the UAE, the Bank adheres to the regulatory framework set by the Central Bank of the UAE (host country) and Central Bank of Egypt (home country) regulatory bodies. Compliance with local regulations, and internal governance framework ensures the bank operates ethically and maintains the trust of its customers and stakeholders.

2. Purpose and basis of preparation

These Pillar 3 disclosures ("disclosures") complement Pillar 1 Minimum Capital Requirements and Pillar 2 Supervisory Review and Evaluation Process (SREP) with the view to ensure market discipline whereby market participants have access to key quantitative as well as qualitative information relating to risk exposures and risk management processes. These present the capital adequacy of the Bank to market participants. The capital requirements are computed at Bank level using the Basel III framework of the Basel Committee on Banking Supervision ("Basel Committee", "BCBS"), after applying the amendments advised by the CBUAE within national discretion. The Basel framework is structured around three pillars as follows:

- Pillar I prescribe the minimum capital requirements;
- Pillar II addresses the associated supervisory review process; and
- Pillar III specifies further public disclosure requirements in respect of the Bank's capital and risk profile.

Capital adequacy, liquidity, funding and remuneration related Pillar 3 disclosures are compiled in accordance with the

- Central Bank's Regulations re Capital Adequacy (Circular 52/2017), which have been sent to all banks operating in the UAE via Notice No. 60/2017 dated 02/03/2017.
- UAE Central Bank regulations as given in "Update of Standards and Guidance re Capital Adequacy in the UAE", Reference to Notice CBUAE/BSD/N/2020/4980 dated 12 November 2020.
- Explanatory notes issuance dated 30 November, 2021 (5508/2021), as applicable to foreign banks with total RWA of more than AED 5 billion.
- Notice No. CBUAE/BSD/N/2022/1887 dated 09/05/2022 regarding Update Pillar 3 templates and explanatory notes
- Notice no. CBUAE/BSD/2022/5280 dated 30/12/2022 regarding Guidance re Internal Capital Adequacy Assessment Process (ICAAP)

The Pillar III report for the year ended 31 December 2023 contains detailed information on the risk-weighted assets (RWA) and, capital overview of the Bank and also compliments the Bank's Audited Annual Financial Statements as of 31st December 2023.

3. Overview of Pillar III

Pillar 3 complements the minimum risk-based capital requirements and other quantitative requirements (Pillar 1) and the supervisory review process (Pillar 2) and aims to promote market discipline by providing meaningful regulatory information to investors and other interested parties on a consistent and comparable basis. The guiding principles aim to provide a firm foundation for achieving transparent, high-quality Pillar 3 risk disclosures that will enable users to better understand and compare a bank's business and its risks.

The guiding principles that the Bank follows for Pillar 3 Disclosures are as follows:

- **Principle 1: Disclosures should be clear**
  Disclosures should be presented in a form that is understandable to key stakeholders (i.e. investors, analysts, financial customers and others) and communicated through an accessible medium. Important messages should be highlighted and easy to find. Complex issues should be explained in simple language with important terms defined. Related risk information should be presented together.

- **Principle 2: Disclosures should be comprehensive**
  Disclosures should describe a bank's main activities and all significant risks, supported by relevant underlying data and information. Significant changes in risk exposures between reporting periods should be described, together with the appropriate response by management. Disclosures should provide sufficient information in both qualitative and quantitative terms on a bank's processes and procedures for identifying, measuring and managing those risks. The level of detail of such disclosure should be proportionate to a bank's complexity. Approaches to disclosure should be sufficiently flexible to reflect how senior management and the board of directors internally assess and manage risks and strategy, helping users to better understand a bank's risk tolerance/appetite.

- **Principle 3: Disclosures should be meaningful to users**
  Disclosures should highlight a bank's most significant current and emerging risks and how those risks are managed, including information that is likely to receive market attention. Where meaningful, linkages should be provided to line items on the balance sheet or the income statement. Disclosures that do not add value to users' understanding or do not communicate useful information should be avoided. Furthermore, information, which is no longer meaningful or relevant to users, should be removed.

- **Principle 4: Disclosures should be consistent over time**
  Disclosures should be consistent over time to enable key stakeholders to identify trends in a bank's risk profile across all significant aspects of its business. Additions, deletions and other important changes in disclosures from previous reports, including those arising from a bank's specific, regulatory or market developments, should be highlighted and explained.

- **Principle 5: Disclosures should be comparable across banks**
  The level of detail and the format of presentation of disclosures should enable key stakeholders to perform meaningful comparisons of business activities, prudential metrics, risks and risk management between banks and across jurisdictions.

Pillar 1 Requirements: CBUAE requires that the Bank maintain minimum capital requirements to ensure that the Capital the Bank holds is sufficient for Credit, Market and Operational Risk Weighted Assets. The minimum capital requirements as prescribed by CBUAE is 7% Common Equity Tier 1 ("CET1"), Total Tier 1 Capital (incl. Additional Tier 1 ("AT1")) of 8.5% and Total Capital of 10.5%. CBUAE has also recommended Capital Conservation Buffer (CCB) of maximum up to 2.5% over and above the minimum CET1 requirement of 7%. CBUAE has also recommended Countercyclical Buffer (CCyB) of 2.5%. However, CCyB is currently not applicable for BMUAE.

The Bank has adopted the following approaches for Pillar 1 Capital Calculation:

- Credit Risk Weighted Assets: Standardized approach;
- Market Risk Weighted Assets: Standardized approach; and
- Operational Risk Weighted Assets: Basic Indicator Approach (BIA)

Pillar 2 Requirements - Supervisory Review and Evaluation Process (SREP) to focus on the bank's Internal Capital Adequacy Assessment Process (ICAAP) in addition to Pillar 1 Capital calculations. Under its Pillar 2 requirements, the Bank allocates Capital for other key risks like Interest rate risk on banking book, Concentration risk (Single Obligor, Sector and Geographic), Liquidity Risk, and Other Operational Risk like Compliance Risks, Legal Risks, Strategy, Conduct Risk etc. this is in addition to any capital required as part of its stress testing exercise, required within the overall Pillar II framework.

In compliance with the CBUAE Basel III standards and guidelines, these disclosures include qualitative and quantitative information of the Bank's risk management objectives and policies, risk assessment process, capital management and capital adequacy. The Bank's Pillar III disclosures are governed by the disclosure policy framework in line with CBUAE Basel III standards.

3.1 Highlights

The Bank has complied with all the externally imposed capital requirements and is well capitalized with low leverage and high levels of loss-absorbing capacity. As at 31 December 2023:

- The Bank's Common Equity Tier 1 (CET1) ratio of 16.54% (31 December 2022: 18.7%), Tier 1 capital Ratio of 16.54% (31 December 2022: 18.77%), Capital Adequacy Ratio of 17.67% (31 December 2022: 19.88%), are all above the regulatory requirements.
- The Bank's leverage ratio of 9.88% (31 December 2022: 4.56%) is above the current regulatory requirement.
- The Bank continues to manage its balance sheet proactively, with focus on sound Capital and RWA management.

4. Key Metrics (KM1)

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

		AED (000's)				
		Dec'23	Jun'23	Dec'22	Jun'22	Dec'21
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1)	2,031,336.90	1,657,607.66	1,003,359.00	879,728.00	794,584.90
1a	Fully loaded ECL accounting model	1,906,156.90	1,472,888.66	878,487.00	801,537.00	759,315.90
2	Tier 1	2,031,336.90	1,657,607.66	1,003,359.00	879,728.00	794,584.90
2a	Fully loaded ECL accounting model Tier 1	1,906,156.90	1,472,888.66	878,487.00	801,537.00	759,315.90
3	Total capital	2,170,302.45	1,745,378.75	1,062,732.00	921,735.43	846,272.46
3a	Fully loaded ECL accounting model total capital	2,045,122.45	1,560,659.75	93,7860.00	843,544.43	811,003.46
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	12,283,530.43	7,574,429.00	5,346,035.71	3,769,489.75	4,681,189.57
	Risk-based capital ratios as a percentage of RWA					
5	Common Equity Tier 1 ratio (%)	16.54%	21.88%	18.77%	23.34%	16.97%
5a	Fully loaded ECL accounting model CET1 (%)	15.52%	19.45%	16.43%	21.26%	16.22%
6	Tier 1 ratio (%)	16.54%	21.88%	18.77%	23.34%	16.97%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	15.52%	19.45%	16.43%	21.26%	16.22%
7	Total capital ratio (%)	17.67%	23.04%	19.88%	24.45%	18.08%
7a	Fully loaded ECL accounting model total capital ratio (%)	16.65%	20.60%	17.54%	22.38%	17.32%
	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 (%)	0.00%	0.00%	0.00%	0.00%	0.00%
10	Bank D-SIB additional requirements (%)	0.00%	0.00%	0.00%	0.00%	0.00%
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row9+ row 10)	2.50%	2.50%	2.50%	2.50%	2.50%
12	CET1 available after meeting the bank's minimum capitalrequirements (%)	3.54%	8.88%	5.77%	10.34%	3.97%
	Leverage Ratio					
13	Total leverage ratio measure	20,559,151.96	21,516,601.67	21,995,442.36	10,078,296.25	8,963,181.71
14	Leverage ratio (%) (row 2/row 13)	9.88%	7.70%	4.56%	8.73%	8.86%
14a	Fully loaded ECL accounting model leverage ratio (%) (row 2A/row13)	9.27%	6.85%	3.99%	7.95%	8.47%
14b	Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	9.88%	7.70%	4.56%	8.73%	8.86%
	Liquidity Coverage Ratio					
15	Total HQLA	N.A.	N.A.	N.A.	N.A.	N.A.
16	Total net cash outflow	N.A.	N.A.	N.A.	N.A.	N.A.
17	LCR ratio (%)	N.A.	N.A.	N.A.	N.A.	N.A.
	Net Stable Funding Ratio					
18	Total available stable funding	N.A.	N.A.	N.A.	N.A.	N.A.
19	Total required stable funding	N.A.	N.A.	N.A.	N.A.	N.A.
20	NSFR ratio (%)	N.A.	N.A.	N.A.	N.A.	N.A.
	ELAR					
21	Total HQLA	7,156,182.00	7,518,617.00	14,048,908.00	5,693,621.00	3,265,722.00
22	Total liabilities	17,748,118.00	19,100,778.00	20,236,457.00	9,655,228.00	7,531,794.00
23	Eligible Liquid Assets Ratio (ELAR) (%)	40%	39.36%	69.42%	58.97%	43.36%
	ASRR					
24	Total available stable funding	16,635,402.00	15,941,886.00	14,748,861.00	7,555,495.00	5,665,230.00
25	Total Advances	4,477,832.00	3,674,054.00	2,622,805.00	1,997,655.00	2,929,589.00
26	Advances to Stable Resources Ratio (%)	26.92%	23.05%	17.78%	26.44%	51.71%

5. Overview of risk management and Risk Weighted Assets (OVA)

5.1 Risk Governance

The Bank's Risk Governance Framework promotes a diligent risk culture underpinned by a clear governance structure that includes the 'Three Lines of Defense'. Further, the bank has a robust approach to managing risks, driven by a common understanding of its Risk Appetite and supported by comprehensive organizational controls. The oversight of our risk management practices and strategies is handled by a knowledgeable Board, which includes several Independent Directors, along with our Senior Management both in Head Office as well as locally. The Board holds the ultimate responsibility for setting up the Risk Governance Framework within the bank.

In this regards, the Board to ensure that a Comprehensive Approach to Risk Management has established 3 Board level committees:

1. **Board Risk Committee (BRC):** based on the delegation approved by the Board to BRC. The BRC has the following key responsibilities:
   - Reviews and recommend the establishment of and revisions to the bank's risk governance;
   - Reviews and ensures a comprehensive approach risk management is in place; and
   - Oversee E2E Risk Management implementation by senior management.

2. **Board Credit Committee (Equivalent Committee):** based on the delegation approved by the Board to BCC. The BCC (or equivalent committee related to the Branch) has the following key responsibilities:
   - Approving credit proposals exceeding thresholds, as defined in the Bank's Board approved Credit Delegation of Authority.

3. **Board Audit Committee (BAC):** based on the delegation approved by the Board to BAC. The BAC has the following key responsibilities:
   - Overseeing the independent assessment of the risk governance by the internal audit function and the internal audit function's independent assessment of implementation of the bank's Comprehensive Approach to Risk Management.

Further, the Bank has various specialized Management level committees comprising Top and Senior management personnel which ensure oversight and effective implementation of the overall Risk Management Framework. These specialized management committees are empowered with delegated authority, from BRC, for various functional areas and are responsible for addressing not only broad but also specific risk management matters. Some of the key Management Level Committees are:

4. **Risk Management Committee (RMC):** the RMC is responsible for developing and recommending the overall risk strategy, the risk governance framework and the risk appetite statement to the BRC and must be accountable for an effective bank-wide approach to risk management and for the communication of the comprehensive approach to risk management across the bank.

5. **Assets and Liabilities Committee (ALCO):** The Assets and Liabilities Committee (ALCO) is a vital component of the Bank's risk management and strategic decision-making process. ALCO is responsible for managing the balance sheet and ensuring that assets and liabilities are aligned with the institution's risk appetite and financial objectives by covering areas like overall risk exposure, liquidity management, interest rate risk, and capital adequacy.

The Management level committees are further bolstered by the 3 lines of defense within the Bank:

- **First Line of Defense:**
  I. **Business line management** - identification and control of risks
  - Manage and identify risks in the activities of the business line;
  - Ensure activities are within the bank's risk appetite, risk management policies and limits;
  - Design, implement and maintain effective internal controls; and
  - Monitor and report on business line risks.

- **Second Line of Defense:**
  I. Risk management function - sets standards and challenges business lines
  - Headed by the CRO or equivalent;
  - Establish bank-wide or, if applicable, group-wide risk and control strategies and policies;
  - Provide oversight and independent challenge of business line accountabilities;
  - Develop and communicate risk and control procedures; and
  - Monitor and report on compliance with risk appetite, policies and limits.

  II. Compliance function - assess bank-wide adherence to requirements
  - Develop and communicate compliance policies and procedures; and
  - Monitor and report on compliance with laws, corporate governance rules, regulations, regulatory codes and policies to which the bank is subject.

- **Third Line of Defense:**
  I. Internal audit function - independent assurance
  - Independently assess the effectiveness and efficiency of the internal control, risk management and governance systems and processes; and
  - Independently assess the effectiveness of business line management in fulfilling their mandates and managing risk

5.2 Overview of RWAs (OV1)

The following table provides an overview of RWAs, calculated in accordance with Basel III, by risk type and calculation approach.

	(AED '000s)	RWA		Minimum capital requirements
		Dec'23	Jun'23	Dec'23
1	Credit risk (excluding counterparty credit risk)	11,044,865.15	6,948,208.42	1,159,710.84
2	Of which: standardised approach (SA)	11,044,865.15	6,948,208.42	1,159,710.84
3	[redacted]			
4	[redacted]			
5	[redacted]			
6	Counterparty credit risk (CCR)	72,379.15	73,479.19	7,599.81
7	Of which: standardised approach for counterparty credit risk	72,379.15	73,479.19	7,599.81
8	[redacted]			
9	[redacted]			
10	[redacted]			
11	[redacted]			
12	Equity investments in funds - look-through approach	0.00	0.00	0.00
13	Equity investments in funds - mandate-based approach	0.00	0.00	0.00
14	Equity investments in funds - fall-back approach	0.00	0.00	0.00
15	Settlement risk	0.00	0.00	0.00
16	Securitisation exposures in the banking book	0.00	0.00	0.00
17	[redacted]			
18	Of which: securitisation external ratings-based approach (SEC-ERBA)	0.00	0.00	0.00
19	Of which: securitisation standardised approach (SEC-SA)	0.00	0.00	0.00
20	Market risk	51,879.51	13,631.15	5,447.35
21	Of which: standardised approach (SA)	51,879.51	13,631.15	5,447.35
22	[redacted]			
23	Operational risk	1,114,406.88	539,110.00	117,012.72
24	[redacted]			
25	[redacted]			
26	**Total (1+6+10+11+12+13+14+15+16+20+23)**	**12,283,530.68**	**7,574,428.76**	**1,289,770.72**

6. Linkages between financial statements and regulatory exposures

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

31 December 2023 AED (000s)	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items:			
			Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to market risk frame- work	Not subject to capital requirements or subject to deduction from capital
Assets						
Cash and balances at central bank	7,156,136.76	7,156,182.00	7,156,182.00	0.00	0.00	0.00
Items in the course of collection from other banks	6,599,959.31	6,780,748.00	6,780,748.00	0.00	0.00	0.00
Trading portfolio assets	0.00	0.00	0.00	0.00	0.00	0.00
Financial assets designated at fair value	0.00	0.00	0.00	0.00	0.00	0.00
Derivative financial instruments	29,190.79	29,191	0.00	29,190.79	29,190.79	0.00
Loans and advances to banks	1,997,501.31	2,010,112.00	2,010,112.00	0.00	0.00	0.00
Loans and advances to customers	2,537,361.60	2,663,151.00	2,663,151.00	0.00	0.00	0.00
Reverse repurchase agreements and other similar secured lending	0.00	0.00	0.00	0.00	0.00	0.00
Available for sale financial investments (Includes FVOCI)	1,325,412.27	1,325,413.00	1,325,413.00	0.00	0.00	0.00
Current and deferred tax assets	30,369.30	0.00	0.00	0.00	0.00	0.00
Prepayments, accrued income and other assets	90,906.73	146,452.00	146,452.00	0.00	0.00	0.00
Property, plant and equipment	33,051.59	8,625.00	8,625.00	0.00	0.00	0.00
Total Assets	**19,799,889.68**	**20,119,874.00**	**20,090,683.00**	**29,190.79**	**29,190.79**	0.00
Liabilities						
Deposits from banks	4,409.16	4,409.16	0.00	0.00	0.00	4,409.00
Items in the course of collection due to other banks	499,582.79	529,584.00	0.00	0.00	0.00	529,584.00
Customer accounts	17,002,261.82	17,002,261.82	0.00	0.00	0.00	17,002,261.82
Accruals, deferred income and other liabilities	194,977.86	164,975.00	0.00	0.00	0.00	164,975.00
Current and deferred tax liabilities	163,729.49	0.00	0.00	0.00	0.00	0.00
Provisions	45,145.52	546,403.00	0.00	0.00	0.00	546,403.00
Retirement benefit liabilities	17,541.50	0.00	0.00	0.00	0.00	0.00
Derivative financial instruments	29,346.54	29,346.00	0.00	29,346.00	29,346.00	0.00
Total Liabilities	**17,956,994.68**	**18,276,979.00**	**0.00**	**29,346.00**	**29,346.00**	**18,247,632.82**
Shareholder's equity						
Paid-in share capital	1,592,280.00	1,592,280.00	0.00	0.00	0.00	0.00
Other Reserves	96,899.00	96,899.00	0.00	0.00	0.00	0.00
Retained earnings	153,716.00	153,716.00	0.00	0.00	0.00	0.00
Total Shareholder's equity	**1,842,895.00**	**1,842,895.00**	**0.00**	**0.00**	**0.00**	**0.00**
Total Shareholder's equity & Liabilities	**19,799,889.68**	**20,119,873.82**	**0.00**	**29,346.00**	**29,346.00**	**18,247,632.82**

31 December 2022 AED (000s)	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items:			
			Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to market risk frame-work	Not subject to capital requirements or subject to deduction fromcapital
Assets						
Cash and balances at central bank	13,341,075.22	13,341,126.00	13,341,126.00	0.00	0.00	0.00
Items in the course of collection from other banks	3,211,613.82	3,237,817.00	3,237,817.00	0.00	0.00	0.00
Trading portfolio assets	0.00	0.00	0.00	0.00	0.00	0.00
Financial assets designated at fair value	19,375.01	0.00	0.00	0.00	0.00	0.00
Derivative financial instruments	48,203.90	48,203.90	0.00	48,203.90	48,203.90	0.00
Loans and advances to banks	1,215,856.00	1,232,098.00	1,232,098.00	0.00	0.00	0.00
Loans and advances to customers	1,872,111.21	2,052,074.00	2,052,074.00	0.00	0.00	0.00
Reverse repurchase agreements and other similar secured lending	0.00	0.00	0.00	0.00	0.00	0.00
Prepayments, accrued income and other assets	74,426.00	82,604.00	82,604.00	0.00	0.00	0.00
Property, plant and equipment	26,226.37	26,228.00	26,228.00	0.00	0.00	0.00
Available for sale financial investments (Includes FVOCI)	1,406,229.79	1,425,836.00	1,425,836.00	0.00	0.00	0.00
Total Assets	**21,215,117.32**	**21,445,987.00**	**21,397,783.00**	**48,203.90**	**48,203.90**	**0.00**
Liabilities						
Deposits from banks	42,790.00	1,700.00	0.00	0.00	0.00	1,700.00
Items in the course of collection due to other banks	3,140,221.63	3,227,206.00	0.00	0.00	0.00	3,227,206.00
Customer accounts	16,808,830.00	16,812,266.00	0.00	0.00	0.00	16,812,266.00
Repurchase agreements and other similar secured borrowings	0.00	0.00	0.00	0.00	0.00	0.00
Trading portfolio liabilities	0.00	0.00	0.00	0.00	0.00	0.00
Financial liabilities designated at fair value	0.00	0.00	0.00	0.00	0.00	0.00
Derivative financial instruments	42,907.00	42,907.00	0.00	42,907.00	42,907.00	0.00
Accruals, deferred income and other liabilities	182,826.00	133,498.00	0.00	0.00	0.00	133,498.00
Current and deferred tax liabilities	43,896.49	0.00	0.00	0.00	0.00	0.00
Provisions	41,679.51	349,923.00	0.00	0.00	0.00	349,923.00
Retirement benefit liabilities	12,840.34	0.00	0.00	0.00	0.00	0.00
Total Liabilities	**20,315,990.97**	**20,567,499.00**	**0.00**	**42,907.00**	**42,907.00**	**20,524,593.00**
Shareholder's equity						
Paid-in share capital	1,225,000.00	1,225,000.00	0.00	0.00	0.00	0.00
Other Reserves	89,772.00	69,133.00	0.00	0.00	0.00	0.00
Retained earnings	(415,645.65)	(415,645.65)	0.00	0.00	0.00	0.00
Total Shareholder's equity	**899,126.35**	**878,488.00**	**0.00**	**0.00**	**0.00**	**0.00**
Total Shareholder's equity & Liabilities	**21,215,117.32**	**21,445,987.00**	**0.00**	**42,907.00**	**42,907.00**	**20,524,593.00**

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

31 December 2023 AED (000s)		Total	Items subject to:		
			Credit risk framework	Counterparty credit risk framework	Market risk framework
1	**Asset carrying value amount under scope of regulatory consolidation (as per template LI1)**	20,119,873.79	20,090,683.00	0.00	29,190.79
2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	18,276,978.82	0.00	0.00	0.00
3	Total net amount under regulatory scope of consolidation	0.00	0.00	0.00	0.00
4	Off-balance sheet amounts	1,584,439.22	1,473,510.98	110,928.24	0.00
5	Differences in valuations	0.00	0.00	0.00	0.00
6	Differences due to different netting rules, other than those already included in row 2	0.00	0.00	0.00	0.00
7	Differences due to consideration of provisions	0.00	0.00	0.00	0.00
8	Differences due to prudential filters	0.00	0.00	0.00	0.00
10	**Exposure amounts considered for regulatory purposes**	**21,704,313.02**	**21,564,193.98**	**110,928.24**	**29,190.79**

6.3 Explanations of differences between accounting and regulatory exposure amounts (LIA)

The key differences between accounting and regulatory exposure amounts are:

- provisions, interest in suspense, collateral, off-balance sheet exposures (with CCF factoring), and inclusion of Potential Future Exposure ('PFE') on derivative exposures as part of Standardized Approach to Counterparty Credit Risk requirements (SA-CCR);

6.4 Prudent valuation adjustments (PV1)

This disclosure is not applicable as the Bank does not have any prudential valuation adjustments.

7. Composition of Capital

Being a branch of a foreign bank, the capital management aim of the bank is to ensure self-sufficiency of capital requirements to meet the bank's strategic growth requirements as well as accounting for any unexpected losses. Through this objective, the Bank also wants to ensure that its dependency on Head Office for any capital injection is minimized as much as possible to zero.

7.1 Composition of Regulatory Capital (CC1)

		31 Dec 2023 (AED 000s)	30 June 2023 (AED 000s)	31 Dec 2022 (AED 000s)
	Common Equity Tier 1 capital: instruments and reserves			
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	1,592,280.00	1,592,280.00	1,225,000.00
2	Retained earnings	342,158.35	68,696.00	(290,773.00)
3	Accumulated other comprehensive income (and other reserves)	96,898.55	(3,368.34)	69,132.00
4	*Directly issued capital subject to phase-out from CET1 (only applicable to non-joint stock companies)*	0.00	0.00	0.00
5	Common share capital issued by third parties (amount allowed in Bank CET1)	0.00	0.00	0.00
6	**Common Equity Tier 1 capital before regulatory deductions**	**2,031,336.90**	**1,657,607.66**	**1,003,359.00**
	Common Equity Tier 1 capital regulatory adjustments			
7	Prudent valuation adjustments	0.00	0.00	0.00
8	Goodwill (net of related tax liability)	0.00	0.00	0.00
9	Other intangibles including mortgage servicing rights (net of related tax liability)	0.00	0.00	0.00
10	Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of related tax liability)	0.00	0.00	0.00
11	Cash flow hedge reserve	0.00	0.00	0.00
12	Securitisation gain on sale	0.00	0.00	0.00
13	Gains and losses due to changes in own credit risk on fair valued liabilities	0.00	0.00	0.00
14	Defined benefit pension fund net assets	0.00	0.00	0.00
15	Investments in own shares (if not already subtracted from paid-in capital on reported balance sheet)	0.00	0.00	0.00
16	Reciprocal cross-holdings in CET1, AT1, Tier 2	0.00	0.00	0.00
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)	0.00	0.00	0.00
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)	0.00	0.00	0.00
19	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	0.00	0.00	0.00
20	Amount exceeding 15% threshold	0.00	0.00	0.00
21	Of which: significant investments in the common stock of financials	0.00	0.00	0.00
22	Of which: deferred tax assets arising from temporary differences	0.00	0.00	0.00
23	CBUAE specific regulatory adjustments	0.00	0.00	0.00
24	**Total regulatory adjustments to Common Equity Tier 1**	0.00	0.00	0.00
25	**Common Equity Tier 1 capital (CET1)**	**2,031,336.90**	**1,657,607.66**	**1,003,359.00**
	Additional Tier 1 capital: instruments			
26	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	0.00	0.00	0.00
27	OF which: classified as equity under applicable accounting standards	0.00	0.00	0.00
28	Of which: classified as liabilities under applicable accounting standards	0.00	0.00	0.00
29	*Directly issued capital instruments subject to phase-out from additional Tier 1*	0.00	0.00	0.00
30	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in AT1)	0.00	0.00	0.00
31	*Of which: instruments issued by subsidiaries subject to phase-out*	0.00	0.00	0.00

		31 Dec 2023 (AED 000s)	30 June 2023 (AED 000s)	31 Dec 2022 (AED 000s)
32	**Additional Tier 1 capital before regulatory adjustments**	0.00	0.00	0.00
	Additional Tier 1 capital: regulatory adjustments			
33	Investments in own additional Tier 1 instruments	0.00	0.00	0.00
34	Investments in capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation	0.00	0.00	0.00
35	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope ofregulatory consolidation	0.00	0.00	0.00
36	CBUAE specific regulatory adjustments	0.00	0.00	0.00
37	Total regulatory adjustments to additional Tier 1 capital	0.00	0.00	0.00
38	**Additional Tier 1 capital (AT1)**	0.00	0.00	0.00
39	**Tier 1 capital (T1= CET1 + AT1)**	**2,031,336.90**	**1,657,607.66**	**1,003,359.00**
	Tier 2 capital: instruments and provisions			
40	Directly issued qualifying Tier 2 instruments plus related stock surplus	0.00	0.00	0.00
41	*Directly issued capital instruments subject to phase-out from Tier 2*	0.00	0.00	0.00
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 Bank Tier 2)	0.00	0.00	0.00
43	*Of which: instruments issued by subsidiaries subject to phase-out*	0.00	0.00	0.00
44	Provisions	138,965.55	87,771.00	59,372.53
45	**Tier 2 capital before regulatory adjustments**	**138,965.55**	**87,771.00**	**59,372.53**
	Tier 2 capital: regulatory adjustments			
46	Investments in own Tier 2 instruments	0.00	0.00	0.00
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)	0.00	0.00	0.00
48	Significant investments in the capital, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	0.00	0.00	0.00
49	CBUAE specific regulatory adjustments	0.00	0.00	0.00
50	**Total regulatory adjustments to Tier 2 capital**	0.00	0.00	0.00
51	**Tier 2 capital (T2)**	**138,965.55**	**87,771.00**	**59,372.53**
52	**Total regulatory capital (TC = T1 + T2)**	**2,170,302.45**	**1,745,378.66**	**1,062,731.53**
53	**Total risk-weighted assets**	**12,283,530.43**	**7,574,428.76**	**5,346,035.71**
	Capital ratios and buffers			
54	Common Equity Tier 1 (as a percentage of risk-weighted assets)	16.54%	21.88%	18.77%
55	Tier 1 (as a percentage of risk-weighted assets)	16.54%	21.88%	18.77%
56	Total capital (as a percentage of risk-weighted assets)	17.67%	23.04%	19.88%
57	Institution specific buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus higher loss absorbency requirement, expressed as a percentage of risk-weighted assets)	2.50%	2.50%	2.50%
58	Of which: capital conservation buffer requirement	2.50%	2.50%	2.50%
59	Of which: bank-specific countercyclical buffer requirement	0.00%	0.00%	0.00%
60	Of which: higher loss absorbency requirement (e.g. DSIB)	0.00%	0.00%	0.00%
61	Common Equity Tier 1 (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirement.	7.17%	12.54%	9.38%
	The CBUAE Minimum Capital Requirement			
62	Common Equity Tier 1 minimum ratio	7.00%	7.00%	7.00%
63	Tier 1 minimum ratio	8.50%	8.50%	8.50%
64	Total capital minimum ratio	10.50%	10.50%	10.50%
	Amounts below the thresholds for deduction (before risk weighting)			
65	[redacted]			
66	Significant investments in common stock of financial entities	0.00	0.00	0.00
67	[redacted]			
68	Deferred tax assets arising from temporary differences (net of related tax liability)	0.00	0.00	0.00
	Applicable caps on the inclusion of provisions in Tier 2			

		31 Dec 2023 (AED 000s)	30 June 2023 (AED 000s)	31 Dec 2022 (AED 000s)
69	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	0.00	0.00	0.00
70	Cap on inclusion of provisions in Tier 2 under standardised approach	0.00	0.00	0.00
71	[redacted]			
72	[redacted]			
	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*	0.00	0.00	0.00
74	*Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)*	0.00	0.00	0.00
75	*Current cap on AT1 instruments subject to phase-out arrangements*	0.00	0.00	0.00
76	*Amount excluded from AT1 due to cap (excess after redemptions and maturities)*	0.00	0.00	0.00
77	*Current cap on T2 instruments subject to phase-out arrangements*	0.00	0.00	0.00
78	*Amount excluded from T2 due to cap (excess after redemptions and maturities)*	0.00	0.00	0.00

In addition to the above, currently, the bank is considering 25% of the differential between 2019 ECL and the ECL as per the reporting period in line with CBUAE issued 'Prudential Filter' allowing Banks to add back increase in IFRS 9 stage 1 and stage 2 provisions to the regulatory capital with a transition period of 5 years based on the below mentioned table:

Years	2020	2021	2022	2023	2024
Proportion of Provision	100%	100%	75%	50%	25%

7.2 Reconciliation of regulatory capital to balance sheet (CC2)

The following table shows the differences between the scope of accounting consolidation and regulatory consolidation. The table also presents 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 (CC1).

AED'000s	31 December 2023		31 December 2022	
	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Balance sheet as in published financial statements	Under regulatory scope of consolidation
Assets				
Cash and balances at central banks	7,156,136.76	7,156,182.00	13,341,075.22	13,341,126.00
Items in the course of collection from other banks	6,599,959.31	6,780,748.00	3,211,613.82	3,237,817.00
Financial assets designated at fair value	0.00	0.00	19,375.01	0.00
Derivative financial instruments	29,190.79	29,191.00	48,203.90	48,204.00
Loans and advances to banks	1,997,501.31	2,010,112.00	1,215,856.00	1,232,098.00
Loans and advances to customers	2,537,361.60	2,663,151.00	1,872,111.21	2,052,074.00
Available for sale financial investments (Includes FVOCI)	1,325,412.27	1,325,413.00	1,406,229.79	1,425,836.00
Current and deferred tax assets	30,369.30	0.00	0.00	0.00
Prepayments, accrued income and other assets	90,906.73	146,452.00	74,426.00	82,604.00
Property, plant and equipment	33,051.59	8,625.00	26,226.37	26,228.00
Total assets	**19,799,889.68**	**20,119,874.00**	**21,215,117.32**	**21,445,987.00**
Liabilities				
Deposits from banks	4,409.16	4,409.00	42,790.00	1,700.00
Items in the course of collection due to other banks	499,582.79	499,582	3,140,221.63	3,227,206.00
Customer accounts	17,002,261.82	17,002,262.00	16,808,830.00	16,812,266.00
Derivative financial instruments	29,346.54	29,346.54	42,907.00	42,906.00
Accruals, deferred income and other liabilities	194,977.86	164,975.00	182,826.00	133,498.00
Current and deferred tax liabilities	163,729.49	0.00	43,896.49	0.00
Provisions	45,145.52	546,403.00	41,679.51	349,923.00
Retirement benefit liabilities	17,541.50	0.00	12,840.34	0.00
Total liabilities	**17,956,994.68**	**18,276,979.00**	**20,315,990.97**	**20,567,499.00**
Shareholder's Equity				
Share capital	1,592,280.00	1,592,280.00	1,225,000.00	1,225,000.00
Tier 1 capital notes	0.00	0.00	0.00	0.00
Legal and statutory reserve	0.00	0.00	0.00	0.00
General reserve	0.00	0.00	0.00	0.00
Capital reserve	0.00	0.00	0.00	0.00
Fair value reserve	0.00	0.00	0.00	0.00
Other Reserves	96,899.00	96,899.00	89,772.00	69,133.00
Retained earnings	153,716.00	153,716.00	(415,645.65)	(415,645.65)
Total shareholders' equity	**1,842,895.00**	**1,842,895.00**	**899,126.35**	**878,488.00**

7.3 Main features of regulatory capital instruments (CCA)

Given that the Bank operates as a branch of foreign bank in the UAE therefore it does not have any mandate for capital issuance in any other way other than capital injections from Head Office.

7.4 Countercyclical Buffer (CCyB1)

	a	b	c	d	e
Geographical breakdown (AED 000's)	Countercyclical capital buffer rate	Exposure values and/or risk-weighted assets used in the computation of the countercyclical capital buffer		Bank-specific countercyclical capital buffer rate	Countercyclical buffer amount
		Exposure values	Risk-weighted assets		
Austria	1.00%	0.00	0.00	0.00%	0.00
France	1.00%	0.00	0.00	0.00%	0.00
Germany	0.75%	3,594.03	3,594.03	0.00%	0.27
United Kingdom	2.00%	0.00	0.00	0.00%	0.00
Sum		**3,594.03**	**3,594.03**		
Total		**21,752,463.46**	**11,104,768.24**	**0.00%**	**0.27**

- Excludes Claims on Banks, MDB's, Sovereign and Other Assets
- UAE perspective no CCYB as per CBUAE regulations, the template is shown to reflect Geographic exposures and countries where CCYB is currently effective.

8. Leverage Ratio

8.1 Summary comparison of accounting assets vs leverage ratio exposure (LR1)

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

		31 Dec 2023 (AED 000s)	30 Jun 2023 (AED 000s)	31 Dec 2022 (AED 000s)
1	Total consolidated assets as per published financial statements	20,087,571.07	20,986,154.32	21,403,598.10
2	Adjustments for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	0.00	0.00	0.00
3	Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference	0.00	0.00	0.00
4	Adjustments for temporary exemption of central bank reserves (if applicable)	0.00	0.00	0.00
5	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accountingframework but excluded from the leverage ratio exposure measure	0.00	0.00	0.00
6	Adjustments for regular-way purchases and sales of financial assets subject to trade date accounting	0.00	0.00	0.00
7	Adjustments for eligible cash pooling transactions	0.00	0.00	0.00
8	Adjustments for derivative financial instruments	110,928.24	118,814.67	262,100.31
9	Adjustment for securities financing transactions (ie repos and similar secured lending)	0.00	0.00	0.00
10	Adjustments for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheetexposures)	360,652.65	411,632.68	329,743.95
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	0.00	0.00	0.00
12	Other adjustments	0.00	0.00	0.00
13	**Leverage ratio exposure measure**	**20,559,151.96**	**21,516,601.67**	**21,995,442.36**

8.2 Leverage ratio common disclosure template (LR2)

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

		31 Dec 2023 (AED 000s)	30 Jun 2023 (AED 000s)	31 Dec 2022 (AED 000s)
On-balance sheet exposures				
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	20,087,571.07	20,986,154.32	21,403,598.10
2	Gross-up for derivatives collateral provided where deducted from balance sheet assets pursuant to the operative accounting framework	0.00	0.00	0.00
3	(Deductions of receivable assets for cash variation margin provided in derivatives transactions)	0.00	0.00	0.00
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	0.00	0.00	0.00
5	(Specific and general provisions associated with on-balance sheet exposures that are deductedfrom Tier 1 capital)	0.00	0.00	0.00
6	(Asset amounts deducted in determining Tier 1 capital)	0.00	0.00	0.00
7	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)**	20,087,571.07	20,986,154.32	21,403,598.10
Derivative exposures				
8	Replacement cost associated with *all* derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	29,346.54	54,897.26	48,630.70
9	Add-on amounts for PFE associated with *all* derivatives transactions	49,887.92	63,917.41	138,583.81
10	(Exempted CCP leg of client-cleared trade exposures)	0.00	0.00	0.00
11	Adjusted effective notional amount of written credit derivatives	0.00	0.00	0.00
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0.00	0.00	0.00
13	**Total derivative exposures (sum of rows 8 to 12)**	79,234.46	118,814.67	187,214.50
Securities financing transactions				
14	Gross SFT *assets* (with no recognition of netting), after adjusting for sale accounting transactions	0.00	0.00	0.00
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0.00	0.00	0.00
16	CCR exposure for SFT assets	0.00	0.00	0.00
17	Agent transaction exposures	0.00	0.00	0.00
18	**Total securities financing transaction exposures (sum of rows 14 to 17)**	0.00	0.00	0.00
Other off-balance sheet exposures				
19	Off-balance sheet exposure at gross notional amount	1,473,510.98	1,733,826.75	8,676,34.02
20	(Adjustments for conversion to credit equivalent amounts)	(1,112,858.33)	(1,322,194.07)	(537,890.07)
21	(Specific and general provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital)	0.00	0.00	0.00
22	**Off-balance sheet items (sum of rows 19 to 21)**	360,652.65	411,632.68	329,743.95
Capital and total exposures				
23	**Tier 1 capital**	**2,031,336.90**	**1,657,607.66**	**1,003,359.00**
24	**Total exposures (sum of rows 7, 13, 18 and 22)**	**20,527,458.18**	**21,516,601.67**	**21920556.56**
Leverage ratio				
25	**Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)**	9.90%	7.70%	4.58%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	9.90%	7.70%	4.58%
26	CBUAE minimum leverage ratio requirement	3.00%	3.00%	3.00%
27	**Applicable leverage buffers**	3.00%	3.00%	3.00%

9. Liquidity Risk

9.1 Liquidity risk management (LIQA)

The Bank follows the BCBS definition of Liquidity risk defined by the Basel Committee on Banking Supervision (BCBS), "as the risk that a bank will not be able to meet its financial obligations as they come due without incurring unacceptable losses. Liquidity risk can arise from either an inability to sell assets quickly at a reasonable price or from insufficient funding sources to meet immediate and future cash flow requirements".

The Bank manages Liquidity Risk through the Board approved Risk Appetite Statement, the Bank's Assets Liability Management Committee (ALCO), in line with regulatory, internal policies and guidelines. The Bank's objective in managing liquidity risk is to ensure that it has adequate funding from diversified sources at all times to meet its liabilities when they fall due, under both normal and stressed conditions (both idiosyncratic and market drives stress) without major impact to its P&L and Capital.

Liquidity stress testing is conducted under a variety of scenarios covering 3 scenarios namely:

- Idiosyncratic;
- Market Driven; and
- Combination of 1 & 2.

Measurement of Liquidity Risk
The Bank measures liquidity risk through following main ratios:

- Eligible Liquid Assets ratio (ELAR);
- Advances to Stable Resources Ratio (ASRR)
- LCR & NSFR ratios managed internally from local regulations perspective and also used for reporting it to Head Office as part of overall Liquidity Risk measurement; and
- Net Loans to Deposits ratio (LDR).

For the purposes of Pillar 3 disclosures, the Bank has reported only ELAR and ASRR.

9.2 Eligible Liquid Assets Ratio (ELAR)

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

1	High Quality Liquid Assets	31 Dec 2023 (AED 000's)	
		Nominal Amount	Eligible Liquid Asset
1.1	Physical cash in hand at the bank + balances withthe CBUAE	6,406,647.45	
1.2	UAE Federal Government Bonds and Sukuks		
	Sub Total (1.1 to 1.2)		
1.3	UAE local governments publicly traded debtsecurities		
1.4	UAE Public sector publicly traded debt securities		
	Subtotal (1.3 to 1.4)		
1.5	Foreign Sovereign debt instruments or instruments issued by their respective central banks		

1	High Quality Liquid Assets	31 Dec 2023 (AED 000's)	
		Nominal Amount	Eligible Liquid Asset
1.6	**Total**		
2	Total liabilities		16,331,291.02
3	**Eligible Liquid Assets Ratio (ELAR)**		**39.23%**

9.3 Advances to Stables Resource Ratio (ASRR)

The following table presents the breakdown of the Bank's Advances to Stables Resource ratio as per the Liquidity regulations.

			AED (000's)		
		Items	**31 Dec 2023**	**30 Jun 2023**	**31 Dec 2022**
1		**Computation of Advances**			
	1.1	Net Lending (gross loans - specific and collective provisions + interestin suspense)	2,500,816.00	2,548,092.00	1,973,714.00
	1.2	Lending to non-banking financial institutions	96,299.00	0.00	0.00
	1.3	Net Financial Guarantees & Stand-by LC (issued - received)	18,917.00	0.00	0.00
	1.4	Interbank Placements	1,861,800.00	1,125,962.00	649,091.00
	1.5	**Total Advances**	**4,477,832.00**	**3,674,054.00**	**2,622,805.00**
2		**Calculation of Net Stable Resources**			
	2.1	Total capital + general provisions	2,104,843.00	1,530,769.00	1,056,572.00
		Deduct:			
	2.1.1	Goodwill and other intangible assets	2,595.00	3,023.00	0.00
	2.1.2	Fixed Assets	8,625.00	9,330.00	26,228.00
	2.1.3	Funds allocated to branches abroad	0.00	0.00	0.00
	2.1.5	Unquoted Investments	0.00	0.00	1,425,836.00
	2.1.6	Investment in subsidiaries, associates and affiliates	0.00	0.00	0.00
	2.1.7	**Total deduction**	**11,220.00**	**12,353.00**	**1,452,064.00**
	2.2	**Net Free Capital Funds**	**2,093,623.00**	**1,518,416.00**	**(395,492.00)**
	2.3	**Other stable resources:**			
	2.3.1	Funds from the head office	0.00	0.00	36,730.00
	2.3.2	Interbank deposits with remaining life of more than 6 months	0.00	0.00	0.00
	2.3.3	Refinancing of Housing Loans	0.00	0.00	0.00
	2.3.4	Borrowing from non-Banking Financial Institutions	30,857.00	0.00	0.00
	2.3.5	Customer Deposits	14,510,922.00	14,423,470.00	15,107,149.00
	2.3.6	Capital market funding/ term borrowings maturing after 6 months from reporting date	0.00	0.00	0.00
	2.3.7	**Total other stable resources**	**14,541,779.00**	**14,423,470.00**	**15,143,879.00**
	2.4	**Total Stable Resources (2.2+2.3.7)**	**16,635,402.00**	**15,941,886.00**	**14,748,387.00**
3		**Advances to stable resources ratio (1.5 / 2.4*100)**	**26.92%**	**23.05%**	**17.78%**

10. Credit Risk

10.1 General qualitative information about credit risk (CRA)

'Credit risk' is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Bank's loans and advances to customers and other banks, and investment debt securities. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure – e.g. individual obligor default risk, country and sector risk

Credit risk is the single largest risk for the Bank's business; management therefore carefully manages its exposure to credit risk. The credit risk management and control are centralized in a risk management department which reports regularly to the Risk Management Committee.

1. Management of credit risk

The Bank manages Credit Risk through a combination of Board Approved Risk Appetite Statement, the Management Risk Committee and the Management Credit Committee (CC). Both the Committee's as well as the Risk Appetite Statement are under the Board's purview and approval.

The key roles and responsibilities of the two committees are as follows:

- Establishing the Risk Appetite Statement of the Bank reflecting the Credit Risk thresholds along with the governance of these thresholds;
- Establishing and implementing the Credit policies and adherence to their compliance;
- Establishing the Credit Delegation of Authority;
- Managing Concentration Risk including but not limited to Single Obligor Default, Sector & Geography;
- Liaising with Head Office for the development and management of the Bank's Credit Ratings; and
- Liaising with Head Office for the development and management of the Bank's processes for measuring ECL;

2. Measurement of credit risk

i. Credit risk grading

- Wholesale

  For wholesale business, the rating is determined at the borrower level. A relationship manager will incorporate any updated or new information/credit assessments into the credit system on an ongoing basis. In addition, the relationship manager will also update information about the creditworthiness of the borrower semi-annually from sources such as financial statements. This will determine the updated internal credit rating and the mapped PD.
- Treasury

  For debt securities in the treasury portfolio, external rating agency credit grades are used. These published grades are continuously monitored and updated. The PD's associated with each grade are determined based on realised default rates over the prior 12 months, as published by the rating agency.
- Retail

  For Retail, the rating is determined on the basis of bucketing ranging from Bucket 0 to Bucket 7.

ii. Expected credit loss measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition of a facility as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Bank.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.
- Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- A pervasive concept in measuring the ECL in accordance with IFRS 9 is that it should consider forward-looking information.
- Purchased or originated credit impaired financial assets are those financial assets that are credit impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3). However, the Bank does not have any such exposure in its books.

10.2 Credit quality of assets (CR1)

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

31 December 2023 (AED 000s)		Gross carrying values of		Allowances / Impairments	ECL accounting provisions for credit losses		Net values
		Defaulted exposures	Non-defaulted exposures		Specific	General	
1	Loans	63,536.36	4,609,723.35	103,346.98	28,983.57	54,489.23	4,569,912.72
2	Debt securities	0.00	1,343,814.00	8,897.36	0.00	15,145.00	1,334,916.64
3	Off-balance sheet exposures	4,129.95	1,691,237.51	8,752.68	2,000.00	2,109.76	1,686,614.78
4	**Total**	**67,666.31**	**7,644,774.86**	**120,997.02**	**30,983.57**	**71,743.99**	**7,591,444.15**

31 December 2022 (AED 000s)		Gross carrying values of		Allowances / Impairments	ECL accounting provisions for credit losses		Net values
		Defaulted exposures	Non-defaulted exposures		Specific	General	
1	Loans	112,223.00	3,171,918.00	219,699.44	42,808.00	39,849.00	3,064,441.56
2	Debt securities	0.00	1,445,950.00	4,426.94	0.00	11,220.00	1,441,523.06
3	Off-balance sheet exposures	4,282.00	1,252,472.00	2,310.64	2,000.00	4,775.00	1,254,443.36
4	**Total**	**116,505.00**	**5,870,340.00**	**226,437.02**	**44,808.00**	**55,844.00**	**5,760,407.98**

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

The below 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.

		31 December 2023(AED 000s)	30 June 2023 (AED 000s)	31 December 2022 (AED000s)
1	**Defaulted loans and debt securities at the end of the previous reporting period**	**63,536.36**	**72,769.00**	**112,223.00**

2	Loans and debt securities that have defaulted since the last reporting period	0	0	0
3	Returned to non-default status	0	0	0
4	Amounts written off	0	0	0
5	Other changes	0	0	0
6	**Defaulted loans and debt securities at the end of the reporting period (1+2-3-4±5)**	**63,536.36**	**72,769.00**	**112,223.00**

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

1. Breakdown of exposures by geographical areas, industry and residual maturity

- By Geography

31 December 2023 (AED 000s)							
Industry	**CBUAE**	**Due From Banks**	**Due From HO**	**Investments**	**Loans**	**Non-Funded**	**Total**
UAE	7,156,182.16	372,456.97	0.00	98,807.53	2,174,307.54	1,431,598.05	11,233,352.25
Egypt	0.00	5,849,399.60	11,600.41	303,236.83	1,245,932.22	216,976.46	7,627,145.52
GCC	0.00	1,875.15	68,671.84	606,982.16	588,434.96	0.00	1,265,964.12
Europe	0.00	388,024.73	0.00	147,980.82	220,379.96	46,627.71	803,013.22
Middle East	0.00	113.79	0.00	186,807.44	0.00	0.00	186,921.24
Others	0.00	88,592.26	0.00	0.00	444,205.02	165.24	532,962.52
Total	**7,156,182.16**	**6,700,462.50**	**80,272.25**	**1,343,814.78**	**4,673,259.70**	**1,695,367.46**	**21,649,358.86**

- By Industry

31 December 2023 (AED 000s)							
Industry	**CBUAE**	**DFB**	**DFHO**	**Investment**	**Loans**	**Non-Funded**	**Total**
Financial and Insurance	0.00	6,700,462.50	80,272.25	697,445.42	2,290,059.05	178,888.20	9,947,127.43
Sovereign Entities	7,156,182.16	0.00	0.00	536,613.52	179,141.64	0.00	7,871,937.33
Mining and quarrying	0.00	0.00	0.00	0.00	24,453.06	776,839.32	801,292.38
Construction & Contracting	0.00	0.00	0.00	0.00	300,661.26	433,074.16	733,735.42
Wholesale and Retail Trade	0.00	0.00	0.00	73,065.16	561,571.86	28,305.31	662,942.32
Electricity, gas supply	0.00	0.00	0.00	36,690.68	325,060.07	545.84	362,296.59
Information and Communications	0.00	0.00	0.00	0.00	167,183.69	184,185.02	351,368.71
Other Service Activities	0.00	0.00	0.00	0.00	294,601.01	348.20	294,949.21
Individual	0.00	0.00	0.00	0.00	276,674.89	0.00	276,674.89
Transportation and storage	0.00	0.00	0.00	0.00	172,770.40	29,160.47	201,930.87
Real Estate Activities	0.00	0.00	0.00	0.00	39,416.10	63,390.90	102,807.00
Manufacturing	0.00	0.00	0.00	0.00	41,666.67	0.00	41,666.67
Hospitality	0.00	0.00	0.00	0.00	0.00	555.06	555.06
Education	0.00	0.00	0.00	0.00	0.00	75.00	75.00
Total	**7,156,182.16**	**6,700,462.50**	**80,272.25**	**1,343,814.78**	**4,673,259.70**	**1,695,367.46**	**21,649,358.86**

- By Residual Maturity

31 December 2023 (AED 000s)							
Residual Maturity	**CBUAE**	**Due From Banks**	**Due From HO**	**Investments**	**Loans**	**Non-Funded**	**Total**
Less than 1 week	6,350,000.00	6,583,999.60	0.00	0.00	63,690.39	144,987.41	13,142,677.41
1 week to 1 month	0.00	2,181.84	0.00	62,989.29	36,473.10	27,780.25	129,424.49
1 to 6 months	806,182.16	108,036.96	80,272.25	474,534.45	1,399,280.93	1,315,883.85	4,184,190.61
6 months to 1 year	0.00	6,244.10	0.00	183,053.20	608,799.30	62,062.41	860,159.00
1 to 3 years	0.00	0.00	0.00	467,039.74	1,051,105.67	14,635.50	1,532,780.91
3 to 5 years	0.00	0.00	0.00	156,198.10	1,063,263.82	0.00	1,219,461.92
Over 5 years	0.00	0.00	0.00	0.00	450,646.48	130,018.05	580,664.53
Total	**7,156,182.16**	**6,700,462.50**	**80,272.25**	**1,343,814.78**	**4,673,259.70**	**1,695,367.46**	**21,649,358.86**

2. Amounts of specific impaired exposures (according to the definition used by the bank for accounting purposes) and related allowances and write-offs, broken down by geographical areas and industry

- By Geography

31 December 2023 (AED 000s)		
Country	**Exposure**	**Specific Provision**
UAE	63,419.40	28,795.86
EGYPT	4,000.00	2,000.00
Total	**67,419.40**	**30,795.86**

- By Industry

31 December 2023 (AED 000s)		
Industry	**Exposure**	**Specific Provision**
Financial and Insurance activities	48,863.75	23,562.66
Construction & Contracting	14,403.41	3,604.33
Retail	4,022.13	3,628.88
Transportation and storage	78.00	0.00
Hospitality	51.95	0.00
Total	**67,419.24**	**30,795.86**

3. Ageing analysis of accounting past-due exposures

31 December 2023 (AED 000s)	Less Than 30 Days	31 to 60 Days	61 to 90 Days	More Than 91 Days	Total
Loans and Advances	128,558.99	4.82	0.00	208.05	128,771.87

4. Breakdown of restructured exposures between impaired and not impaired exposures

31 December 2023 (AED 000s)	Restructured Exposure	Impaired	Not Impaired
Loans and Advances	59,267.16	59,267.16	0.00

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

1. Credit Risk Mitigation

- **Collateral held and other credit enhancements**

The Bank employs a range of policies and practices to mitigate credit risk. The most common of these is accepting collateral for the Bank exposures. The Bank has internal policies on the acceptability of specific classes of collateral as part of its credit risk mitigation. The Bank's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Bank since the prior period.

- **Collateral**

The Bank holds collateral against both its on and off balance sheet exposures primarily in the form of cash, counter-guarantees and mortgages. However for the estimation of the eligibility of such collaterals for Credit Risk Mitigation purposes the Bank follows its Credit Risk Policy as well as in the CBUAE issued regulations with regards to acceptability of collateral on the basis of parameters like External Credit Rating, frequency of valuation and using independent sources for deriving the market rates on a real time basis.

10.6 Credit risk mitigation techniques –Overview (CR3)

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

31 December 2023(AED 000s)		a	b	c	d	e	f	g
		Exposures unsecured: carrying amount	Exposures secured by collateral	Exposures secured by collateral of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1	Loans	4,569,912.00	195,426.00	4,374,486.00	0.00	0.00	0.00	0.00
2	Debt securities	1,343,814.00	0.00	1,343,814.00	0.00	0.00	0.00	0.00
3	**Total**	**5,913,726.00**	**195,426.00**	**5,718,300.00**	**0.00**	**0.00**	**0.00**	**0.00**
4	Of which defaulted	63,536.36	0.00	0.00	0.00	0.00	0.00	0.00

10.7 Standardized approach - Credit risk exposure and Credit Risk Mitigation (CRM) effects (CR4)

The following table illustrates the effect of CRM on standardized approach capital requirements' calculations. RWA density provides a synthetic metric on riskiness of each portfolio.

31 December 2023 (AED 000s)		Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	Asset classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Sovereigns and their central banks	7,840,907.47	0.00	7,840,907.47	0.00	722,170.58	9.21%
2	Public Sector Entities	73,460.00	0.00	73,460.00	0.00	73,460.00	100.00%
3	Multilateral development banks	381,992.00	0.00	381,992.00	0.00	255,273.50	66.83%
4	Banks	9,110,488.96	80,875.89	9,110,488.96	77,526.72	7,564,159.55	82.33%
5	Securities firms	0.00	0.00	0.00	0.00	0.00	0.00%
6	Corporates	2,393,524.01	1,499,433.38	2,237,815.71	766,904.60	2,284,577.50	76.03%
7	Regulatory retail portfolios	64,497.43	0.00	64,497.43	0.00	23,465.34	36.38%
8	Secured by residential property	0.00	0.00	0.00	0.00	0.00	0.00%
9	Secured by commercial real estate	0.00	0.00	0.00	0.00	0.00	0.00%
10	Equity Investment in Funds (EIF)	0.00	0.00	0.00	0.00	0.00	0.00%
11	Past-due loans	63,497.51	4,129.95	1,592.09	0.00	0.25	0.02%
12	Higher-risk categories	0.00	0.00	0.00	0.00	0.00	0.00%
13	Other assets	159,203.69	0.00	159,203.69	0.00	121,758.42	76.48%
14	**Total**	**20,087,571.07**	**1,584,439.22**	**19,869,957.36**	**844,431.32**	**11,044,865.15**	**53.32%**

10.8 Standardized approach - Exposures by asset classes and risk weights (CR5)

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

31 December 2023 (AED 000s)										
Asset Classes \ RWA Weight		0%	20%	35%	50%	75%	100%	150%	Others	Total credit exposures amount (post CCF andpost-CRM)
1	Sovereigns and their central banks	7,118,736.89	0.00	0.00	0.00	0.00	722,170.60	0.00	0.00	7,840,907.49
2	Public Sector Entities	0.00	0.00	0.00	0.00	0.00	73,460.00	0.00	0.00	73,460.00
3	Multilateral development banks	0.00	0.00	0.00	253,437.00	0.00	128,555.00	0.00	0.00	381,992.00
4	Banks	165.24	756,946.00	0.00	2,036,267.24	0.00	6,394,636.61	0.00	0.00	9,188,015.09
5	Securities firms	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6	Corporates	664,949.64	0.00	0.00	109,755.84	0.00	2,227,913.17	0.00	2,101.67	3,004,720.31
7	Regulatory retail portfolios	39,717.90	0.00	0.00	0.00	5,256.79	19,522.75	0.00	0.00	64,497.43
8	Secured by residential property	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
9	Secured by commercial real estate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
10	Equity Investment in Funds (EIF)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
11	Past-due loans	1,591.93	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,591.93
12	Higher-risk categories	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
13	Other assets	37,445.28	0.00	0.00	0.00	0.00	121,758.42	0.00	0.00	159,203.69
14	**Total**	**7,862,606.86**	**756,946.00**	**0.00**	**2,399,460.08**	**5,256.79**	**9,688,016.54**	**0.00**	**2,101.67**	**20,714,387.94**

11. Counterparty credit risk (CCR)

11.1 Qualitative disclosure related to Counterparty Credit Risk (CCR)

Counterparty is the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows. An economic loss would occur if the transactions or portfolio of transactions with the counterparty has a positive economic value at the time of default.

Unlike a firm's exposure to credit risk through a loan, where the exposure to credit risk is unilateral and only the lending bank faces the risk of loss, CCR creates a bilateral risk of loss: the market value of the transaction can be positive or negative to either counterparty to the transaction. The market value is uncertain and can vary over time with the movement of underlying market factors.

The bank uses the Coefficient of Variance (Value at Risk 99% confidence) and adjusted to its tenor risk co-efficient, to determine the Potential Future Exposure (PFE) to derivative transaction. Credit limits for CCR are assessed and allocated using the PFE measure.

- **Counterparty credit risk mitigants**
  The Bank uses CSA as a counterparty credit risk mitigant. A Credit Support Annex (CSA) is a legal document that supplements a master trading agreement, typically the International Swaps and Derivatives Association (ISDA) Master Agreement, between two parties involved in derivative or other financial transactions. The CSA specifies the terms and conditions related to the provision of collateral by the parties to mitigate credit risk arising from "in the money" positions under the derivative trades covered by the agreement
- **CCR regulatory capital calculation**
  As mandated by CBUAE, the Banks need to calculate risk weighted assets and the corresponding capital for Counterparty Credit Risk. In this regards, Bank has adopted the Standardized approach for to Counterparty Credit Risk (SACCR) for all of its derivative transactions.

11.2 Analysis of Counterparty Credit Risk by approach (CCR1)

The following table provides a comprehensive view of the approach used to calculate counterparty credit risk regulatory requirements and the main parameters used within each method.

31 December 2023 (AED 000s)	Replacement cost	Potential future exposure	EEPE	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
SA-CCR (for derivatives)	29,346.54	49,887.92		1.4	110,928.24	72,379.15
[redacted]	-	-		0.00	0.00	0.00
Simple Approach for credit risk mitigation (for SFTs)					0.00	0.00
Comprehensive Approach for credit risk mitigation (for SFTs)					0.00	0.00
[redacted]					0.00	0.00
Total						72,379.15

11.3 Standardized approach - CCR exposures by regulatory portfolio and risk weights (CCR3)

The table provides a breakdown of CCR exposures based on CBUAE issued Basel Classifications.

31 December 2023 (AED 000s)	Credit Exposure							
Basel Classification	**0%**	**20%**	**50%**	**75%**	**100%**	**150%**	**Others**	**Total**
Sovereigns	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Public Sector Entities (PSEs)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Multilateral development banks (MDBS)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Banks	0.00	5,143.13	68,869.19	0.00	0.00	0.00	0.00	74,012.31
Securities firms	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Corporates	0.00	0.00	0.00	0.00	36,915.93	0.00	0.00	36,915.93
Regulatory retail portfolios	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Secured by residential property	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Secured by commercial real estate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Equity Investment in Funds (EIF)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Past-due loans	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Higher-risk categories	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total	**0.00**	**5,143.13**	**68,869.19**	**0.00**	**36,915.93**	**0.00**	**0.00**	**110,928.24**

12. Securitisation

This disclosure is not applicable as the Bank does not hold any securitization positions.

13. Market Risk

13.1 General qualitative disclosure requirements related to market risk (MRA)

Market risk is the risk that changes in market factors, such as interest rates, equity prices, foreign exchange rates and credit spreads, will affect BMUAE's income and / or value of investment portfolio. The objective of market risk management is to manage and control market risk exposure within approved risk appetite, while optimizing the return on risk.

1. Market Risk Exposure

The Bank as of 31st December 2023, is exposed to market risk only within its Banking Book and it did not have any Market Risk linked to trading book.

2. Market Risk Control and Governance Structure

The Bank's exposure to market risk is governed by a policy approved by the ALCO and Group Market Risk. The policy sets out the nature of risk which may be taken, and applicable maximum risk limits. Compliance with the Bank's risk limits and the Bank's exposure to market risks are reviewed at ALCO meetings.

Market Risk Unit which is an independent function, produces daily reports for the business and senior management detailing BMUAE's Market risk profile against limits, as well as quarterly summary reports to ALCO. Breaches of limit is reported daily to Senior Management and escalated to ALCO at the quarterly ALCO meeting.

3. Market risk measures

The primary risk factors driving market risk in BMUAE are as follows:

- **Foreign exchange:** Risk arising from changes in foreign exchange rates and volatilities.
- **Interest rate:** Risk arising from changes in the level of interest rates that may impact prices of interest rate sensitive assets such as interest rate swaps.
- **Credit:** Risk arising from changes in the level of credit spreads that may impact prices of credit spread sensitive assets.

BMUAE uses a range of risk measurement metrics and limits to monitor and manage the risks that the business is exposed to such as:

- Value-at-Risk (VaR);
- Sensitivity stress tests; and
- Stop Loss

13.2 Market risk under the standardized approach (MR1)

The following table provides the components of capital requirement under the standardized approach for market risk.

(AED 000s)		31 December 2023	30 June 2023	31 December 2022
		RWA	RWA	RWA
	General Interest rate risk (General and Specific)	0.00	0.00	0.00
	Equity risk (General and Specific)	0.00	0.00	0.00
	Foreign exchange risk	51,879.51	13,631.15	57,122.98
	Commodity risk	0.00	0.00	0.00
	Options			

	(AED 000s)	31 December 2023	30 June 2023	31 December 2022
		RWA	RWA	RWA
	Simplified approach	0.00	0.00	0.00
	Delta-plus method	0.00	0.00	0.00
	[redacted]			
	Securitisation	0.00	0.00	0.00
	Total	**51,879.51**	**13,631.15**	**57,122.98**

14. Interest rate risk in the banking book (IRRBB)

14.1 Market risk under the standardized approach (MR1)

IRRBB is the current or prospective risk, to both the bank's capital and earnings, arising from movement in interest rates, which affect the bank's non-trading positions. This includes gap risk, which arises from the term structure of banking instruments, as well as option risk, which arises from option derivative positions or from optional elements embedded in financial instruments.

Economic value-based measures look at the change in economic value of banking book assets, liabilities and off-balance sheet exposures resulting from interest rate movement.

Earning based measures look at the expected change in Net Interest Income (NII) over 12-month periods resulting from interest rate movements.

- **Bank's governance, controls, and mitigation**
  The Bank's Market Risk policy contains IRRBB related guidelines. The Bank manages its IRRBB exposures using Economic Value of Equity (EVE) and Earnings At Risk (EAR). The Bank treasury function is mandated to manage the interest rate risk centrally with Market Risk and Finance functions acting as the 2nd line of defense independently assessing and implementing the framework and monitoring adherence to the risk appetite. Internal Audit in its role as the 3rd line of defense is accountable for providing independent and objective assurance of the IRRBB Management. ALCO as part of its mandate has delegated authority from the Board of Directors to manage interest rate risk and ensuring an optimal and stable interest income stream whilst controlling the interest rate risk embedded in the Bank's balance sheet.

- **Shock scenarios**
  The sensitivity of NII and EVE calculation presented in the section below is based on the six Basel prescribed shock scenarios applied to capture parallel as well as non-parallel risk measurements.

14.2 Sensitivity of economic value of equity and NII (IRRBB)

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

The ΔEVE numbers as at 31 December 2022 have been restated to include the additional parameters in the model change performed in 2023, in line with CBUAE guidelines.

In reporting currency (AED 000s)	ΔEVE	ΔNII (200 bps)	ΔEVE	ΔNII (200 bps)
Period	**31 December 2023**	**31 December 2023**	**31 December 2022**	**31 December 2022**
Parallel up	(76,155.31)	115,757.69	(82,210.81)	
Parallel down	104,295.22	(115,757.69)	98,782.32	
Steepener	2,141.80		23,531.95	
Flattener	(33,648.59)		(56,470.76)	
Short rate up	(88,366.25)		(111,539.16)	
Short rate down	91,874.51		115,617.21	
Maximum	**104,295.22**		115,617.21	
Tier 1 capital	**2,031,337**		**1,023,999**	

15. Operational Risk

The bank has developed a comprehensive operational risk management framework, covering Operational Risk, Fraud risk, Technology risk and Business Continuity Management. The framework has been developed to ensure the effective identification, assessment, monitoring, and mitigation of the risks raised from these areas. Within the Operational Risk Management framework, we have implemented robust processes to identify and evaluate operational risks across various business units and operational functions. These include risk & control self-assessments, key risk indicators and loss data management, enabling us to proactively address potential vulnerabilities and strengthen our risk culture. And, our framework emphasizes the importance of fraud risk management, ensuring that appropriate controls, detection mechanisms, and mitigation strategies are in place to combat fraudulent activities. We recognize that fraud poses a significant threat to both our bank and customers, and we remain committed to employing advanced countermeasures to minimize fraud related incidents via regular fraud monitoring and awareness to Bank's staff & customers. Moreover, our framework incorporates technology risk management practices to address the evolving landscape of digital banking and IT risks. We have implemented stringent controls and continuous monitoring processes to safeguard our information systems, customer data and digital channels. Lastly, Business continuity management is an integral component of our framework, enabling us to respond effectively to disruptions and ensure the continuity of critical operations.
The Structure and organization of Operational Risk Management falls under the CRO cluster within the bank and directed by the Head of Operational Risk Management as follows:

1. **Head of Operational Risk Management**:
   - Is Responsible for overseeing the overall ORM function within the bank
   - To Provide strategic direction and guidance on operational risk management framework
   - Collaborate with senior management to ensure that ORM practices aligned with the bank's strategic objectives and risk appetite.
   - Establish and maintain effective communication channels to promote a strong ORM culture.
   - Report operational risk exposures, trends and mitigation plans to senior management.

2. **Operational Risk Manager:**
   - Supports the Head of ORM in implementing and maintaining the operational Risk Framework.
   - Assess operational risks across various functions.
   - Develop and enhance risk assessment methodologies, key risk indicators, Risk and control self-assessment, and Incident Management.
   - Work closely with business unit heads to ensure that operational risks are appropriately identified, measured, monitored and controlled.
   - Provide awareness material and sessions to promote a risk aware culture within the bank

3. **Fraud Risk Manager:**
   - Responsible for managing and mitigating fraud risks within the bank.
   - Conduct a comprehensive fraud risk assessment to identify potential vulnerabilities and areas of exposure.
   - Develop fraud prevention and detection controls, including monitoring tools, fraud analysis and transactional monitoring
   - Collaborate with business units to enhance fraud detection capabilities and strengthen staff fraud risk awareness.
   - Provide fraud risk awareness and latest fraud trends to customers through different channels.

- Active member in the fraud prevention committee of UAE banks federation.

4. **Technology Risk Manager:**
   - Conduct comprehensive IT risk assessments.
   - Responsible for monitoring and propose mitigation plans for technology risks within the bank.
   - Responsible for assessing technology risks during IT projects implementation.
   - Manage IT disaster recovery as part of business continuity capability.

5. **Business Continuity Manager:**
   - Develop and maintain comprehensive business continuity plan, policy and procedures that outline strategies for responding to potential disruptions.
   - Conduct business impact analysis to identify critical business functions, dependencies and recovery priorities.
   - Collaborate with key stakeholders to define the recovery time objectives (RTOs) and recovery point objectives (RPOs).
   - Plan and execute regular testing and BC drills.

The bank is following the Basic Indicator Approach (BIA). Also, Banque Misr procured 'SAI 360' ORM tool for managing and mitigating different types of operational risks. Internal analysis and reporting requirements for operational risk management are as follows:

- Periodic analysis and reports will be published to senior leadership.
- RCSA analysis results are shared with the Risk Management Committee (RMC) which highlight the control gaps, action plans to address weaknesses and the implementation status of the agreed actions.
- KRI reporting is shared with the RMC/BRCC for review on an exception basis as and when required.
- Loss Events / Incidents are analyzed and reported in the RMC with classifications of 'actual losses', 'potential losses', 'Near Miss', 'Gain' and 'Opportunity Loss, or any other breakup classification as required by the Senior Leadership.

Transferring the risk (e.g. through insurance, outsourcing).

1. Risk transfer is an effective mechanism to reduce the risk to an acceptable level. This is conditional to some rules and regulations which has been identified by CBUAE for outsourcing activities. The bank developed an outsourcing process which highlights in details how new vendors / outsourced services are on-boarded, controlled and monitored efficiently in line with CBUAE regulations. Regarding risk transfer via insurance, the bank is having a robust BBB (Bank Blanket Bond) insurance policy which is covering the bank in case of major operational risk losses due to staff fidelity, cyber-attacks, natural disasters, etc. BBB insurance policy is managed via Facility Management team. Examples of the information given are as follow:
   - Historical Operational Risk & Fraud incidents / loss data
   - Op. Risk Losses Claims history
   - List of Correction Actions Taken corresponding to the occurred OR & Fraud incidents.

2. Mitigating the risk (i.e. by designing operating controls that provides sufficient mitigation assurance against the underlying risks). Whenever a new risk is identified, the bank through its control functions evaluates these risks and develop relevant action plans to mitigate them. These actions used to be doable, cost effective and measured through clear deadlines. Regular updates on the progress of the action plan execution are reported to Sr. Management for the necessary oversight.

In case the cost of the control is not justifying its benefit, the bank is following Risk Acceptance process. The total capital requirement for Operational Risk as at 31 December 2023 is AED 117 million.

16. Remuneration Policy

16.1 Remuneration policy (REMA)

The remuneration policy of a bank aims to promote sound and effective risk management. It should not encourage risk-taking that exceeds the levels of risk tolerance of the bank. The policy is structured to align with the business strategy, objectives, values, and long-term interests of the bank, such as sustainable growth and profitability.

The key components of the Bank's Remuneration Policy are as follows:

Fixed Compensation: Base salary and fixed allowances that provide a stable income regardless of performance.

Variable Compensation: Performance-based bonuses and incentives that align with short-term and long-term business goals, risk management, and individual contributions.

Clawback Provisions: Policies that allow the bank to reclaim bonuses or incentives in case of misconduct or significant adverse outcomes.

Risk Adjustment: Mechanisms to adjust remuneration based on the risk exposure and performance outcomes, ensuring compensation reflects risk-taking behavior.

Governance and Oversight: Clear roles and responsibilities for the remuneration committee and senior management to oversee and implement the policy.

Regulatory Compliance: Adherence to both home and host regulatory requirements and guidelines.

Transparency and Disclosure: Clear and transparent communication of the remuneration policy to stakeholders, including detailed reporting and disclosure requirements.

Employee Benefits and Welfare: Additional benefits such as health insurance, retirement plans, and other welfare programs that contribute to employee well-being.

16.2 Remuneration awarded during the financial year (REM1)

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

Remuneration Amount (AED '000s)			31 December 2023		31 December 2022	
			Senior Management	Other Material Risk-takers	Senior Management	Other Material Risk-takers
1	Fixed Remuneration	Number of employees	34.00		29.00	
2		Total fixed remuneration	28,577.00		20,610.00	
3		Of which: cash-based	28,577.00		20,610.00	
4		Of which: deferred	-		-	
5		Of which: shares or other share-linked instruments	-		-	
6		Of which: deferred	-		-	
7		Of which: other forms	-		-	
8		Of which: deferred	-		-	
9	Variable Remuneration	Number of employees	34.00		29.00	
10		Total variable remuneration	17,070.00		7,722.00	
11		Of which: cash-based	15,073.00		6,764.00	
12		Of which: deferred	-		-	
13		Of which: shares or other share-linked instruments	-		-	
14		Of which: deferred	-		-	
15		Of which: other forms	1,997.00		958.00	
16		Of which: deferred	-		-	
17	**Total Remuneration (2+10)**		**45,648.00**		**28,333.00**	

16.3 Special payments (REM2)

The following table provides the quantitative information on Special payments for the financial year.

31 December 2023	Guaranteed Bonuses		Sign on Awards		Severance Payments	
AED 000s	Number of employees	Total amount	Number of employees	Total amount	Number of employees	Total amount
Senior Management	34 Performance bonus (29)	2,688.90 14,049.64	-	-	-	-
Other material risk – takers	-	-	-	-	-	-

31 December 2022	Guaranteed Bonuses		Sign on Awards		Severance Payments	
AED 000s	Number of employees	Total amount	Number of employees	AED 000s	Number ofemployees	Total amount
Senior Management	29 Performance bonus (16)	2,163.60 6,189.20	0.00	0.00	2.00	278,202.41
Other material risk – takers	-	-	-	-	-	-

16.4 Deferred remuneration (REM3)

There are no deferrals in place at BMUAE as of 31 December 2023. The first variable pay deferral will be related to the 2023 Financial Year, with the annual grant taking place in February 2024.

17. Acronyms

ALCO	Assets & Liabilities Committee
AT1	Additional Tier 1
CBUAE	Central Bank United Arab Emirates
CCF	Credit Conversion Factor
CCP	Central Counterparty
CCR	Counterparty Credit Risk
CCyB	Countercyclical Capital buffer
CET1	Common Equity Tier 1
CRM	Credit Risk Mitigation
CRO	Chief Risk Officer
EAD	Exposure at Default
HQLA	High Quality Liquid Assets
IFRS	International Financial Reporting Standards
ICAAP	Internal Capital Adequacy Assessment Process
LCR	Liquidity Coverage Ratio
NSFR	Net Stable Funding Ratio
ORM	Operational Risk Management
PD	Probability of Default
PFE	Potential Future Exposure
PSE	Public Sector Entity
RWA	Risk Weighted Asset
SA	Standardized Approach
T1	Tier 1 Capital
T2	Tier 2 Capital
TC	Total Capital
VaR	Value at Risk