EMIRATES NBD BANK (P.J.S.C.)

BASEL III - PILLAR 3 DISCLOSURES

FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2024

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Introduction

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

Pillar 3 disclosures

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

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

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

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

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

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

Verification

The Pillar 3 disclosures for the quarter ended 31 March 2024 have been reviewed by the Group's internal auditors.

Implementation of Basel III standards and guidelines

The Group is compliant with Standardised Approach for Credit, Market and Operational Risk (Pillar 1) as applicable as of 31 March 2024.

The Group also assigns capital on other than Pillar 1 risk categories which are part of the Pillar 2 framework.

Group Structure

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

The Bank is listed on the Dubai Financial Market (TICKER: "EMIRATESNBD"). The Group's principal business activities are corporate and institutional banking, retail banking, treasury and islamic banking. The Bank's website is www.emiratesnbd.com.

For details of Group's subsidiaries refer to Pillar 3 disclosures for year ended 31 December 2023 available on the Bank's website.

Key metrics for the Group (KM1)

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

	AED in millions	31 March 2024	31 December 2023	30 September 2023	30 June 2023	31 March 2023
	Available capital (amounts) [2]					
1	Common Equity Tier 1 (CET1)	90,625	87,150	90,012	84,382	81,403
1a	Fully loaded ECL accounting model [1]	89,532	84,373	87,608	81,967	78,832
2	Tier 1	99,754	96,279	99,140	93,511	90,532
2a	Fully loaded ECL accounting model Tier 1	98,661	93,502	96,737	91,096	87,960
3	Total capital	106,255	102,653	105,025	99,081	96,186
3a	Fully loaded ECL accounting model total capital	105,162	99,876	102,622	96,666	93,615
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	595,940	583,780	533,132	507,783	514,861
	Risk-based capital ratios as a percentage of RWA					
5	Common Equity Tier 1 ratio (%)	15.21%	14.93%	16.88%	16.62%	15.81%
5a	Fully loaded ECL accounting model CET1 (%)	15.02%	14.45%	16.43%	16.14%	15.31%
6	Tier 1 ratio (%)	16.74%	16.49%	18.60%	18.42%	17.58%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	16.56%	16.01%	18.15%	17.94%	17.08%
7	Total capital ratio (%)	17.83%	17.58%	19.70%	19.51%	18.68%
7a	Fully loaded ECL accounting model total capital ratio (%)	17.65%	17.11%	19.25%	19.04%	18.18%
	Additional CET1 buffer requirements as a percentage of RWA					
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.50%	2.50%	2.50%	2.50%	2.50%
9	Countercyclical buffer requirement (%)	0.05%	0.05%	0.05%	0.00%	0.00%

	Key metrics for the Group (KM1) (continued) **AED in millions**	**31 March 2024**	**31 December 2023**	**30 September 2023**	**30 June 2023**	**31 March 2023**
10	Bank D-SIB additional requirements (%)	1.50%	1.50%	1.50%	1.50%	1.50%
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9+ row 10)	4.00%	4.05%	4.05%	4.00%	4.00%
12	CET1 available after meeting the bank's minimum capital requirements (%)	7.33%	7.08%	9.20%	9.01%	8.18%
	Leverage Ratio					
13	Total leverage ratio measure	972,252	943,629	889,759	865,116	836,078
14	Leverage ratio (%) (row 2/row 13)	10.26%	10.20%	11.14%	10.81%	10.83%
14 a	Fully loaded ECL accounting model leverage ratio (%) (row 2A/row 13)	10.15%	9.91%	10.87%	10.53%	10.52%
14 b	Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	10.15%	9.91%	11.14%	10.81%	10.83%
	Liquidity Coverage Ratio					
15	Total HQLA	219,430	200,038	169,708	168,527	154,731
16	Total net cash outflow	105,558	95,290	85,749	82,590	83,287
17	LCR ratio (%)	207.88%	209.93%	197.91%	204.05%	185.78%
	Net Stable Funding Ratio					
18	Total available stable funding	591,206	567,686	543,406	533,577	510,969
19	Total required stable funding	460,039	454,161	432,956	423,484	413,883
20	NSFR ratio (%)	128.51%	125.00%	125.51%	126.00%	123.46%

Key metrics for the Group (KM1) (continued)

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

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

[2] *Impacts of implementing IAS 29 - Hyperinflation accounting in Financial Statements, are excluded from regulatory ratios calculations.*

Quarter on quarter CET1 capital increased by AED 3.5 billion driven by pre-hyperinflation profit for the quarter partially offset by decrease in ECL add back due to further phase-out starting 2024 and adverse movement in currency translation reserve.

Refer overview (OV1) disclosure for further details on Risk Weighted Assets (RWAs).

Overview of Risk-Weighted Assets (RWAs) (OV1)

The following table provides an overview of total RWAs forming the denominator of the risk-based capital requirements:

	AED in millions	31 March 2024	31 December 2023	Minimum capital requirements 31 March 2024
1	Credit risk (excluding counterparty credit risk)	507,048	496,061	73,775
2	Of which: standardised approach (SA)	507,048	496,061	73,775
3	Counterparty credit risk (CCR)	7,876	8,171	1,146
4	Of which: standardised approach for counterparty credit risk	7,876	8,171	1,146
5	Credit valuation adjustment (CVA)	5,081	5,603	739
6	Equity investments in funds - look-through approach	-	-	-
7	Equity investments in funds - mandate-based approach	-	-	-
8	Equity investments in funds - fall-back approach	103	112	15
9	Settlement risk	-	-	-
10	Securitisation exposures in the banking book	-	-	-
11	Of which: securitisation external ratings-based approach (SEC-ERBA)	-	-	-
12	Of which: securitisation standardised approach (SEC-SA)	-	-	-
13	Market risk	14,797	14,477	2,153
14	Of which: standardised approach (SA)	14,797	14,477	2,153
15	Operational risk	61,035	59,356	8,881
16	**Total (1+3+5+8+13+15)**	**595,940**	**583,780**	**86,709**

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

Credit Risk-Weighted Assets (CRWAs) increased by AED 10.16 billion during the quarter due to growth in lending and interbank exposures.

Operational Risk-Weighted Assets (ORWA) increased due to increase in average operating income.

Leverage ratio

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

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

	AED in millions	31 March 2024	31 December 2023
1	Total consolidated assets as per published financial statements	902,284	862,773
2	Adjustments for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	3,352	3,247
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	(827)	2,762
9	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	-	-
10	Adjustments for off-balance sheet items (i.e., conversion to credit equivalent amounts of off-balance sheet exposures)	85,418	92,663
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	-	-
12	Other adjustments[1]	(17,975)	(17,816)
13	**Leverage ratio exposure measure**	**972,252**	**943,629**

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

Leverage Ratio (continued)

Leverage ratio common disclosure template (LR2)

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

	AED in millions	31 March 2024	31 December 2023
	On-balance sheet exposures		
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	863,179	824,763
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	(7,189)	(7,081)
7	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)**	**855,990**	**817,682**
	Derivative exposures		
8	Replacement cost associated with *all* derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	4,908	5,225
9	Add-on amounts for PFE associated with *all* derivatives transactions	5,674	7,668
10	Exempted CCP leg of client-cleared trade exposures	-	-
11	Adjusted effective notional amount of written credit derivatives	-	-
12	Adjusted effective notional offsets and add-on deductions for written credit derivatives	-	-
13	**Total derivative exposures (Calculated as rows 8 to 12)*1.4**	**14,815**	**18,050**
	Securities financing transactions		
14	Gross SFT *assets* (with no recognition of netting), after adjusting for sale accounting transactions	16,029	15,234
15	Netted amounts of cash payables and cash receivables of gross SFT assets	-	-
16	CCR exposure for SFT assets	-	-

Leverage Ratio (continued)

		31 March 2024	31 December 2023
17	Agent transaction exposures	-	-
18	**Total securities financing transaction exposures (sum of rows 14 to 17)**	**16,029**	**15,234**
	Other off-balance sheet exposures		
19	Off-balance sheet exposure at gross notional amount	235,884	236,501
20	Adjustments for conversion to credit equivalent amounts	(150,466)	(143,838)
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)**	**85,418**	**92,663**
	Capital and total exposures		
23	**Tier 1 capital**	**99,754**	**96,279**
24	**Total exposures (sum of rows 7, 13, 18 and 22)**	**972,252**	**943,629**
25	**Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)**	**10.26%**	**10.20%**
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	10.26%	10.20%
26	CBUAE minimum leverage ratio requirement	3.00%	3.00%
27	**Applicable leverage buffers**	0.50%	0.50%

Liquidity coverage ratio (LCR) (LIQ1)

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

	AED in millions	**31 March 2024 Total unweighted value (average)**	**31 March 2024 Total weighted value (average)**	**31 December 2023 Total unweighted value (average)**	**31 December 2023 Total weighted value (average)**
1	Total HQLA	-	219,430	-	200,038
2	**Retail deposits and deposits from small business customers, of which:**				
3	Stable deposits	7,918	396	8,071	404
4	Less stable deposits	310,655	25,753	295,702	24,895
5	**Unsecured wholesale funding, of which:**				
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	70,156	17,539	61,907	15,477
7	Non-operational deposits (all counterparties)	150,970	73,769	149,713	68,582
8	Unsecured debt	-	-	-	-
9	**Secured wholesale funding**		366	-	25
10	**Additional requirements, of which:**				
11	Outflows related to derivative exposures and other collateral requirements	6,131	6,131	6,150	6,150
12	Outflows related to loss of funding of debt products	-	-	-	-
13	Credit and liquidity facilities	217,165	24,982	181,873	18,036
14	Other contractual funding obligations	7,572	7,572	9,896	9,896
15	Other contingent funding obligations	22,917	1,146	42,283	4,443
16	**Total Cash Outflows**		157,654		147,908

Liquidity coverage ratio (LCR) (LIQ1) (continued)

		31 March 2024 Total unweighted value (average)	31 March 2024 Total weighted value (average)	31 December 2023 Total unweighted value (average)	31 December 2023 Total weighted value (average)
17	Secured lending (e.g., reverse repo)	3,834	1,813	5,925	1,734
18	Inflows from fully performing exposures	55,537	40,915	53,559	43,496
19	Other cash inflows	9,368	9,368	7,388	7,388
20	**Total Cash Inflows**	**68,739**	**52,096**	**66,872**	**52,618**
			Total adjusted value		**Total adjusted value**
21	**Total HQLA**		**219,430**		**200,038**
22	**Total net cash outflows**		**105,558**		**95,290**
23	**Liquidity coverage ratio (%)**		**207.88%**		**209.93%**

The Group maintained LCR of 207.88% (Dec 2023: 209.93%) on an average during first quarter of the reporting year and 185.98% (Dec 2023: 209.73%) as of 31 March 2024 reporting period comfortably well above the regulatory minimum of 100%. The LCR is influenced by the amount, profile of the funding base and the deployment of funding into customer lending or HQLA investments. The deployment alternatives are assessed on an ongoing basis and adjusted as per the market opportunities, while maintaining a prudent LCR surplus.

The HQLA over the reporting period was AED 219.43 billion (Dec 2023: AED 200 billion) and 91% (Dec 2023: 90%) of this comprised of HQLA Level 1 assets, which represents balances held with Central Bank and other high quality sovereign securities. HQLA Level 2A and 2B assets comprised the remaining 9% (Dec 2023: 10%) of the total HQLA. The HQLA presented excludes excess liquidity held at subsidiaries that is deemed not transferable within the Group.

The retail deposits are prescribed a lower run-off factor and comprise 17% (Dec 2023: 17%) of the total cash outflow, whereas wholesale funding is prescribed a higher run-off and comprise 58% (Dec 2023: 57%) of the total cash outflows.

Liquidity coverage ratio (LCR) (LIQ1) (continued)

The average quarterly LCR has marginally reduced from 209.33% in December 2023 to 207.88% in March 2024 primarily on account of increase in deposits being deployed in HQLA and loans.

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

Acronyms

ASF	Available stable funding
AT1	Additional Tier 1
BCBS	Basel Committee on Banking Supervision
BIS	Bank for International Settlements
CBUAE	Central Bank of UAE
CCF	Credit Conversion Factor
CCP	Central Counterparty
CCR	Counterparty Credit Risk
CCyB	Countercyclical capital buffer
CET1	Common Equity Tier 1
CRM	Credit Risk Mitigation
CVA	Credit Valuation Adjustment
D-SIB	Domestic Systemically Important Bank
EAD	Exposure at Default
ECAI	External Credit Assessment Institutions
ECL	Expected Credit loss
HQLA	High Quality Liquid Asset
IFRS	International Financial Reporting Standards
ICAAP	Internal Capital Adequacy Assessment Process
IRR	Interest Rate Risk
LCR	Liquidity Coverage Ratio
NSFR	Net Stable Funding Ratio
PFE	Potential Future Exposure
MR	Market Risk
RSF	Required Stable Funding
RWAs	Risk-Weighted Assets
SA	Standardised Approach
SFT	Securities Financing Transactions
SME	Small and Medium - Sized Enterprise
SPE	Special Purpose Entity
T1	Tier 1 capital
T2	Tier 2 capital
TC	Total capital

Glossary

Capital conservation buffer

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

Countercyclical capital buffer (CCyB)

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

Counterparty credit risk (CCR)

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

Credit conversion factor (CCF)

As prescribed by CBUAE, an estimate of the amount the Group expects a customer to have drawn further on a facility limit at the point of default.

Credit risk adjustment (CRA)

This includes impairment allowances or provisions balances, and changes in ECL.

Credit risk mitigation (CRM)

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

Domestic systemically important banks (D-SIB)

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

Internal capital adequacy assessment process (ICAAP)

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

Leverage ratio

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

Liquidity coverage ratio (LCR)

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

Glossary (continued)

Net stable funding ratio (NSFR)

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

Securities financing transactions (SFT)

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

Standardised approach (SA)

In relation to credit risk, a method for calculating credit risk capital requirements using External Credit Assessment Institutions (ECAI) ratings and supervisory risk-weights. In relation to operational risk, a method of calculating the operational risk capital requirement by the application of a supervisory defined percentage charge to the gross income of eight specified business lines. Standardised Approach for market risk covers Interest rate, Equity, Foreign Exchange, Commodity, and Options Risks.