

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

**BASEL III - PILLAR 3 DISCLOSURES**

**FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 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 Basel III framework of the Basel Committee on Banking Supervision (“Basel Committee”), after applying the amendments advised by the CBUAE, within national discretion. The Basel framework is structured around three ‘pillars’, Pillar 1 on minimum capital requirements and Pillar 2 on supervisory review process complemented by disclosures under Pillar 3 on market discipline.

## Pillar 3 disclosures

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

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

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

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

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

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

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## **Verification**

The Pillar 3 Disclosures for the nine months ended 30 September 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 30 September 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 P.J.S.C. ("EBI") and National Bank of Dubai P.J.S.C. ("NBD"), under the Commercial Companies Law (Federal Law Number 8 of 1984 as amended) as a Public Joint Stock Company (P.J.S.C.).

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

<b>AED in millions</b>		<b>30 September 2024</b>	<b>30 June 2024</b>	<b>31 March 2024</b>	<b>31 December 2023</b>	<b>30 September 2023</b>
<b>Available capital (amounts) <sup>2</sup></b>						
1	Common Equity Tier 1 (CET1)	103,693	97,824	90,625	87,150	90,012
1a	Fully loaded ECL accounting model <sup>1</sup>	102,920	97,093	89,532	84,373	87,608
2	Tier 1	112,822	106,953	99,754	96,279	99,140
2a	Fully loaded ECL accounting model Tier 1	112,049	106,222	98,661	93,502	96,737
3	Total capital	120,103	113,869	106,255	102,653	105,025
3a	Fully loaded ECL accounting model total capital	119,330	113,138	105,162	99,876	102,622
<b>Risk-weighted assets (amounts)</b>						
4	Total risk-weighted assets (RWA)	668,843	634,245	595,940	583,780	533,132
<b>Risk-based capital ratios as a percentage of RWA</b>						
5	Common Equity Tier 1 ratio (%)	15.50%	15.42%	15.21%	14.93%	16.88%
5a	Fully loaded ECL accounting model CET1 (%)	15.39%	15.31%	15.02%	14.45%	16.43%
6	Tier 1 ratio (%)	16.87%	16.86%	16.74%	16.49%	18.60%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	16.75%	16.75%	16.56%	16.01%	18.15%
7	Total capital ratio (%)	17.96%	17.95%	17.83%	17.58%	19.70%
7a	Fully loaded ECL accounting model total capital ratio (%)	17.84%	17.84%	17.65%	17.11%	19.25%
<b>Additional CET1 buffer requirements as a percentage of RWA</b>						
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.50%	2.50%	2.50%	2.50%	2.50%
9	Countercyclical buffer requirement (%)	0.06%	0.06%	0.05%	0.05%	0.05%

**Key metrics for the Group (KM1) (continued)**

<b>AED in millions</b>	<b>30 September 2024</b>	<b>30 June 2024</b>	<b>31 March 2024</b>	<b>31 December 2023</b>	<b>30 September 2023</b>
10 Bank D-SIB additional requirement (%)	1.50%	1.50%	1.50%	1.50%	1.50%
11 Total of bank CET1 specific buffer requirements (%) (row 8 + row 9+ row 10)	4.06%	4.06%	4.05%	4.05%	4.05%
12 CET1 available for meeting the bank's minimum capital requirements (%)	7.46%	7.45%	7.33%	7.08%	9.20%
<b>Leverage ratio</b>					
13 Total leverage ratio measure	1,052,110	1,012,543	972,252	943,629	889,759
14 Leverage ratio (%) (row 2/row 13)	10.72%	10.56%	10.26%	10.20%	11.14%
14a Fully loaded ECL accounting model leverage ratio (%) (row 2A/row 13)	10.65%	10.49%	10.15%	9.91%	10.87%
14b Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	10.65%	10.49%	10.15%	9.91%	11.14%
<b>Liquidity coverage ratio</b>					
15 Total HQLA	222,819	213,681	219,430	200,038	169,708
16 Total net cash outflow	111,728	104,477	105,558	95,290	85,749
17 LCR ratio (%)	199.43%	204.52%	207.88%	209.93%	197.91%
<b>Net stable funding ratio</b>					
18 Total available stable funding	632,140	612,652	591,206	567,686	543,406
19 Total required stable funding	494,579	478,173	460,039	454,161	432,956
20 NSFR ratio (%)	127.81%	128.12%	128.51%	125.00%	125.51%

### **Key metrics for the Group (KM1) (continued)**

<sup>1</sup> “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 upto 31 December 2024, 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).

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

Quarter on quarter CET1 capital increased by AED 5.9 billion mainly driven by profit for the quarter.

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		30 September 2024	30 June 2024	31 December 2023	Minimum capital requirements 30 September 2024
1	Credit risk (excluding counterparty credit risk)	567,989	540,764	496,061	82,699
2	<i>Of which:</i> standardised approach (SA)	567,989	540,764	496,061	82,699
3	Counterparty credit risk (CCR)	7,959	7,379	8,171	1,159
4	<i>Of which:</i> standardised approach for counterparty credit risk	7,959	7,379	8,171	1,159
5	Credit valuation adjustment (CVA)	6,395	4,978	5,603	931
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	103	112	15
9	Settlement risk	-	-	-	-
10	Securitisation exposures in the banking book	-	-	-	-
11	<i>Of which:</i> securitisation external ratings-based approach (SEC-ERBA)	-	-	-	-
12	<i>Of which:</i> securitisation standardised approach (SEC-SA)	-	-	-	-
13	Market risk	18,656	16,604	14,477	2,716
14	<i>Of which:</i> standardised approach (SA)	18,656	16,604	14,477	2,716
15	Operational risk	67,741	64,417	59,356	9,863
<b>16</b>	<b>Total (1+3+5+8+13+15)</b>	<b>668,843</b>	<b>634,245</b>	<b>583,780</b>	<b>97,383</b>

The regulatory minimum capital requirement is calculated at 14.56% of the RWA including CBUAE assigned capital buffers.

Credit risk weighted assets increased by AED 29 billion quarter on quarter due to growth in lending, interbank placements and other off balance sheet commitments.

Operational risk weighted assets increased due to increase in average operating income.

Market Risk weighted assets increased driven by increase in trading positions.



## **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.

<b>AED in millions</b>	<b>30 September 2024</b>	<b>30 June 2024</b>	<b>31 December 2023</b>
1 Total consolidated assets as per published financial statements	956,041	930,785	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	4,697	3,746	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	6,122	2,825	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)	103,588	92,872	92,663
11 Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	-	-	-
12 Other adjustments <sup>1</sup>	(18,339)	(17,685)	(17,816)
<b>13 Leverage ratio exposure measure</b>	<b>1,052,110</b>	<b>1,012,543</b>	<b>943,629</b>

<sup>1</sup> This includes Assets deducted from CET1 capital such as customer acceptances (considered as off-balance sheet) and impact of IAS 29 Hyperinflation accounting.

### 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		30 September 2024	30 June 2024	31 December 2023
<b>On-balance sheet exposures</b>				
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	913,340	887,725	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	(7,355)	(7,195)	(7,081)
7	<b>Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)</b>	<b>905,985</b>	<b>880,530</b>	<b>817,682</b>
<b>Derivative exposures</b>				
8	Replacement cost associated with <i>all</i> derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	4,401	4,713	5,225
9	Add-on amounts for PFE associated with <i>all</i> derivatives transactions	8,206	7,582	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	<b>Total derivative exposures (calculated as rows 8 to 12)*1.4</b>	<b>17,650</b>	<b>17,213</b>	<b>18,050</b>

**Leverage ratio common disclosure template (LR2)**  
**(continued)**

AED in millions		30 September 2024	30 June 2024	31 December 2023
<b>Securities financing transactions</b>				
14	Gross SFT <i>assets</i> (with no recognition of netting), after adjusting for sale accounting transactions	24,887	21,928	15,234
15	Netted amounts of cash payables and cash receivables of gross SFT assets			-
16	CCR exposure for SFT assets			-
17	Agent transaction exposures			-
18	<b>Total securities financing transaction exposures (sum of rows 14 to 17)</b>	<b>24,887</b>	<b>21,928</b>	<b>15,234</b>
<b>Other off-balance sheet exposures</b>				
19	Off-balance sheet exposure at gross notional amount	342,611	258,809	236,501
20	Adjustments for conversion to credit equivalent amounts	(239,023)	(165,937)	(143,838)
21	Specific and general provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital	-	-	-
22	<b>Off-balance sheet items (sum of rows 19 to 21)</b>	<b>103,588</b>	<b>92,872</b>	<b>92,663</b>
<b>Capital and total exposures</b>				
23	<b>Tier 1 capital</b>	<b>112,822</b>	<b>106,953</b>	<b>96,279</b>
24	<b>Total exposures (sum of rows 7, 13, 18 and 22)</b>	<b>1,052,110</b>	<b>1,012,543</b>	<b>943,629</b>
<b>Leverage ratio</b>				
25	<b>Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)</b>	<b>10.72%</b>	<b>10.56%</b>	<b>10.20%</b>
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	10.72%	10.56%	10.20%
26	CBUAE minimum leverage ratio requirement	3.00%	3.00%	3.00%
27	Applicable leverage buffers	0.5%	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 last quarter.

AED in millions		September 2024 Total unweighted value (average)	September 2024 Total weighted value (average)	December 2023 Total unweighted value (average)	December 2023 Total weighted value (average)
1	Total HQLA		222,819		200,038
2	<b>Retail deposits and deposits from small business customers, of which:</b>				
3	Stable deposits	8,014	401	8,071	404
4	Less stable deposits	329,401	26,587	295,702	24,895
5	<b>Unsecured wholesale funding, of which:</b>				
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	80,967	20,242	61,907	15,477
7	Non-operational deposits (all counterparties)	142,608	68,927	149,713	68,582
8	Unsecured debt	-	-	-	-
9	<b>Secured wholesale funding</b>		<b>540</b>		<b>25</b>
10	<b>Additional requirements, of which:</b>				
11	Outflows related to derivative exposures and other collateral requirements	11,555	6,337	6,150	6,150
12	Outflows related to loss of funding of debt products	-	-	-	-
13	Credit and liquidity facilities	252,383	27,265	181,873	18,036
14	Other contractual funding obligations	8,276	8,276	9,896	9,896
15	Other contingent funding obligations	21,194	1,060	42,283	4,443
16	<b>TOTAL CASH OUTFLOWS</b>		<b>159,634</b>		<b>147,908</b>
17	Secured lending (e.g., reverse repo)	6,882	2,529	5,925	1,734
18	Inflows from fully performing exposures	49,390	36,473	53,559	43,496
19	Other cash inflows	8,904	8,904	7,388	7,388
20	<b>TOTAL CASH INFLOWS</b>	<b>65,176</b>	<b>47,906</b>	<b>66,872</b>	<b>52,618</b>

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

<b>AED in millions</b>	<b>Total adjusted value</b>	<b>Total adjusted value</b>
<b>21 Total HQLA</b>	<b>222,819</b>	<b>200,038</b>
<b>22 Total net cash outflows</b>	<b>111,728</b>	<b>95,290</b>
<b>23 Liquidity coverage ratio (%)</b>	<b>199.43%</b>	<b>209.93%</b>

The Group maintained a LCR of 199.43% (December 2023 : 209.93%) on an average during third quarter of the reporting year and 193.67% (December 2023 : 209.73%) as of 30 September 2024 reporting period, which is in excess of the regulatory minimum of 100%. The LCR is influenced by the amount, profile of the funding base and the deployment of funding into customer lending or HQLA investments. The deployment alternatives are assessed on an ongoing basis and adjusted as per the market opportunities, while maintaining a prudent LCR surplus.

The HQLA over the reporting period was AED 222.8 billion and 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 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% of the total cash outflow, whereas wholesale funding is prescribed a higher run-off and comprise 56% of the total cash outflows.

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

## **Acronyms**

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

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## **Glossary**

### **Capital conservation buffer**

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

### **Countercyclical capital buffer (CCyB)**

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

### **Counterparty credit risk (CCR)**

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

### **Credit Conversion Factor (CCF)**

Factors used to convert off-balance-sheet items into credit exposure equivalents.

### **Credit risk adjustment (CRA)**

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

### **Credit risk mitigation (CRM)**

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

### **Domestic systemically important banks (D-SIBs)**

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

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## **Glossary (continued)**

### **Internal capital adequacy assessment process (ICAAP)**

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

### **Leverage ratio**

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

### **Liquidity coverage ratio (LCR)**

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

### **Net stable funding ratio (NSFR)**

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

### **RWA density**

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

### **Securities financing transactions (SFT)**

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

### **Standardised approach (SA)**

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