NATIONAL BANK OF FUJAIRAH

PILLAR 3
DISCLOSURES

31 March 2025

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1. Executive Summary

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

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

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

- Transparency, assessment and responsiveness, and
- Management accountability

Capital Management

The Bank's Capital Position as at **31 December 2024** shows that the Group holds adequate capital.

CAPITAL ADEQUACY ASSESSMENT SUMMARY AED'000	
Particulars	**Regulatory Capital** **Pillar I**
Risk Weighted Assets (RWA)	40,602,603
Mandated Capital @ 13%*	5,278,338
Available Capital	6,735,888
Surplus / (Shortfall)	1,457,550
Capital Adequacy Ratio	16.59%
Stress Impact in Bps	-

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

CET 1 CAPITAL ADEQUACY ASSESSMENT SUMMARY AED'000	
Particulars	**Regulatory Capital Pillar I**
Risk Weighted Assets (RWA)	40,602,603
Mandated CET1 @ 9.50% (Incl. buffers)	3,857,247
Available Capital	6,281,081
Surplus / (Shortfall)	2,423,834
CET 1 Ratio	15.47%
Stress Impact in Bps	-

The results of the capital assessment indicate that the targets and triggers in place to manage capital adequacy, are appropriate.

The Management Risk Committee, through Asset and Liability Committee (ALCO), reviews the level of capital resources in relation to the changes in the risk profile of the Bank, the stress testing and the business and operating expenses of a capital nature each month. The Committee makes appropriate recommendation to the Board Risk and Sustainability Committee and the Board of Directors regarding additional capital requirements.

Risk Management

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

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

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

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

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

The key metrics focus on the capital and liquidity position of the Bank:

		Mar '25	Dec '24	Sep '24	Jun '24	Mar '24
		A	B	C	D	E
		T	T-1	T-2	T-3	T-4
	Available capital (amounts)*					
1	Common Equity Tier 1 (CET1) (with IFRS 9 transitional arrangement)	6,564,505	6,281,081	5,587,852	5,369,632	5,232,319
1a	Fully loaded ECL accounting model	6,564,505	6,250,967	5,522,753	5,307,408	5,159,228
2	Tier 1(with IFRS 9 transitional arrangement)	6,564,505	6,281,081	7,883,477	6,655,182	6,517,869
2a	Fully loaded ECL accounting model Tier 1	6,564,505	6,250,967	7,818,378	6,592,958	6,444,778
3	Total capital (with IFRS 9 transitional arrangement)	7,049,687	6,735,888	8,322,438	7,081,477	6,928,174
3a	Fully loaded ECL accounting model total capital	7,049,687	6,705,774	8,257,339	7,019,253	6,855,083
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	43,252,251	40,602,603	39,149,530	37,978,414	36,580,815
	Risk-based capital ratios as a percentage of RWA					
5	Common Equity Tier 1 ratio (%)	15.18%	15.47%	14.27%	14.14%	14.30%
5a	Fully loaded ECL accounting model CET1 (%)	15.18%	15.40%	14.11%	13.97%	14.10%
6	Tier 1 ratio (%)	15.18%	15.47%	20.14%	17.52%	17.82%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	15.18%	15.40%	19.97%	17.36%	17.62%
7	Total capital ratio (%)	16.30%	16.59%	21.26%	18.65%	18.94%
7a	Fully loaded ECL accounting model total capital ratio (%)	16.30%	16.52%	21.09%	18.48%	18.74%
	Additional CET1 buffer requirements as a percentage of RWA					
8	Capital conservation buffer requirement	2.50%	2.50%	2.50%	2.50%	2.50%
9	Countercyclical buffer requirement (%)	0.123%	0.132%	0.052%	0.085%	0.085%
10	Bank D-SIB additional requirements (%)	-	-	-	-	-
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9+ row 10)	2.62%	2.63%	2.55%	2.59%	2.59%
12	CET1 available after meeting the bank's minimum capital requirements (%)	5.80%	6.09%	7.27%	7.14%	7.30%
	Leverage Ratio					
13	Total leverage ratio measure	75,095,206	70,909,843	69,082,056	65,758,626	62,758,401
14	Leverage ratio (%) (row 2/row 13)	8.74%	8.86%	11.41%	10.12%	10.39%
14a	Fully loaded ECL accounting model leverage ratio (%) (row 2A/row 13)	8.74%	8.82%	11.32%	10.03%	10.27%
14b	Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	-	-	-	-	-
	Liquidity Coverage Ratio					
15	Total HQLA	-	-	-	-	-
16	Total net cash outflow	-	-	-	-	-
17	LCR ratio (%)	-	-	-	-	-

		Mar '25	Dec '24	Sep '24	Jun '24	Mar '24
		A	B	C	D	E
		T	T-1	T-2	T-3	T-4
	Net Stable Funding Ratio					
18	Total available stable funding	-	-	-	-	-
19	Total required stable funding	-	-	-	-	-
20	NSFR ratio (%)	-	-	-	-	-
	ELAR**					
21	Total HQLA	16,883,134	15,385,813	15,270,899	13,718,218	13,502,172
22	Total liabilities	55,424,454	52,473,208	49,849,036	47,349,811	45,477,496
23	Eligible Liquid Assets Ratio (ELAR) (%) **	30.46%	29.32%	30.63%	28.97%	29.69%
	ASRR**					
24	Total available stable funding	51,422,623	48,849,674	46,897,843	44,391,881	43,297,612
25	Total Advances	33,942,493	32,938,565	31,335,563	30,391,541	29,042,269
26	Advances to Stable Resources Ratio (%)	66.01%	67.43%	66.82%	68.46%	67.08%

** CBUAE Pillar 3 explanatory notes - Fully Loaded means bank's regulatory capital compared with a situation where the IFRS 9 transitional arrangement had not been applied.*
*** ELAR and ASRR ratios are calculated on a 90 day average basis as per CBUAE guidelines.*

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

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

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

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

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

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

Regulatory Capital

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

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

i. Total regulatory capital (net of regulatory adjustments) – at least 10.50% of risk weighted assets (RWA) – comprises of two tiers:

a. Tier 1 capital – at least 8.50% of RWA, composed of:

- Common equity Tier 1 (CET1) – at least 7.00% of RWA; and
- Additional Tier 1 (AT1).

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

b. Tier 2 capital

It includes collective impairment provision and subordinated facilities. Collective impairment provision, including impairment reserve general, shall not exceed 1.25% of total credit risk weighted assets.

ii. Banks must maintain a Capital Conservation Buffer (CCB) of 2.50% of RWA in the form of CET1 capital. CBUAE may also require banks to implement Countercyclical Buffer (CCyB), to protect the banks from periods of excess aggregate credit growth. CCyB must be met by using CET1 capital and the level may vary between 0 and 2.50% of RWAs. At the date of this report, the Bank is not required to hold additional capital to satisfy a CCyB.

Minimum capital requirements - Central Bank of the UAE:

Capital element	**Basel III 2025**
Minimum common equity tier 1 ratio	**7.00%**
Minimum tier 1 capital ratio	**8.50%**
Minimum capital adequacy ratio	**10.50%**
Capital conservation buffer	**2.50%**

Capital Stress Testing:

The Group carried out and submitted to the Central Bank of the UAE stress testing exercise in accordance with the macroeconomic and business scenarios prescribed by the Central Bank of the UAE through its related guidelines. The results also included the mitigation plan / management action in response to the impact of the stress scenario on the capital adequacy of the Group. The Group passed the Central Bank of the UAE stress test.

The stress testing exercise achieves the following objectives:

- It provides a forward-looking assessment of risk under a stressed scenario;
- It assesses the impact of various Macroeconomic Variables on UAE markets;
- It elaborates the methodologies, and the assumptions undertaken in the process;
- It assists the Group to shape its strategy, by gauging the capital impact of the stress scenarios;
- It enables the Group to assess extreme risk scenarios, along with contingency plans for such events; and
- It ensures senior management and the Board of Directors have sufficient information to facilitate contingency planning.

Capital Allocation:

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

3. Table OV1: Overview of RWA

	Mar '25	Dec '24	Mar '25
	A	B	C
	RWA		Minimum capital requirements
	T	T – 1	T
Credit risk (excluding counterparty credit risk)	**38,814,596**	**36,384,556**	**4,075,533**
Of which: standardised approach (SA)	38,671,174	36,253,461	4,060,473
Of which: foundation internal ratings based (F IRB) approach	-	-	-
Of which: supervisory slotting approach	-	-	-
Of which: advanced internal ratings based (A IRB) approach	-	-	-
Counterparty credit risk (CCR)	-	-	-
Of which: standardised approach for counterparty credit risk	-	-	-
Of which: Internal Model Method (IMM)	-	-	-
Of which: other CCR	-	-	-
Credit valuation adjustment (CVA)	143,422	131,095	15,059
Equity positions under the simple risk weight approach	-	-	-
Equity investments in funds – look- through approach	-	-	-
Equity investments in funds - mandate-based approach	-	-	-
Equity investments in funds - fall back- approach	-	-	-
Settlement risk	-	-	-
Securitisation exposures in the banking book	-	-	-
Of which: securitisation internal ratings-based approach (SEC - IRBA)	-	-	-
Of which: securitisation external ratings-based approach (SEC - ERBA)	-	-	-
Of which: securitisation standardised approach (SEC - SA)	-	-	-
Market risk	**73,084**	**40,002**	**7,674**
Of which: standardised approach (SA)	73,084	40,002	7,674
Of which: internal models approach (IMA)	-	-	-
Operational risk	**4,364,571**	**4,178,045**	**458,280**
Amounts below thresholds for deduction (subject to 250% risk weight)	-	-	-
Floor adjustment	-	-	-
Total	**43,252,251**	**40,602,603**	

NBF is principally exposed to credit risk which represents almost 89.74% per cent of the Bank's Risk Weighted Assets followed by operational risk which accounts for around 10.09% of Risk Weighted Assets. The Bank has a relatively small market risk exposure as reflected in its risk weighted assets.

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

		Mar '25
		A
1	Total consolidated assets as per published financial statements	64,488,059
2	Adjustments for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-
3	Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference	-
4	Adjustments for temporary exemption of central bank reserves (if applicable)	-
5	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-
6	Adjustments for regular-way purchases and sales of financial assets subject to trade date accounting	-
7	Adjustments for eligible cash pooling transactions	-
8	Adjustments for derivative financial instruments	-
9	Adjustment for securities financing transactions (ie repos and similar secured lending)	-
10	Adjustments for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	-
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	-
12	Other adjustments	(1,100,998)
13	**Leverage ratio exposure measure**	**63,387,061**

5. Table LR2: Leverage ratio common disclosure template

		Mar '25	Dec '24
		A	**B**
		T	**T-1**
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	63,387,061	59,576,936
2	Gross-up for derivatives collateral provided where deducted from balance sheet assets pursuant to the operative accounting framework	-	-
3	(Deductions of receivable assets for cash variation margin provided in derivatives transactions)	-	-
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	-	-
5	(Specific and general provisions associated with on-balance sheet exposures that are deducted from Tier 1 capital)	-	-
6	(Asset amounts deducted in determining Tier 1 capital)	-	-
7	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)**	**63,387,061**	**59,576,936**
Derivative exposures			
8	Replacement cost associated with *all* derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	159,158	87,670
9	Add-on amounts for PFE associated with *all* derivatives transactions	532,296	541,293
10	(Exempted CCP leg of client-cleared trade exposures)	-	-
11	Adjusted effective notional amount of written credit derivatives	-	-
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
13	**Total derivative exposures (sum of rows 8 to 12) * 1.4 (beta factor)**	**968,036**	**880,548**
Securities financing transactions			
14	Gross SFT *assets* (with no recognition of netting), after adjusting for sale accounting transactions	-	-
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
16	CCR exposure for SFT assets	-	-
17	Agent transaction exposures	-	-
18	**Total securities financing transaction exposures (sum of rows 14 to 17)**	-	-
Other off-balance sheet exposures			
19	Off-balance sheet exposure at gross notional amount	10,740,109	10,452,359
20	(Adjustments for conversion to credit equivalent amounts)	-	-
21	(Specific and general provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital)	-	-
22	**Off-balance sheet items (sum of rows 19 to 21)**	**10,740,109**	**10,452,359**
Capital and total exposures			
23	**Tier 1 capital**	6,564,505	6,281,081
24	**Total exposures (sum of rows 7, 13, 18 and 22)**	**75,095,206**	**70,909,843**
Leverage ratio			
25	**Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)**	**8.74%**	**8.86%**
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	8.74%	8.82%
26	CBUAE minimum leverage ratio requirement	3.00%	3.00%
27	**Applicable leverage buffers**	**5.74%**	**5.82%**

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

6. Eligible Liquid Assets Ratio

1	High Quality Liquid Assets	Nominal amount	Eligible Liquid Asset
1.1	Physical cash in hand at the bank + balances with the CBUAE	15,169,499	
1.2	UAE Federal Government Bonds and Sukuks	513,526	
	Sub Total (1.1 to 1.2)	**15,683,025**	**15,683,025**
1.3	UAE local governments publicly traded debt securities	1,085,009	
1.4	UAE Public sector publicly traded debt securities	-	
	Subtotal (1.3 to 1.4)	**1,085,009**	**1,085,009**
1.5	Foreign Sovereign debt instruments or instruments issued by their respective central banks	115,100	115,100
1.6	**Total**	**16,883,134**	**16,883,134**
2	Total liabilities		**55,424,454**
3	**Eligible Liquid Assets Ratio (ELAR)**		**30.46%**

7. Advances to Stable Resource Ratio

		Items	Amount
1		**Computation of Advances**	
	1.1	Net Lending (gross loans - (Stage 3 for Loans and advances (Principal) + Provision for interest & fees past due more than 90 days and legacy interest in suspense))	30,935,115
	1.2	Lending to non-banking financial institutions	175,538
	1.3	Net Financial Guarantees & Stand - by LC (issued - received)	1,182,990
	1.4	Interbank Placements	1,648,850
	1.5	**Total Advances**	**33,942,493**
2		**Calculation of Net Stable Resources**	
	2.1	Total capital + general provisions	7,688,831
		Deduct:	
	2.1.1	Goodwill and other intangible assets	203,379
	2.1.2	Fixed Assets	393,146
	2.1.3	Funds allocated to branches abroad	-
	2.1.5	Unquoted Investments	454
	2.1.6	Investment in subsidiaries, associates and affiliates	-
	2.1.7	**Total deduction**	**596,979**
	2.2	**Net Free Capital Funds**	**7,091,852**
	2.3	**Other stable resources:**	
	2.3.1	Funds from the head office	-
	2.3.2	Interbank deposits with remaining life of more than 6 months	3,693,457
	2.3.3	Refinancing of Housing Loans	-
	2.3.4	Borrowing from non-Banking Financial Institutions	892,084
	2.3.5	Customer Deposits	39,745,230
	2.3.6	Capital market funding/ term borrowings maturing after 6 months from reporting date	-
	2.3.7	**Total other stable resources**	**44,330,771**
	2.4	**Total Stable Resources (2.2+2.3.7)**	**51,422,623**
3		**Advances TO STABLE RESOURCES RATIO (1.5/ 2.4*100)**	**66.01%**

in good hands

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