UAE Basel II
Guidelines for Banks
Standardised Approach

DRAFT

Central Bank of The UAE

CONTENTS

1. Introduction

In June 2004, the Basel Committee on Banking Supervision ("Basel Committee") issued the "International Convergence of Capital Measurement and Capital Standards" Revised Framework (updated November 2005), and re-issued a "Comprehensive Version" in June 2006. The revised framework is referred to hereafter as "Basel II".

On 27 August 2006, The Central Bank of The United Arab Emirates (CBUAE), issued to all banks its Notice 3735/2006 'Basel II Implementation in the UAE' outlining the expectations of CBUAE from the banks.

Banks are expected to be compliant with the Standardised Approach for credit risk by 1 April 2008 and Internal Ratings Based Approach by 1 January 2011. Banks must also compute regulatory capital for Market Risk and Operational Risk from 1 April 2008 and are free to choose from approaches outlined under Basel II, except that advanced approaches must be approved by CBUAE on a case-by-case basis.

Basel II comprises three "Pillars":-

- Pillar 1 calculations of minimum regulatory capital under the Standardised approach addressed in section 2
- Pillar 2 regarding the banks own risk management and the supervisory review process of the regulator addressed in section 3
- Pillar 3 relates to transparency and refers to measures designed to promote enhanced market discipline addressed in section 4

Although banks should generally follow the Basel II document, any specific guidelines issued by CBUAE will prevail.

1.1. Regulatory Capital

The minimum regulatory capital is calculated as the ratio of a bank's capital base to the total of its risk weighted assets for Credit, Market and Operational Risk; this ratio is referred to as 'The Capital Adequacy Ratio' or CAR.

The capital base for a bank should be calculated as the sum of tier 1 capital and tier 2 capital (defined in section 2.1), after making certain deductions (defined in section 2.1) from the total of tier 1 capital and tier 2 capital.

The Central Bank of the U.A.E. has determined that, as was the case under Basel I, banks operating in the U.A.E. must maintain a capital adequacy ratio at a minimum of 10% at all times. Tier 1 capital should not be less than 6% of total risk weighted assets, while tier 2 capital will only be considered up to a maximum of 67% of tier 1 capital.

Basel II under the standardised approach, becomes effective from 1 January 2008 in the U.A.E., therefore, all banks are expected to comply with the requirements contained in this document by this date.

1.2. National Discretions

The Basel Committee has included in the Basel II framework a number of areas where supervisors have discretion to tailor the requirements to best suit their particular markets and prudential approaches. These are referred to as National Discretions.

Appendix 1 attached, lists the National Discretions available under the Standardised Approaches to Credit Risk and Operational Risk along with the options chosen by the CBUAE taking into account feedback received in 2006/2007 from the banking community.

NB: *Appendix 1 does not address national discretions for the advanced approaches to both credit risk and operational risk (FIRB, AIRB and AMA), which will be addressed in due course.*

2. Pillar 1

2.1. Capital base

The capital base serving as a basis for calculating each bank's capital adequacy ratio is defined as follows:

Tier 1 capital (core capital less tier 1 deductions)

Core capital

- Paid-up share capital,
- Published reserves (including post-tax retained earnings),
- Share premium,
- Legal reserves,
- General reserves,
- Hybrid Tier 1 Instruments (requires prior approval from Central Bank)
- Minority interests in the equity of subsidiaries less than wholly-owned

Profits of the current period are not allowable in the calculation of core capital, other than in exceptional circumstances at the discretion of the Central Bank. This would be determined in conjunction with reviews by a bank's external auditors as to their fairness.

Tier 1 deductions*

The following deductions must be made from core capital:

- Goodwill and other intangibles at net book value,
- Adjustments for the cumulative effect of foreign currency translation
- Own shares held - at net book value taking account of any provisions made against the acquisition value,
- Current year loss/retained losses,
- Shortfall in provisions,
- Other deductions:

  (a) Loans to directors:

  A deduction must be made for loans to directors which are not granted on market terms or which are not properly secured. Loans' are not granted on market terms where interest charged for such loans is significantly below that of comparable loans to other customers and/or below the bank's refinancing costs for such loans or on terms more favourable than for similar loans to other customers.

  (b) Other deductions -to be determined by CBUAE

* Any assets deducted from capital, in computing the numerator of the ratio, are not to be included in weighted risk assets in computing the denominator of the ratio. Loans are inadequately secured where they would not have been granted to other customers for lack of adequate security.

Tier 2 Capital (supplementary capital)

The following elements are eligible for inclusion in the calculation of tier 2 capital:

General Provisions

Under the standardised approach to credit risk, general provisions, as explained in Basel II paragraphs 381 to 383, can be included in Tier 2 capital subject to the limit of 1.25% of risk-weighted assets. For further details, banks must refer to paragraph 49(vii) to 49(x) of Basel II.

Un-disclosed reserves

These reserves must have the same high quality and characteristics as a disclosed capital reserve before they will be accepted by the CBUAE. They must be unencumbered and completely free of any lien or commitment. For further details, banks must refer to paragraph 49(iv) of Basel II.

Asset revaluation reserves/Cumulative changes in Fair Value

Revaluation surpluses arising from the revaluation of fixed assets or other long-term investments can be included as supplementary capital; provided they are subject to a substantial discount in order to reflect concerns both about market volatility and notional tax charges which may arise were such gains to be realised. Accordingly, the Central Bank of the U.A.E. accepts that banks may include a figure up to a maximum of 45% of the excess of market value over the net book value of these items within supplementary capital. Unrealised reserves arising in respect of the excess of market value over the net book value of the banks' property assets may not be included. For further details, banks must refer to paragraph 49(vi) of Basel II.

Hybrid (debt/equity) capital instruments

Certain capital instruments combine characteristics of both equity and debt, but vary from one country to another. Where these instruments have close similarities to equity, in particular, where they are able to support losses on an on-going basis without triggering liquidation, they may be included in supplementary capital. They must, however, meet the following requirements:

- Must be unsecured, subordinated and fully paid-up,
- Must not be redeemable without the prior consent of the CBUAE,
- Must be available to participate in losses without the bank being obliged to cease trading (unlike conventional subordinated debt);

Although these capital instruments may carry an obligation to pay interest that cannot permanently be reduced or waived (unlike dividends on ordinary shareholders' equity), they should allow service obligations to be deferred (as with cumulative preference shares) where the profitability of the bank would not support payments.

Subordinated term loans

Subordinated loan capital with a minimum original term to maturity of more than five years may be included within supplementary capital. During the last five years to maturity, cumulative amortization of 20% per annum on a straight-line basis will be applied to reflect the diminishing value of these instruments as a continuing source of strength. The amount of such instruments will be allowable only up to a maximum of 50% of tier 1 capital.

Tier 3 Capital

The principal form of eligible capital to cover market risks consists of shareholders' equity and retained earnings (Tier 1 capital) and supplementary capital (Tier 2 capital). But, subject to prior approval from the CBUAE, banks may employ a third tier of capital (Tier 3), consisting of short-term subordinated debt as defined in paragraph 49(xiv) of Basel II, for the *sole* purpose of meeting a proportion of the capital requirements for market risks, subject to the conditions in paragraph 49(xiii) and 49(xiv).

Deductions from total of tier 1 capital and tier 2 capital

Normal accounting practice prescribes the consolidation of the assets and liabilities of all members of a group when preparing group accounts. Where a group excludes subsidiaries, deduction from capital is essential to prevent the multiple use of the same capital resources in different parts of a group.

The following deductions should be made from the sum of tier 1 and tier 2 capital to take account of this and in those instances where banks have cross shareholdings in other banks:

Banking, securities and other financial subsidiaries

Under Basel II, banking and financial subsidiaries should be consolidated, and if not consolidated, the investment should be deducted from the capital base.

International Accounting Standards define subsidiaries as companies incorporated in their home-country or abroad which the bank controls (i.e. directly or indirectly holds 50% or more of the ordinary share capital) or in which the bank has a controlling influence (for example, via the composition of the board of directors) where it holds less than 50% of the ordinary share capital.

All banking and financial subsidiaries should be consolidated, except in certain cases as described in International Accounting Standard No.27, Consolidated Financial Statements and Accounting for Investments in Subsidiaries (issued by the International Accounting Standards Committee) which requires or permits exclusion from consolidation, for example, when:

- Control of the subsidiary is temporary; or
- Control does not exist in reality; or
- Control is impaired by restrictions on the transfer of funds.

Significant minority investments in banking and other financial entities

Investments in banking and other financial entities of 20% and above, up to 50% should normally be deducted from the capital base. Alternatively, such investments may, under certain conditions, be consolidated on a pro rata basis. For example, pro rata consolidation may be appropriate for joint ventures or where the CBUAE is satisfied that the parent is legally or de facto expected to support the entity on a proportionate basis only and the other significant shareholders have the means and the willingness to proportionately support it.

Investments in other banks or financial institutions

This represents cross shareholdings between two or more banks or financial institutions wherein they hold a similar amount of each other's Capital. In such circumstances, these amounts must be deducted from the total of the capital base.

Investments in insurance entities

For investments in insurance entities, an investment in such an entity of 10% or above would lead to deduction from the capital base. Banks may recognise surplus capital in insurance subsidiaries as per the criteria and disclosure requirements explained in Paragraph 33 and footnote 10 of Basel II.

Significant investments in commercial entities

Significant minority and majority investments in commercial entities that exceed materiality levels of 15% of the bank's capital for individual significant investments in commercial entities, and 60% of the bank's capital for the aggregate of such investments will be deducted from the capital base. The amount deducted would be the portion of the investment above the materiality level.

Investments in significant minority-owned /majority-owned and controlled commercial entities below the materiality levels noted above will be risk-weighted at no lower than 100% for banks using the standardised approach.

As a transitional arrangement, banks holding such investments at 1January 2008, that exceed the materiality levels stated above, will be permitted to reduce the excess of their investments over a period not extending beyond 1 January 2011. The impact would be that banks with these investments will not be required to deduct the excess over 15% from capital but will risk weight at 100%

Other Deductions - Securitised Assets

Exposures to securitised assets under the Standardised Approach are detailed under Paragraph 538 to 605 of Basel II. Such exposures that are rated B+ and below (Long-Term), below A-3/P-3 (Short-term), or are un-rated must be deducted from the capital base.

Deduction of investments in accordance with above requirements

Where deductions of investments are made pursuant to this part on scope of application, the deductions will be 50% from Tier 1 and 50% from Tier 2 capital.

2.2. Calculation of Regulatory Capital

Introduction

The Standardised Approach under Basel II is the new method by which banks must calculate their minimum capital requirements under Pillar 1 of Basel II as from 31 December 2007. The Standardised Approach is similar in principle to the Basel I requirements as banks must continue to calculate the minimum credit risk capital requirements as 10% of the total of their risk weighted exposures depending on the exposure class. The major differences are the greater risk sensitivity and the use made of external credit ratings.

Under Basel II, the basis of calculation of regulatory capital will also include, for the first time, a capital charge for Operational Risk. Under the 1988 Basel I Accord, banks were required to calculate their regulatory capital based on Credit Risk, and subsequently in 1996, a charge for Market Risk was introduced. Banks in the UAE, along with the implementation of Basel II, will be required to include regulatory capital for Market Risk in the UAE, a charge from which they were otherwise exempt due to the low incidence of Market Risk in the jurisdiction.

Under the Standardised Approach of Basel II, for credit risk, exposures are segmented into distinct asset classes. Risk weights are assigned to these assets, whether on-balance sheet or off-balance sheet, to arrive at the total risk weighted assets for inclusion in the calculation of the capital adequacy ratio.

Risk weights of O%, 20%, 50%, 100% and 150% are applied based on National Discretions permitted under Basel II and by virtue of ratings from External Credit Assessment Institutions (ECAIs) recognised by CBUAE.

The recognised ECAIs for the CBUAE are listed in a later section and the mappings of ratings to risk weights can be found in Appendix 2 and Appendix 3.

For Operational Risk, the CBUAE requires banks to calculate the capital charge applying one of the following methodologies: -

1. Basic Indicator Approach
2. Standardised Approach
3. Alternative Standardised Approach

Appendix 4 of this document contains templates of Prudential Returns for Pillar 1 capital calculations under the Standardised Approach of Basel II.

Initially, these returns will be submitted within 30 days from the end of the quarter i.e. 30 days from the first submission date. Banks are required to also continue with Basel I reporting until further notice.

2.3. Credit Risk- On Balance sheet

Claims on Sovereigns

Claims on central banks and sovereigns will be risk weighted in accordance with ratings from acceptable ECAIs, except that, for all GCC sovereigns a zero risk weight should be applied for all exposures.

Country scores of export credit agencies may not be used for risk weighting purposes.

Claims on Non-Federal Public Sector Entities

1. Domestic currency claims on a GCC PSE should be treated as claims on their sovereigns if their central bank or monetary authority treats them as such., excludes all entities that operate as commercial organisations. Foreign currency claims on such a PSE should be risk weighted one grade less favourable than its sovereign i.e. 20% risk weight.
2. Claims on other foreign PSEs should be risk weighted one grade less favourable than its sovereign.
3. Claims on commercial companies owned by a GCC sovereign or PSEs that operate as commercial organisations, shall be treated as claims on a corporate and risk weighted in accordance with ratings from acceptable ECAIs as detailed in Appendix 2.

Claims on Multi-Lateral Development Banks (MDBs)

The risk weights applied to claims on MDBs will generally be based on external credit assessments as set out under option 2 of Para 63 of Basel II, except that there will be no preferential treatment for short-term claims. A 0% risk weight will be applied to claims on highly rated MDBs that fulfil the criteria detailed in Basel II Para 59.

The MDBs risk weighted at 0% are:

1. World Bank (IERD) and its affiliates
2. Asian Development Bank
3. European Investment Bank
4. European Bank for Reconstruction and Development
5. Inter-American Development Bank
6. Islamic Development Bank
7. Caribbean Development Bank
8. OPEC Fund for International Development
9. Arab Fund for Economic and Social Development
10. Arab Monetary Fund
11. Arab Bank for Economic Development in Africa (BADEA)
12. Council for Europe Development Bank

Claims on Banks

Claims on banks should be risk weighted in accordance with ratings from acceptable ECAIs as referred to in Para 63 of Basel II under Option 2, and detailed in Appendix 2.

Claims on Securities firms

Claims on securities firms should be risk weighted in accordance with ratings from acceptable ECAIs.

Claims on Corporates

Claims on corporates should be risk weighted in accordance with ratings from acceptable ECAIs. A 100% risk weight should be applied to unrated corporate exposures.

The CBUAE may require a higher risk weight if deemed appropriate.

Claims included in the regulatory retail portfolio

A 75% risk weighting will apply for claims in the regulatory retail portfolio that meet the four Basel II criteria (orientation, product, granularity and low value) and where the maximum aggregated gross amount to one party does not exceed AED 2,000,000. However, any exposure to a single counter party must not exceed 0.2% of the total retail portfolio.

All other retail loans should be risk weighted 100%

The CBUAE may require a higher risk weight if deemed appropriate.

Claims secured by residential property

A preferential risk weight of 35% may apply where the security is perfected and: -

- A claim does not exceed AED 10 million
- The claim is secured by residential property with loan-to-value ratio (LTV) of up to 85%

If a bank does not hold information regarding LTVs for individual exposures or if the LTV is above 85%, a risk weighting of 75% will apply to exposures that meet the criteria for regulatory retail claims.

LTVs should be assessed on origination, making use of independent valuations, relevant indices and market information where appropriate, future similar valuations may also be permitted to determine LTVs.

All other claims (including claims past due 90 days) secured on residential property should be risk weighted 100% including that part of a claim in excess of the above ceiling.

Claims secured by commercial real estate

A 100% risk weights will be applied to such claims.

Past Due loans

The unsecured portion of any loan (other than a qualifying residential mortgage loan) that is past due for more than 90 days, net of specific provisions (including partial write-offs), will be risk-weighted as follows:

- 150% risk weight when specific provisions are less than 20% of the outstanding amount of the loan;
- 100% risk weight when specific provisions are 20% and above of the outstanding amount of the loan;

High Risk Categories

The following claims will be risk weighted at 150%: -

- Claims on sovereigns, PSEs, banks, and securities firms rated below B-.
- Claims on corporates rated below BB-.
- Past due loans as set out above
- Securitisation tranches that are rated between BB+ and BB- will be risk weighted at 350%
- Venture capital and private equity investments
- Real estate acquired in settlement of debt and not liquidated within the statutory period

CBUAE may choose to assign 150% or higher risk weights reflecting higher risks associated with certain assets

Other Assets

- Gold bullion held in banks' own vaults or on an allocated basis to the extent it is backed by bullion liabilities to be risk-weighted at 0%
- Cash items in process of collection are to be risk weighted at 20%
- Investments in equity or regulatory capital instruments issued by banks or securities firms will be risk weighted at 100% if not deducted
- Securitisation exposures should be risk weighted in accordance with ratings of eligible ECAIs, long term ratings below B+ and short-term below A-3/P-3 should be deducted from the capital base
- All other exposures including equity investments in the banking book are to be risk weighted at 100%

Claims on Securitised Assets (Investing Banks)

Banks must apply the securitisation framework for determining regulatory capital requirements on exposures arising from traditional and synthetic securitisations or similar structures that contain features common to both. Since securitisations may be structured in many different ways, the capital treatment of a Securitisation exposure must be determined on the basis of its economic substance rather than its legal form. Banks should follow paragraphs 538 to 605 of Basel II in relation to such exposures.

Credit Derivatives (Banks Selling protection)

There are cases where a bank provides credit protection for an exposure or a basket of obligors for a fee. This would need to be recognized when calculating the risk weighted assets and the capital charge. When the protection is for a basket, the protection would either crystallise when the first obligor or the second obligor defaults. The protection provider will apply risk weights as detailed in Appendix 3.

2.4. Credit Risk- Off Balance sheet

Under Basel II, off-balance sheet items under the standardised approach (Para 82 to 87 of Basel II) will be converted into credit exposure equivalents through the use of credit conversion factors in a similar manner to Basel I.

Credit Conversion Factor of 100%

- All direct credit substitutes, including general guarantees of indebtedness and all guarantee type instruments, such as standby letters of credit and acceptances, backing the financial obligations of other parties
- Credit derivatives such as credit default swaps where bank provides credit protection (other more complex derivatives will be assessed on a case-by-case basis and should be brought to the attention of Head of Banking Supervision at the CBUAE)
- Sale and repurchase agreements and asset sales with recourse, where the credit risk remains with the bank
- Forward asset purchases, forward deposits and commitments for the unpaid portion of partly-paid shares and securities which represent commitments with certain draw-downs

Credit Conversion Factor of 50%

- Transaction-related contingent items e.g. performance bonds, bid bonds warranties and standby letters of credit related to particular transactions
- Underwriting commitments under note issuance and revolving underwriting facilities (after deduction for own holdings of notes underwritten)
- Other commitments -Not unconditionally cancellable with an original maturity exceeding one year

Credit Conversion Factor of 20%

- Other commitments not unconditionally cancellable with an original maturity of one year or less
- Short-term self-liquidating trade-related contingent items e.g. documentary credits collateralised by underlying shipments.

Credit Conversion Factor of 0%

- Any commitment that is unconditionally cancellable

The book amounts of commitments should be entered in the Form CR3 by type and CR2 by counter-party (Appendix 4).

Foreign exchange and interest rate-related items

The treatment of foreign exchange and interest rate-related contracts needs special attention because banks are not exposed to credit risk for the full face value of these contracts, but only to the extent of potential cost of replacing the cash-flow (on contracts showing positive value) if the counter-party defaults.

The instruments that are captured in the risk-weighting framework include the following:

Foreign exchange contracts

(a) Forward foreign exchange contracts (swaps and outrights)

(b) Cross-currency interest rate swaps

(c) Foreign currency futures

(d) Foreign currency options purchased

Interest rate-related contracts

(a) Single currency interest rate swaps

(b) Basis swaps

(c) Forward rate agreements

(d) Interest rate futures

(e) Interest rate options purchased

For calculating the foreign exchange and interest rate-related risk, banks should use the current exposure method. Under this method, banks should calculate the current replacement cost of foreign exchange and interest rate-related contracts by “marking to market” all contracts with positive value. A factor (the” add-on") is then added to the replacement cost to reflect potential credit exposure over the remaining life of the contracts. The total potential credit exposure must then be analysed according to the types of counter-party in order to reflect the different risks.

No 'add-on' is required in the particular case of single currency floating interest rate swaps.

Since exchange rate contracts involve an exchange of principal on maturity as well as being generally more volatile, higher conversion factors are set for those instruments that feature exchange rate risk. Exchange rate contracts with an original maturity of 14 calendar days or less are excluded from risk weight requirements.

Instruments traded on exchanges may be excluded where they are subject to daily margin requirements. Once the credit equivalent amounts have been calculated by this method, they can then be weighted according to the usual risk weights assigned to the underlying nature of the counter-party, as for on-balance sheet items.

The exposure to each type of counter-party has to be risk weighted as 0%, 20%, 50% or 100% respectively to arrive at the total weighted exposure.

The method of calculating the risk-weighted exposure regarding foreign exchange and interest rate-related contracts is reflected in the attached return form CR2a.

2.5. Credit Risk Mitigation (CRM)

Credit Risk Mitigation (CRM) techniques are techniques used by banks to reduce the credit risk associated with exposures held by the bank.

Only certain types of CRM are considered as effective protection for the purposes of reducing Pillar 1 capital requirements.

Under Basel II, the main CRM techniques are: -

- Netting
- Collateral
- Guarantees
- Credit Derivatives

Netting

A bank can only use netting if it has a legal opinion confirming that netting will work and its systems allow it to calculate the net exposure. Operational criteria laid down under Basel II in Para 188 must also be complied with.

Collateral

For CRM such as collateral, important factors include whether the bank: -

- Can obtain value for the collateral (that it can efficiently obtain the funds)
- The agreement is legally enforceable

The standards that must be met in respect of the two methods detailed below are detailed in Paragraphs 123 to 126 of Basel II.

There are two methods to calculate the reduction of exposure for Pillar 1 capital charge calculations, the simple approach and the comprehensive approach.

The simple approach is only available under the standardised approach to credit risk. For a given exposure, this method takes the current value of the collateral, and for that amount of the exposure, applies the risk weight of the collateral instead of the risk weight of the borrower.

Banks should note the following: -

- Collateral must be pledged for at least the life expectancy of the exposure and marked to market and revalued with a minimum frequency of six months
- Under the simple approach, the risk weight to the collateralised portion is subject to a floor of 20%. That is, the risk weight cannot be below 20% for the collateralised portion of the exposure
- Exceptions to the floor include cash collateral (includes certificates of deposit or comparable alternatives issued and held by the lending bank), and all collateral in the form of Sovereign/PSE attracting a 0% risk weight

Details of this method, and restrictions are outlined in Paragraphs 182 to 185 of Basel II.

The comprehensive approach is available under the standardised approach and foundation IRB to credit risk. This method applies a volatility adjustment (or 'haircut') to the value of the collateral to allow for the fact that the collateral taken may fall in value when it comes to taking control of the collateral and selling it. This adjusted collateral value is subtracted from the exposure before calculating the risk-weighted assets for that exposure. The haircuts to be applied are as detailed in the Basel II Capital Adequacy Return for Standardised Approach CR4a, provided the criteria in Paragraph 151 of Basel II is met, otherwise haircuts should be calculated in accordance with Paragraph 168 of Basel II.

Banks should note the following: -

- Hedges (e.g. maturity of collateral) with a maturity mismatch are only recognised, when the original maturity of the collateral is one year or more
- Other collateral less than one year must match maturity of the exposure
- For recognised credit risk mitigation to be accepted when there is a maturity mismatch, then provided the maturity of the protection is equal to, or more than 1 year, the CRM would be recognised following adjustment for the mismatch as outlined in Paragraph 205 of Basel II.

Guarantees and Credit Derivatives

CBUAE will permit the use of guarantees or credit derivatives provided these are:-

- Direct
- Explicit
- Irrevocable, and
- Unconditional;

And, the bank has demonstrated to CBUAE that the operational criteria detailed in Paragraphs 189 to 193 of Basel II, is complied with. Only guarantees issued by or protection provided by entities with a lower risk weight will lead to reduced capital charges. The protected portion of the exposure is assigned the risk weight of the guarantor or protection provider (only where risk weight is lower than that of counter-party), whereas the uncovered portion retains the risk weight of the underlying counter-party.

Credit Protection/Guarantee from the following will be recognised: -

- Sovereign entities, PSEs, Multilateral Development Banks, and securities firms with a lower risk weight than the counter-party
- Other entities rated A- or better (includes parent, subsidiary, affiliate with lower risk weight than the obligor)

Credit protection by means of credit-linked notes

For credit-linked notes, where the bank issues such a note to cover the credit risk of an underlying asset (as a tool for CRM), the maximum amount of protection is the amount of the funds received from issuing that note. The protected amount should be treated as a claim collateralised by cash, while any remaining unprotected amount should be treated as a credit exposure to the underlying asset.

Where the bank holds a credit-linked note (an asset), it acquires credit exposure on two fronts, to the reference entity of the note and the note issuer. The higher risk weighting of the two should be applied on the book value of the note and reported in the relevant asset class.

2.6. Market Risk

Banks are required to allocate capital in respect of market risk under the general guidelines and framework set out under Basel II Section VI, Market Risk, which defines this risk as the risk of losses in on and off-balance sheet positions arising from movements in market prices'.

This section deals with the Standardised Approach of measurement as most banks will not be in a position to base their calculations on a models approach which may be accepted on a case-by-case basis. Reporting of capital charges and calculations will be as represented in the MR tables of Appendix 4.

The market risks subject to a capital charge are as follows: -

- Interest Rate Risk,
- Foreign exchange Risk,
- Equity Exposure Risk,
- Commodity Risk, and
- Options Risk

The scope of the charges is restricted to 'trading book' only for interest rate risk and equity positions whilst the remaining will apply to the banks entire positions.

A trading book consists of positions in financial instruments and commodities held either with trading intent or in order to hedge other elements of the trading book. To be eligible for trading book capital treatment, financial instruments must either be free of any restrictive covenants on their trading ability or able to be hedged completely. In addition, positions should be frequently and accurately valued, and the portfolio should be actively managed. This definition may equate to the application of IAS 39 to 'Mark-to-market' positions.

Banks must have clearly defined policies and procedures for determining which exposures to include/exclude from the trading book for purposes of calculating regulatory capital as detailed in Paragraphs 687 and 688 of Basel II. Compliance with these policies must be fully documented and subject to periodical audit.

Interest Rate Risk

Banks must calculate two separate charges for determining the minimum capital requirement.

Instruments in the trading book, such as debt securities of fixed or floating rate and non-convertible preference shares and other convertible debt that trades like debt securities, will attract a calculation for 'specific risk' of each security and 'general risk' in the portfolio (where long and short positions in different securities or instruments can be offset). General risk may be calculated using either the 'Maturity method' utilising a maturity ladder or 'Duration method', which is considered more accurate and is based on calculating price sensitivity of each position separately. Details of calculation methodology can be found in Paragraphs 709 to 718(iv) of Basel II.

Foreign Exposure Risk

Banks must calculate a capital charge for foreign exchange risk by computing the net open positions (greater of sum of the net short positions or sum of the net long positions) for currencies and gold. The capital charge would be applied to the higher of the net long positions or the net short positions (including gold). Details of calculation methodology can be found in Paragraphs 718(xxx) to 718(xLii) of Basel II. Banks will be permitted to treat US$ open positions equal to AED positions as long as the AED remains pegged to the US$, the same treatment is permitted for GCC currencies similarly pegged to the US$.

Banks that have little or no foreign currency business may be exempt from capital requirements under this section provided the following is met: -

- The greater of the sum of the gross long positions and sum of gross short positions in foreign currencies must not exceed 100% of the capital base described above.
- Overall net open position (as explained above) does not exceed 2% of the capital base.

Equity Risk

Banks must calculate a capital charge for equity risk by computing the specific risk charge and general risk charge as per the table in Appendix 4 labelled MR6. Capital charges for specific risk may be reduced by 50% for a liquid and well-diversified portfolio. Details of calculation methodology can be found in Paragraphs 718(xix) to 718(xxix) of Basel II.

Commodities Risk

Banks must calculate a capital charge for commodity risk in respect of physical holdings which can be, or are, traded, including precious metals but excluding gold (covered under foreign exchange risk). For banks that only conduct a limited amount of commodities business the Maturity Ladder Approach or the Simplified Approach would be expected. Major traders would be expected to follow a models approach and are outside the scope of this paper and therefore should approach CBUAE for specific guidance.

Under the maturity ladder approach, banks should calculate the net position in each commodity in its unit of measurement and then convert to AED at prevailing spot rate. Using a maturity ladder as in MR7 (Appendix 4) for each commodity, these should then be aggregated onto MR7 the consolidated table. A lower risk charge will apply to matched long and short positions within each maturity band or matched positions between bands, a capital charge of 15% will apply to residual unmatched positions. Details of calculation methodology can be found in Paragraphs 718(xLiii) to 718(Li) of Basel II.

Under the Simplified Approach, the capital charge will be 15% of the net position, long or short, in each commodity. In order to account for any basis risk and additional capital charge of 3% of the bank's gross positions, long plus short in each commodity. Details of calculation methodology can be found in Paragraphs 718(Liv) and 718(Lv) of Basel II.

Options Risk

Banks must calculate a capital charge for options risk based on the Simplified Approach applicable only to banks that solely use purchased options (do not write options) which is outline below: -

Position	Treatment
Long Cash and Long Put Or Short Cash and Long Call	The capital charge will be the market value of the underlying security multiplied by the sum of specific and general market risk charges for the underlying less the amount the option is in the money (if any) or zero
Long call Or Long put	The capital charge will be the lesser of: a) The market value of the underlying security multiplied by the sum of specific and general market risk charges for the underlying b) The market value of the option

Banks not falling into the above category should approach CBUAE for specific guidance and agreement to use the intermediate approaches as set out in Paragraphs 718(Lix) to 718(Lxix) or the comprehensive risk management model detailed in paragraphs 718 (Lxx) to 718 (xcix) of Basel II.

2.7. Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. This definition includes legal risk but excludes strategic and reputational risk.

Basel II framework outlines three methods for calculating the risk charge for operational risk: -

1. Basic Indicator Approach
2. Standardised Approach/Alternative Standardised Approach (ASA)
3. Advanced Measurement Approach

CBUAE permits banks to use any of the above approaches provided they meet the criteria laid down under Basel II and subject to approval for the Advanced Measurement Approach (AMA) for which banks would need to demonstrate to CBUAE the appropriateness of the chosen approach. This document focuses on all approaches excluding AMA.

In addition to complying with the criteria in Paragraph 663 of Basel II, Banks are encouraged to refer to and comply with the recommendations of the Basel Committee in their paper 'Sound Practices for the Management and Supervision of Operational Risk, February 2003'.

Banks should use any one of the approaches in (1) or (2) above to report the operational risk capital charge in the returns included in Appendix 4 headed OR1.

Once a bank has been allowed to use the ASA it would not be allowed to revert to the Standardised Approach without the permission of CBUAE.

The Basic Indicator Approach (BIA)

Under this approach, banks must hold capital for operational risk equal to 15% of the average of the past three years positive annual gross income (based on year end audited financial statements only). Figures for any year in which annual gross income is negative, or zero, should be excluded from both numerator and denominator when calculating the average.

For additional background refer to Paragraphs 649 to 651 of Basel II.

The Standardised Approach (TSA)

Under this approach, banks must hold capital for operational risk based on a % charge attributable to the gross income from eight business lines as referred to in Paragraph 654 of Basel II.

Figures for any year in which annual gross income is negative, or zero, should be excluded from both numerator and denominator when calculating the average.

In order to apply TSA, banks should be in a position to accurately make allocations to each business line and apply the charge as below: -

Business Lines	Capital Charge as % of Annual Gross Income (3 year average)
Corporate Finance	18%
Trading and Sales	18%
Retail Banking	12%
Commercial Banking	15%
Payment and Settlement	18%
Agency Services	15%
Asset management	12%
Retail Brokerage	12%

The Alternative Standardised Approach (ASA)

Banks may seek permission from CBUAE to use ASA and demonstrate that the approach is more appropriate than TSA for calculating the banks' operational risk capital charge.

Under ASA the methodology is the same as TSA, except that for two business lines – retail banking and commercial banking as the gross income figure is replaced by a function of the loans and advances (average of last 3 years) multiplied by a factor of 0.35. For further details refer to Footnote 104 of Basel II.

The Advanced Measurement Approach (AMA)

Banks may seek permission from CBUAE to use AMA and demonstrate that the approach is most appropriate for calculating the banks' operational risk capital charge.

For all approaches except BIA, Paragraphs 655 to 679 of Basel II should be strictly complied with in addition to the recommendations of the Basel Committee in their paper 'Sound Practices for the Management and Supervision of Operational Risk, February 2003'

2.8. Capital adequacy ratio

The amount of capital appropriate for a specific bank can only be determined in relation to its risks and the quality of management and control of those risks.

Therefore, under Pillar 2 of The Basel II framework, when assessing the capital adequacy of an individual bank, the Central Bank of the U.A.E. will also take other factors into consideration, such as the extent and nature of credit concentration (geographically, by business sector, etc.), policies and procedures, internal control systems etc. that may necessitate the setting of a higher capital requirement than 10% in case these other factors are considered deficient.

Banks that fall below the 10% (or other specific target ratio) requirement must notify the Central Bank immediately, in writing of the decline. In such circumstances the bank must provide CBUAE with its action plan for operating above the required capital ratio and how it plans to avoid a recurrence.

The capital adequacy ratio is therefore only one of a number of factors that The Central Bank of the U.A.E. will consider when assessing the capital requirement of each bank. These factors are further explained in section 3 covering Pillar 2 of the Basel II framework.

2.9. External Credit Assessment Institutions

The revised framework, allows banks to use external credit assessments to determine the risk weight of certain credit provided the External Credit Assessment Institutions ("**ECAI**"s) (rating agencies) that produce those assessments have been recognised as eligible for that purpose by the relevant national supervisor. ECAIs may be considered eligible for recognition if they meet the six criteria of:

- Objectivity;
- Independence;
- International access / Transparency;
- Disclosure;
- Resources; and,
- Credibility.

National supervisory authorities are responsible for establishing a mapping process i.e. assigning eligible ECAIs' assessments to the risk weights available under the standardised risk weighting framework and the securitisation framework for the standardised approach.

Objective of the Methodology

ECAI's should have a methodology of assigning a credit rating that is rigorous, systematic, continuous and subject to validation. To establish that an ECAI fulfils this primary component of eligibility criteria, it must demonstrate that it meets minimum standards given below:

1. It has an established rating definition, criteria and methodology.
2. The methodology, systems and procedures for assigning risk rating shall be consistent across the board.
3. The ECAI should have a robust procedure of rating assignment based on published information, market data, interviews with management and any other means that provide reasonable assurance for assigning the risk ratings.
4. While assigning risk ratings, the ECAI should take into account all major features of credit quality and ensure that the ratings are assigned taking into account all risk factors of the related entity.
5. The ECAI should demonstrate that the rating methodologies are subject to quantitative back testing. For this purpose, ECAI should calculate and publish default studies, recovery studies and transition matrices. For the purpose, the ECAI should have a definition of default that is equivalent to international standard and is relevant to domestic markets.
6. The assessment methodology for each market segment including rigorous back testing must have been established for at least one year.
7. All rating decision's should be made by the rating committee utilizing ECAI's established criteria and methodology.
8. The ECAI should have a mechanism to review its procedures and methodologies to adapt them to changing environment.
9. The ECAI should maintain adequate system /internal records to support its assigned ratings.

Independence

The ECAI should be independent, free from economic or any external pressures that may influence its credit assessments. The independence of an ECAI shall be assessed on the basis of the following four parameters:

1. Ownership: The ownership structure should not be such that could jeopardize the objectivity of the rating process. E.g. the owners have other businesses or are members of businesses or associations that are rated by the ECAI.
2. Organisational structure and Corporate Governance: The ECAI should demonstrate that their organisational structure minimizes the scope of external influence that can negatively impact the rating process. The ECAI have in place high standards of Corporate Governance that safeguard independence of its risk assessment and promote integrity.

3. Financial Resources: Since the core earning of an ECAI is the Issuer fee, this commercial pressure may give rise to conflict of interest. The ECAI must demonstrate that their business is financially viable and is able to sustain any commercial pressure exerted by rated entities. Also, ECAI should not be providing any other service to the rated entities.
4. External conflict of interest: The risk assessment process of ECAI should have ability to withstand external pressure. The ECAI should demonstrate that it is free from all sorts of external conflicts of interest.

International Access and Transparency

The risk assessment of the ECAI should be made available to both domestic and foreign institutions on equivalent terms and the same fees should be charged for the rating/risk assessments.

In order to promote transparency and enable its stakeholders to make decisions about the appropriateness of its risk assessment methods, ECAI should disclose enough information e.g. rating definition, methods of arriving at the rating, rating process, time horizon of the rating and the surveillance and review procedure.

Disclosure

The ECAI should demonstrate that it provides access to information that are sufficient to enable its stakeholders to make decision about the appropriateness of risk assessments. The purpose of this disclosure requirement is to promote transparency and bring in market discipline. ECAI is expected to make public the following information:

- Code of conduct.
- Definition of default
- Use of time horizons
- Rating definitions
- Assessment methods
- Actual default rates experienced in each assessment category
- Transition matrices
- Whether rating was solicited or unsolicited
- The date of last review and updation

Resources

ECAI should possess sufficient human and technical resources to carry out high quality credit assessment

1. Technical expertise of the people should be sufficient to carry out risk assessment and maintain contact with management of entities that are rated.
2. With respect to technical resources, ECAI is expected to have quantitative techniques and models that can process and analyse large quantities of data.

Credibility

The ECAI must demonstrate that it enjoys credibility in the market where it operates. The credibility is gauged on the basis of:

1. The extent to which it meets the resources requirements.
2. The extent to which independent parties (investors, insurers etc..) rely on the ECAI's risk assessment.
3. Existence of internal procedures to prevent misuse of confidential information.

Recognition of External Credit Assessment Institutions (ECAIs)

The supervisory authorities across GCC have agreed that the home regulator is free to choose from the following internationally recognised ECAIs:

- Standard & Poor's Ratings Services
- Moody's Investors Service
- Fitch Ratings; and
- Capital Intelligence

On the basis of information provided by the above ECAIs, CBUAE has reached the view that banks applying Basel II could use the ratings of the above ECAIs, and also reached agreement on the mapping process. Additional agencies may be approved in due course.

Mapping of ECAIs' ratings to risk weights

The mapping of the recognised ECAIs' ratings to risk weights is shown in Appendix *2* for the standardised approach.

The general rule within Basel II is that banks should use solicited ratings from ECAIs. The GCC national supervisory authorities have agreed at their discretion, not to allow banks to use unsolicited ratings in the same way as solicited ratings.

Banks must use the chosen ECAIs and their ratings consistently for each type of claim, for both risk weighting and risk management purpose. Banks will not be allowed to "cherry-pick" the assessments provided by different ECAIs, and must disclose the ECAIs that they intend to use for the risk weighting of their assets by type of claim as per the mapping process in Appendix *2*. Further guidance is provided below.

Banks nomination of ECAIs

For the purpose of applying ECAI ratings to derive risk-weights for exposures under the portfolio of claims on sovereigns, claims on banks, claims on securities firms and claims on corporate entities under the standardised approach, a bank should satisfy the following four steps:

(a) Nominate one or more ECAI(s) (the "nominated ECAI(s)") whose assigned ratings will be used by the bank for deriving risk weights for exposures in each of the external ratings-based portfolios, provided that the nominated ECAI(s) can provide a reasonable coverage on the bank's exposures within the portfolios in terms of the types of counterparties and different geographical regions covered by the ECAI(s);

(b) Notify the CBUAE of its nominated ECAI(s) and the application of the ratings of such ECAI(s) on each of the bank's external ratings-based portfolios;

(c) Use the ratings of the nominated ECAI(s) within each of the external ratings-based portfolios consistently, and seek the consent of the CBUAE on any subsequent changes to such ECAI(s) and the application of its/their ratings; and

(d) Treat a relevant exposure or the person to whom the bank has a relevant exposure as "unrated" for risk weighting purposes if that exposure or that person does not have a rating assigned to it by any ECAI chosen by the bank.

The above requirements are to ensure that a bank applies the ratings of its nominated ECAI(s) consistently and avoid any possible cherry picking of ratings provided by different ECAIs.

In determining its nominated ECAI(s), a bank should pay special attention to the criterion of "reasonable coverage". Where a bank has significant exposures within the external ratings-based portfolios to a particular type/set of counter-parties or a particular country that is not rated by the bank's nominated ECAI(s) but by other recognised ECAI(s) the bank should include such ECAI as a nominated ECAI to comply with the "reasonable coverage" requirement.

Multiple assessments

If there is only one assessment by a nominated ECAI chosen by a bank for a particular claim, that assessment should be used to determine the risk weight of the claim.

If there are two assessments by nominated ECAIs chosen by a bank that map into different risk weights, the higher risk weight will be applied.

If there are three assessments with different risk weights, the assessments corresponding to the two lowest risk weights should be referred to and the higher of those two risk weights will be applied.

Level of application of assessments

External assessments for one entity within a corporate group cannot be used to risk weight other entities within the same group.

Issue versus issuer assessment

Where a bank invests in a particular issue that has an issue-specific assessment, the risk weight of the claim will be based on this assessment. Where a bank's claim is not an investment in a specific, assessed, issue the following principles apply:

- In circumstances where the borrower has a specific assessment for an issued debt, but the bank's claim is not an investment in this particular debt, a high quality credit assessment (that being one which maps into a risk weight lower than that which applies to an unrated claim) on that specific debt may only be applied to the bank's un-assessed claim if this claim ranks *pari passu* or senior to the claim with an assessment in all respects. If not, the credit assessment cannot be used and the un-assessed claim will receive the risk weight for unrated claims; and

- In circumstances where the borrower has an issuer assessment, this assessment typically applies to senior unsecured claims on that issuer. Consequently, only senior claims on that issuer will benefit from a high quality issuer assessment. Other un-assessed claims of a highly assessed issuer will be treated as unrated. If either the issuer or a single issue has a low quality assessment (mapping into a risk weight equal to or higher than that which applies to unrated claims), an un-assessed claim on the same counterparty will be assigned the same risk weight as is applicable to the low quality assessment.

Where a bank intends to rely on an issuer or an issue specific assessment, the assessment must take into account and reflect the entire amount of credit risk exposure a bank has with regard to all amounts owed to it.

Short-term / long-term assessments

For risk weighting purposes, short-term assessments are deemed to be issue-specific. They can only be used to derive risk weights for claims arising from the rated facility. They cannot be generalised to other short-term claims, except under the conditions as prescribed in Appendix *2* in relation to short-term inter-bank claims under Option 2 of the standardised approach to credit risk, which the GCC regulators have applied.

Short-term ratings cannot be used to support a risk weight for an unrated long-term claim, and may only be used for short-term claims against banks and corporate entities. The mapping process for short-term claims is shown in Appendix 1.

Export Credit Agencies ("ECA"s)

Basel II (Para 55) allows supervisors to recognise the country risk scores assigned by ECAs in respect of the risk weighting of sovereign and central bank exposures. This is in addition to banks being able to use ECAIs for such exposures. The GCC regulators have exercised this National Discretion and agreed that banks are **<u>not</u>** permitted to use the consensus risk scores of ECAs participating in the "OECD Arrangement on Officially Supported Export Credits".

3. Pillar 2

This section encourages bankers to engage in thinking about how Pillar 2 will affect their bank. Regulators cannot implement Basel II just by putting in place a Pillar 1 framework – Pillar 1 cannot exist in a vacuum. To achieve an effective rollout of Basel II we need to address all three Pillars, Pillar 1, Pillar 2 and Pillar 3.

Pillar 2 is about capturing the risks not already captured under Pillar 1 and either significantly mitigating those risks or allocating capital against them. CBUAE expects banks to review the principles articulated in the Basel II document to ensure they maintain capital above minimum levels, and derive a Pillar 2 assessment that is forward looking.

Pillar 1 is clearly the foundation for calculations of capital adequacy but is not sufficient in itself. Pillar 2 is about banks having the capability to make their own capital adequacy calculations by identifying and assessing all the relevant risks.

Pillar 2 is also about the exercise known as the supervisory review process, which embraces two dimensions:

- The bankers' assessment of capital required to cover their risks; and
- The supervisory review and evaluation of that assessment.

The supervisory responsibility is sometimes known as the SREP – the Supervisory Review and Evaluation Process. The bankers responsibility is the ICAAP – the Internal Capital Adequacy Assessment Process.

The ICAAP is the responsibility of banks, but it involves a dialogue between banks and their supervisors (the SREP) with a view to achieving a consensus on the relevant amounts of capital and other mitigants required to support the risks in particular areas.

The bank's senior management must be alert and ready to generate an ICAAP with a goal of aligning the bank's own assessment of its economic capital needs with its regulatory capital needs. Hence, the banks should have the capability to perform an ICAAP and to produce overall capital numbers which can be supported and which can be part of a dialogue on risk evaluation between the bank and supervisor, a high level overview is presented in Appendix 5.

Proportionality

The CBUAE regards Pillar 2 as a proportionate concept, intended to address any gaps in risks not covered under Pillar 1, but which also has flexibility. Banks are expected to ensure that the processes, strategies and systems required under Pillar 2 and used in its ICAAP, are both comprehensive and proportionate to the nature, scale and complexity of the activities of the institution.

Included in Appendix 6 to this document is some guidance on what an ICAAP might look like and the sort of areas that should be covered. This is not prescriptive and banks may wish to follow models adopted in their group or other acceptable approaches.

Home/ Host aspects

The process of identifying the local risks and generating local ICAAPs and SREPs should provide the starting point for home/host supervisor interaction with a view to giving the most efficient allocation of capital among different entities while at the same time minimising duplication of effort between supervisors and within banking groups.

Realistically, there will have to be some "reasonableness" tests as part of the home/host supervisory dialogue but it is difficult to envisage a prudent outcome other than a requirement of the CBUAE to require sufficient capital to support all the risks in the jurisdiction. Consequently, CBUAE expects branches of foreign banks to demonstrate to it as the host regulator, a sufficiently robust ICAAP process appropriate to the nature, scale and complexity of its activities in the UAE.

Other Material Risks

To assist banks in determining what Pillar 2 risk they should be considering this paper explores some of the other risks that have been identified as material. The ICAAP should be comprehensive and should cover all Pillar 2 risks including those listed in Appendix 6.

On concentration risk, the CBUAE will be expecting the ICAAP to cover sectoral risks and geographic concentrations in property and money market books. In addition, to address concentration risk one of the things we will have to look to is the incidence of large exposures. For mitigation to be effective, we would have to recognise significant diversification of those large exposures and the nature of the collateral held.

Supervisory Approach to "Other Risks"

Identifying the risks may be relatively straightforward. A suggested list of other risks is included within Appendix 6, which provides guidance on a suggested format for submission of the ICAAP to CBUAE.

There is widespread acceptance of the point that the particular "other risks" identified may not be responsive to the application of additional amounts of capital: it may be more appropriate to implement safer or more effective control systems which may involve smarter, or better-resourced risk management systems.

Pillar 2 requires the CBUAE to put in place a regime for the assessment of "other risks" and consequent capital add-ons which is both systematic and transparent.

ICAAP Timing

It is proposed that boards should require an ICAAP to be produced once a year. Clearly, for more conservative business models the initial ICAAP will involve more effort than subsequent annual assessments. Boards will want to be satisfied that the capital assessment exercise has been diligently undertaken but if there has been no material change in the business lines undertaken and the risk profile of those business lines is unchanged then there should be very little change in the ICAAP.

Capital Requirements

At this stage there is no definitive mode of calibration of Pillar 2 risks. Our likely approach will be “Pillar 1 plus”. Hence the aggregate capital requirement for Pillar 1 and Pillar 2 risks will be expressed in terms of Pillar 1, ***for example***, where the ICAAP would suggest that capital should equal 105% of Pillar 1, the additional Pillar 2 requirement is 5% of the capital required for Pillar 1.

The bank would maintain this ratio of Pillar 1 to Pillar 2, until the next year’s ICAAP had been agreed.

Supervisory Programme

We envisage no change in our on-site review programmes. These will continue to inform the CBUAE on areas of mitigation with respect to credit risk and other risk issues. However, CBUAE will review in detail the Pillar 2 submissions.

Summary

The CBUAE expects banks’ management to become much more focused on the following areas:-

1. To understand what their bank is doing with respect to Pillar 1 and Pillar 2 risks.
2. To identify “other risks” under Pillar 2 relevant to their bank and to assess the risk mitigants available to set against those “other risks” under Pillar 2.
3. To take steps to plan their internal capability to calculate capital requirements under Pillar 2.

4. Pillar 3

The purpose of Pillar 3 ─ market discipline is to complement the minimum capital requirements (Pillar 1) and the supervisory review process (Pillar 2). The CBUAE supports enhanced market discipline by developing a set of disclosure requirements which will allow market participants to assess key pieces of information on the scope of application, capital, risk exposures, risk assessment processes, and hence the capital adequacy of the institution.

In principle, banks' disclosures should be consistent with how senior management and the board of directors assess and manage the risks of the bank.

Under Pillar 1, banks use specified approaches/methodologies for measuring the various risks they face and the resulting capital requirements. The CBUAE believes that providing disclosures that are based on a common framework is an effective means of informing the market about a bank's exposure to those risks and provides a consistent and understandable disclosure framework that enhances comparability.

Interaction with accounting disclosures

The CBUAE recognises the need for a Pillar 3 disclosure framework that does not conflict with requirements under accounting standards, which are broader in scope. Where banks face difficulties, CBUAE will consider each issue on a case-by-case basis.

Banks are encouraged to provide all related information in one location to the degree feasible. In addition, if information is not provided with the accounting disclosure, institutions should indicate where the additional information can be found.

Materiality

A bank should decide which disclosures are relevant for it based on the materiality concept. Information would be regarded as material if its omission or misstatement could change or influence the assessment or decision of a user relying on that information for the purpose of making economic decisions. This definition is consistent with International Accounting Standards and with many national accounting frameworks.

The CBUAE recognises the need for a qualitative judgement of whether, in light of the particular circumstances, a user of financial information would consider the item to be material (user test). The CBUAE is not setting specific thresholds for disclosure as these can be open to manipulation and are difficult to determine, and it believes that the user test is a useful benchmark for achieving sufficient disclosure.

Proprietary and confidential information

Proprietary information encompasses information (for example on products or systems), that if shared with competitors would render a bank's investment in these products/systems less valuable, and hence would undermine its competitive position.

Information about customers is often confidential, in that it is provided under the terms of a legal agreement or counterparty relationship. This has an impact on what banks should reveal in terms of information about their customer base, as well as details on their internal arrangements, for instance methodologies used, parameter estimates, data etc.

The CBUAE believes that the requirements set out below strike an appropriate balance between the need for meaningful disclosure and the protection of proprietary and confidential information.

In exceptional cases, disclosure of certain items of information required by Pillar 3 may seriously prejudice the position of the bank by making public information that is either proprietary or confidential in nature. In such cases, a bank need not disclose those specific items, but must disclose more general information about the subject matter of the requirement, together with the fact that, and the reason why, the specific items of information have not been disclosed.

This limited exemption is not intended to conflict with the disclosure requirements under the accounting standards.

Disclosure requirements

Banks should have a formal disclosure policy approved by the board of directors that addresses the bank's approach for determining what disclosures it will make and the internal controls over the disclosure process. In addition, banks should implement a process for assessing the appropriateness of their disclosures, including validation and their frequency.

The general disclosure requirements as detailed in Para 821 of Basel II will be applied at the top consolidated level of a banking group by all licensed banks, i.e., at the level of the parent licensed bank.

Disclosures related to individual banks within a UAE banking group would not generally be required, branches of foreign banks would not be exempted. An exception to this arises in the disclosure of total and Tier I capital ratios of subsidiary banks by the top consolidated bank where an analysis of significant subsidiary banks within the group is appropriate in order to recognise the need for these subsidiaries to comply with the relevant capital adequacy framework and other applicable limitations on the transfer of funds within the group.

Banks should refer to Basel II June 2006 section covering Pillar 3 for detailed requirements under this pillar.

Disclosure by banks is expected to include both General Disclosures and Specific disclosures included in financial statements published for the year 2008. Therefore, the annual report for 31 December 2008 would be expected to comply with the Basel II disclosure requirements. Reports must be audited/reviewed in accordance with International Auditing Standards.

The tables as detailed in Appendix 7 may serve as guidance in considering format of disclosures that are fully explained in the Pillar 3 section of Basel II.

5. Appendices

Appendix 1 – National Discretions

Standardised Approach - for Credit and Operational Risks

Basel II paragraph reference (June 2006 version)	Summary of Basel II Issues subject to National Discretion	Central Bank of UAE Decisions
Scope of Application and Other Issues		
24 & 27	Choice of rule between consolidation and deduction. All relevant financial activities will be consolidated, but if not consolidated, deducted from the capital.	The threshold level for consolidation in the UAE is ownership of above 50%. Deduction, if ownership is 50% or below
28	Threshold for minority investments in banking and financial entities to be deemed significant and be either deducted or consolidated on a pro-rata basis	The threshold level for pro-rata consolidation is ownership equal to or above 20% but less than 50%
30-34	Treatment of significant investments in insurance subsidiaries The committee believes that at this stage it is, in principle, appropriate to deduct banks' equity and other regulatory capital investments in insurance subsidiaries and also significant minority investments in insurance entities.	Ownership of 10% and above in insurance subsidiaries will lead to deduction.

Appendix 1 – National Discretions

Standardised Approach - for Credit and Operational Risks

Basel II paragraph reference	Summary of Basel II Issues subject to National Discretion	Central Bank of UAE Decisions
33	The capital invested in a majority-owned or controlled insurance entity may exceed the amount of regulatory capital required for such an entity (surplus capital). Supervisors may permit the recognition of such surplus capital in calculating a bank's capital adequacy, under limited circumstances. Banks recognising surplus capital in insurance subsidiaries will publicly disclose the amount of such surplus capital recognised in their capital.	Banks are permitted to recognise surplus capital in insurance subsidiaries - explained in Paragraph 33 of International Convergence of Capital measurement and Capital Standards- June 2006 issued by the Basel Committee on Banking Supervision (Basel II).

Appendix 1 – National Discretions

Standardised Approach - for Credit and Operational Risks

Basel II paragraph reference (June 2006 version)	Summary of Basel II Issues subject to National Discretion	Central Bank of UAE Decisions
35	Significant minority and majority investments in commercial entities that exceed certain materiality levels will be deducted from banks' capital.	Yes, deduction when investments exceed materiality levels of 15% of the bank's capital for individual significant investments in commercial entities and 60% of the bank's capital for the aggregate of such investments. As a transitional arrangement, banks holding such investments (acquired prior to 1 January 2008) that exceed the above materiality levels, will be exempted from any such deduction until 1 January 2011 and instead will apply a risk weight of 100%
Claims on Sovereigns		
53	Claims on central banks and sovereigns will be risk weighted in accordance with external credit assessment	Yes, except that for all GCC sovereigns banks may apply a zero risk weight
54 and 201	Recognise the lower risk-weights of other supervisory authorities for domestic currency sovereign exposures funded in that currency	Yes, for all GCC sovereigns
55	Allow the recognition of export credit agencies' country risk scores for risk-weighting claims on sovereigns	Not permitted
201	Apply a lower risk-weight to claims (and portions of claims) guaranteed by the sovereign (or central bank) when denominated and funded in domestic currency	Yes

Appendix 1 – National Discretions
Standardised Approach - for Credit and Operational Risks

Basel II paragraph reference (June 2006 version)	Summary of Basel II Issues subject to National Discretion	Central Bank of UAE Decisions
Claims on Non-Central Government Public Sector Entities (PSEs)		
57 – 58	Claims on domestic PSEs	Domestic currency claims on a GCC PSE should be treated as claims on their sovereigns if their central bank or monetary authority treats them as such. Excludes commercial PSEs. Foreign currency claims on such a PSE should be risk weighted one grade less favourable than its sovereign i.e. 20% RW. Claims on other foreign PSEs should be risk weighted one grade less favourable than its sovereign. Claims on commercial companies owned by GCC sovereign or PSEs that operate as a commercial organization shall be treated as claims on a corporate and assigned a risk weight based on the external credit rating.
Claims on Banks		
60 – 64	Claims on banks may be risk-weighted one category less favourable than claims on the sovereign (option one) or based on the bank's rating issued by a recognised external credit rating agency (option two)	Option 2
64	Allow a preferential risk-weight for claims on banks with an original maturity of three months or less that are denominated and funded in the domestic currency	Yes

Appendix 1 – National Discretions

Standardised Approach - for Credit and Operational Risks

Basel II paragraph reference (June 2006 version)	Summary of Basel II Issues subject to National Discretion	Central Bank of UAE Decisions
Claims on Corporates		
67	Increase the standard risk-weight for un-rated claims when a higher risk-weight is warranted by the default experience of the jurisdiction. As part of the supervisory review process, supervisors may also consider whether the credit quality of corporate claims held by individual banks should warrant a standard risk weight higher than 100%	Yes, on a case by case basis
68	Allow all corporate claims to be risk-weighted at 100% without regard to external ratings	Not permitted. Where banks have selected an approved ECAI as per Para 90-91 below, all ratings must be applied where available and cannot be disregarded

Appendix 1 – National Discretions
Standardised Approach - for Credit and Operational Risks

Basel II paragraph reference (June 2006 version)	Summary of Basel II Issues subject to National Discretion	Central Bank of UAE Decisions
Claims in the Regulatory Retail Portfolio		
69	Claims that qualify under criteria as laid down under Basel II (subject to discretion re Para 70 below) may be considered as retail claims in a regulatory retail portfolio and may be risk weighted at 75% (except for past due loans)	A 75% risk weighting will be allowed for claims in the regulatory retail portfolio that meet the four Basel II criteria (orientation, product, granularity and low value) and where the maximum aggregated gross amount to one party does not exceed AED 2,000,000, subject to Para 70 below. All other retail loans should be risk weighted at 100%
70	Set a numerical limit on the regulatory retail portfolio so that no aggregate exposure to one counterpart exceeds 0.2% of the overall regulatory retail portfolio	Yes – the limit is set at 0.2% of the overall retail portfolio
71	National supervisory bodies may Increase the suggested risk-weights for regulatory retail exposures	CBUAE retains the discretion to increase the risk weights when circumstances dictate

Appendix 1 – National Discretions

Standardised Approach - for Credit and Operational Risks

Basel II paragraph reference (June 2006 version)	Summary of Basel II Issues subject to National Discretion	Central Bank of UAE Decisions
Claims Secured by Residential Property		
72 – 73	Apply a preferential risk-weight (i.e. 35%) for claims secured by mortgages on residential properties (occupied by the borrower or rented) subject to Loan to Value (LTV) criteria	Preferential risk weights may be applied where the security is perfected and: - ▪ Where claims (not exceeding AED 10 million), are secured by residential property with loan-to-value ratio (LTV) of up to 85% a risk weight of 35% will apply ▪ If a bank does not hold information regarding LTVs for individual exposures, or if the LTV is above 85%, a risk weighting of 75% will apply to exposures that meet the criteria for regulatory retail claims LTVs should be assessed on origination, making use of independent valuations and market information where appropriate, future similar valuations may also be permitted to determine LTVs. All other claims (including claims past due 90 days) secured on residential property should be risk weighted 100% including the excess of the claims that exceed the above ceiling
Claims Secured by Commercial Real Estate		
Footnote 29 to paragraph 74	Allow certain commercial property loans to be risk-weighted at 50% (subject to conditions)	Not permitted – 100% risk weight is applicable

Appendix 1 – National Discretions

Standardised Approach - for Credit and Operational Risks

Basel II paragraph reference (June 2006 version)	**Summary of Basel II Issues subject to National Discretion**	**Central Bank of UAE Decisions**
Past Due Loans		
75 and 78	Allow the risk weight for the unsecured portion of any loan (including a qualifying residential mortgage loan) that is past due for more than 90 days, net of specific provisions, to be reduced from 100% to 50%, when specific provisions are at least 50% of the outstanding amount of the loan.	No – 100% risk weight must be applied
Footnote 30 to paragraph 75	Treat non-past due loans extended to counter-parties subject to a 150% risk-weight the same way as past due loans (i.e. where specific provisions are more than 50% of the claim, risk weight the un-provided portion of the claim at 50%)	Yes
77	Allow a 100% risk-weight for past due loans that are fully secured by other forms of collateral where provisions are greater than 15% of the outstanding amount of the loan	Yes Other collateral may include ▪ Quoted Shares (in UAE, internationally recognised exchange) ▪ Motor vehicles ▪ Residential Real Estate ▪ Commercial Real Estate

Appendix 1 – National Discretions
Standardised Approach - for Credit and Operational Risks

Basel II paragraph reference (June 2006 version)	Summary of Basel II Issues subject to National Discretion	Central Bank of UAE Decisions
Other Categories		
80	Apply a risk-weight of 150% or higher to other assets (e.g. venture capital and private equity investments)	Yes, a 150% risk weight will apply for:- 1. Venture capital and private equity investments 2. Real estate acquired in settlement of debt and not liquidated within the statutory period CBUAE may choose to assign 150% or higher risk weights reflecting higher risks associated with certain assets
Footnote 32 to paragraph 81	Allow gold bullion held in banks' own vaults or on an allocated basis to the extent it is backed by bullion liabilities to be risk-weighted at 0%	Yes
90-91	Acceptable Credit Rating Agencies	Banks may choose from the following initially approved agencies:- - Moody's - S&P - Fitch IBCA - Capital Intelligence Others may be added to this list at the discretion of the Central Bank of The UAE Banks should follow the guidance in Para 94 and disclosures must be as per Para 95
92	National Supervisors will issue Mapping of ECAI assessments to Risk Weights	Yes – see Appendices 2 and 3 of Basel II Guidelines for banks- Standardised Approach issued by Central Bank of the UAE

Appendix 1 – National Discretions

Standardised Approach - for Credit and Operational Risks

Basel II paragraph reference (June 2006 version)	Summary of Basel II Issues subject to National Discretion	Central Bank of UAE Decisions
Use of External Ratings		
Footnote 37 to paragraph 102	Allow the option to use a borrower's domestic currency rating for exposure in foreign exchange transactions when an exposure arises through a bank's participation in a loan that has been extended, or has been guaranteed against convertibility and transfer risk, by Multilateral Development Banks	Yes
108	Allow a bank to use unsolicited ratings in the same way as solicited ratings	Not permitted

Appendix 1 – National Discretions
Standardised Approach - for Credit and Operational Risks

Basel II paragraph reference (June 2006 version)	**Summary of Basel II Issues subject to National Discretion**	**Central Bank of UAE Decisions**
Operational Risk		
652 (FN104)	At national supervisory discretion, a supervisor can choose to allow a bank to use the alternative standardised approach (ASA) provided the bank is able to satisfy its supervisor that this alternative approach provides an improved basis by, for example, avoiding double counting of risks.	Yes – However, once a bank has been allowed to use the ASA it would not be allowed to revert to the Standardised Approach without the permission of CBUAE.
654 (FN105)	Supervisors may adopt a more conservative treatment of gross income.	Yes – negative numbers should be excluded from the calculations of gross income
663 (FN 108)	As some internationally active banks will wish to use the Standardised approach, it is important that such banks have adequate operational risk management systems. Consequently, an internationally active bank using the Standardised Approach must meet the criteria in paragraph 663. For other banks, these criteria are recommended, with national discretion to impose them as requirements.	All banks are expected to follow the requirements in Para 663 as this is likely to bring about an improvement in management and assessment of their Operational Risk. Furthermore, banks are expected to seek guidance from the BIS paper 'Sound Practices for The Management and Supervision of Operational Risk' February 2003

Appendix 2 – Standardised approach – Mapping of ECAIs’ credit assessments risk weighting

Long-term mapping –Assessments and Risk weights

	ASSESSMENTS				RISK WEIGHTS			
						Banks		
						Credit assessment method (Option 2)		
Risk Grade	**S & P**	**FITCH**	**Moody’s**	**Capital Intelligence**	**Corporate**	**Maturity > 3 months**	**Maturity 3 months or less (Domestic currency only)**	**Sovereign**
1	AAA to AA-	AAA to AA-	Aaa to Aa3	AAA	20%	20%	20%	0%
2	A+ to A-	A+ to A-	A1 to A3	AA to A	50%	50%	20%	20%
3	BBB+ to BBB-	BBB+ to BBB-	Baa1 to Baa3	BBB	100%	50%	20%	50%
4	BB+ to BB-	BB+ to BB-	Ba1 to Ba3	BB	100%	100%	50%	100%
5	B+ to B-	B+ to B-	B1 to B3	B	150%	100%	50%	100%
6	CCC+ and below	CCC+ and below	Caa1 and below	C and below	150%	150%	150%	150%
7	Unrated	Unrated	Unrated	Unrated	100%	50%	20%	100%

UAE Dirham denominated and funded sovereign exposures to the Federal and Local Emirate governments attract a risk weighting of 0%. Similarly, all GCC sovereign exposures attract a risk weighting of 0%.

For the mapping of ratings to risk weights for exposures to banks and securities firms, only the risk weights associated with Option 2 are shown. The GCC exercised this Option for the standardised approach, rather than Option 1, which is based on the sovereign rating.

Short-term mapping (applied to exposures to banks and corporate entities)

For risk weighting purposes, short-term assessments are deemed to be issue-specific. They can only be used to derive risk weights for claims arising from the rated facility. They cannot be generalised to other short-term claims, except under the conditions as outlined below, which relate to short-term inter-bank claims under Option 2 of the standardised approach to credit risk.

Short-term ratings cannot be used to support a risk weight for an unrated long-term claim, and may only be used for short-term claims against banks and corporate entities.

Conditions for the use of short-term ratings for short-term bank exposures under Option 2 of the standardised approach to credit risk

The interaction between short-term bank exposures under Option 2 of the standardised approach to credit risk and short-term assessments of ECAIs is as follows:

- The general preferential treatment for short-term claims, as defined under paragraphs 62 and 64 of Basel II, applies to all claims on banks of up to three months original maturity when there is no specific short-term assessment (i.e. apply the long-term ratings and associated risk weights as defined in Appendix 2 for short-term claims-maturity of 3 months or less);
- Where there is a short-term assessment, and such an assessment maps into a risk weight that is more favourable (i.e. lower) or identical to that derived from the general preferential treatment, the short-term assessment should be used for the specific claim only; and
- Where a specific short-term assessment for a short-term claim on a bank maps into a less favourable (i.e. higher) risk weight, the general preferential treatment for inter-bank claims cannot be used. All un-rated short-term claims should receive the same risk weighting as that implied by the specific short-term assessment.

Risk Grade	S&P	Fitch	Moody's	Capital Intelligence	Risk weight
1	A-1+, A-1	F1+, F1	P-1	A1	20%
2	A-2	F2	P-2	A2	50%
3	A-3	F3	P-3	A3	100%
4	All short-term ratings below A-3	Below F3	Not prime (NP)	All short-term ratings below A3	150%

Appendix 3 – Securitisation Mappings

Long-term rating

Risk Grade	S & P	FITCH	Moody's	Capital Intelligence	Risk weight	Risk Weights for Credit Default Swaps	
						First to default	Second to default
1	AAA to AA-	AAA to AA-	Aaa to Aa3	AAA	20%	20%	20%
2	A+ to A-	A+ to A-	A1 to A3	AA to A	50%	50%	50%
3	BBB+ to BBB-	BBB+ to BBB-	Baa1 to Baa3	BBB	100%	100%	100%
	BB+ to BB-	BB+ to BB-	Ba1 to Ba3	BB	350%	350%	350%
5	B+ and below Unrated	B+ and below Unrated	B1 and below Unrated	B and below Unrated	Deduction	Aggregate of risk weights of each obligor in basket Up to 1000%	Aggregate of risk weights of each obligor in basket (excluding asset with lowest risk weight) Up to 1000%

Short-term rating

Risk Grade	S & P	Fitch's	Moody's	Capital Intelligence	Risk Weight	Risk weight For Credit Default Swaps	
						First to default	Second to default
1	A-1+, A-1	F1+, F1	P-1	A1	20%	20%	20%
2	A-2	F2	P-2	A2	50%	50%	50%
3	A-3	F3	P-3	A3	100%	100%	100%
4	All others or unrated	All others or unrated	All others or unrated	All others or unrated	Deduction	Aggregate of risk weights of each obligor in basket Up to 1000%	Aggregate of risk weights of each obligor in basket (excluding asset with lowest risk weight) Up to 1000%

Deduction is required for unrated positions with the exception of the circumstances described in Paragraphs 571 to 575 Basel II

APPENDIX 4 BASEL II Pillar 1 Standardised Approach- Capital Adequacy Return (CAR) Forms

	Form #	Required
Capital Adequacy Calculation	CAR 1	Yes
Capital Base	CAR 2	Yes
Credit Risk Summary	CR1	Yes
Credit Risk Detailed	CR2	Yes
Credit Risk - Derivative Contracts	CR2a	Note 1
Credit Conversion Factors	CR3	Note 1
Credit Risk Mitigation - Simple Approach	CR4	Note 2
Credit Risk Mitigation - Comprehensive Approach	CR4a	Note 3
Credit Risk Mitigation - Comprehensive Approach (fx)	CR4b	Note 4
Settlement Risk	SR1	Yes
Market Risk Summary	MR1	Yes
Interest Rate Risk - Specific	MR2	Note 1
Interest Rate Risk - General - Maturity Method	MR3	Note 1
- Duration Method	MR4	Note 5
Foreign Exchange Risk	MR5	Note 1
Equity Risk	MR6	Note 1
Commodity Risk	MR7	Note 1
Options Risk Standardised Approach	MR8	Note 1
Options Risk Intermediate Approach	MR9	Note 5
Market Risk Internal Models	MR IM	Note 5
Market Risk Internal Models -Details	MR IM DETAILS	Note 5
Operational Risk	OR1	Yes

Note 1 To be completed only where applicable
Please refer to guidelines and Basel II paper June 2006

Note 2 To be completed only when bank has decided to use the comprehensive approach for collateral

Note 3 To be completed only when bank has decided to use the simple approach for collateral

Note 4 Under the comprehensive approach only,
for use when collateral is held in a different currency to exposure

Note 5 Requires prior approval from CBUAE and external validation

CAPITAL ADEQUACY RETURN FORM : CAR 1

CAPITAL ADEQUACY RATIO CALCULATION

Name of Bank :

Reporting Date:

			Basel II	Basel I comparative From RAR Return
CAPITAL BASE		**REF**	**AED '000**	**AED '000**
Tier 1 Capital		**CAR 2(1) - Fig (A)**	0	
Tier 2 Capital		**CAR 2(1) - Fig (B)**	0	
Deductions from capital		**CAR 2(1) - Fig (C)**	0	
Tier 3 Capital			0	
CAPITAL BASE	(I)		0	
RISK WEIGHTED ASSETS				
Pillar 1				
Credit Risk		**CR1**	0	
Market Risk -	Standardised Approach	**MR1**	0	-
Market Risk -	Models Approach	**MR IM**		
Operational Risk		**OR1**	0	-
TOTAL RISK WEIGHTED ASSETS	(II)		0	

CAPITAL ADEQUACY RATIO = (I) / (II) =

Conditions:

i) any assets deducted from the capital base in computing the numerator of the risk assets ratio (I) are not to be included in total risk weighted assets in the denominator;

ii) all percentages should be calculated to one place of decimals.

TIER 1 CAPITAL / TOTAL RISK WEIGHTED ASSETS =

TIER 2 CAPITAL / TIER 1 CAPITAL =

NOTE : i) Tier 1 capital must be > 6% of total risk weighted assets.

ii) Tier 2 capital is only allowable in the calculation of the capital base upto a maximum of 67% of tier 1 capital.

iii) Tier 3 capital may only be used to cover market risk and will be restricted to 250% of Tier 1 capital, in that 28.5% of market risk must be covered by Tier 1 capital

CAPITAL ADEQUACY RETURN FORM : CAR 2

CAPITAL BASE (CONSOLIDATED BASIS) *

TIER 1 CAPITAL - (Core capital less tier 1 deductions)

	AED '000	
Core capital Share Capital		
Share premium account		
Legal reserves		
General reserves		
Retained Earnings/(Loss)		
Minority interests		
Hybrid(debt/equity) capital instruments		
Other Reserves		
Total core capital	0	
Less: deductions		
Goodwill and other intangibles		
Own shares held		
Current years loss		
Shortfall in provisions		
Other - (Para 35 Basel II, June 2006)		
Other - (e.g.Cumulative deferred exchange losses)		
Total deductions	0	
Total tier 1 capital	0	(A)
TIER 2 CAPITAL (Supplementary capital)		
Undisclosed reserves/ General Provisions(Note 1)		
Asset revaluation reserves (Note 2)		
Cumulative Changes in Fair Value (Note 2a)		
Hybrid(debt/equity) capital instruments		
Subordinated term loans		
Total tier 2 capital	0	
Qualifying tier 2 capital		(B)

Tier 2 capital is only allowable in the calculation of the capital base upto a maximum of 67 % of the tier 1 capital.

DEDUCTIONS FROM TIER 1 AND TIER 2 CAPITAL		
Investments in unconsolidated subsidiaries		
Investments in unconsolidated associates		
Reciprocal holdings of other banks' or financial institutions' capital instruments		
Other- (Para 35 Basel II,June 2006)		
Other- (Para 567 Basel II,June 2006)		
Other-		
Total deductions	0	(C)
Total Tier 1 and Tier 2 Capital		(A+B) - (C)
Add : Tier 3 Capital (requires approval from CBUAE)		
Capital Base		

* Foreign Banks should only report their U A E operations.

Note 1) General Provisions are restricted to a maximum of 1.25% of RWA

Note 2) a) Limited to a maximum of 45% of the excess of the market value over net book value

b) Revaluation reserves in respect of a bank's property assets are not to be included

Prepared by:

Reviewed by Head of Finance:

Concurred by Independent Function

(e.g. Risk Management/Compliance/Internal Audit etc.)

CREDIT RISK **STANDARDISED APPROACH** **CR1**

AED 000's

ASSET CLASSES	ON BALANCE SHEET	OFF BALANCE SHEET	CREDIT RISK MITIGATION (crm)			RISK WEIGHTED ASSETS
See Basel II, June 2006, Para 50 to 81, and Central Bank National Discretions	GROSS OUTSTANDING	NET EXPOSURE AFTER CREDIT CONVERSION FACTORS (CCF)	EXPOSURE BEFORE CRM	CRM	AFTER CRM	
CLAIMS ON SOVEREIGNS	0	0	0	0	0	0
CLAIMS ON NON-CENTRAL GOVERNMENT PUBLIC SECTOR ENTITIES (PSEs)	0	0	0	0	0	0
CLAIMS ON MULTI LATERAL DEVELOPMENT BANKS	0	0	0	0	0	0
CLAIMS ON BANKS	0	0	0	0	0	0
CLAIMS ON SECURITIES FIRMS	0	0	0	0	0	0
CLAIMS ON CORPORATES	0	0	0	0	0	0
CLAIMS INCLUDED IN THE REGULATORY RETAIL PORTFOLIO	0	0	0	0	0	0
CLAIMS SECURED BY RESIDENTIAL PROPERTY	0	0	0	0	0	0
CLAIMS SECURED BY COMMERCIAL REAL ESTATE	0	0	0	0	0	0
PAST DUE LOANS	0	0	0	0	0	0
HIGHER-RISK CATEGORIES	0	0	0	0	0	0
OTHER ASSETS	0	0	0	0	0	0
CLAIMS ON SECURITISED ASSETS	0	0	0	0	0	0
CREDIT DERIVATIVES (Banks Selling protection)		0	0	0	0	0
TOTAL CLAIMS	0	0	0	0	0	0
SETTLEMENT RISK - FROM SR1						0
TOTAL CREDIT RISK						0

Nore : This table is used to consolidate the remaining CR tables

Name of Bank:
Reporting Date:

CREDIT RISK **STANDARDISED APPROACH** **CR2**

AED 000's

ASSET CLASSES		RISK WEIGHT	ON BALANCE SHEET, See Basel II, June 2006, Para 53-81: GROSS OUTSTANDING AED 000's	SPECIFIC PROVISIONS	INTEREST IN SUSPENSE	FEES IN SUSPENSE	NET OUTSTANDING (2-3-4-5)	OFF BALANCE SHEET, See Basel II, June 2006, Para 82-87: EXPOSURE BEFORE CCF	CCF AT 20%	CCF AT 50%	CCF AT 100%	DERIVATIVE CONTRACTS CREDIT EQUIVALENT (from CR2a)	NET EXPOSURE AFTER CREDIT CONVERSION FACTORS (8+9+10+11)	CREDIT RISK MITIGATION (crm), See Basel II, June 2006, Para 109-210: GROSS EXPOSURE BEFORE CRM (6+12)	Netting Agreements (note 3)	Guarantees (note 4) Substitution of Risk Weights: From	Guarantees: To	Credit Derivatives(note 4) Substitution of Risk Weights: From	Credit Derivatives: To	Collateral Simple Approach (note 5) Substitution of Risk Weights From CR4: From	Collateral Simple Approach: To	Collateral Comprehensive Approach (note 6)	EXPOSURE AFTER CRM (13-14-15+16-17+18-19+20-21)	RISK WEIGHTED ASSETS (22x 1)
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23
CLAIMS ON SOVEREIGNS	UAE	0%					0					0	0	0									0	0
	OTHER GCC -AED	0%					0					0	0	0									0	0
	OTHER GCC-FOREIGN CURRENCY	0%					0					0	0	0									0	0
	OTHER SOVEREIGNS																							
		0%					0					0	0	0									0	0
		20%					0					0	0	0						0			0	0
		50%					0					0	0	0						0			0	0
		100%					0					0	0	0						0			0	0
		150%					0					0	0	0						0			0	0
		UNRATED AT 100%					0					0	0	0						0			0	0
	TOTAL SOVEREIGNS		0	0	0	0	0	0	0	0	0	0	0	0	0		0		0	0	0	0	0	0
CLAIMS ON NON-CENTRAL GOVERNMENT PUBLIC SECTOR ENTITIES (PSEs)	UAE	0%					0					0	0	0									0	0
	OTHER GCC	0%					0					0	0	0									0	0
	OTHER GCC-FOREIGN CURRENCY	20%					0					0	0	0						0			0	0
	OTHERS: INCLUDE Non GCC and UAE/GCC Commercial PSEs																							
		0%					0					0	0	0									0	0
		20%					0					0	0	0						0			0	0
		50%					0					0	0	0						0			0	0
		100%					0					0	0	0						0			0	0
		150%					0					0	0	0						0			0	0
		UNRATED AT 100%					0					0	0	0						0			0	0
	TOTAL		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CLAIMS ON MULTI LATERAL DEVELOPMENT BANKS	MEETING BASEL II CRITERIA	0%					0					0	0	0									0	0
	NOT MEETING BASEL II CRITERIA																							
		0%					0					0	0	0									0	0
		20%					0					0	0	0						0			0	0
		50%					0					0	0	0						0			0	0
		100%					0					0	0	0						0			0	0
		150%					0					0	0	0						0			0	0
		UNRATED AT 100%					0					0	0	0						0			0	0
	TOTAL		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CLAIMS ON BANKS	Long Term	0%					0					0	0	0									0	0
		20%					0					0	0	0						0			0	0
		50%					0					0	0	0						0			0	0
		100%					0					0	0	0						0			0	0
		150%					0					0	0	0						0			0	0
		UNRATED AT 50%					0					0	0	0						0			0	0
	Sub total		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Short term	0%					0						0	0									0	0
		20%					0						0	0									0	0
		50%					0						0	0									0	0
		100%																						
		150%					0						0	0									0	0
		UNRATED AT 20%					0						0	0									0	0
		UNRATED AT 50%																						
	Sub total		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	TOTAL		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

CREDIT RISK **STANDARDISED APPROACH** **CR2**

AED 000's

ASSET CLASSES		RISK WEIGHT	GROSS OUTSTANDING AED 000's	SPECIFIC PROVISIONS	INTEREST IN SUSPENSE	FEES IN SUSPENSE	NET OUTSTANDING (2-3-4-5)	EXPOSURE BEFORE CCF	CCF AT 20%	CCF AT 50%	CCF AT 100%	DERIVATIVE CONTRACTS CREDIT EQUIVALENT (from CR2a)	NET EXPOSURE AFTER CREDIT CONVERSION FACTORS (8+9+10+11)	GROSS EXPOSURE BEFORE CRM (6+12)	Netting Agreements (note 3)	Guarantees (note 4) Substitution of Risk Weights From	Guarantees (note 4) Substitution of Risk Weights To	Credit Derivatives(note 4) Substitution of Risk Weights From	Credit Derivatives(note 4) Substitution of Risk Weights To	Collateral Simple Approach (note 5) Substitution of Risk Weights From CR4 From	Collateral Simple Approach (note 5) Substitution of Risk Weights From CR4 To	Collateral Comprehensive Approach (note 6)	EXPOSURE AFTER CRM (13-14-15+16-17+18-19+20-21)	RISK WEIGHTED ASSETS (22x 1)
		ON BALANCE SHEET See Basel II, June 2006, Para 53-81						OFF BALANCE SHEET See Basel II, June 2006, Para 82-87						CREDIT RISK MITIGATION (crm) See Basel II, June 2006, Para 109-210										
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23
CLAIMS ON SECURITIES FIRMS		0%					0					0	0	0									0	0
		20%					0					0	0	0						0			0	0
		50%					0					0	0	0						0			0	0
		100%					0					0	0	0						0			0	0
		150%					0					0	0	0						0			0	0
		UNRATED AT 100%					0					0	0	0						0			0	0
	TOTAL		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CLAIMS ON CORPORATES		0%					0					0	0	0									0	0
		20%					0					0	0	0						0			0	0
		50%					0					0	0	0						0			0	0
		100%					0					0	0	0						0			0	0
		150%					0					0	0	0						0			0	0
		UNRATED AT 100%					0					0	0	0						0			0	0
	TOTAL		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CLAIMS INCLUDED IN THE REGULATORY RETAIL PORTFOLIO		0%																					0	0
		20%																					0	0
		50%																					0	0
	CLAIMS MEETING CBUAE CRITERIA	75%					0					0	0	0						0			0	0
	OTHER	100%					0					0	0	0						0			0	0
	TOTAL		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CLAIMS SECURED BY RESIDENTIAL PROPERTY		0%																					0	0
		20%																					0	0
		50%																					0	0
	CLAIMS MEETING CBUAE CRITERIA	35%					0					0	0	0						0			0	0
	OTHER	75%					0					0	0	0						0			0	0
	OTHER	100%					0					0	0	0						0			0	0
	TOTAL		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CLAIMS SECURED BY COMMERCIAL REAL ESTATE		0%																					0	0
		20%																					0	0
		50%																					0	0
	ALL CLAIMS	100%																					0	0
							0						0	0									0	0
PAST DUE LOANS		0%																					0	0
		20%																					0	0
		50%																					0	0
		100%																					0	0
	PROVISIONS 20% AND ABOVE	100%					0					0	0	0						0			0	0
	PROVISIONS BELOW 20%	150%					0					0	0	0						0			0	0
	FULLY SECURED BY UNRECOGNISED COLLATERAL	100%					0					0	0	0						0			0	0
	TOTAL		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
HIGHER-RISK CATEGORIES		0%																					0	0
		20%																					0	0
		50%																					0	0
		100%																					0	0
	VENTURE CAPITAL AND PRIVATE EQUITY INVESTMENTS	150%					0					0	0	0						0			0	0
	REAL ESTATE PER CBUAE RULES	150%					0					0	0	0						0			0	0
	OTHER	150%					0					0	0	0						0			0	0
	TOTAL		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

CREDIT RISK **STANDARDISED APPROACH** **CR2**

AED 000's

ASSET CLASSES		RISK WEIGHT	ON BALANCE SHEET See Basel II, June 2006, Para 53-81					OFF BALANCE SHEET See Basel II, June 2006, Para 82-87						CREDIT RISK MITIGATION (crm) See Basel II, June 2006, Para 109-210										RISK WEIGHTED ASSETS (22x 1)
			GROSS OUTSTANDING AED 000's	SPECIFIC PROVISIONS	INTEREST IN SUSPENSE	FEES IN SUSPENSE	NET OUTSTANDING (2-3-4-5)	EXPOSURE BEFORE CCF	CCF AT 20%	CCF AT 50%	CCF AT 100%	DERIVATIVE CONTRACTS CREDIT EQUIVALENT (from CR2a)	NET EXPOSURE AFTER CREDIT CONVERSION FACTORS (8+9+10+11)	GROSS EXPOSURE BEFORE CRM (6+12)	Netting Agreements (note 3)	Guarantees (note 4) Substitution of Risk Weights		Credit Derivatives(note 4) Substitution of Risk Weights		Collateral Simple Approach (note 5) Substitution of Risk Weights From CR4		Collateral Comprehensive Approach (note 6)	EXPOSURE AFTER CRM (13-14-15+16-17+18-19+20-21)	
																From	To	From	To	From	To			
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23
OTHER ASSETS	INVESTMENTS IN COMMERCIAL ENTITIES BELOW MATERAILITY THRESHOLD Para 36	100%					0					0	0	0									0	0
	Investments in Trading Book- Equities	0%					0					0	0	0									0	0
	Investments in Trading Book-Debt Securities	0%					0					0	0	0									0	0
	Investments in Trading Book-Commodities	0%					0					0	0	0									0	0
	Investments in Trading Book-Others	0%					0					0	0	0									0	0
	Equity Investments in Banking Book	100%					0					0	0	0									0	0
	CASH	0%					0					0	0	0									0	0
	GOLD	0%					0					0	0	0									0	0
	CASH IN PROCESS OF COLLECTION	20%					0					0	0	0									0	0
	OTHERS	0%					0					0	0	0									0	0
	OTHERS	20%					0					0	0	0						0			0	0
	OTHERS	50%					0					0	0	0						0			0	0
	OTHERS	100%					0					0	0	0						0			0	0
	OTHERS	150%					0					0	0	0						0			0	0
	TOTAL		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Claims on Securitised Assets (Investing Banks)Para 538 to 605	Long Term	0%					0					0	0	0									0	0
		20%					0					0	0	0						0			0	0
		50%					0					0	0	0						0			0	0
		100%					0					0	0	0						0			0	0
		350%					0					0	0	0						0			0	0
	Sub total		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Short term	0%																					0	0
		20%					0					0	0	0						0			0	0
		50%					0					0	0	0						0			0	0
		100%					0					0	0	0						0			0	0
	Sub total		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	TOTAL		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CREDIT DERIVATIVES (Banks Selling protection) Para 208/210	Long Term	0%										0	0	0									0	0
		20%										0	0	0						0			0	0
		50%										0	0	0						0			0	0
		100%										0	0	0						0			0	0
		350%										0	0	0						0			0	0
	Sub total										0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Short term	0%																					0	0
		20%										0	0	0						0			0	0
		50%										0	0	0						0			0	0
		100%										0	0	0						0			0	0
	Sub total										0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Unrated Basket (aggregate of individual assets upto max of)1000%											0	0	0									0	0
																							0	
	TOTAL							0			0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL CLAIMS																							0	
								0			0	0	0	0	0	0	0	0	0	0	0	0	0	0

NOTE **BANKS MUST FIRST CHOOSE BETWEEN EITHER THE SIMPLE APPROACH OR COMPREHENSIVE APPROACH FOR COLLATERAL, BOTH METHODS CANNOT BE USED AT THE SAME TIME**

Name of Bank:
Reporting Date:

1 Total of column 2 (Gross Outstanding) should agree to BRF1 Total Assets
2 Amounts in column 7 should be the Gross off-balance sheet amount by asset class
3 Column 14 should include all amounts eligible for netting against each assets class in accordance with Para 139 and 188 of Basel II, and will be deducted from the exposure amount before risk weighting
4 Columns 15 and 17 should include amounts eligible for substitution of risk weights of the guarantor/protection provider (subject to criteria in Para 140 to 142 and Para 189 to 193 of Basel II) for each asset class under the risk weight of the counterparty.
The guarunteed/protected amount of the exposure (same figures as columns 15 and 17) should be copied to columns 16 and 18 and placed in the row applicable to the risk weight of the guarantor/protection provider within the same asset class.
5 Taken from CR4, Column 19 includes all amounts eligible for substitution of risk weights of the collateral UNDER THE SIMPLE APPROACH (subject to criteria in Para 129 and Para 182 to 185 of Basel II) within same asset class & risk weight of the counterparty
The collateralised amount of the exposure (same figures as column 19) should be copied to column 20 and placed in the row applicable to the risk weight of the collateral within the same asset class.
The risk weight to be applied will be subject to a floor of 20%, so although the collateral maybe risk weighted 0%, substitution will be restricted to the 20% risk weight row except as detailed in Para 185 of Basel II
6 Taken from CR4a, Column 21 should include amounts to be deducted from the exposure in respect of eligible collateral UNDER THE COMPREHENSIVE APPROACH (subject to criteria in Para 119 to 153) for each asset class under the counterparty risk weight
7 CRM techniques, i.e. guarantees/credit protection or collateral must not exceed the individual exposure amounts for each counterparty, therefore, each CRM must be capped to the exposure amount for each counterparty
8 For collateral, only the columns relevant to the approach chosen by the bank should be completed, so if simple approach is chosen, then column 21 must not be used by the bank
9 Sums of Column 15,17 and 19 should agree with columns 16, 18 and 20 respectively within each asset class.

CREDIT RISK **STANDARDISED APPROACH**

CR2a

ASSET CLASSES			DERIVATIVE CONTRACTS CREDIT EQUIVALENT AMOUNTS - See Basel II, June 2006, Annex 4 Para 92																TOTAL CREDIT EQUIVALENT AMOUNTS (10+17) AED 000's
			FOREIGN EXCHANGE CONTRACTS									INTEREST RATE CONTRACTS							
			UPTO 1 YEAR		>1 - 5 YEARS		OVER 5 YEARS					>1-5 YEARS		OVER 5 YEARS					
		RISK WEIGHT	GROSS	GROSS X 1%	GROSS	GROSS X 5%	GROSS	GROSS X 7.5%	SUB-TOTAL (3+5+7)	CALCULATED REPLACEMENT COST	TOTAL FX CREDIT EQUIVALENT (8+9)	GROSS	GROSS X 0.5%	GROSS	GROSS x 1.5%	SUB-TOTAL (12+14)	CALCULATED REPLACEMENT COST	TOTAL IR CREDIT EQUIVALENT (15+16)	
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
CLAIMS ON SOVEREIGNS	UAE AND GCC	0%		0		0		0	0		0		0		0	0		0	0
	OTHER GCC -AED	0%		0		0		0	0		0		0		0	0		0	0
	OTHER GCC-FOREIGN CURRENCY	20%		0		0		0	0		0		0		0	0		0	0
	OTHER SOVEREIGNS	0%		0		0		0	0		0		0		0	0		0	0
		20%		0		0		0	0		0		0		0	0		0	0
		50%		0		0		0	0		0		0		0	0		0	0
		100%		0		0		0	0		0		0		0	0		0	0
		150%		0		0		0	0		0		0		0	0		0	0
		UNRATED AT 100%		0		0		0	0		0		0		0	0		0	0
	TOTAL		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CLAIMS ON NON-CENTRAL GOVERNMENT PUBLIC SECTOR ENTITIES (PSEs)	UAE AND GCC	0%		0		0		0	0		0		0		0	0		0	0
	OTHER GCC -AED	0%		0		0		0	0		0		0		0	0		0	0
	OTHER GCC-FOREIGN CURRENCY	20%		0		0		0	0		0		0		0	0		0	0
	OTHERS: INCLUDE Non GCC and UAE/GCC Commercial PSEs	0%		0		0		0	0		0		0		0	0		0	0
		20%		0		0		0	0		0		0		0	0		0	0
		50%		0		0		0	0		0		0		0	0		0	0
		100%		0		0		0	0		0		0		0	0		0	0
		150%		0		0		0	0		0		0		0	0		0	0
		UNRATED AT 100%		0		0		0	0		0		0		0	0		0	0
	TOTAL		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CLAIMS ON MULTI LATERAL DEVELOPMENT BANKS	MEETING BASEL II CRITERIA	0%		0		0		0	0		0		0		0	0		0	0
	NOT MEETING BASEL II CRITERIA	0%		0		0		0	0		0		0		0	0		0	0
		20%		0		0		0	0		0		0		0	0		0	0
		50%		0		0		0	0		0		0		0	0		0	0
		100%		0		0		0	0		0		0		0	0		0	0
		150%		0		0		0	0		0		0		0	0		0	0
		UNRATED AT 100%		0		0		0	0		0		0		0	0		0	0
	TOTAL		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

CREDIT RISK **STANDARDISED APPROACH**

CR2a

ASSET CLASSES		RISK WEIGHT	DERIVATIVE CONTRACTS CREDIT EQUIVALENT AMOUNTS - See Basel II, June 2006, Annex 4 Para 92 — FOREIGN EXCHANGE CONTRACTS — UPTO 1 YEAR GROSS	GROSS X 1%	>1 - 5 YEARS GROSS	GROSS X 5%	OVER 5 YEARS GROSS	GROSS X 7.5%	SUB-TOTAL (3+5+7)	CALCULATED REPLACEMENT COST	TOTAL FX CREDIT EQUIVALENT (8+9)	INTEREST RATE CONTRACTS — >1-5 YEARS GROSS	GROSS X 0.5%	OVER 5 YEARS GROSS	GROSS x 1.5%	SUB-TOTAL (12+14)	CALCULATED REPLACEMENT COST	TOTAL IR CREDIT EQUIVALENT (15+16)	TOTAL CREDIT EQUIVALENT AMOUNTS (10+17) AED 000's
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
CLAIMS ON BANKS		0%		0		0		0	0		0		0		0	0		0	0
		20%		0		0		0	0		0		0		0	0		0	0
		50%		0		0		0	0		0		0		0	0		0	0
		100%		0		0		0	0		0		0		0	0		0	0
		150%		0		0		0	0		0		0		0	0		0	0
		UNRATED AT 50%		0		0		0	0		0		0		0	0		0	0
	TOTAL		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CLAIMS ON SECURITIES FIRMS		0%		0		0		0	0		0		0		0	0		0	0
		20%		0		0		0	0		0		0		0	0		0	0
		50%		0		0		0	0		0		0		0	0		0	0
		100%		0		0		0	0		0		0		0	0		0	0
		150%		0		0		0	0		0		0		0	0		0	0
		UNRATED AT 100%		0		0		0	0		0		0		0	0		0	0
	TOTAL		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CLAIMS ON CORPORATES		0%		0		0		0	0		0		0		0	0		0	0
		20%		0		0		0	0		0		0		0	0		0	0
		50%		0		0		0	0		0		0		0	0		0	0
		100%		0		0		0	0		0		0		0	0		0	0
		150%		0		0		0	0		0		0		0	0		0	0
		UNRATED AT 100%		0		0		0	0		0		0		0	0		0	0
	TOTAL		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CLAIMS INCLUDED IN THE REGULATORY RETAIL PORTFOLIO	CLAIMS MEETING CBUAE CRITERIA	75%		0		0		0	0		0		0		0	0		0	0
	OTHER	100%		0		0		0	0		0		0		0	0		0	0
	TOTAL		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CLAIMS SECURED BY RESIDENTIAL PROPERTY	CLAIMS MEETING CBUAE CRITERIA	35%		0		0		0	0		0		0		0	0		0	0
	OTHER	75%		0		0		0	0		0		0		0	0		0	0
	OTHER	100%		0		0		0	0		0		0		0	0		0	0
	TOTAL		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CLAIMS SECURED BY COMMERCIAL REAL ESTATE																			
	TOTAL	100%		0		0		0	0		0		0		0	0		0	0
PAST DUE LOANS	PROVISIONS 20% AND ABOVE	100%		0		0		0	0		0		0		0	0		0	0
	PROVISIONS BELOW 20%	150%		0		0		0	0		0		0		0	0		0	0
	FULLY SECURED BY UNRECONISED COLLATERAL	100%		0		0		0	0		0		0		0	0		0	0
	TOTAL		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
HIGHER-RISK CATEGORIES	VENTURE CAPITAL AND PRIVATE EQUITY INVESTMENTS	150%		0		0		0	0		0		0		0	0		0	0
	REAL ESTATE PER CBUAE RULES	150%		0		0		0	0		0		0		0	0		0	0
	OTHER	150%		0		0		0	0		0		0		0	0		0	0
	TOTAL		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

CREDIT RISK **STANDARDISED APPROACH**

CR2a

ASSET CLASSES		RISK WEIGHT	DERIVATIVE CONTRACTS CREDIT EQUIVALENT AMOUNTS - See Basel II, June 2006, Annex 4 Para 92																TOTAL CREDIT EQUIVALENT AMOUNTS (10+17) AED 000's
			FOREIGN EXCHANGE CONTRACTS									INTEREST RATE CONTRACTS							
			UPTO 1 YEAR		>1 - 5 YEARS		OVER 5 YEARS					>1-5 YEARS		OVER 5 YEARS					
			GROSS	GROSS X 1%	GROSS	GROSS X 5%	GROSS	GROSS X 7.5%	SUB-TOTAL (3+5+7)	CALCULATED REPLACEMENT COST	TOTAL FX CREDIT EQUIVALENT (8+9)	GROSS	GROSS X 0.5%	GROSS	GROSS x 1.5%	SUB-TOTAL (12+14)	CALCULATED REPLACEMENT COST	TOTAL IR CREDIT EQUIVALENT (15+16)	
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
OTHER ASSETS	INVESTMENTS IN COMMERCIAL ENTITIES BELOW MATERAILITY THRESHOLD Para 36	100%		0		0		0	0		0		0		0	0		0	0
	Investments in Trading Book- Equities	0%		0		0		0	0		0		0		0	0		0	0
	Investments in Trading Book-Debt Securities	0%		0		0		0	0		0		0		0	0		0	0
	Investments in Trading Book-Commodities	0%		0		0		0	0		0		0		0	0		0	0
	Equity Investments in Banking Book	100%		0		0		0	0		0		0		0	0		0	0
	CASH	0%		0		0		0	0		0		0		0	0		0	0
	GOLD	0%		0		0		0	0		0		0		0	0		0	0
	CASH IN PROCESS OF COLLECTION	20%		0		0		0	0		0		0		0	0		0	0
	OTHERS	0%		0		0		0	0		0		0		0	0		0	0
	OTHERS	20%		0		0		0	0		0		0		0	0		0	0
	OTHERS	50%		0		0		0	0		0		0		0	0		0	0
	OTHERS	100%		0		0		0	0		0		0		0	0		0	0
	OTHERS	150%		0		0		0	0		0		0		0	0		0	0
	TOTAL		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Claims on Securitised Assets (Investing Banks)Para 538 to 605	Long Term	0%		0		0		0	0		0		0		0	0		0	0
		20%		0		0		0	0		0		0		0	0		0	0
		50%		0		0		0	0		0		0		0	0		0	0
		100%		0		0		0	0		0		0		0	0		0	0
		350%		0		0		0	0		0		0		0	0		0	0
	Sub total		0																
	Short Term	20%		0		0		0	0		0		0		0	0		0	0
		50%		0		0		0	0		0		0		0	0		0	0
		100%		0		0		0	0		0		0		0	0		0	0
	Sub total		0																
	TOTAL		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CREDIT DERIVATIVES (Banks Selling protection) Para 208/210	Long Term	0%		0		0		0	0		0		0		0	0		0	0
		20%		0		0		0	0		0		0		0	0		0	0
		50%		0		0		0	0		0		0		0	0		0	0
		100%		0		0		0	0		0		0		0	0		0	0
		350%		0		0		0	0		0		0		0	0		0	0
	Sub total		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Short Term	20%		0		0		0	0		0		0		0	0		0	0
		50%		0		0		0	0		0		0		0	0		0	0
		100%		0		0		0	0		0		0		0	0		0	0
	Sub total		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Unrated Basket (aggregate of individual assets upto max of)1000%			0		0		0	0		0		0		0	0		0	0
	TOTAL		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL CLAIMS			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

NOTE **The calculated replacement cost represents the positive mark-to-market value of each contract (negative mark-to-market numbers should be treated as zero)**

Name of Bank:
Reporting Date:

CREDIT RISK

CREDIT CONVERSION FACTORS

CR3

OFF BALANCE SHEET ITEMS **See Basel II, June 2006, Para 82-87**	**EXPOSURE BEFORE CCF AED 000's**	**CREDIT CONVERSION FACTORS**	**EXPOSURE AFTER CCF AED 000's**
1 All direct credit substitutes including general guarantees of indebtedness and all guarantee type instruments, such as standby letters of credit and acceptances backing the financial obligations of other parties		x 100%	0
2 Credit derivatives such as credit default swaps where bank provides credit protection		x 100%	0
3 Sale and repurchase agreements and asset sales with recourse, where the credit risk remains with the bank(*).		x 100%	0
4 Forward asset purchases, forward deposits and commitements for the unpaid portion of partly-paid shares and securities which represent committments with certain drawdowns		x 100%	0
Sub-total CCF at 100%	0		0
5 Transaction-related contingent items e.g. performance bonds, bid bonds warranties and standby letters of credit related to particular transactions		x 50%	0
6 Underwriting commitments, under note issuance and revolving underwriting facilities (after deduction for own holdings of notes underwritten)		x 50%	0
7 Other commitments, Not unconditionally cancellable with an original maturity exceeding one year.		x 50%	0
Sub-total CCF at 50%	**0**		**0**
8 a) Other commitements not unconditionally cancellable with an original maturity of one year or less		x 20%	0
b) Short term self-liquidating trade-related contingent items e.g. documentary credits collateralised by underlying shipments.		x 20%	0
Sub-total CCF at 20%	**0**		**0**
9 **Sub-total CCF at 0%** Other commitments - Unconditionally cancellable		x 0%	
TOTAL COMMITMENTS	0		0
	Note (4)		

Notes

(1) Agree with CR2 total from column (10)

(2) Agree with CR2 total from column (9)

(3) Agree with CR2 total from column (8)

(4) Agree with CR2 total from column (7)

Name of Bank:

Reporting Date:

CREDIT RISK

CR4

ASSET CLASSES			CREDIT RISK MITIGATION SIMPLE APPROACH- See Basel II, June 2006, Para 109-210 — COLLATERAL TYPES										TOTAL COLLATERAL
			Total Value of Collateralised Exposures	CASH	GOLD	DEBT SECURITIES RATED BY RECOGNIZED EXTERNAL CREDIT ASSESSMENT INSTITUTIONS			UNRATED DEBT SECURITIES OF BANKS LISTED ON A RECOGNIZED EXCHANGE AND MEETING BASEL II CRITERIA OF Para 145 (d)	EQUITIES ON A MAIN INDEX	OTHERS AS PER BASEL II Para 145 (f)	OTHERS AS PER NATIONAL DISCRETIONS ON PAST DUE	
						Sovereign issue of at least BB-	others at least BBB-	Short-term debt A-3/P-3					
		RISK WEIGHTED		0%	0%	Min 50%	Min 100%	Min 100%	50%	100%		100%	AED 000's
			1	2	3	4	5	6	7	8	9	10	11
CLAIMS ON SOVEREIGNS	UAE AND GCC	0%											
	OTHER GCC -AED	0%											
	OTHER GCC-FOREIGN CURRENCY	0%											
	OTHER SOVEREIGNS	0%											
		20%											0
		50%											0
		100%											0
		150%											0
		UNRATED AT 100%											0
	TOTAL SOVEREIGNS			0	0	0	0	0	0	0	0	0	0
CLAIMS ON NON-CENTRAL GOVERNMENT PUBLIC SECTOR ENTITIES (PSEs)	UAE AND GCC	0%											
	OTHER GCC -AED	0%											
	OTHER GCC-FOREIGN CURRENCY	20%											0
	OTHERS: INCLUDE Non GCC and UAE/GCC Commercial PSEs	0%											
		20%											0
		50%											0
		100%											0
		150%											0
		UNRATED AT 100%											0
	TOTAL			0	0	0	0	0	0	0	0	0	0
CLAIMS ON MULTI LATERAL DEVELOPMENT BANKS	MEETING BASEL II CRITERIA	0%											
	NOT MEETING BASEL II CRITERIA	0%											
		20%											0
		50%											0
		100%											0
		150%											0
		UNRATED AT 100%											0
	TOTAL			0	0	0	0	0	0	0	0	0	0
CLAIMS ON BANKS		0%											
		20%											0
		50%											0
		100%											0
		150%											
		UNRATED AT 50%											0
	TOTAL			0	0	0	0	0	0	0	0	0	0
CLAIMS ON SECURITIES FIRMS		0%											
		20%											0
		50%											0
		100%											0
		150%											0
		UNRATED AT 100%											0
	TOTAL			0	0	0	0	0	0	0	0	0	0

CR4

CREDIT RISK MITIGATION SIMPLE APPROACH- See Basel II, June 2006, Para 109-210

COLLATERAL TYPES

ASSET CLASSES		RISK WEIGHTED	Total Value of Collateralised Exposures	CASH	GOLD	DEBT SECURITIES RATED BY RECOGNIZED EXTERNAL CREDIT ASSESSMENT INSTITUTIONS: Sovereign issue of at least BB-	DEBT SECURITIES RATED BY RECOGNIZED EXTERNAL CREDIT ASSESSMENT INSTITUTIONS: others at least BBB-	DEBT SECURITIES RATED BY RECOGNIZED EXTERNAL CREDIT ASSESSMENT INSTITUTIONS: Short-term debt A-3/P-3	UNRATED DEBT SECURITIES OF BANKS LISTED ON A RECOGNIZED EXCHANGE AND MEETING BASEL II CRITERIA OF Para 145 (d)	EQUITIES ON A MAIN INDEX	OTHERS AS PER BASEL II Para 145 (f)	OTHERS AS PER NATIONAL DISCRETIONS ON PAST DUE	TOTAL COLLATERAL
				0%	0%	Min 50%	Min 100%	Min 100%	50%	100%		100%	AED 000's
			1	2	3	4	5	6	7	8	9	10	11
CLAIMS ON CORPORATES		0%											0
		20%											0
		50%											0
		100%											0
		150%											0
		UNRATED AT 100%											
	TOTAL			0	0	0	0	0	0	0	0	0	0
CLAIMS INCLUDED IN THE REGULATORY RETAIL PORTFOLIO	CLAIMS MEETING CBUAE CRITERIA	75%											0
	OTHER	100%											0
	TOTAL			0	0	0	0	0	0		0	0	0
CLAIMS SECURED BY RESIDENTIAL PROPERTY	CLAIMS MEETING CBUAE CRITERIA	35%											0
	OTHER	75%											0
	OTHER	100%											0
	TOTAL			0	0	0	0	0	0		0	0	0
CLAIMS SECURED BY COMMERCIAL REAL ESTATE													0
	TOTAL	100%		0	0	0	0	0			0		0
PAST DUE LOANS	PROVISIONS 20% AND ABOVE	100%											0
	PROVISIONS BELOW 20%	150%											0
	FULLY SECURED BY UNRECOGNISED COLLATERAL	100%											0
	TOTAL			0	0	0	0	0	0	0	0	0	0
HIGHER-RISK CATEGORIES	VENTURE CAPITAL AND PRIVATE EQUITY INVESTMENTS	150%											0
	REAL ESTATE PER CBUAE RULES	150%											0
	OTHER	150%											0
	TOTAL			0	0	0	0	0	0	0	0		0
OTHER ASSETS	INVESTMENTS IN COMMERCIAL ENTITIES BELOW MATERIALITY THRESHOLD Para 36	100%											
	Investments in Trading Book-Equities	0%											
	Investments in Trading Book-Debt Securities	0%											
	Investments in Trading Book-Commodities	0%											
	Equity Investments in Banking Book	100%											
	CASH	0%											
	GOLD	0%											
	CASH IN PROCESS OF COLLECTION	20%											
	OTHERS	0%											
	OTHERS	20%											0
	OTHERS	50%											0
	OTHERS	100%											0
	OTHERS	150%											
	TOTAL			0	0	0	0	0	0	0	0		0

CR4

ASSET CLASSES		RISK WEIGHTED	Total Value of Collateralised Exposures	CASH	GOLD	DEBT SECURITIES RATED BY RECOGNIZED EXTERNAL CREDIT ASSESSMENT INSTITUTIONS: Sovereign issue of at least BB-	DEBT SECURITIES RATED BY RECOGNIZED EXTERNAL CREDIT ASSESSMENT INSTITUTIONS: others at least BBB-	DEBT SECURITIES RATED BY RECOGNIZED EXTERNAL CREDIT ASSESSMENT INSTITUTIONS: Short-term debt A-3/P-3	UNRATED DEBT SECURITIES OF BANKS LISTED ON A RECOGNIZED EXCHANGE AND MEETING BASEL II CRITERIA OF Para 145 (d)	EQUITIES ON A MAIN INDEX	OTHERS AS PER BASEL II Para 145 (f)	OTHERS AS PER NATIONAL DISCRETIONS ON PAST DUE	TOTAL COLLATERAL
CREDIT RISK MITIGATION SIMPLE APPROACH- See Basel II, June 2006, Para 109-210 — COLLATERAL TYPES													
				0%	0%	Min 50%	Min 100%	Min 100%	50%	100%		100%	AED 000's
			1	2	3	4	5	6	7	8	9	10	11
Claims on Securitised Assets (Investing Banks)Para 538 to 605	Long Term	0%											
		20%											0
		50%											0
		100%											0
		350%											0
	Sub total			0	0	0	0	0	0	0	0		0
	Short term	20%											0
		50%											0
		100%											0
	Sub total			0	0	0	0	0	0	0	0		0
	TOTAL			0	0	0	0	0	0	0	0		0
CREDIT DERIVATIVES (Banks Selling protection) Para 208/210	Long Term	0%											
		20%											0
		50%											0
		100%											0
		350%											0
	Sub total			0	0	0	0	0	0	0	0		0
	Short term	20%											0
		50%											0
		100%											0
	Sub total			0	0	0	0	0	0	0	0		0
	Unrated Basket (aggregate of individual assets upto max of)1000%												0
	TOTAL			0	0	0	0	0	0	0	0	0	0
TOTAL CLAIMS				0	0	0	0	0	0	0	0	0	0

Name of Bank:

Reporting Date:

NOTE **Under the simple approach, the collateral value is only considered when the risk weight applicable to the collateral is lower than that of the exposure. Thereafter, the risk weight of the collateral is applied in place of the risk weight of the counterparty, restricted to the amount of actual exposure. In order to complete this work sheet, the bank will need to prepare detailed workings of collaterals related to their counter parties.**

Steps to determine risk weighting of collaterised portion of an exposure

1 First determine the amount of the exposure that is covered by eligible collateral and has a lower risk weight than that of the counterparty
2 Restrict the value of eligible collateral to a maximum value of the exposure, therefore, collateral in excess of exposure amount is ignored
3 In column 1, enter the total value of the exposures covered by eligible collateral listed in this sheet
4 Under the appropriate headings for each column, e.g. cash column 2, enter the value of the collateral held
5 The amounts in the final column of CR4 will be carried to form CR2 and entered in the collateral simple approach column (19)

CREDIT RISK

STANDARDISED APPROACH

CR4a

ASSET CLASSES				FOR COLLATERAL WHICH IS IN THE SAME CURRENCY AS THE EXPOSURE																				
				COLLATERAL VALUE AFTER HAIRCUTS FOR RATED DEBT SECURITIES - SOVEREIGNS/OTHERS													HAIRCUTS FOR OTHER COLLATERAL				OTHERS AS PER NATIONAL DISCRETIONS ON PAST DUE	Total Collateral Value	Net Collateral from CR4b	NET COLLATERAL VALUE
			Total Value of Collateralised Exposures	CASH at 0%	RATED AAA to AA-/A-1						RATED A+ to BBB-/ A-2/A-3/P-3 AND UNRATED BANK SECURITIES (including unrated securities per Para 145 (d) Basel II)						RATED BB+ to BB-	MAIN INDEX EQUITIES (including convertible bonds) and GOLD	OTHER EQUITIES (including convertible bonds) listed on a Recognised Exchange	MUTUAL FUNDS				
					RESIDUAL MATURITY						RESIDUAL MATURITY													
		RISK WEIGHT			UPTO 1 YEAR		>1 - 5 YEARS		OVER 5 YEARS		UPTO 1 YEAR		>1 - 5 YEARS		OVER 5 YEARS		15%	25%	25%	Highest Haircut attributable to underlying investments in fund				
					SOVEREIGNS 0.5%	OTHERS 1%	SOVEREIGNS 2%	OTHERS 4%	SOVEREIGNS 4%	OTHERS 8%	SOVEREIGNS 1%	OTHERS 2%	SOVEREIGNS 3%	OTHERS 6%	SOVEREIGNS 6%	OTHERS 12%								AED 000's
				1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
CLAIMS ON SOVEREIGNS	UAE AND GCC	0%																					0	0
	OTHER GCC -AED	0%																					0	0
	OTHER GCC-FOREIGN CURRENCY	20%																					0	0
	OTHER SOVEREIGNS	0%																					0	0
		20%																					0	0
		50%																					0	0
		100%																					0	0
		150%																					0	0
		UNRATED AT 100%																					0	0
	TOTAL SOVEREIGNS			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0	0	0
CLAIMS ON NON-CENTRAL GOVERNMENT PUBLIC SECTOR ENTITIES (PSEs)	UAE AND GCC	0%																					0	0
	OTHER GCC -AED	0%																					0	0
	OTHER GCC-FOREIGN CURRENCY	20%																					0	0
																								0
	OTHERS: INCLUDE Non GCC and UAE/GCC Commercial PSEs	0%																					0	0
		20%																					0	0
		50%																					0	0
		100%																					0	0
		150%																					0	0
		UNRATED AT 100%																					0	0
	TOTAL			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0	0	0
CLAIMS ON MULTI LATERAL DEVELOPMENT BANKS	MEETING BASEL II CRITERIA	0%																					0	0
	NOT MEETING BASEL II CRITERIA	0%																					0	0
		20%																					0	0
		50%																					0	0
		100%																					0	0
		150%																					0	0
		UNRATED AT 100%																					0	0
	TOTAL			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0	0	0
																							0	0
CLAIMS ON BANKS		0%																					0	0
		20%																					0	0
		50%																					0	0
		100%																					0	0
		150%																					0	0
		UNRATED AT 50%																					0	0
	TOTAL			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0	0	0
CLAIMS ON SECURITIES FIRMS		0%																					0	0
		20%																					0	0
		50%																					0	0
		100%																					0	0
		150%																					0	0
		UNRATED AT 100%																					0	0
	TOTAL			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0	0	0

CREDIT RISK

STANDARDISED APPROACH

CR4a

ASSET CLASSES				FOR COLLATERAL WHICH IS IN THE SAME CURRENCY AS THE EXPOSURE																				
				COLLATERAL VALUE AFTER HAIRCUTS FOR RATED DEBT SECURITIES - SOVEREIGNS/OTHERS													HAIRCUTS FOR OTHER COLLATERAL				OTHERS AS PER NATIONAL DISCRETIONS ON PAST DUE	Total Collateral Value	Net Collateral from CR4b	NET COLLATERAL VALUE
			Total Value of Collateralised Exposures	CASH at 0%	RATED AAA to AA-/A-1						RATED A+ to BBB-/ A-2/A-3/P-3 AND UNRATED BANK SECURITIES (including unrated securities per Para 145 (d) Basel II)						RATED BB+ to BB-	MAIN INDEX EQUITIES (including convertible bonds) and GOLD	OTHER EQUITIES (including convertible bonds) listed on a Recognised Exchange	MUTUAL FUNDS				
					RESIDUAL MATURITY						RESIDUAL MATURITY													
		RISK WEIGHT			UPTO 1 YEAR		>1 - 5 YEARS		OVER 5 YEARS		UPTO 1 YEAR		>1 - 5 YEARS		OVER 5 YEARS									
					SOVEREIGNS 0.5%	OTHERS 1%	SOVEREIGNS 2%	OTHERS 4%	SOVEREIGNS 4%	OTHERS 8%	SOVEREIGNS 1%	OTHERS 2%	SOVEREIGNS 3%	OTHERS 6%	SOVEREIGNS 6%	OTHERS 12%	15%	25%	25%	Highest Haircut attributable to underlying investments in fund				AED 000's
				1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
CLAIMS ON CORPORATES		0%																					0	0
		20%																					0	0
		50%																					0	0
		100%																					0	0
		150%																					0	0
		UNRATED AT 100%																					0	0
	TOTAL			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0	0	0
CLAIMS INCLUDED IN THE REGULATORY RETAIL PORTFOLIO	CLAIMS MEETING CBUAE CRITERIA	75%																					0	0
	OTHER	100%																					0	0
	TOTAL			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0	0	0
CLAIMS SECURED BY RESIDENTIAL PROPERTY	CLAIMS MEETING CBUAE CRITERIA	35%																					0	0
	OTHER	75%																						
	OTHER	100%																					0	0
	TOTAL			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0	0	0
CLAIMS SECURED BY COMMERCIAL REAL ESTATE																								
	TOTAL	100%																					0	0
PAST DUE LOANS Note A	PROVISIONS 20% AND ABOVE	100%																					0	0
	PROVISIONS BELOW 20%	150%																					0	0
	FULLY SECURED BY UNRECOGNISED COLLATERAL	100%																					0	0
	TOTAL			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0	0	0
HIGHER-RISK CATEGORIES	VENTURE CAPITAL AND PRIVATE EQUITY INVESTMENTS	150%																					0	0
	REAL ESTATE PER CBUAE RULES	150%																					0	0
	OTHER	150%																					0	0
	TOTAL			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0	0	0

CREDIT RISK

STANDARDISED APPROACH

CR4a

ASSET CLASSES				FOR COLLATERAL WHICH IS IN THE SAME CURRENCY AS THE EXPOSURE																				
				COLLATERAL VALUE AFTER HAIRCUTS FOR RATED DEBT SECURITIES - SOVEREIGNS/OTHERS													HAIRCUTS FOR OTHER COLLATERAL				OTHERS AS PER NATIONAL DISCRETIONS ON PAST DUE	Total Collateral Value	Net Collateral from CR4b	NET COLLATERAL VALUE
			Total Value of Collateralised Exposures	CASH at 0%	RATED AAA to AA-/A-1						RATED A+ to BBB-/ A-2/A-3/P-3 AND UNRATED BANK SECURITIES (including unrated securities per Para 145 (d) Basel II)						RATED BB+ to BB-	MAIN INDEX EQUITIES (including convertible bonds) and GOLD	OTHER EQUITIES (including convertible bonds) listed on a Recognised Exchange	MUTUAL FUNDS				
					RESIDUAL MATURITY						RESIDUAL MATURITY													
		RISK WEIGHT			UPTO 1 YEAR		>1 - 5 YEARS		OVER 5 YEARS		UPTO 1 YEAR		>1 - 5 YEARS		OVER 5 YEARS		15%	25%	25%	Highest Haircut attributable to underlying investments in fund				AED 000's
					SOVEREIGNS 0.5%	OTHERS 1%	SOVEREIGNS 2%	OTHERS 4%	SOVEREIGNS 4%	OTHERS 8%	SOVEREIGNS 1%	OTHERS 2%	SOVEREIGNS 3%	OTHERS 6%	SOVEREIGNS 6%	OTHERS 12%								
				1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
OTHER ASSETS	INVESTMENTS IN COMMERCIAL ENTITIES BELOW MATERIALITY THRESHOLD Para 36	100%																					0	0
	Investments in Trading Book-Equities	0%																					0	0
	Investments in Trading Book-Debt Securities	0%																					0	0
	Investments in Trading Book-Commodities	0%																					0	0
	Equity Investments in Banking Book	100%																					0	0
	CASH	0%																					0	0
	GOLD	0%																					0	0
	CASH IN PROCESS OF COLLECTION	20%																					0	0
	OTHERS	0%																					0	0
	OTHERS	20%																					0	0
	OTHERS	50%																					0	0
	OTHERS	100%																					0	0
	OTHERS	150%																					0	0
TOTAL CLAIMS		Total		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0	0	0
Claims on Securitised Assets (Investing Banks)Para 538 to 605	Long Term	0%																					0	0
		20%																					0	0
		50%																					0	0
		100%																					0	0
		350%																					0	0
	Sub total			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0	0	0
	Short term	20%																					0	0
		50%																					0	0
		100%																					0	0
	Sub total			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0	0	0
	TOTAL			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0	0	0
CREDIT DERIVATIVES (Banks Selling protection) Para 208/210	Long Term	0%																					0	0
		20%																					0	0
		50%																					0	0
		100%																					0	0
		350%																					0	0
	Sub total			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0	0	0
	Short term	20%																					0	0
		50%																					0	0
		100%																					0	0
	Sub total			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0	0	0
	Unrated Basket (aggregate of individual assets upto max of)1000%																						0	0
	TOTAL			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0	0	0
TOTAL CLAIMS				**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Note A **Other collateral as per column 18 above, must meet the criteria as per paragraph 77 of Basel II wherein provisions of at lea**
15% are required where fully secured by such collateral to be eligible for 100% risk weighted assets

Note B **Enter here the figures after applying haircuts**

Note C **Under the comprehensive approach, the collateral value is deducted from the exposure after applying any haircuts as above using the methodology in Para 147 of Basel II**

Note D **Where the minimum holding period is not applied by a bank, then the haircuts must be calculated as per Para 168 of Basel II, however, lower haircurs than detailed above may not be applied**

Name of Bank:

Reporting Date:

CREDIT RISK

STANDARDISED APPROACH

CR4b

ASSET CLASSES			FOR COLLATERAL WHICH IS IN DIFFERENT CURRENCY FROM EXPOSURE																			NET COLLATERAL VALUE
			HAIRCUTS FOR RATED DEBT SECURITIES - SOVEREIGNS/OTHERS													HAIRCUTS FOR OTHER COLLATERAL				Haircut for collateral denominated in different curreny from the exposure	OTHERS AS PER NATIONAL DISCRETIONS ON PAST DUE	Gross Collateral Value	
			CASH at 0%	RATED AAA to AA-/A-1						RATED A+ to BBB-/ A-2/A-3/P-3 AND UNRATED BANK SECURITIES (including unrated securities per Para 145 (d) Basel II)						RATED BB+ to BB-	MAIN INDEX EQUITIES (including convertible bonds) and GOLD	OTHER EQUITIES (including convertible bonds) listed on a Recognised Exchange	MUTUAL FUNDS				
				RESIDUAL MATURITY						RESIDUAL MATURITY													
		RISK WEIGHT		UPTO 1 YEAR		>1 - 5 YEARS		OVER 5 YEARS		UPTO 1 YEAR		>1 - 5 YEARS		OVER 5 YEARS		15%	25%	25%	Highest Haircut attributable to underlying investments in fund	8%			
				SOVEREIGNS 0.5%	OTHERS 1%	SOVEREIGNS 2%	OTHERS 4%	SOVEREIGNS 4%	OTHERS 8%	SOVEREIGNS 1%	OTHERS 2%	SOVEREIGNS 3%	OTHERS 6%	SOVEREIGNS 6%	OTHERS 12%								AED 000's
			1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
CLAIMS ON SOVEREIGNS	UAE AND GCC	0%																		0			0
	OTHER GCC -AED	0%																		0			0
	OTHER GCC-FOREIGN CURRENCY	20%																		0			0
	OTHER SOVEREIGNS	0%																		0			0
		20%																		0			0
		50%																		0			0
		100%																		0			0
		150%																		0			0
		UNRATED AT 100%																		0			0
	TOTAL SOVEREIGNS		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0	0
CLAIMS ON NON-CENTRAL GOVERNMENT PUBLIC SECTOR ENTITIES (PSEs)	UAE AND GCC	0%																		0			0
	OTHER GCC -AED	0%																		0			0
	OTHER GCC-FOREIGN CURRENCY	20%																		0			0
	OTHERS: INCLUDE Non GCC and UAE/GCC Commercial PSEs	0%																		0			0
		20%																		0			0
		50%																		0			0
		100%																		0			0
		150%																		0			0
		UNRATED AT 100%																		0			0
	TOTAL		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0	0
CLAIMS ON MULTI LATERAL DEVELOPMENT BANKS	MEETING BASEL II CRITERIA	0%																		0			0
																				0			0
	NOT MEETING BASEL II CRITERIA	0%																		0			0
		20%																		0			0
		50%																		0			0
		100%																		0			0
		150%																		0			0
		UNRATED AT 100%																		0			0
	TOTAL		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0	0
																				0			0
CLAIMS ON BANKS		0%																		0			0
		20%																		0			0
		50%																		0			0
		100%																		0			0
		150%																		0			0
		UNRATED AT 50%																		0			0
																				0			0
	TOTAL		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0	0

CREDIT RISK | **STANDARDISED APPROACH** | **CR4b**

ASSET CLASSES			FOR COLLATERAL WHICH IS IN DIFFERENT CURRENCY FROM EXPOSURE																				NET COLLATERAL VALUE
			HAIRCUTS FOR RATED DEBT SECURITIES - SOVEREIGNS/OTHERS													HAIRCUTS FOR OTHER COLLATERAL				Haircut for collateral denominated in different curreny from the exposure	OTHERS AS PER NATIONAL DISCRETIONS ON PAST DUE	Gross Collateral Value	
			CASH at 0%	RATED AAA to AA-/A-1						RATED A+ to BBB-/ A-2/A-3/P-3 AND UNRATED BANK SECURITIES (including unrated securities per Para 145 (d) Basel II)						RATED BB+ to BB-	MAIN INDEX EQUITIES (including convertible bonds) and GOLD	OTHER EQUITIES (including convertible bonds) listed on a Recognised Exchange	MUTUAL FUNDS				
				RESIDUAL MATURITY						RESIDUAL MATURITY													
		RISK WEIGHT		UPTO 1 YEAR		>1 - 5 YEARS		OVER 5 YEARS		UPTO 1 YEAR		>1 - 5 YEARS		OVER 5 YEARS		15%	25%	25%	Highest Haircut attributable to underlying investments in fund	8%			
				SOVEREIGNS 0.5%	OTHERS 1%	SOVEREIGNS 2%	OTHERS 4%	SOVEREIGNS 4%	OTHERS 8%	SOVEREIGNS 1%	OTHERS 2%	SOVEREIGNS 3%	OTHERS 6%	SOVEREIGNS 6%	OTHERS 12%								AED 000's
			1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
CLAIMS ON SECURITIES FIRMS		0%																		0			0
		20%																		0			0
		50%																		0			0
		100%																		0			0
		150%																		0			0
		UNRATED AT 100%																		0			0
	TOTAL		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0	0
CLAIMS ON CORPORATES		0%																		0			0
		20%																		0			0
		50%																		0			0
		100%																		0			0
		150%																		0			0
		UNRATED AT 100%																		0			0
	TOTAL		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0	0
CLAIMS INCLUDED IN THE REGULATORY RETAIL PORTFOLIO	CLAIMS MEETING CBUAE CRITERIA	75%																		0			0
	OTHER	100%																		0			0
	TOTAL		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0	0
CLAIMS SECURED BY RESIDENTIAL PROPERTY	CLAIMS MEETING CBUAE CRITERIA	35%																					0
	OTHER	75%																		0			0
	OTHER	100%																		0			0
	TOTAL		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0	0
CLAIMS SECURED BY COMMERCIAL REAL ESTATE	TOTAL	100%																		0			0
PAST DUE LOANS	PROVISIONS 20% AND ABOVE	100%																		0			0
	PROVISIONS BELOW 20%	150%																		0			0
	FULLY SECURED BY UNRECOGNISED COLLATERAL	100%																		0			0
	TOTAL		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0	0
HIGHER-RISK CATEGORIES	VENTURE CAPITAL AND PRIVATE EQUITY INVESTMENTS	150%																		0			0
	REAL ESTATE PER CBUAE RULES	150%																		0			0
	OTHER	150%																		0			0
	TOTAL		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0	0

CREDIT RISK

STANDARDISED APPROACH

CR4b

ASSET CLASSES			FOR COLLATERAL WHICH IS IN DIFFERENT CURRENCY FROM EXPOSURE																				NET COLLATERAL VALUE
			HAIRCUTS FOR RATED DEBT SECURITIES - SOVEREIGNS/OTHERS													HAIRCUTS FOR OTHER COLLATERAL				Haircut for collateral denominated in different curreny from the exposure	OTHERS AS PER NATIONAL DISCRETIONS ON PAST DUE	Gross Collateral Value	
			CASH at 0%	RATED AAA to AA-/A-1						RATED A+ to BBB-/ A-2/A-3/P-3 AND UNRATED BANK SECURITIES (including unrated securities per Para 145 (d) Basel II)						RATED BB+ to BB-	MAIN INDEX EQUITIES (including convertible bonds) and GOLD	OTHER EQUITIES (including convertible bonds) listed on a Recognised Exchange	MUTUAL FUNDS				
				RESIDUAL MATURITY						RESIDUAL MATURITY													
		RISK WEIGHT		UPTO 1 YEAR		>1 - 5 YEARS		OVER 5 YEARS		UPTO 1 YEAR		>1 - 5 YEARS		OVER 5 YEARS					Highest Haircut attributable to underlying investments in fund				
				SOVEREIGNS 0.5%	OTHERS 1%	SOVEREIGNS 2%	OTHERS 4%	SOVEREIGNS 4%	OTHERS 8%	SOVEREIGNS 1%	OTHERS 2%	SOVEREIGNS 3%	OTHERS 6%	SOVEREIGNS 6%	OTHERS 12%	15%	25%	25%		8%			AED 000's
			1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
OTHER ASSETS	INVESTMENTS IN COMMERCIAL ENTITIES BELOW MATERAILITY THRESHOLD	100%																		0			0
	Investments in Trading Book-Equities	0%																		0			0
	Investments in Trading Book-Debt Securities	0%																		0			0
	Investments in Trading Book-Commodities	0%																		0			0
	Equity Investments in Banking Book	100%																		0			0
	CASH	0%																		0			0
	GOLD	0%																		0			0
	CASH IN PROCESS OF COLLECTION	20%																		0			0
	OTHERS	0%																		0			0
	OTHERS	20%																		0			0
	OTHERS	50%																		0			0
	OTHERS	100%																		0			0
	OTHERS	150%																		0			0
	TOTAL		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0	0
Claims on Securitised Assets (Investing Banks)Para 538 to 605	Long Term	0%																		0			0
		20%																		0			0
		50%																		0			0
		100%																		0			0
		350%																		0			0
	Sub total		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0	0
	Short term	20%																		0			0
		50%																		0			0
		100%																		0			0
	Sub total		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0	0
	TOTAL		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0	0
CREDIT DERIVATIVES (Banks Selling protection) Para 208/210	Long Term	0%																		0			0
		20%																		0			0
		50%																		0			0
		100%																		0			0
		350%																		0			0
	Sub total		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0	0
	Short term	20%																		0			0
		50%																		0			0
		100%																		0			0
	Sub total		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0	0
	Unrated Basket (aggregate of individual assets upto max of)1000%																			0			0
	TOTAL		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0	0
TOTAL CLAIMS			**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**		**0**	**0**

Name of Bank:
Reporting Date:

SETTLEMENT / DELIVERY RISK IN THE TRADING BOOK

SR1

AED 000

Total unsettled transactions in the Trading Book See Basel II, June 2006, Para 88 and Appendix 3	UNSETTLED TRANSACTIONS AT SETTLEMENT PRICE	PRICE DIFFERENCE EXPOSURE DUE TO UNSETTLED TRANSACTIONS	**RISK MULITILPIER**	**CAPITAL REQUIREMENTS**
Transactions unsettled between 5 and 15 days			**8%**	0
Transactions unsettled between 16 and 30 days			**50%**	0
Transactions unsettled between 31 and 45 days			**75%**	0
Transactions unsettled for 46 days or more			**100%**	0
Total	0	0		

Total unsettled transactions in the Trading Book	0

TOTAL RISK WEIGHTED ASSETS = ABOVE x 10	0

Name of Bank:
Reporting Date:

MARKET RISK: SUMMARY **STANDARDISED APPROACH** **MR1**

See Basel II, June 2006, Para 709 to 718(Lxix)			AED 000's
	INTEREST RATE RISK - TRADING BOOK		
MR2	**1)**	SPECIFIC RISK	0
MR3	**2)**	GENERAL RISK - MATURITY BASED	0
MR4	**or 3)**	GENERAL RISK - DURATION BASED	0
MR5	**FOREIGN EXCHANGE RISK**		0
MR6	**EQUITY EXPOSURE RISK- TRADING BOOK**		
	1)	GENERAL RISK	0
	2)	SPECIFIC RISK	0
MR7	**COMMODITY RISK- TRADING BOOK**		0
	OPTIONS RISK		
MR8	**1)**	SIMPLIFIED APPROACH	0
MR9	**2)**	INTERMEDIATE APPROACH	0
MARKET RISK TOTAL CAPITAL CHARGE			0
MARKET RISK -RISK WEIGHTED ASSETS (ABOVE TOTAL x10)			0

Note: This table is used to consolidate the remaining MR tables
Duration method can NOT be used without prior approval from Central Bank of UAE

MARKET RISK: INTEREST RATE SPECIFIC RISK — **STANDARDISED APPROACH**

Currency: — **TRADING BOOK ONLY**

MR2

AED 000's

INTEREST RATE RISK (TRADING BOOK ONLY) See Basel II, June 2006, Para 709 (ii) to 717			ALL POSITIONS		(-) REDUCTION EFFECT FOR UNDERWRITING POSITIONS	NET POSITIONS		(-) ALLOWANCE DUE TO TRADING BOOK POSITIONS HEDGED BY CREDIT DERIVATIVES		NET POSITIONS SUBJECT TO CAPITAL CHARGE	RISK CAPITAL CHARGE (%)	CAPITAL REQUIREMENTS
			LONG	SHORT		LONG	SHORT	TO LONG NET POSITIONS	TO SHORT NET POSITIONS			
			1	2	3	4	5	6	7	8	9	10
Specific risk [Para 710]	**Counter-party type/rating**	**MATURITY**										
Debt securities												
a GCC SOVEREIGNS	GCC Sovereigns	N/A									0.00	0
b Other Sovereigns	rated AAA to AA-	N/A									0.00	0
	rated A+ to BBB-	0 ≤ 6 months									0.25	0
		> 6 ≤ 24 months									1.00	0
		> 24 months									1.60	0
	BB+ to B-/Unrated	N/A									8.00	0
	Below B-	N/A									12.00	0
c Qualifying Securities (Per Basel II June 2006 Para 711(i)	rated AAA to AA-	N/A									0.00	0
	rated below AA- and is BBB- or above	0 ≤ 6 months									0.25	0
		> 6 ≤ 24 months									1.00	0
		> 24 months									1.60	0
d Others debt securities	BB+ to BB-/Unrated	N/A									8.00	0
	Below BB-	N/A									12.00	0
TOTAL SPECIFIC RISK										0		0

Note A separate table should be completed for each foreign currency above an aggregate value of AED100,000

All other currencies below a value of AED100,000 should be combined and entered onto one single table

Each currency table should be consolidated into an AED table

Name of Bank:

Reporting Date:

MARKET RISK: STANDARDISED APPROACHES FOR INTEREST RATE RISK

MR3

AED 000's

Currency **Consolidated**

INTEREST RATE RISK (TRADING BOOK ONLY) See Basel II, June 2006, Para 718(I)		DEBT SECURITIES		INTEREST RATE DERIVATIVES		OPTIONS -Delta Weighted Positions		TOTAL POSITIONS		Risk Weight	WEIGHTED POSITIONS		WITHIN BANDS WITHIN ZONES		BETWEEN ZONES		NET POSITIONS SUBJECT TO CAPITAL CHARGE	RISK CAPITAL CHARGE (%)	CAPITAL CHARGE
		LONG	SHORT	LONG	SHORT	LONG	SHORT	LONG	SHORT		LONG	SHORT	MATCHED	UNMATCHED	MATCHED	UNMATCHED			
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
1 General risk. Maturity-based approach [Para 718(ii) and 718(iii)]																			
Coupon 3% or More	**Coupon less than 3%**																		
1.1 Zone 1																			
0 ≤ 1 month	0 ≤ 1 month	-	-	-	-	-	-	-	-	**0.00%**	-	-	-	-					
> 1 ≤ 3 months	> 1 ≤ 3 months	-	-	-	-	-	-	-	-	**0.20%**	-	-	-	-					
> 3 ≤ 6 months	> 3 ≤ 6 months	-	-	-	-	-	-	-	-	**0.40%**	-	-	-	-					
> 6 ≤ 12 months	> 6 ≤ 12 months	-	-	-	-	-	-	-	-	**0.70%**	-	-	-	-					
	total	-	-	-	-	-	-	-	-		-	-	-	-		-			
Between Zone 1 and 2													-	-	-	-			
1.2 Zone 2																			
> 1 ≤ 2 years	1.0 to 1.9 years	-	-	-	-	-	-	-	-	**1.25%**	-	-	-	-					
> 2 ≤ 3 years	> 1,9 ≤ 2,8 years	-	-	-	-	-	-	-	-	**1.75%**	-	-	-	-					
> 3 ≤ 4 years	> 2,8 ≤ 3,6 years	-	-	-	-	-	-	-	-	**2.25%**	-	-	-	-					
	total	-	-	-	-	-	-	-	-		-	-	-	-		-			
Between Zone 2 and 3													-	-	-	-			
1.3 Zone 3																			
> 4 ≤ 5 years	> 3,6 ≤ 4,3 years	-	-	-	-	-	-	-	-	**2.75%**	-	-	-	-					
> 5 ≤ 7 years	> 4,3 ≤ 5,7 years	-	-	-	-	-	-	-	-	**3.25%**	-	-	-	-					
> 7 ≤ 10 years	> 5,7 ≤ 7,3 years	-	-	-	-	-	-	-	-	**3.75%**	-	-	-	-					
> 10 ≤ 15 years	> 7,3 ≤ 9,3 years	-	-	-	-	-	-	-	-	**4.50%**	-	-	-	-					
> 15 ≤ 20 years	> 9,3 ≤ 10,6 years	-	-	-	-	-	-	-	-	**5.25%**	-	-	-	-					
> 20 years	> 10,6 ≤ 12,0 years	-	-	-	-	-	-	-	-	**6.00%**	-	-	-	-					
	> 12,0 ≤ 20,0 years	-	-	-	-	-	-	-		**8.00%**	-	-	-	-					
	> 20 years	-	-	-	-	-			-	**12.50%**	-	-	-	-					
	total	-	-	-	-	-					-	-	-	-		-			
Between Zone 1 and 3													-	-	-	-			
AGGREGATE OF ALL POSITIONS IN ALL TIME ZONES		-	-	-	-	-					-	-	-	-	-	-			
1.a Matched weighted position in all maturity bands																	-	**10.00**	-
1.b Matched weighted position in zone 1																	-	**40.00**	-
1.c Matched weighted position in zone 2																	-	**30.00**	-
1.d Matched weighted position in zone 3																	-	**30.00**	-
1.e(1) Matched weighted position between zone 1 and 2																	-	**40.00**	-
1.e(2) Matched weighted position between zone 2 and 3																	-	**40.00**	-
1.f Matched weighted position between zone 1 and 3																	-	**100.00**	-
1.g Residual unmatched weighted positions																	-	**100.00**	-
TOTAL GENERAL RISK Maturity-based approach																	-		-

Name of Bank:

Reporting Date:

This table should be used to consolidate positions in ALL currencies at the spot rate (mid-price) prevailing on the reporting date

MARKET RISK: STANDARDISED APPROACHES FOR INTEREST RATE RISK

MR4
AED 000's

INTEREST RATE RISK (TRADING BOOK ONLY) See Basel II, June 2006, Para 718(I)		DEBT SECURITIES		INTEREST RATE DERIVATIVES		OPTIONS-DELTA WEIGHTED POSITIONS		ALL POSITIONS		Assumed % change in yield multiply all positions by %	NET POSITIONS		Matching of Zones		NET POSITIONS SUBJECT TO CAPITAL CHARGE	RISK CAPITAL CHARGE (%)	CAPITAL REQUIREMENTS
		LONG	SHORT	LONG	SHORT	LONG	SHORT	LONG	SHORT		LONG	SHORT	Matched	Un-Matched			
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
General risk. Duration-based approach [Para 718(vii)]																	
Zone 1																	
	0 ≤ 12 months							0	0	**1.00%**	0	0					
	TOTAL							0	0		0	0					
	BETWEEN ZONE 1 AND 2																
Zone 2																	
	1.0 to 1.9 years							0	0	**0.90%**	0	0					
	> 1,9 ≤ 2,8 years							0	0	**0.80%**	0	0					
	> 2,8 ≤ 3,6 years							0	0	**0.75%**	0	0					
	TOTAL							0	0		0	0					
Zone 3	BETWEEN ZONE 2 AND 3																
	> 3,6 ≤ 4,3 years							0	0	**0.75%**	0	0					
	> 4,3 ≤ 5,7 years							0	0	**0.70%**	0	0					
	> 5,7 ≤ 7,3 years							0	0	**0.65%**	0	0					
	> 7,3 years							0	0	**0.60%**	0	0					
	TOTAL							0	0		0	0					
	BETWEEN ZONE 1 AND 3																
	TOTAL							0	0		0	0		0			
Matched duration-weighted position in all zones																**2.00**	0
Matched duration-weighted position between zone 1 and 2																**40.00**	0
Matched duration-weighted position between zone 2 and 3																**40.00**	0
Matched duration-weighted position between zone 1 and 3																**150.00**	0
Residual unmatched duration-weighted positions																**100.00**	0
TOTAL GENERAL RISK- DURATION BASED																	0

Note **This table should be used to consolidate positions in ALL currencies at the spot rate prevailing on the reporting date**

This table should only be used after prior agreement with Central Bank and external validation will be required

Name of Bank:
Reporting Date:

MARKET RISK: STANDARDISED APPROACHES FOR FOREIGN EXCHANGE RISK — **MR5**

See Basel II, June 2006, Para 718(xxx)

AED 000's

CURRENCY	TOTAL SPOT CLAIMS	TOTAL SPOT LIABILITIES	NET SPOT CLAIM (LIABILITIES)	NET FORWARD PURCHASE (SALES)	Delta weighted positions for Options	NET OVERALL LONG	NET OVERALL (SHORT)
USD							
GBP							
Euro							
CHF							
JPY							
SAR							
KWD							
BHD							
AUD							
NOK							
OMR							
PKR							
QAR							
Gold							
Sub total	0	0	0	0		0	0
Others from MR5a*	0	0	0	0		0	0
Grand Total	0	0	0	0		0	0

Less Net Open positions in US$ and other GCC currencies pegged to US$		
	0	0
	Aggregate Long	Aggregate Short

* Enter here details for other individual foreign currencies which are equivalent to 10% or over of the total line.

Higher of the Aggregate of net overall long/ short open position = Risk weighted Assets	0
CAPITAL CHARGE = RWA x8%	0

Name of Bank:

Reporting Date:

FOREIGN CURRENCY EXPOSURE - Details of Others

MR5a
AED 000's

CURRENCY	SPOT CLAIMS	SPOT LIABILITIES	NET SPOT CLAIM (LIABILITIES)	NET FORWARD PURCHASE (SALES)	NET OVERALL LONG	NET OVERALL SHORT
ATS						
BEF						
CAD						
CYP						
DKK						
EGP						
FIM						
HKD						
IEP						
INR						
JOD						
LBP						
LKR						
MAD						
MUR						
MYR						
NZD						
NLG						
SEK						
SGD						
THB						
TND						
TRY						
XAU						
XCV						
YDD						
YER						
ZAR						
Total	0	0	0	0	0	0

Name of Bank:
Reporting Date:

MARKET RISK: STANDARDISED APPROACH FOR POSITION RISK IN EQUITIES **MR6**

AED 000's

EQUITIES IN TRADING BOOK See Basel II, June 2006, Para 718(xix)	POSITIONS									RISK CAPITAL CHARGE (%)	CAPITAL REQUIREMENTS
	EQUITY POSITIONS		EQUITY DERIVATIVES		DELTA-WEIGHTED POSITIONS		NET POSITIONS		NET POSITIONS SUBJECT TO CAPITAL		
	LONG	SHORT	LONG	SHORT	LONG	SHORT	LONG	SHORT			
	1	2	3	4	5	6	7	8	9	10	11
1 General risk							0	0	0	**8.00**	0.00
2 Specific risk							0	0	0	**8.00**	0
Well diversified Portfolios							0	0	0	**4.00**	0
										Sub Total	0
TOTAL EQUITIES IN TRADING BOOK											0.00

Name of Bank:
Reporting Date:

MARKET RISK **STANDARDISED APPROACHES FOR COMMODITIES-TRADING BOOK ONLY**

Commodity: **Consolidated**

MR7
AED 000's

TOTAL POSITIONS IN COMMODITIES		ALL POSITIONS				NET POSITIONS		MATCHED POSITIONS WITHIN BANDS		MATCHED POSITIONS BETWEEN BANDS		POSITIONS SUBJECT TO CAPITAL CHARGE	RISK CAPITAL CHARGE (%)	CAPITAL REQUIREMENTS
See Basel II, June 2006, Para 718(I)		LONG	SHORT	OPTIONS DELTA WEIGHTED POSITIONS LONG	OPTIONS DELTA WEIGHTED POSITIONS SHORT	LONG	SHORT	MATCHED	UNMATCHED	MATCHED	UNMATCHED			
		1	2	3	4	5	6	7	8	9	10	11	12	13
Maturity ladder approach	**Para 718 (xLix)**													
1.1 Maturity zone ≤ 1 year														
	0 ≤ 1 month													
	> 1 ≤ 3 months													
	> 3 ≤ 6 months													
	> 6 ≤ 12 months													
1.2 Maturity zone > 1 year and ≤ 3 years														
	> 1 ≤ 2 years													
	> 2 ≤ 3 years													
1.3 Maturity zone > 3 years														
1.a Matched long and short positions within each maturity band													**1.50**	0
1.b Matched positions between two maturity bands													**0.60**	0
1.c Residual unmatched positions													**15.00**	0
TOTAL CAPITAL CHARGE														0
Simplified approach: All positions	**Para 718 (Liv and Lv)**													
Net positions													**15.00**	0
Gross positions													**3.00**	0
TOTAL CAPITAL CHARGE														0

Note A separate table should be completed for each commodity above an aggregate value of AED100,000
All other commodities below a value of AED100,000 should be combined and entered onto one single table
Each table should be consolidated into an AED table

Name of Bank:
Reporting Date:

MARKET RISK **STANDARDISED APPROACH FOR OPTIONS RISK**

MR8

AED 000's

SIMPLIFIED APPROACH TO OPTIONS -See Basel II, June 2006, Para 718(Lviii)

LONG CASH AND LONG PUT OR SHORT CASH AND LONG CALL (WHERE BANK ALSO HOLDS THE UNDERLYING SECURITY)	LONG CASH AND LONG PUT	SHORT CASH AND LONG CALL	MARKET VALUE OF UNDERLYING (Sum of 1 +2)	SUM OF SPECIFIC RISK AND GENERAL MARKET RISK CHARGE	PRODUCT OF MARKET VALUE AND RISK CHARGE (3) X(4)	OPTION IN THE MONEY (A)	CAPITAL CHARGE (COLUMN 5 less COLUMN 6)
	1	2	3	4	5	6	7
FOREIGN EXCHANGE			0	8%	0		0
INTEREST RATE			0	Note C			0
EQUITIES			0	16%	0		0
COMMODITIES			0	16%	0		0
SUB-TOTAL	0	0	0		0	0	0

LONG CALL OR LONG PUT (WHERE BANK DOES NOT HOLD THE UNDERLYING SECURITY)	LONG PUT	LONG CALL	MARKET VALUE OF UNDERLYING (Sum of 1 +2)	SUM OF SPECIFIC RISK AND GENERAL MARKET RISK CHARGE	PRODUCT OF MARKET VALUE AND RISK CHARGE (3) X(4)	MARKET VALUE OF THE OPTION (B)	CAPITAL CHARGE (LOWER of COLUMN 5 AND 6)
	1	2	3	4	5	6	7
FOREIGN EXCHANGE			0	8%	0		0
INTEREST RATE			0		0		0
EQUITIES			0	16%	0		0
COMMODITIES			0	16%	0		0
SUB-TOTAL	0	0	0		0	0	0

TOTAL	0	0	0		0	0	0

NOTE

A) **The strike price is compared with the current price unles the maturity exceeds six months at the reporting date in which case the strike price must be compared with the forward price, or where not possible set to zero.**

B) **Where the position does not fall within the trading book (I.e. options on certain foreign exchange or commodities positions not belonging to the trading book), it may be acceptable to use the book value instead**

C) **Specific Risk** MR2 (column 10)/8 x 100 = Specific Risk Charge
General Risk MR3 or MR4 (whichever is used by the bank) (column 10)/8 x 100 = General Risk Risk Charge

Name of Bank:
Reporting Date:

MARKET RISK

INTERMEDIATE APPROACH FOR OPTIONS RISK

MR9

AED 000's

INTERMEDIATE APPROACH TO OPTIONS -See Basel II, June 2006, Para 718(Lx-LXii)

WHERE BANK IS WRITING OPTIONS	MARKET VALUE OF UNDERLYING	DELTA WEIGHTED POSITION (Note B)	CALCULATION OF VU	GAMMA IMPACT (1/2 X GAMMAxVUxVU)	GAMMA CAPITAL CHARGE (SUM OF ABSOLUTE VALUE OF NET NEGATIVE IMPACTS)	VEGA CHARGE (Vega+/-25%)	CAPITAL CHARGE (COLUMN 5 plus COLUMN 6)
	1	2	3	4	5	6	7
FOREIGN EXCHANGE			8%				0.00
INTEREST RATE							0.00
EQUITIES			8%				0.00
COMMODITIES			15%				0.00
SUB-TOTAL	0	0		0	0	0	0

NOTE

A) For interest rate options the market value of the underlying should be multiplied by the risk weight as set out in MR2

B) The Delta Weighted Postion will be included for Capital Charge within the market risk charge for each section, e.g. for Foreign Exchange under (MR5), for interest Rate under MR3 or MR4, for Equities under MR6 and for

C) Banks using this table will require external validation of all aspects of calculations

Name of Bank:
Reporting Date:

MARKET RISK INTERNAL MODELS

MKR IM

	MULTIPLICATION FACTOR x AVERAGE OF PREVIOUS 60 WORKING DAYS VaR	PREVIOUS DAY VaR	SPECIFIC RISK SURCHARGE	INCREMENTAL DEFAULT RISK SURCHARGE	CAPITAL REQUIREMENTS	Memorandum items: Number of overshootings during previous 250 working days	Memorandum items: Multiplication Factor (Note 2)
	(1)	(2)	(3)	(4)	(5)=Max [(1),(2)]+(3)+(4)	(6)	(7)
TOTAL POSITIONS							
Memorandum items: breakdown of market risk							
1 Traded debt instruments							
1.1 TDI - General risk							
1.2 TDI - Specific Risk							
2 Equities							
2.1 Equities - General risk							
2.2 Equities - Specific Risk							
3 Foreign Exchange risk							
4 Commodity risk							
5 Total amount for general risk							
6 Total amount for specific risk							

NOTE

1 Internal Models Approach may only be used once written approval from Central Bank has been received

2 Multiplication factor must be a minimum of 3, subject to a plus factor ranging from 0-1 based on quality of back testing (refer Para 718 Lxxvi (j))

MARKET RISKS INTERNAL MODELS DETAILS

TABLE A

BASIC INFORMATION					
REGULATORY VaR				INTERNAL VaR	
INSTRUMENT CODE FOR REGULATORY MODEL	SPECIFIC RISK EQUITIES CALCULATION CODE	SPECIFIC RISK DEBT INSTRUMENTS CALCULATION CODE	P&L CODE USED FOR THE CALCULATION OF NUMBER OF OVERSHOOTINGS	CONFIDENCE INTERVAL OF INTERNAL VaR (a)	HOLDING PERIOD OF INTERNAL VaR (b)
(1)	(2)	(3)	(4)	(5)	(6)

TABLE B

Day	REGULATORY VaR				INTERNAL VaR (c)	INTERNAL VaR LIMIT	P&L EFFECTIVELY USED FOR BACKTESTING	
	CONFIDENCE LEVEL = 99%		SPECIFIC RISK SURCHARGE	INCREMENTAL DEFAULT RISK SURCHARGE				
	VaR (T=10)	VaR (T=1)					Hypothetical	Actual
(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
1								
2								
3								
4								
5								
6								
7								
8								
9								
10								
...								
...								
91								
92								

(a) To be filled out in case that the internal VaR calculation is based on a confidence interval different from 99 %
(b) To be filled out in case that the internal VaR calculation is based on a holding period different from 10 days
(c) To be filled out in case that the internal VaR calculation differs from (8) or (9)

MKR IM Details

ID	Label	References & Comments
		COLUMNS
		GENERAL COMMENT: This template may be required for each individual model used and/or for the aggregation of all the individual models. Accordingly, in the case of the aggregation of all the individual models, some of the codes that follows, that may be incompatible at the individual level, may be reported simultaneously. If entities has more than one internal model, they may require table B for each row included in table A
1	Instrument code	The Instrument code indicates the instrument category or categories covered by the regulatory model: 1 = equities; 2 = debt instruments; 3 = foreign currencies; 4 = commodities. For instance, if a VaR (total) is calculated for equities, debt instruments and foreign currencies, the code is 123
2	Specific risk equities calculation code	Indicates the specific risk calculation code for equities. These code are: 1 = specific risk is not modeled; 2 = specific risk is modeled, including event and default risk 3 = specific risk is modeled, excluding event and default risk, with that part of the value-at risk that concerns specific risk 4 = specific risk is modeled, excluding event and default risk, with a calculation for subtrading books involving specific risk
3	Specific risk debt instrument calculation code	Indicate the specific risk calculation code for debt instruments. These code are: 1 = specific risk is not modeled; 2 = specific risk is modeled, including event and default risk 3 = specific risk is modeled, excluding event and default risk, with that part of the value-at risk that concerns specific risk 4 = specific risk is modeled, excluding event and default risk, with a calculation for subtrading books involving specific risk
4	P&L code used for the calculation of number of overshootings	The P&L code indicates the type of results that are used to calculate the plus-factor 1 = actual trading results for the days concerned 2 = hypothetical trading results for the days concerned on the positions fixed at the end of the previous (trading) day
5	Confidence interval of internal VaR	Confidence interval used for risk management purpose (no legal reference); To be filled out in case that the internal VaR calculation is based on a confidence interval different from 99 %
6	Holding period of internal VaR	Holding period used for risk management purpose (no legal reference); To be filled out in case that the internal VaR calculation is based on a holding period different from 10 days
7	Day	Predefined; ranging from 1 to 92
8	Regulatory VaR (confidence interval = 99 %) Var (T=10)	VaR calculated before application of a multiplication factor, with a holding period of 10 days and an confidence interval of 99 %.
9	Regulatory VaR (confidence interval = 99 %) Var (T=1)	VaR calculated before application of a multiplication factor, with a holding period of 1 day and an confidence interval of 99 %.
12	Internal VaR	VaR result used for risk management purposes. Calculations must be based on the informations provided in columns 5 and 6.
13	Internal VaR Limit	Internal VaR limit related to the internal VaR. Calculations must be based on the informations provided in columns 5 and 6.
	P&L effectively used for backtesting:	Only one of the following two P&L will be used.
14	Hypothetical	Hypothetical daily P&L
15	Actual	Real daily P&L

OPERATIONAL RISK **OR1**

See Basel II, June 2006, Para 644 to 663, and Central Bank National Discretions

AED 000's

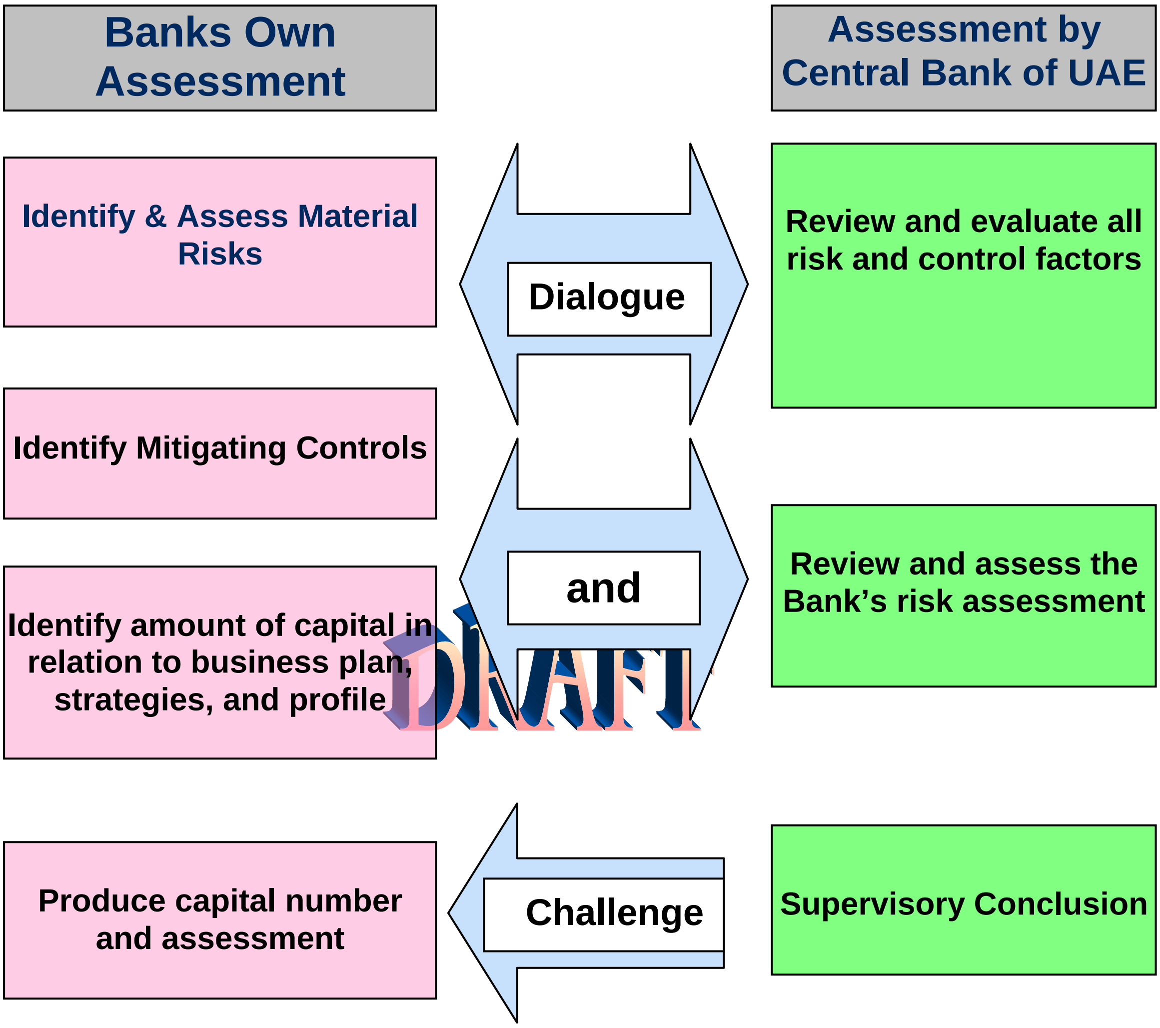
APPROACH & BANKING ACTIVITIES	GROSS INCOME (Audited)									LOANS AND ADVANCES (IN CASE OF ASA APPLICATION)				Three year average	Beta factor	CAPITAL CHARGE	RISK WEIGHTED ASSETS = CAPITAL CHARGE x10
	YEAR-3			YEAR-2			LAST YEAR			YEAR-3	YEAR-2	LAST YEAR	M factor * 0.035				
	Net Interest Income	Net non interset income	Gross Income	Net Interest Income	Net non interset income	Gross Income	Net Interest Income	Net non interset income	Gross Income								
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
1. BASIC INDICATOR APPROACH (BIA)			0			0			0					0	15%	0	-
2.STANDARDISED APPROACH (STA)																	
CORPORATE FINANCE			0			0			0					0	18%	0	-
TRADING AND SALES			0			0			0					0	18%	0	-
PAYMENT AND SETTLEMENT			0			0			0					0	18%	0	-
COMMERCIAL BANKING			0			0			0					0	15%	0	-
AGENCY SERVICES			0			0			0					0	15%	0	-
RETAIL BROKERAGE			0			0			0					0	12%	0	-
RETAIL BANKING			0			0			0					0	12%	0	-
ASSET MANAGEMENT			0			0			0					0	12%	0	-
2. TOTAL BANKING ACTIVITIES SUBJECT TO STANDARDISED (STA)	0	0	0	0	0	0	0	0	0					0		0	-
3. TOTAL BANKING ACTIVITIES SUBJECT TO ALTERNATIVE STANDARDISED (ASA) APPROACHES																	

1. Only one approach will be utilised by the bank, therefore, if Basic Indicator Approach, then cells for the other approaches will be blank

2. For ASA Gross Income to be substituted for Commercial Banking and Retail banking with calculations for loans and advances as per columns 10-13

Appendix 5

Pillar 2 Overview



Appendix 6 – ICAAP submission suggested format

Banks' business and risk profiles differ and the ICAAP should be proportionate to the size, nature and complexity of a bank's business.

Adopting this format may be convenient for banks as it covers most of the matters which typically would be reviewed by the CBUAE under the SREP. However, other formats may be acceptable.

Executive Summary

The purpose of the Executive Summary is to present an overview of the ICAAP methodology and results. This overview would typically include:-

1. The purpose of the report and which bank(s) is (are) covered by the ICAAP;
2. The main findings of the ICAAP eg:-
   - how much and what composition of internal capital the bank considers it should hold as compared with the Pillar 1 minimum capital requirement (details explained with calculations in appendices); and
   - an assessment of the adequacy of the bank's risk management processes;

	PILLAR 1 **Min Regulatory Capital** **AED000's**	**Pillar 2 Capital** **Required capital as derived from ICAAP** **AED 000's**
Credit Risk		
Market Risk		
Operational Risk		
Total Pillar 1		
Pillar 2- Credit Concentration Risk		
Pillar 2- Int. Rate Risk in Bank. book		
Pillar 2 - Other Risks		
Total Pillar 2		
Capital derived from Stress testing		
Required Capital as per ICAAP		
Current capital		
Surplus/(additional required)		

3. Brief descriptions of the capital and dividend plan; how the bank intends to manage capital going forward and for what purposes;
4. Commentary on the key businesses, most material risks, why the level of risk is acceptable or, if it is not, what mitigating actions are planned;
5. Commentary on major issues where further analysis and decisions are required; and
6. Who has carried out the assessment, how it has been challenged, and who has approved it.

Background

This section would cover the relevant organisational and historical financial data for the bank. e.g. group structure and key data and trends drawn from the bank's quarterly returns.

Capital Adequacy

This section might start with a description of the risk appetite used in the ICAAP. Where economic capital models are used this would include details of the assumptions behind that model. Where scenario analyses or other means are used, then some other description of how the severity of scenario has been chosen would be included.

The section would then include a detailed review of the capital adequacy of the bank including:-

1. Timing
   - The effective date of the ICAAP calculations together with consideration of any events between this date and the date of submission which would materially impact the ICAAP calculation together with their effects; and
   - Details of, and rationale for, the time period over which capital has been assessed.
2. Risks analysed
   - An identification of the major risks faced in each of the following categories:-
     - Credit risk,
     - Market risk,
     - Operational risk,
     - Liquidity risk,
     - Reputational risk
     - Regulatory risk
     - Insurance risk
     - Concentration risk
     - Residual risk
     - Securitisation risk
     - Business risk
     - Interest rate risk, and
     - Any other risks identified
   - For each risk, an explanation of how the risk has been assessed and the quantitative results of that assessment;
   - A clear articulation of the bank's risk appetite by risk category, for example, strong appetite, modest appetite or conservative appetite; and
   - An explanation of any other methods apart from capital used to mitigate the risks e.g. risk management or control structures.

3. Methodology and assumptions

   A description of how assessments for each of the major risks have been approached and the main assumptions made. The description would make clear which risks are covered by which approach.

   Where stress tests or scenario analyses have been used to validate, supplement, or probe the results, then this section would provide details.

4. Capital transferability

   Details of any restrictions on the management ability to transfer capital into, or out of the bank (for example, contractual, commercial, regulatory or statutory restrictions that apply)

5. ICAAP comparisons

   An analysis of significant movements in available capital and capital required since the latest ICAAP and a comparison of the overall level and quality of capital required under Pillar 1 as compared with the overall capital requirement identified by the ICAAP.

Key Sensitivities and Future Scenarios

This section would detail the sensitivity tests undertaken to key assumptions and factors that have a significant impact on the broader financial condition of the bank. Material changes in the financial risks to which the business is exposed would be explained and quantified as far as possible in this section. The analysis would include financial projections forward for, three or five years, based on business plans and capital adequacy calculations. These would take account of expected capital requirements over economic and business cycles.

Typical scenarios may include:-

- How an economic downturn would affect the bank's capital resources, capital requirements and its future earnings taking into account the bank's business plan;
- How would a significant correction in local equity and/or real estate markets impact the bank's capital requirements
- How changes in the credit quality of the bank's credit risk counter-parties affect the bank's capital and its credit risk capital requirement (note that this scenario stress test is a requirement for IRB);
- An assessment by the bank of how it would continue to meet its regulatory capital requirements throughout a recession;
- Projections of cash inflows and outflows under stressed conditions.

Aggregation

This section would describe how the results of the various separate risk assessments are brought together and an overall view taken on capital adequacy. This requires some sort of methodology to be used to quantify the capital required to support individual risks so that they can be aggregated into a total figure.

As regards the overall assessment, this would describe how the bank has arrived at its overall assessment of the capital it needs taking into account such matters as:-

- The inherent uncertainty in any modeling approach;
- Weaknesses in the bank's risk management procedures, systems or controls;
- The differences between regulatory capital and internal capital; and
- The differing purposes that capital serves: shareholder returns, rating objectives for the bank as a whole, avoidance of regulatory intervention (e.g. on large exposure notifications), customer perception, protection against uncertain events, working capital, capital held for strategic acquisitions etc.

Challenge and Adoption of the ICAAP

This section would describe the extent of challenge and testing of the ICAAP. It would include the testing and control processes applied to the ICAAP calculations, and the senior management or board review and sign off procedures.

A copy should be attached of any relevant report to senior management or the board and their response.

Details of the reliance placed on any external suppliers/advisers/consultants would also be detailed here e.g. for generating economic scenarios or for assistance in preparation of the ICAAP. In addition, a copy of any report obtained from an external reviewer or internal audit would also be included.

Use of the ICAAP within the Bank

This would demonstrate the extent to which capital management is embedded within the bank including the extent and use of capital modelling or scenario analysis and stress testing within the bank's capital management policy, e.g. in setting pricing and charges. This would also include a statement of the actual operating philosophy on capital management and how this links to the ICAAP submitted. For instance differences in risk appetite used in the ICAAP as compared to that used for business decisions should be discussed.

Appendix 7 –Pillar 3 Suggested Formats

TABLE (1)

INFORMATION ON SUBSIDIARIES AND SIGNIFICANT INVESTMENTS AS ON ______________

Basis of Consolidation[1] :

	Country of Incorporation	% Ownership	Description[2]	Accounting Treatment[3]	Surplus Capital[4]	Capital Deficiencies[5]	Total Interests[6]
Subsidiaries:							
Significant Investments:							

Restrictions on transfer of regulatory capital within the group:

1. Include an outline of differences in the basis of consolidation of subsidiaries for accounting and regulatory purposes.
2. A brief description of the entities within the group such as securities, insurance, other financial subsidiaries, commercial subsidiaries, significant minority equity investments in insurance, financial and commercial entities.
3. Report the accounting treatment as:
   - that are fully consolidated;
   - that are pro-rata consolidated;
   - that are given a deduction treatment;
   - those from which surplus capital is recognized, and
   - that are neither consolidated nor deducted (e.g. where the investment is risk weighted)
4. The aggregate amount of surplus capital of insurance subsidiaries (whether deducted or subjected to an alternative method) included in the capital of the consolidated group. Surplus capital in unconsolidated regulated subsidiaries is the difference between the amount of investment in those entities and their regulatory capital requirements.
5. The aggregate amount of capital deficiencies in all subsidiaries not included in the consolidation i.e. they are deducted.
6. The aggregate amounts (e.g. current book value) of the licensed bank's total interests in insurance entities, which are risk-weighted rather than deducted from capital or subjected to an alternate group-wide method, as well as, if different, the proportion of voting power in these entities. In addition, indicate the quantitative impact on regulatory capital of using this (it's required to method) versus using the deduction or alternate group-wide method

TABLE (2)
(AED OOO's)

CONSOLIDATED CAPITAL STRUCTURE AS ON ________________________________ _

	Summary terms and conditions of main features of all capital instruments	**Amount**
Tier 1 Capital		
1. Paid up share capital/common stock 2. Reserves		
a. Statutory reserve		
b. Special reserve c. General reserve [2]		
3. Minority interests in the equity of subsidiaries 4. Innovative capital instruments [1]		
5. Other capital instruments		
6. Surplus capital from insurance companies		
Sub-total		
Less: Deductions for regulatory calculation		
Less: Deductions from Tier 1 capital		
Tier 1 Capital - Subtotal		
Tier 2 capital		
Less: Other deductions from capitals		
Tier 3 capital		
Total eligible capital after deductions		

1. Include minority interests in equity accounts of consolidated subsidiaries that take form of SPVs and moderate step-ups in instruments issued through SPV's, as well as directly issued Tier I instruments, subject to stringent conditions (refer to Basel Committee's press release, Instruments eligible for inclusion in Tier I capital- 27 October 1988) and limited to a maximum of 15% of Tier I capital.
2. Including undisclosed reserves, revaluation reserves, general provisions/general loan loss reserves Hybrid debt capital instruments and subordinated debt.

TABLE (3a and 3b)

CAPITAL ADEQUACY AS ON ______________________________

a) Qualitative Disclosures

Include here a description of the approach taken by the bank to assess the adequacy of its capital to support current and future activities. For each separate risk area (e.g. credit, market, operational, banking book interest rate risk, equity) banks must describe their risk management objectives and policies as per Para 824 of Basel II.

	b) Quantitative Disclosures	**Capital Charge (AED 000's)**	**Capital Ratio (%)**
	Capital Requirements		
	1. Credit Risk		
	a. Standardised Approach		
	b. Foundation IRB		
	c. Advanced IRB		
	2. Market Risk		
	a. Standardised Approach		
or	b. Models Approach		
	3. Operational Risk		
	a. Basic Indicator Approach		
or	b. Standardised Approach/ASA		
or	c. Advanced Measurement Approach		
	Total Capital requirements		
	Capital Ratio		
	a. Total for Top consolidated Group		
	b. Tier 1 ratio only for top consolidated Group		
	c. Total for each significant bank subsidiary		

TABLE 4(a)

Qualitative Disclosures

Definition of past due and impaired (for accounting purposes)
Description of approaches followed for specific and general allowances and statistical methods
Specific **General**
Discussion of Bank's credit risk management policy
Partial adoption of foundation IRB/advanced IRB

Approach	Description of exposures	Plans and timing of migration to implement fully higher approach
Standardised Approach		
Foundation IRB		
Advanced IRB		

TABLE 4(b)

GROSS CREDIT EXPOSURES BY CURRENCY TYPE AS ON

(AED OOO's)

	Loans	Debt Securities	Total Funded	Commitments	OTC Derivatives	Other Off-Balance Sheet exposures	Total Non-Funded	Total
Foreign Currency								
AED								

TABLE 4(c)

GROSS CREDIT EXPOSURES BY GEOGRAPHY AS ON

(AED OOO's)

GEOGRAPHIC DISTRIBUTION	**Loans**	**Debt Securities**	**Total Funded**	**Commitments**	**OTC Derivatives**	**Other Off-Balance Sheet exposures**	**Total Non-Funded**	**Total**
United Arab Emirates								
GCC excluding UAE								
Arab League (excluding GCC)								
Asia								
Africa								
North America								
South America								
Caribbean								
Europe								
Australia								
Others								
Total								

1. Concerning independent institutions insert the figures opposite the country which licensed them.
2. Concerning institutions that operate as branches for their H.O. insert the figures opposite the country where the H.O. are licensed.

TABLE 4(d)

GROSS CREDIT EXPOSURE BY INDUSTRY SEGMENT AS ON

(AED OOO's)

INDUSTRY SEGMENT	Loans	Debt Securities	Total Funded	Commitments	OTC Derivatives	Other Off-Balance Sheet exposures	Total Non-Funded	Gross
Agriculture, Fishing & related activities[1]								
Crude Oil, Gas, Mining & Quarrying[2]								
Manufacturing[3]								
Electricity& Water								
Construction [4]								
Trade [5]								
Transport, Storage & Communication[6]								
Financial Institutions [7]								
Services[8]								
Government[9]								
Retail/Consumer banking[1o]								
All Others								
Total								

1. Agriculture, Fishing and Allied Activities includes cultivation of crops, dairy and poultry farming, fishing & other activities (sheep rearing, etc).
2. Crude Oil, Gas, Mining and Quarrying include crude petroleum, natural gas and others.
3. Manufacturing includes food, tobacco, beverages, textile, leather, footwear, clothing, furniture, fixtures, other wood products, paper, paper products, printing presses, chemical, chemical products, petroleum refining, petrochemicals, basic metal products including aluminum, fabricated metal products, machinery, equipment, construction materials (brick tiles, etc.), cement, ship building, engineering works, saw mills, marble tiles and other manufacturing.
4. Construction includes construction of buildings, contractors and other construction.
5. Trade includes wholesale trade in construction materials, consumer durables, motor vehicles, non-durables and retail trade.
6. Transport and communication includes taxies, and other land transport, water transport, air transport, warehousing, storage and others.
7. Financial institutions include insurance companies, money and exchange dealers, NBFCS and other financial institutions.
8. Services include hotel and restaurants, professional services, repair work (repair of motor vehicles, a/cs, etc.), recreation services (cinemas, sports club, etc.) and other services.
9. Government includes federal government and local government.
10. Retail/consumer lending includes personal loan installments, residential mortgage loans, car loans, credit cards, other retail products, loans for investments in shares etc.

TABLE 4(e)

GROSS CREDIT EXPOSURES BY RESIDUAL CONTRACTUAL MATURITY AS ON ______________________

(AED OOO's)

RESIDUAL CONTRACTUAL MATURITY	Loans	Debt Securities	Total Funded	Commitments	OTC Derivatives	Other Off-Balance Sheet exposures	Total Non-Funded
Less than 3 months							
3 months to one year							
One to five years							
Over five years							
Grand Total							

TABLE 4(f)

IMPAIRED LOANS BY INDUSTRY SEGMENT AS ON

(AED OOO's)

INDUSTRY SEGMENT	OVERDUE			PROVISIONS		ADJUSTMENTS		Total Impaired Assets
	Less than 90 days	90 days and above	Total	Specific	General	Write-offs	Write-backs	
Agriculture, Fishing & related activities[1]								
Crude Oil, Gas, Mining & Quarrying[2]								
Manufacturing[3]								
Electricity& Water								
Construction [4]								
Trade[5]								
Transport, Storage & Communication[6]								
Financial Institutions[7]								
Services[8]								
Government[9]								
Retail/consumer banking[10]								
All Others								
Grand Total								

1. Agriculture, Fishing and Allied Activities includes cultivation of crops, dairy and poultry farming, fishing other activities (sheep rearing, etc).
2. Crude Oil, Gas, Mining and Quarrying include crude petroleum, natural gas and others.
3. Manufacturing includes food, tobacco, beverages, textile, leather, footwear, clothing, furniture, fixtures, other wood products, paper, paper products, printing presses, chemical, chemical products, petroleum refining, petrochemicals, basic metal products including aluminium, fabricated metal products, machinery, equipment, construction materials (brick tiles, etc.), cement, ship building, engineering works, saw mills, marble tiles and other manufacturing.
4. Construction includes construction of buildings, contractors and other construction.
5. Trade includes wholesale trade in construction materials, consumer durables, motor vehicles, non-durables and retail trade.
6. Transport and communication includes taxies, and other land transport, water transport, air transport, warehousing, storage and others.
7. Financial institutions include insurance companies, money and exchange dealers, NBFCS and other financial institutions.
8. Services include hotel and restaurants, professional services, repair work (repair of motor vehicles, a/cs, etc.), recreation services (cinemas, sports club, etc.) and other services.
9. Government includes federal government and local government.
10. Retail/consumer lending includes personal loan instalments, residential mortgage loans, car loans, credit cards, other retail products, loans for investments in shares etc.

TABLE 4(g)

IMPAIRED LOANS BY GEOGRAPHIC DISTRIBUTION AS ON ____

(AED OOO's)

Geographic Region	**OVERDUE**			**PROVISIONS**		**ADJUSTMENTS**		**Total Impaired Assets**
	Less than 90 days	**90 days and above**	**Total**	**Specific**	**General**	**Write-offs**	**Write-backs**	
United Arab Emirates								
GCC (excluding UAE)								
Arab League (excluding GCC)								
Asia								
Africa								
North America								
South America								
Caribbean								
Europe								
Australia								
Others								
Grand Total								

Note: Jurisdictions should not be included more than once under the geographic region

TABLE 4(h)

RECONCILIATION OF CHANGES IN PROVISION FOR IMPAIRED LOANS FOR THE PERIOD TO

	Description	**AED 000's**
	Opening Balance of Provisions for Impaired Loans	
Add:	Charge for the year	
	• Specific provisions	
	• General provisions	
Add:	Write-off of impaired loans to income statement	
Less:	Recovery of loan loss provisions	
Less:	Recovery of loans previously written-off	
Less:	Write-back of provisions for loans	
	Adjustments of loan loss provisions	
	Closing Balance of Provisions for Impaired Loans	

TABLE 4(i)

LOAN PORTFOLIO AS PER STANDARDISED APPROACH AS ON

(AED OOO's)

ASSET CLASSES	ON BALANCE SHEET	OFF BALANCE SHEET	CREDIT RISK MITIGATION (crm)			RISK WEIGHTED ASSETS
See Basel II, June 2006, Para 50 to 81, and Central Bank National Discretions	GROSS OUTSTANDING	NET EXPOSURE AFTER CREDIT CONVERSION FACTORS (CCF)	EXPOSURE BEFORE CRM	CRM	AFTER CRM	
CLAIMS ON SOVEREIGNS						
CLAIMS ON NON-CENTRAL GOVERNMENT PUBLIC SECTOR ENTITIES (PSEs)						
CLAIMS ON MULTI LATERAL DEVELOPMENT BANKS						
CLAIMS ON BANKS						
CLAIMS ON SECURITIES FIRMS						
CLAIMS ON CORPORATES						
CLAIMS INCLUDED IN THE REGULATORY RETAIL PORTFOLIO						
CLAIMS SECURED BY RESIDENTIAL PROPERTY						
CLAIMS SECURED BY COMMERCIAL REAL ESTATE						
PAST DUE LOANS						
HIGH RISK CATEGORIES						
OTHER ASSETS						
CLAIMS ON SECURITISED ASSETS						
CREDIT DERIVATIVES (Banks Selling protection)						
TOTAL CLAIMS						

TABLE 5 (a & b)

a) Qualitative Disclosures

- For each portfolio, name of ECAIs used, plus reasons for any changes
- Types of exposure for which each agency is used

LOAN PORTFOLIO AS PER STANDARDISED APPROACH AS ON (AED OOO's)

b) Quantitative

	Gross Credit Exposures					Exposures Subject to Deduction				
Asset Class	**Rated**	**Unrated**	**Total**	**Post CRM**	**RWA Post CRM**	**Rated**	**Unrated**	**Total**	**Post CRM**	**RWA Post CRM**
Claims on Sovereigns										
Claims on Public Sector Entities										
Claims on Multilateral Development Banks										
Claims on securities firms										
Claims on Banks										
Claims on Corporate										
Regulatory & other retail exposure										
Residential retail exposure										
Commercial Real Estate										
Other assets										
Claims on Securitised Assets										
Credit Derivatives (Banks selling protection)										
Grand Total										

TABLE 7 (a, b & c)

CREDIT RISK MITIGATION: DISCLOSURES FOR STANDARDIZED APPROACH AS ON __________ _

a) Qualitative Disclosures

Policies and processes covering credit risk mitigation, including summary of:

- Policies and processes for, and an indication of the extent to which the bank makes use of, on- and off-balance sheet netting;
- Policies and processes for collateral valuation and management;
- Description of the main types of collateral taken by the bank;
- The main types of guarantor/credit derivative counter-party and their credit worthiness; and
- Information about (market or credit) risk concentrations within the mitigation taken.

(AED OOO's)

b) Quantitative Disclosures		Exposures	Risk Weighted Assets
	Gross Exposure prior to Credit Risk Mitigation		
Less:	Exposure covered by on-balance sheet netting		
Less:	Exposures covered by Eligible Financial Collateral		
Less:	Exposures covered by Guarantees		
Less:	Exposures covered by Credit Derivatives		
	Net Exposures after Credit Risk Mitigation		

TABLE 10

TOTAL CAPITAL REQUIREMENT FOR MARKET RISK UNDER STANDARDISED APPROACH AS ON ________ _

(AED OOO's)

Market Risk	**Amount**
Interest rate risk	
Equity position risk	
Foreign exchange risk	
Commodity risk	
Total Capital Requirement	

TABLE 13

(AED OOO's)

EQUITY POSITION IN THE BANKING BOOK AS OF ____ _

a) Qualitative Disclosures
The general qualitative disclosure requirement (Paragraph 824 of Basel II) with respect to equity risk, including: • Differentiation between holdings on which capital gains are expected and those taken under other objectives including for relationship and strategic reasons; and • Discussion of important policies covering the valuation and accounting of equity holdings in the banking book. This includes the accounting techniques and valuation methodologies used, including key assumptions and practices affecting valuation as well as significant changes in these practices

As at ______, the bank's total equity investment portfolio in the banking book amounted to AED____ __ % of which represents quoted investments. For details of the accounting policies and valuation methodology, please refer to Note X to the consolidated financial statements under 'Significant Accounting Policies' Details of cost, market and fair value are reported in Note y to the consolidated financial statements under the heading of "Non- Trading investments.

b) Quantitative Disclosures

1. QUANTITATIVE DETAILS OF EQUITY POSITION:

Type	Current Year		Previous Year	
	Publicly Traded	Privately Held	Publicly Traded	Privately Held
Equities				
Collective investment schemes				
Any other investment				
Total				

2. REALISED, UNREALISED AND LATENT REVALUATION GAINS (LOSSES) DURING THE YEAR:

Gains (Losses)	Amount
Realised gains (losses) from sales and liquidations	
*Unrealised gains (losses) recognised in the balance sheet but not through profit and loss account	
**Latent revaluation gains (losses) for investment recorded at cost but not recognised in balance sheet or profit and loss account	
Total	

3. ITEMS IN (2) ABOVE INCLUDED IN TIER 1/TIER 2 CAPITAL:

Tier Capital	Amount
Amount included in Tier I capital	
Amount included in Tier II capital	
Total	

TABLE 13 (CON'T)

EQUITY POSITION IN THE BANKING BOOK AS OF ________ _

4. CAPITAL REQUIREMENTS BY EQUITY GROUPINGS:

(AED OOO's)

Grouping	Amount
Strategic investments	
Available for sale	
Held for trading	
Total capital requirement	

Table 14

INTEREST RATE RISK IN THE BANKING BOOK (IRRBB) AS OF

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability, cash flows or the fair values of financial instruments. The Bank is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off balance sheet instruments that mature or reprice in a given period. The Board of Directors has established acceptable levels of interest rate risk by setting limits on the interest rate gaps for stipulated periods. The Bank manages interest rate risk by matching the repricing of assets and liabilities through risk management strategies and monitors the positions on a daily basis to ensure they are maintained within established limits. Adherence to these limits is monitored by ALCO.

Interest rate risk is also assessed by measuring the impact of defined movements in interest yield curves on the Bank's net interest income. The following impact on the net interest income and regulatory capital for the year of an immediate and permanent movement in interest yield curves as at _

Shift in Yield Curves	Net Interest Income	Regulatory Capital
+200 basis point		
- 200 basis point		

The above interest rate sensitivities are illustrative only and adopt simplified scenarios. The sensitivities do not incorporate actions that could be taken by management to mitigate the effect of interest rate movements.

Appendix 8 – Frequently asked questions

Capital Base

Q How is a ‘Retained Loss’ treated when calculating core/tier 1 capital?

A Retained earnings are added if they are positive, however, negative retained earnings or ‘retained loss’ are deducted from core capital

Q How are ‘cumulative changes in fair value’ treated?

A These may be included as tier 2 capital under Asset Revaluation Reserve, but are subject to a discount of 55% as per Basel II Para 49 (vi)

Q How are negative reserves treated? for example negative balance arising from Foreign Currency Translation of overseas investments

A These would be deducted from Tier 1 capital in the same manner as goodwill

Claims on Sovereigns

Q Which type of UAE exposures would be included in claims on sovereigns?

A A UAE Government exposure includes the Federal and Local government ministries, municipalities, all government departments and the UAE Central Bank. Excludes all other entities owned by the government which may be included under Public Sector Entities.

Q Are government owned entities also included in Government?

A No, please see below.

Claims on Non-Central Government Public Sector Entities (PSE)

Q Which type of UAE exposures would be included in claims on Public sector entities?

A A UAE entity may be considered a PSE for the relevant asset class under the Standardised Approach to Credit Risk under Basel II, if it meets the following Criterion.

- Entities where direct government (Federal/Emirate) ownership is more than 50% directly or through a qualifying PSE that itself is majority owned by government.

Q Would all UAE Public sector entities qualify for 0% risk weight?

A No, entities that satisfy the above criteria should be classified as either;

a. Non-commercial PSE (attracting a 0% risk weight), or

b. Commercial PSE (risk weighted according to external ratings, e.g. Moody’s, S&P)

Appendix 8 – Frequently asked questions

Q Which entities would be included under non-commercial PSEs?

A Refer to foot note 23 of Basel II. In addition, a UAE entity must also satisfy the following criteria to be considered a non-commercial PSE, otherwise would be of commercial in nature.

- Entities whose complete activities are the functions of the Government.
- Authorities established by a decree, so long as they don't change their nature.
- Not listed on any stock exchange.
- Does not sell services or products to the public, except utilities e.g. Electricity/water.
- Provides internal services to the parent or sister companies ONLY, and the parent company is itself a non-commercial PSE.
- Public importance even when selling services to the public (e.g. electricity and water).
- Foreign strategic partner for technical expertise ONLY.
- Does not operate in a competitive market.
- Does not operate overseas.

CLAIMS ON BANKS

Q What is the definition of short-term exposures?

A Refer to foot note 26 of Basel II, where short-term claims in option 2 are defined as having an original maturity of three months or less.

Q Do we apply risk weights of short-term exposures using short term rating?

A No, long term ratings must be used according to paragraphs 62 of Basel II. Under option 2, a preferential risk weight that is one category more favorable may be applied to claims with an original maturity of three months or less and denominated in the domestic currency (such claims in a foreign currency will use the long term weights, and report under short-term).
Please refer to appendix 2 of this document, and use the table "Long-term mapping –Assessments and Risk weights".

CLAIMS INCLUDED IN THE REGULATORY RETAIL PORTFOLIO

Q Do we report all claims under AED 2M at the preferential risk weight of 75%?

A No, banks should consider the granularity criterion which states that no exposure reported under the preferential risk weight constitutes above 0.2% of the total regulatory retail portfolio. In other words, the threshold to qualify for the 75% risk weight is the lower of AED 2M and 0.2% of R.R.P.

Appendix 8 – Frequently asked questions

CLAIMS SECURED BY RESIDENTIAL PROPERTY

Q What can be included under “Claims secured by residential property”?

A Only residential mortgages (i.e. where the purpose of the loan is to buy the property primarily for own use-as a discretion maximum of mortgages on 4 individual properties that will be rented out by a retail borrower may also be included) should be reported under this asset class, all other exposures must be reported under respective asset class, in the main being commercial real estate.

Q Do exposures to finance an entire residential building qualify?

A Not necessarily, the criteria is purpose of loan, so if the loan is to build/buy a building which is clearly to be let then this would be commercial real estate.

Q Can we take benefit of the preferential risk weight for claims exceeding CBUAE criteria of AED 10 million, for the portion of the mortgage that does?

A Yes, the 35% risk weight applies to the portion of the loan below 85% LTV up to AED10M; the balance receives 100% risk weight.

CLAIMS SECURED BY COMMERCIAL REAL ESTATE

Q Do we include all claims that are collateralised by commercial property?

A No, this asset class is for exposures specifically made for the purpose of buying/constructing commercial property, i.e. real estate loans (includes residential towers/mixed use towers). All other exposures must be reported under the respective asset class.

PAST DUE LOANS

Q How can we determine if the provision is above or below 20% of the loan amount?

A The provision coverage is calculated at a counter party level as follow:

$$\frac{\text{Specific provision}}{\text{(Outstanding Loan – Interest in suspense)}}$$

Appendix 8 – Frequently asked questions

OTHER ASSETS

Q Do we use the issuer's long-term rating to map EQUITY investments to the respective risk weight?

A No, for credit risk ALL "Banking Book" equity investments fall into the criteria for 'Other Assets' and therefore must be reported at 100% risk weight. "Trading Book" equity investments are to be reported at 0% risk weight in the CR2 form for completeness purposes only.

Q How do we risk weight our investments in a Sukuk?

A The first matter to determine is if the Sukuk falls under the Securitisation Framework of Basel II as per Section IV of Basel II. If the 'Sukuk' offers the investors two or more 'tranches' in which to invest, then the Securitisation Framework should be applied along with the relevant risk weights. If only a single instrument with the same return is offered to investors then the Sukuk would be treated in the same manner as bonds and included under the asset class of the issuer.
In all cases apply the risk weight that reflects the external rating of the Sukuk. Where the Sukuk is unrated, treat as an unrated bond, except where the risks still remain with the originator (e.g. where the originator underwrites/guarantees the issue) in which case the rating of the originator will apply.

Off Balance sheet

Q Do cash margin for off balance sheet exposures also qualify as CRM?

A Yes. Cash collateral (margins) for Off balance sheet exposures need to be reported, at the counter-party level, in CRM returns (CR4 or CR4a) in the cash collateral column AFTER converting applying the same CCF % which has been applied to the corresponding off balance sheet exposure. The same treatment would apply to other collaterals eligible under CR4 etc.

Banks may find it beneficial to prepare a separate table (not for submission to CBUAE) for on balance sheet and off balance sheet collateral before entering the consolidated numbers onto CR4 etc.

Q Is reporting of off balance sheet exposure in CR2 and CR3 before application of CCF% would be net of cash margin.

A No, reporting of off balance sheet exposure is before application of CCF% and gross of any CRM (cash margins etc.) when entering the 'Exposure before CCF' in CR2 and CR3.

Market Risk

Q Investments designated as 'available for sale' that are accounted for applying fair value through the profit & loss account, are these considered under trading book?

A No. Only those investments that are mark-to-market under IFRS and designated as trading book under IAS39 are consistent with definition of trading book for market risk under Basel II.