

Pillar 3 Disclosures

MUFG Bank, Ltd.

Abu Dhabi Branch

For the Financial Year Ended 31<sup>st</sup> Dec. 2018

BASEL - III

**TABLE (1)**

**INFORMATION ON SUBSIDIARIES AND SIGNIFICANT INVESTMENTS AS ON 31<sup>st</sup> Dec. 2018**

**Basis of Consolidation** : MUFG Bank, Ltd. – Abu Dhabi Branch does not have any subsidiaries and hence there is no financial consolidation in its Balance Sheet

	<b>Country of Incorporation</b>	<b>% Ownership</b>	<b>Description<sup>2</sup></b>	<b>Accounting Treatment<sup>3</sup></b>	<b>Surplus Capital<sup>4</sup></b>	<b>Capital Deficiencies<sup>5</sup></b>	<b>Total Interests<sup>6</sup></b>
<i>Subsidiaries:</i>	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<i>Significant Investments:</i>	N/A	N/A	N/A	N/A	N/A	N/A	N/A

**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

CONSOLIDATED CAPITAL STRUCTURE UNDER BASEL III AS ON 31<sup>st</sup> Dec. 2018

(AED 000's)

Details		Summary Note and References	Amount
<b>Capital Base</b>			
<b>1</b>	<b>Common Equity Tier 1 (CET1) Capital</b>		
1.1	Share Capital		40,000
1.2	Share premium account		-
1.3	Eligible Reserves	Legal Reserves (Art 82 Union Law No.8)	257
1.4	Retained Earnings / (-) Loss	Audited CY. Profit (Net of Dividend)	90
1.5	Eligible amount of minority interest		-
1.6	Capital shortfall if any		-
	<b>CET1 capital Before the regulatory adjustments and threshold deduction</b>		<b>40,347</b>
1.7	Less: Regulatory deductions		-
1.8	Less: Threshold deductions		-
	<b>Total CET1 capital after the regulatory adjustments and threshold deduction</b>		<b>40,347</b>
	<b>Total CET1 capital after transitional arrangement for deductions (CET1)</b>		<b>40,347</b>
<b>2</b>	<b>Additional Tier 1 (AT1) Capital</b>		
2.1	Eligible AT1 capital (After grandfathering)		-
2.2	Other AT1 Capital e.g. (Share premium, minority interest)		-
	<b>Total AT1 capital</b>		<b>-</b>
	<b>Total AT1 capital after transitional arrangements (AT1)</b>		<b>-</b>
<b>3</b>	<b>Tier 2 (T2) Capital</b>		
3.1	Tier 2 Instruments e.g. subordinated loan (After grandfathering and/or amortization)		-
3.2	Other Tier 2 capital (including General Provisions, etc.) <sup>1</sup>	Eligible general provision (max 1.25% of CRWA under standardised approach)	147
	<b>Total T2 Capital</b>		<b>147</b>
	<b>Total T2 capital after transitional arrangements (T2)</b>		<b>147</b>

<sup>1</sup> Impact of changes in fair value reserve should be factored here

**TABLE 3(a) AND 3(b)**

**CAPITAL ADEQUACY as on 31<sup>st</sup> Dec. 2018**

<b>a) Qualitative Disclosures</b>			
The Abu Dhabi Branch of the Bank uses Standardized Approach for Credit Risk and Basic Indicator Approach for Operational Risk. The Branch does not have any exposure to Market and Equity Risk. Banking Book Interest Rate Risk is insignificant and no approach is being followed. The Branch plans to continue with the same approaches in the foreseeable future.			
<b>b) Quantitative Disclosures</b>			<b>AED 000's</b>
	<b>Capital Requirements</b>	<b>RWA</b>	<b>Capital Charge</b>
			<b>Capital Ratio (%)</b>
1	Credit Risk - Standardized Approach	11,790	1,238
2	Market Risk - Standardized Approach	-	-
3	Operation Risk		
	a. Basic Indicator Approach	14,885	1,563
	b. Standardised Approach/ASA	-	-
	c. Advanced Measurement Approach	-	-
	<b>Total Capital requirements</b>	<b>26,675</b>	<b>2,801</b>
	<b>Capital Ratio</b>		
	<b>a. Total for Top consolidated Group</b>		<b>151.81</b>
	<b>b. Tier 1 ratio only for top consolidated Group</b>		<b>151.26</b>
	<b>c. CET1 ratio only for top consolidated Group</b>		<b>151.26</b>

**TABLE 4(a)**

**Qualitative Disclosures**

<p><b>Definition of past due and impaired (for accounting purposes)</b></p>
<p>Facilities where Principal and/or interest payment(s) is/are not made at agreed payment date(s) are defined as Past Due Facilities. In case of amortized facilities, non-receipt of scheduled repayment also results in Past Due classification of the facility.</p> <p>Impaired Facilities are those where it is probable that a bank will be unable to collect all amounts due, including both interest and principal, according to the contractual terms of the loan agreement.</p>
<p><b>Description of approaches followed for specific and general allowances and statistical methods</b></p>
<p><b>Specific</b> – Specific Allowance for impaired assets is based on the rating of the counterparty and the percentage advised by Head Office.  <b>General</b> – In line with the CBUAE regulations, the Branch maintains General Allowance (General Provision) of 1.5% of the total CRWA. However, for the Capital Adequacy Ratio calculations, only up to 1.25% is considered as Tier 2 Capital.</p>
<p><b>Discussion of Bank’s credit risk management policy</b></p>
<p>The term “Credit” means an act of taking on credit risks (or exposed credit risk itself) for a customer or a transaction through extending a credit facility or providing other financial support. Depending on the type of transaction, credits are classified as “Credit Risk Transactions,” “Market Risk Transactions” or “Specific Risk Transactions.”</p> <p>Credit risk is the risk that a customer or counterparty to a financial instrument will cause a financial loss for the Bank by failing to discharge its obligation. The Bank applies the Basel III standardised approach to credit risk for computing the regulatory capital charge for credit risk.</p> <p>The Bank’s credit risk management policy establishes the framework in which the Bank manages its credit risk. Amongst others, the following components are defined within the policy: credit authority, portfolio quality, credit extension policy, portfolio concentration limit, risk grading, lending policy of highly leverage transactions and account officer responsibilities. The Bank ensures the credit risk is managed and controlled in compliance with the Bank’s policy and risk appetite.</p> <p>The Bank is required to implement credit policies, procedures and lending guidelines that meet local requirements while conforming to MUFG group standards. In addition, there are other policies integral to the credit risk management such as those relating to stress testing, risk measurement and impairment provisioning.</p> <p>Internal Audit Office for the EMEA (EIAO) performs internal audit and examination, at a pre-agreed periodicity, on the implementation of credit policies and procedures, and assesses the effectiveness of the Banks credit risk management program within the EMEA region. The results are reported to Senior Management and the Board of Directors.</p>



**TABLE 4(c)**  
**GROSS CREDIT EXPOSURES BY GEOGRAPHY AS ON 31<sup>st</sup> Dec. 2018**

(AED 000's)

<b>GEOGRAPHIC DISTRIBUTION</b>	<b>Loans</b>	<b>Debt Securities</b>	<b>Total Funded</b>	<b>Commitments</b>	<b>OTC Derivatives</b>	<b>Other Off-Balance Sheet exposures</b>	<b>Total Non-Funded</b>	<b>Other Assets</b>	<b>Total</b>
United Arab Emirates	40,481	-	40,481	-	-	619	619	1,148	42,248
GCC excluding UAE	-	-	-	-	-	4,164	4,164	-	4,164
Arab League (excluding GCC)	-	-	-	-	-	-	-	-	-
Asia	-	-	-	-	-	551	551	-	551
Africa	-	-	-	-	-	-	-	-	-
North America	-	-	-	-	-	-	-	-	-
South America	-	-	-	-	-	-	-	-	-
Caribbean	-	-	-	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-
Australia	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>40,481</b>	<b>-</b>	<b>40,481</b>	<b>-</b>	<b>-</b>	<b>5,334</b>	<b>5,334</b>	<b>1,148</b>	<b>46,963</b>

1. Concerning independent institutions insert the figures opposite the country that 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.



**TABLE4 (d)**  
**GROSS CREDIT EXPOSURE BY INDUSTRY SEGMENT AS ON 31<sup>st</sup> Dec. 2018**

(AED 000'S)

INDUSTRY SEGMENT	Loans	Debt Securiti es	Total Funde d	Commitm ents	OTC Derivatives	Other Off- Balance Sheet Exposures	Total Non-Funded	Other Assets	Gross
Agriculture, Fishing & related activities	-	-	-	-	-	-	-	-	-
Crude Oil, Gas, Mining & Quarrying	-	-	-	-	-	-	-	-	-
Manufacturing	-	-	-	-	-	4,783	4,783	-	4,783
Electricity & Water	-	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-	-
Trade	-	-	-	-	-	-	-	-	-
Transport, Storage & Communication	-	-	-	-	-	-	-	-	-
Financial Institutions <sup>1</sup>	39,972	-	39,972	-	-	551	551	-	40,523
Services	-	-	-	-	-	-	-	-	-
Government <sup>2</sup>	509	-	509	-	-	-	-	-	509
Retail/ Consumer Banking	-	-	-	-	-	-	-	-	-
All Others	-	-	-	-	-	-	-	1,148	1,148
<b>Total</b>	<b>40,481</b>	<b>-</b>	<b>40,481</b>	<b>-</b>	<b>-</b>	<b>5,334</b>	<b>5,334</b>	<b>1,148</b>	<b>46,963</b>

<sup>1</sup>Credit Exposure to Financial Institutions includes deposits placed with local banks; <sup>2</sup>Credit Exposure to Government includes balances in Nostro account with the CBUAE

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 taxis, 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 31<sup>st</sup> Dec. 2018**

(AED 000's)

<b>RESIDUAL CONTRACTUAL MATURITY</b>	Loans	Debt Securities	Total Funded	Commitments	OTC Derivatives	Other Off- Balance Sheet exposures	Total Non- Funded	Other Assets	Gross Total
Less than 3 months	40,481	-	40,481	-	-	2,529	2,529	-	43,010
3 months to one year	-	-	-	-	-	2,370	2,370	-	2,370
One to five years	-	-	-	-	-	435	435	-	435
Over five years	-	-	-	-	-	-	-	1,148	1,148
Grand Total	40,481	-	40,481	-	-	5,334	5,334	1,148	46,963

TABLE4(f)

IMPAIRED LOANS BY INDUSTRY SEGMENT AS ON 31<sup>st</sup> Dec. 2018

(AED 000'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 <sup>1</sup>	-	-	-	-	-	-	-	-
Crude Oil, Gas, Mining & Quarrying <sup>2</sup>	-	-	-	-	-	-	-	-
Manufacturing <sup>3</sup>	-	-	-	-	36	-	-	-
Electricity & Water	-	-	-	-	-	-	-	-
Construction <sup>4</sup>	-	-	-	-	-	-	-	-
Trade <sup>5</sup>	-	-	-	-	-	-	-	-
Transport, Storage & Communication <sup>6</sup>	-	-	-	-	-	-	-	-
Financial Institutions <sup>7</sup>	-	-	-	-	124	-	-	-
Services <sup>8</sup>	-	-	-	-	-	-	-	-
Government <sup>9</sup>	-	-	-	-	0	-	-	-
Retail/consumer banking <sup>10</sup>	-	-	-	-	-	-	-	-
All Others	-	-	-	-	17	-	-	-
<b>Grand Total</b>	-	-	-	-	177	-	-	-

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 taxis, 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 31<sup>st</sup> Dec. 2018

(AED 000'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	-	-	-	-	142	-	-	-
GCC (excluding UAE)	-	-	-	-	31	-	-	-
Arab League (excluding GCC)	-	-	-	-	-	-	-	-
Asia	-	-	-	-	4	-	-	-
Africa	-	-	-	-	-	-	-	-
North America	-	-	-	-	-	-	-	-
South America	-	-	-	-	-	-	-	-
Caribbean	-	-	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-	-
Australia	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-
<b>Grand Total</b>	-	-	-	-	177	-	-	-

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 31<sup>st</sup> Dec. 2018**

<b>Description</b>	<b>AED 000's</b>
<b>Opening Balance of Provisions for Impaired Loans</b>	176*
Charge for the year	-
• Specific provisions	-
• General provisions	1
Write-off of impaired loans to income statement	-
Recovery of loan loss provisions	-
Recovery of loans previously written-off	-
Write-back of provisions for loans	-
Adjustments of loan loss provisions	-
<b>Closing Balance of Provisions for Impaired Loans</b>	177*

\* These are general provisions and not the specific provisions for impaired loans.

**TABLE4 (i)**

**LOAN PORTFOLIO AS PER STANDARDISED APPROACH AS ON 31<sup>st</sup> Dec. 2018**

(AED 000's)

ASSET CLASSES	ON BALANCE SHEET	OFF BALANCE SHEET	CREDIT RISK MITIGATION (crm)			RISK WEIGHTED ASSETS
	GROSS OUTSTANDING	NET EXPOSURE AFTER CREDIT CONVERSION FACTORS (CCF)	EXPOSURE BEFORE CRM	CRM	AFTER CRM	
See Basel II, June 2006, Para 50 to 81, and Central Bank National Discretions						
CLAIMS ON SOVEREIGNS	509	-	509	-	509	0
CLAIMS ON NON-CENTRAL GOVERNMENT PUBLIC SECTOR ENTITIES (PSEs)	-	-	-	-	-	-
CLAIMS ON MULTI LATERAL DEVELOPMENT BANKS	-	-	-	-	-	-
CLAIMS ON BANKS	39,972	275	40,247	-	40,247	8,269
CLAIMS ON SECURITIES FIRMS	-	-	-	-	-	-
CLAIMS ON CORPORATES	-	2,392	2,392	-	2,392	2,392
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	1,148	-	1,148	-	1,148	1,129
CLAIMS ON SECURITISED ASSETS	-	-	-	-	-	-
CREDIT DERIVATIVES (Banks Selling protection)	-	-	-	-	-	-
<b>TOTAL CLAIMS</b>	<b>41,629</b>	<b>2,667</b>	<b>44,296</b>	<b>-</b>	<b>44,296</b>	<b>11,790</b>

**TABLE 5(a) AND 5(b)**

**a) Qualitative Disclosures**

The Abu Dhabi Branch uses ratings assigned by S&P, Moody's and Fitch for all counterparties rated externally.

**LOAN PORTFOLIO AS PER STANDERDISED APPROACH AS ON 31<sup>st</sup> Dec. 2018**

(AED 000's)

b) Quantitative Asset Class	Gross Credit Exposures					Exposures Subject to Deduction				
	Rated	Unrated	Total	Post CRM	RWA Post CRM	Rated	Unrated	Total	Post CRM	RWA Post CRM
Claims on Sovereigns	509	-	509	509	0	-	-	-	-	-
Claims on Public Sector Entities	-	-	-	-	-	-	-	-	-	-
Claims on Multilateral Development Banks	-	-	-	-	-	-	-	-	-	-
Claims on securities firms	-	-	-	-	-	-	-	-	-	-
Claims on Banks	40,523	-	40,523	40,523	8,269	-	-	-	-	-
Claims on Corporate	-	4,783	4,783	4,783	2,392	-	-	-	-	-
Regulatory & other retail exposure	-	-	-	-	-	-	-	-	-	-
Residential retail exposure	-	-	-	-	-	-	-	-	-	-
Commercial Real Estate	-	-	-	-	-	-	-	-	-	-
Other assets	-	1,148	1,148	1,148	1,129	-	-	-	-	-
Claims on Securitised Assets	-	-	-	-	-	-	-	-	-	-
Credit Derivatives (Banks selling protection)	-	-	-	-	-	-	-	-	-	-
<b>Grand Total</b>	<b>41,032</b>	<b>5,931</b>	<b>46,963</b>	<b>46,963</b>	<b>11,790</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**TABLE7 (a, b &c)**

**CREDIT RISK MITIGATION: DISCLOSURES FOR STANDARDIZED APPROACH AS ON 31<sup>st</sup> Dec. 2018**

**a) Qualitative Disclosures**

The Abu Dhabi Branch does not use on- and off balance sheet netting or hold collaterals to reduce credit risks. It does hold parent guarantees for certain exposures but these are not considered to reduce the credit risk capital charge. The Bank follows its internal policies & procedures for registering these guarantees in the system.

(AED 000's)

<b>b) Quantitative Disclosures</b>		<b>Exposures</b>	<b>Risk Weighted Assets</b>
	<b>Gross Exposure prior to Credit Risk Mitigation</b>	46,963	11,790
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	-	-
	<b>Net Exposures after Credit Risk Mitigation</b>	46,963	11,790



**TABLE 10**  
**TOTAL CAPITAL REQUIREMENT FOR MARKET RISK UNDER STANDARDISED APPROACH ON 31<sup>ST</sup> Dec. 2018**

(AED 000's)

<b>Market Risk</b>	<b>Amount</b>
Interest rate risk	-
Equity position risk	-
Foreign exchange risk	-
Commodity risk	-
<b>Total Capital Requirement</b>	-

**TABLE 13**

(AED 000's)

**EQUITY POSITION IN THE BANKING BOOK AS OF 31<sup>ST</sup> Dec. 2018**

As at 31st Dec. 2018, the Abu Dhabi Branch does not have any equity investment portfolio in the banking book

**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 (LOSES) 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'TD.)**

**EQUITY POSITION IN THE BANKING BOOK AS OF 31<sup>ST</sup> Dec. 2018**

**4. CAPITAL REQUIREMENTS BY EQUITY GROUPINGS:**

(AED 000's)

<b>Grouping</b>	<b>Amount</b>
Strategic investments	-
Available for sale	-
Held for trading	-
Total capital requirement	-

**TABLE 14**

**INTEREST RATE RISK IN THE BANKING BOOK (IRRBB) AS OF 31<sup>ST</sup> Dec. 2018**

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 Branch 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.

Interest rate risk is assessed by measuring the impact of defined movements in interest yield curves on the Branch's net interest income. The following is the economic impact on the net interest income for the year, of an immediate and permanent movement in interest yield curves as at 31<sup>st</sup> Dec. 2018:

<b>Shift in Yield Curves</b>	<b>Impact on the Net Interest Income (AED 000's)</b>
+200 basis point	(100)
- 200 basis point	100

The above interest rate sensitivities adopt simplified scenarios reflecting the notional loss due to earnings based on interest rates prior to the change. The sensitivities do not incorporate actions that could be taken by management to mitigate the effect of interest rate movements. Impact on the capital has not been assessed.