PILLAR 3 DISCLOSURE REPORT

FOR THE PERIOD ENDING 31 DECEMBER 2021

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1. Introduction

This document presents the Pillar 3 disclosures of Invest Bank P.S.C ("the bank" or "Invest Bank") on a consolidated basis as at 31 December 2021. The purpose of Pillar 3 disclosures is to allow market participants to assess key pieces of information on the firm's capital, risk exposures and risk assessment process.

The Bank is regulated by the Central Bank of UAE (CBUAE) and follows the Pillar 3 disclosure requirements as stated under the CBUAE guidelines, issued in November 2020, on the implementation of Basel III standards. CBUAE also initiated Basel III regulatory reporting in 2017 with new capital standards for UAE Banks.

The Pillar 3 disclosures are to be read in conjunction with the Audited Financial Statements as of 31 December 2021.

1.1 Regulatory Framework

The Bank assesses its capital adequacy based on the updated Basel III regulations published by the CBUAE vide notice no. CBUAE/BSD/N/2020/4980 in Nov 2020. The framework is structured around the following three Pillars:

- Pillar 1 on minimum capital requirements for credit, market and operational risk
- Pillar 2 on the supervisory review process and the Internal Capital Adequacy Assessment Process (ICAAP)
- Pillar 3 on market discipline

1.2 Pillar 1 – Minimum Capital Requirement

The Bank is governed by CBUAE guidelines on regulatory capital requirements on a consolidated basis, including all its subsidiaries and overseas branches. In addition to capital management at bank level, the overseas branch is also supervised by their local regulator for operations carried out by those specific entities. Pillar 1 defines the total minimum capital requirements for credit, market and operational risk. Invest Bank currently uses standardized approach for assessment of Credit, Market and Operational Risk weighted assets (RWA). Under the standardized approach, regulatory prescribed risk weights and parameters are applied to calculate Pillar 1 capital requirements.

During 2011, Basel Committee on Banking Supervision (BCBS) officially announced the final set of revised regulatory capital rules known as "Basel III", which are being phased in globally. Subsequent to Basel III consultation paper issued by CBUAE in 2016, the UAE Central Bank published the "Regulations re Capital Adequacy" (the "Basel III Regulations"), which were effective from 1 February 2017. The Basel III Regulations are supported by the accompanying standards entitled "Standards for Capital Adequacy of Banks in the UAE" which were updated by the UAE Central Bank in November 2020 by virtue of Notice No. CBUAE/BSD/N/2020/4980 (the "Accompanying Standards"). The Accompanying Standards elaborate on the supervisory expectations of the UAE Central Bank with respect to the relevant Basel III capital adequacy requirements as well as the timeline of the phased implementation of the regulations from June 2021 to June 2022.

CBUAE has put in regulatory thresholds for Common Equity Tier 1, Tier 1 and overall regulatory Capital.

1. CET1 must be at least 7.0% of risk weighted assets (RWA);
2. Tier 1 Capital must be at least 8.5% of RWA;
3. Total Capital, calculated as the sum of Tier 1 Capital and Tier 2 Capital, must be at least 10.5% of RWA.

On top of this minimum capital requirement, CBUAE has also mandated Invest Bank to keep additional buffers in the form of Capital Conservation Buffer (CCB) of 2.5%.

These requirements are summarized in the table below:

Capital Element	Requirement
Minimum Common Equity Tier 1 Ratio	**7.0%**
Minimum Tier 1 Capital Ratio	**8.5%**
Minimum Capital Adequacy Ratio	**10.5%**
Capital Conservation Buffer	**2.5%**

The capital ratios for the Bank as of 31 Dec 2021 are given below.

Common Equity Tier 1 Ratio	8.2%
Tier 1 Capital Ratio	8.2%
Capital Adequacy Ratio	9.3%

a) Credit Risk

The Bank uses the standardized approach to calculate RWA for credit risk. It uses risk weights to convert exposures into RWA as per the CBUAE guidelines for capital adequacy which can range between 0% for certain sovereign exposures to 952% for certain categories (akin to deduction). Where applicable, mainly for unfunded, exposures are adjusted for credit conversion factor (CCF) in accordance with the CBUAE guidelines.

The Bank uses the simple approach for credit risk mitigation to calculate its net exposure amount to a counterparty for capital adequacy purposes in order to take account of the effects of the collateral. The Bank adjusts the amount of the exposure to the counterparty and the value of any eligible collateral received in support of that counterparty to take account of possible future fluctuations in the value of either, occasioned by market movements.

The Bank is required to calculate RWA for Credit Valuation Adjustment (CVA) from Q2 2022 onwards vide notice no. CBUAE/BSD/N/2020/4980. Under the standardized approach, the calculation relies on regulatory measures of counterparty credit risk exposure, and recognizes the impact of differences in maturity, as well as adjustments to reflect certain common hedging activities that banks use to manage CVA risk.

b) Market Risk

The Bank uses the standardized approach to calculate RWA for market risk as per the CBUAE guidelines. In calculating RWA for market risk, the bank distinguishes between general and specific risk and between holdings in the trading book and holdings outside the trading book. The risk is quantified for positions for Interest rate risk, Foreign exchange risk, Equity investments risk, Commodities exposure risk and Options risk. Bank has overall very limited exposure to Market Risk given the limited treasury and related activities.

c) Operational Risk

The Bank applies the Basic Indicator approach for calculating capital requirement for operational risk. The calculation is based on average Net Interest Income and Net Non-Interest Income for the past 3 years. Capital

requirement is calculated for each of the business lines as per their respective multipliers as per BIS viz. 15%. The RWA for operational risk are calculated by dividing the capital requirement by CBUAE capital requirement multiplier.

1.3 Pillar 2 – ICAAP and Supervisory Review Process

In line with CB UAE guidelines, Bank has completed the assessment under the Internal Capital Adequacy Assessment Process (ICAAP) as at 31st December 2021. The purpose of the internal assessment is to identify and incorporate risks not covered under Pillar I or found to not being adequate. In accordance with the revised regulations issued by CB UAE, the ICAAP covers the following key components:

- Corporate and Risk Governance
- Assessment of all types of material risks
- Stress Testing

In addition to the quantitative assessment of material risks, some risks were qualitatively assessed due to the nature of such risks.

1.4 Pillar 3 – Market Discipline

The Bank discloses to its external stakeholders a detailed qualitative and quantitative information on its risk management practice and capital adequacy in line with the CBUAE Pillar 3 guidelines. The 3 pillars together provide the necessary information to the market participants on the risk profile of the Bank. The disclosures are both qualitative and quantitative and have been prepared at the consolidated level. This report should be read in conjunction with the risk disclosures in audited consolidated financial statements.

2. Overview of risk management and RWA

2.1 KM1: Key metrics

All numbers in AED 000s

		a	b	c	d	e
		T	T-1	T-2	T-3	T-4
		31/12/2021	30/09/2021	30/06/2021	31/03/2021	31/12/2020
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1)	665,524	771,384	889,743	935,231	856,379
1a	Fully loaded ECL accounting model	620,524	827,930	844,743	890,231	811,379
2	Tier 1	665,524	771,384	889,743	935,231	856,379
2a	Fully loaded ECL accounting model Tier 1	620,524	827,930	844,743	890,231	811,379
3	Total capital	758,805	872,930	996,167	1,043,022	960,740
3a	Fully loaded ECL accounting model total capital	713,805	726,384	951,167	998,022	915,740
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	8,163,860	8,621,224	9,189,060	9,286,787	9,386,511
	Risk-based capital ratios as a percentage of RWA					
5	Common Equity Tier 1 ratio (%)	8.15%	8.43%	9.68%	10.07%	9.12%
5a	Fully loaded ECL accounting model CET1 (%)	7.60%	8.95%	9.19%	9.59%	8.64%
6	Tier 1 ratio (%)	8.15%	8.43%	9.68%	10.07%	9.12%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	7.60%	8.95%	9.19%	9.59%	8.64%
7	Total capital ratio (%)	9.29%	9.60%	10.84%	11.23%	10.24%
7a	Fully loaded ECL accounting model total capital ratio (%)	8.74%	10.13%	10.35%	10.75%	9.76%
	Additional CET1 buffer requirements as a percentage of RWA					
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.50%	2.50%	2.50%	2.50%	2.50%
9	Countercyclical buffer requirement (%)	0.00%	0.00%	0.00%	0.00%	0.00%
10	Bank D-SIB additional requirements (%)	0.00%	0.00%	0.00%	0.00%	0.00%
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9+ row 10)	2.50%	2.50%	2.50%	2.50%	2.50%
12	CET1 available after meeting the bank's minimum capital requirements (%)	-1.21%	-0.37%	-0.15%	0.73%	-0.74%
	Leverage Ratio					
13	Total leverage ratio measure	12,015,357	13,308,307	13,221,213	13,465,705	11,291,329
14	Leverage ratio (%) (row 2/row 13)	5.54%	5.80%	6.73%	6.95%	7.58%
14 a	Fully loaded ECL accounting model leverage ratio (%) (row 2A/row 13)	5.16%	6.22%	6.39%	6.61%	7.19%
14 b	Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	0.00%	0.00%	0.00%	0.00%	0.00%
	ELAR					
15	Total HQLA	1,746,230	1,853,871	1,409,162	1,102,329	96,380
16	Total liabilities	9,375,033	10,020,563	9,795,957	0,045,951	7,716,582
17	Eligible Liquid Assets Ratio (ELAR) (%)	18.63%	18.50%	14.39%	10.97%	1.25%
	ASRR					
18	Total available stable funding	7,884,169	8,124,119	7,877,971	8,103,847	7,114,575
19	Total Advances	6,024,182	6,570,269	6,575,567	6,972,065	7,441,659
20	Advances to Stable Resources Ratio (%)	76.41%	80.87%	83.47%	86.03%	104.60%

2.2 OVA: Bank Risk Management Approach

About the Bank

Invest Bank is a Sharjah based public shareholding company established in 1975 by an Emiri Decree issued by His Highness Dr. Sheikh Sultan Bin Mohammed Al Qassimi, Ruler of Sharjah. The registered address of the Bank is at Al Zahra Street, P.O.Box 1885, Sharjah, United Arab Emirates ("UAE"). In its 47 years of operations, IB has grown into a diversified full-service bank providing wide range of corporate and retail banking services. However, the banks' lending portfolio is mostly to corporate commercial entities, offering traditional and wide range of products.

Information on Subsidiaries & Significant investments

While its operations are predominantly in the UAE with 5 branches spread across four emirates, Bank also has one overseas branch in Beirut, Lebanon established in 2014. During 2019-20, few branches were consolidated into the existing 5 branches to reduce operating costs and to optimize its existing branch network.

The Bank's shares are listed on the Abu Dhabi Securities Exchange ("ADX").

Alfa Financial services, is a non-financial subsidiary of Invest bank. It was established in 2010 and located at SAIF zone Sharjah UAE. It's principal activity is to provide support services (IT) and back office transactions processing and services (trade finance and similar) exclusively to Investbank on 100% transfer cost basis.

Risk Governance

Risk Governance at the Bank is through the Board Risk Committee (BRC) as delegated by the Board, at the highest level, and supported by Risk Management Department (RMD). The Board of Directors (the "Board" or "BOD") has the ultimate responsibility for the establishment and oversight of the Bank's Risk Management Framework. For that purpose, the Board has formulated, in line with international best practices, the following committees at Board level to help manage various risks the Bank faces:

a. Board Executive Credit Committee;
b. Board Risk Committee;
c. Board Audit & Compliance Committee;
d. Board Nomination and Remuneration Committee.

Brief overview of the responsibilities of various committees where Risk Management has interaction is articulated below:

1) Board Committees

1. **Board Executive Credit Committee (BECC)**

   The Board Executive Credit Committee is responsible for review and approval of all credit lending and commitments within the limits set as per the Delegation of Authority (DoA). They are also responsible for overseeing all lending and investment activities are in line with Bank's strategy & risk appetite, and ensuring a well-diversified portfolio is maintained without any undue concentration. They are also responsible for reviewing and approving credit related policies and ensuring compliance with them as well as all regulatory requirements.

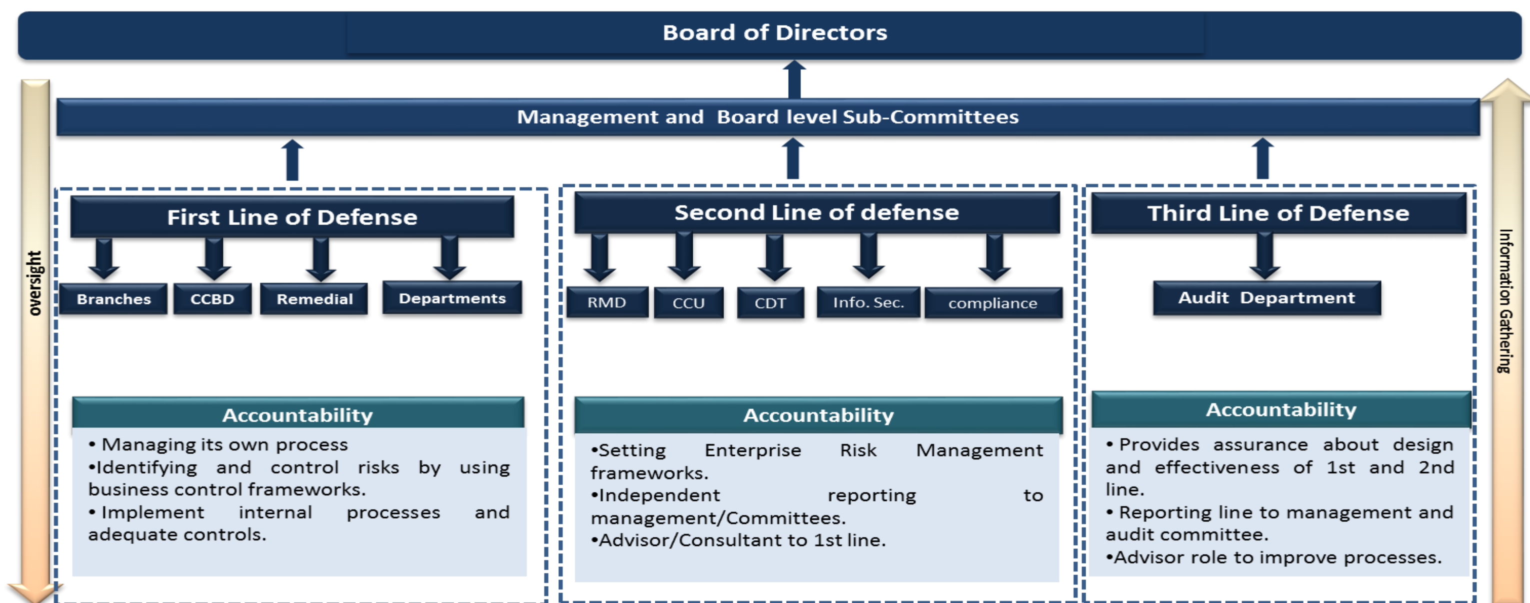
2. **Board Risk Committee (BRC)**
   The Board Risk Committee has the overall responsibility of oversight on Bank's Risk appetite, Risk Strategy and Risk Policies. They are responsible for overseeing the implementation of all risk related frameworks, methodologies, tools, processes and establishing an Enterprise Risk Management Framework. BRC ensures compliance with not only the regulatory requirements but also works towards developing a risk culture within the organization. They are responsible for ensuring an effective controls framework covering all material activities of the Bank.
3. **Board Audit and Compliance Committee**
   The Board Audit Committee is responsible for monitoring, reviewing and ensuring integrity of the financial reporting of the Bank. They provide oversight on the qualification, independence and performance of the Bank's external and internal audit functions. They are also responsible for review of the internal controls framework within the Bank.
4. **Board Nomination and Remuneration Committee**
   The Board Nomination and Remuneration Committee is responsible for oversight on all matters related to nomination and remuneration of the Bank except for those matters which are restricted to the Board as per the legal provisions of the Bank's articles.

2) Risk Governance Framework

The Board and its committees are supported by management level committees and groups in discharging their duties and managing risks on a day-to-day basis. The committees includes Management Credit Committee, ALCO, Management Remedial Committee, IT Committee, Information Security Committee and other working groups.

Bank follows the three lines of defense framework in managing its risk. Below diagram provides an overview of the risk governance framework adopted by the Bank.

Risk Governance Framework



a) Risk Management Department (RMD)

RMD is responsible for risk oversight of the Bank, development of frameworks, policy and methodology formulation, monitoring of key risks and reporting and ensuring an independent control process. It is the nerve center for collection of data, analysis of risk drivers, interpretation of outcome and dissemination of information to relevant committees for risk management.

b) Information Security

InfoSec is responsible for managing the cyber risks associated with all operations. They are responsible for overseeing and mitigating potential cyber threats, external and internal threats and threats arising from transactions with trusted third parties and vendor.

c) Compliance Department

The compliance department works towards ensuring maintenance of high standards and fair dealings in conducting business and to act with proper care, diligence and skills by complying with related laws, rules and regulations and with good practices to protect Invest banks reputation at all times.

d) Internal Audit Department

The Internal Audit department works as the third line of defense with the main objective of providing independent assurance to the Board that all the activities performed with the Bank are in line with the laid policies and procedures and relevant regulations.

Risk Appetite – Risk Appetite Statement (RAS) is one of the key components of Bank's Risk Management framework, which enables the Bank to set appetite/tolerance i.e. what level of risk the Bank is ready to assume in its normal course of business and also assess / monitor the risks against the set targets. It also supports the optimum utilization of resources, while balancing the risk-return trade-off. Risk appetite is defined by taking into account the synergies of all business units, operations and activities, the availability of management and other resources, and the fit of the activity with the Bank's long-term strategic objectives.
Risk parameters, which form part of the RAS, are regularly monitored, and any breaches are escalated to relevant Management and Board committees and the directions thereon are implemented with integrity.

Risk Assessment & Reporting – Risk assessment and mitigation is performed through multiple tools including limit setting and monitoring, periodic reviews and discussions as well as through other available MIS. This is performed for all material risks both, at individual level as well as consolidated level. Certain risks are qualitatively assessed using heuristic approach. Regular updates are provided to the senior management and Board through monthly dashboards.
The Risk / MIS team work closely with the Information Technology Department to ensure availability of data /information to meet the requirements of management of risks as well as regulatory reporting.

Stress testing and scenario analyses - In line with international best practices, Bank has implemented a suitable stress testing framework. Bank uses stress tests for:

- Understanding its risk profile and communicating the same to the Board / Senior management for better planning and setting risk limits;
- Managing their risk exposures; and
- Putting in place appropriate contingency plans for meeting the situations that may arise under adverse circumstances.

The Bank conducts regular stress test exercises to assess the resilience of the bank to adverse market developments under stress scenarios. The risk factors are shocked using the assumptions made under the respective scenarios and the corresponding impact on the capital adequacy is determined. Given the composition of Bank's portfolio, credit risk is the most significant risk the Bank is exposed to and therefore is subject to enhanced scrutiny under the stress testing program.

Risk Mitigation

The Bank has set up a framework for credit risk mitigation as a means towards reducing credit risk in an exposure, at facility level, by a safety net of tangible and realizable securities including third-party guarantees etc. The types of Credit Risk Mitigation include collaterals, guarantees, credit derivatives etc. The Bank ensures that all documentation used in collateralized transactions is binding on all parties and is legally enforceable in all relevant jurisdictions.

2.3 OV1: Overview of RWA

All numbers in AED 000s

		RWA	Minimum capital requirements
		31-Dec-2021	31-Dec-2021
1	Credit risk (excluding counterparty credit risk)	7,462,506	783,563
2	Of which: standardized approach (SA)	7,462,506	783,563
3	Of which: foundation internal ratings-based (F-IRB) approach	-	-
4	Of which: supervisory slotting approach	-	-
5	Of which: advanced internal ratings-based (A-IRB) approach	-	-
6	Counterparty credit risk (CCR)	-	-
7	Of which: standardized approach for counterparty credit risk	-	-
8	Of which: Internal Model Method (IMM)	-	-
9	Of which: other CCR	-	-
10	Credit valuation adjustment (CVA)	-	-
11	Equity positions under the simple risk weight approach	-	-
12	Equity investments in funds - look-through approach	-	-
13	Equity investments in funds - mandate-based approach	-	-
14	Equity investments in funds - fall-back approach	-	-
15	Settlement risk	-	-
16	Securitization exposures in the banking book	-	-
17	Of which: securitization internal ratings-based approach (SEC-IRBA)	-	-
18	Of which: securitization external ratings-based approach (SEC-ERBA)	-	-
19	Of which: securitization standardized approach (SEC-SA)	-	-
20	Market risk	75,991	7,979
21	Of which: standardized approach (SA)	75,991	7,979
22	Of which: internal models approach (IMA)	-	-
23	Operational risk	625,363	65,663
24	Amounts below thresholds for deduction (subject to 250% risk weight)	-	-
25	Floor adjustment	-	-
26	**Total (1+6+10+11+12+13+14+15+16+20+23)**	**8,163,860**	**857,205**

Base capital requirement as per CBUAE guidelines is 10.5% for total capital adequacy ratio

3. Linkages between financial statements and regulatory exposures

3.1 LI1: Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

All numbers in AED 000s

	a	b	c	d	e	f	g
			Carrying values of items:				
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitization framework	Subject to market risk framework	Not subject to capital requirements or subject to deduction from capital
Assets							
Cash and deposits with central banks	1,446,482	1,446,482	1,446,482	-	-	-	-
Due from banks	116,836	116,836	116,836	-	-	-	-
Investment securities	2,011,778	2,011,778	2,011,778	-	-		-
Loans and advances to customers	5,930,367	5,930,367	5,930,367	-	-	-	-
Other assets	554,511	554,511	554,511	-	-	-	-
Total assets	**10,059,974**	**10,059,974**	**10,059,974**	**-**	**-**	**-**	**-**
Liabilities							
Due to banks	754,511	754,511	-	-	-	-	754,511
Deposits from customers	8,470,569	8,470,569	-	-	-	-	8,470,569
Other liabilities	214,370	214,370	-	-	-	-	214,370
Total liabilities	**9,439,450**	**9,439,450**	**-**	**-**	**-**	**-**	**9,439,450**

3.2 I2: Main sources of differences between regulatory exposure amounts and carrying values in financial statements

All numbers in AED 000s

		a	b	c	d	e
			Items subject to:			
		Total	Credit risk framework	Securitization framework	Counterparty credit risk framework	Market risk framework
1	**Asset carrying value amount under scope of regulatory consolidation (as per template LI1)**	10,059,974	10,059,974	-	-	-
2	**Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)**	-	-	-	-	-
3	**Total net amount under regulatory scope of consolidation**	10,059,974	10,059,974	-	-	-
4	**Off-balance sheet amounts**	2,439,998	1,571,132	-	-	-
5	***Differences in valuations***	-	-	-	-	-
6	***Differences due to different netting rules, other than those already included in row 2***	-	-	-	-	-
7	***Differences due to consideration of provisions***	6,290,546	6,290,546	-	-	-
8	***Differences due to prudential filters***	-	-	-	-	-
9	**Exposure amounts considered for regulatory purposes**	**18,943,359**	**17,921,652**	-	-	-

3.3 LIA: Explanations of differences between accounting and regulatory exposure amounts

Credit risk exposures reported under Pillar III disclosures differ in respect of the following vis-à-vis financial statements:

- The financial statements are prepared on the basis of the Accounting Standards requirement whereas the Pillar III disclosures are prepared on the basis of the Basel III requirements.
- The capital position is based on CBUAE Basel 3 requirements, which have been implemented in the UAE as per the standards issued in November 2020.
- Loans and advances are assessed at gross level. As per CBUAE Basel III framework, off balance sheet exposures are converted, by applying a credit conversion factor (CCF), into equivalent credit exposures in accordance with the CBUAE Capital Adequacy Standards on Credit Risk para 44-48.
- Credit Risk mitigation is assessed as per the simple approach under the standardized Approach for Credit Risk RWA estimation.

4. Composition of capital

4.1 CC1: Composition of regulatory capital

All numbers in AED 000s

		a	b
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
	Common Equity Tier 1 capital: instruments and reserves		
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	2,703,125	Same as (a) + (b) from CC2 template
2	Retained earnings	(2,041,613)	
3	Accumulated other comprehensive income (and other reserves)	(40,988)	
4	*Directly issued capital subject to phase-out from CET1 (only applicable to non-joint stock companies)*	-	
5	Common share capital issued by third parties (amount allowed in group CET1)	-	
6	**Common Equity Tier 1 capital before regulatory deductions**	**620,524**	
	Common Equity Tier 1 capital regulatory adjustments		
7	Prudent valuation adjustments	-	
8	Goodwill (net of related tax liability)	-	
9	Other intangibles including mortgage servicing rights (net of related tax liability)	-	
10	Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of related tax liability)	-	
11	Cash flow hedge reserve	-	
12	Securitisation gain on sale	-	
13	Gains and losses due to changes in own credit risk on fair valued liabilities	-	
14	Defined benefit pension fund net assets	-	
15	Investments in own shares (if not already subtracted from paid-in capital on reported balance sheet)	-	
16	Reciprocal cross-holdings in CET1, AT1, Tier 2	-	
17	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
18	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
19	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	
20	Amount exceeding 15% threshold	-	
21	Of which: significant investments in the common stock of financials	-	
22	Of which: deferred tax assets arising from temporary differences	-	
23	CBUAE specific regulatory adjustments	-	
24	**Total regulatory adjustments to Common Equity Tier 1**	-	
25	**Common Equity Tier 1 capital (CET1)**	**620,524**	
	Additional Tier 1 capital: instruments		

		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
26	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	-	
27	OF which: classified as equity under applicable accounting standards	-	
28	Of which: classified as liabilities under applicable accounting standards	-	
29	*Directly issued capital instruments subject to phase-out from additional Tier 1*	-	
30	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in AT1)	-	
31	*Of which: instruments issued by subsidiaries subject to phase-out*	-	
32	Additional Tier 1 capital before regulatory adjustments	-	
	Additional Tier 1 capital: regulatory adjustments		
33	Investments in own additional Tier 1 instruments	-	
34	Investments in capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	
35	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	
36	CBUAE specific regulatory adjustments	-	
37	Total regulatory adjustments to additional Tier 1 capital	-	
38	**Additional Tier 1 capital (AT1)**	**-**	
39	**Tier 1 capital (T1= CET1 + AT1)**	**620,524**	
	Tier 2 capital: instruments and provisions		
40	Directly issued qualifying Tier 2 instruments plus related stock surplus	-	
41	*Directly issued capital instruments subject to phase-out from Tier 2*	-	
42	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 30) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	-	
43	*Of which: instruments issued by subsidiaries subject to phase-out*	-	
44	Provisions	93,281	
45	**Tier 2 capital before regulatory adjustments**	**93,281**	
	Tier 2 capital: regulatory adjustments		
46	Investments in own Tier 2 instruments	-	
47	Investments in capital, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	
48	Significant investments in the capital, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
49	CBUAE specific regulatory adjustments	-	
50	**Total regulatory adjustments to Tier 2 capital**		
51	**Tier 2 capital (T2)**	93,281	
52	**Total regulatory capital (TC = T1 + T2)**	713,805	
53	**Total risk-weighted assets**	8,163,860	
	Capital ratios and buffers		
54	**Common Equity Tier 1 (as a percentage of risk-weighted assets)**	7.6%	
55	**Tier 1 (as a percentage of risk-weighted assets)**	7.6%	
56	**Total capital (as a percentage of risk-weighted assets)**	8.7%	

		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
57	**Institution specific buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus higher loss absorbency requirement, expressed as a percentage of risk-weighted assets)**	2.5%	
58	**Of which: capital conservation buffer requirement**	2.5%	
59	**Of which: bank-specific countercyclical buffer requirement**	0.0%	
60	**Of which: higher loss absorbency requirement (e.g. DSIB)**	0.0%	
61	**Common Equity Tier 1 (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirement.**	-1.76%	
	The CBUAE Minimum Capital Requirement		
62	Common Equity Tier 1 minimum ratio	7.0%	
63	Tier 1 minimum ratio	8.5%	
64	Total capital minimum ratio	10.5%	
	Amounts below the thresholds for deduction (before risk weighting)		
65	Non-significant investments in the capital and other TLAC liabilities of other financial entities	-	
66	Significant investments in common stock of financial entities	-	
67	Mortgage servicing rights (net of related tax liability)	-	
68	Deferred tax assets arising from temporary differences (net of related tax liability)	-	
	Applicable caps on the inclusion of provisions in Tier 2		
69	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	-	
70	Cap on inclusion of provisions in Tier 2 under standardized approach	-	
71	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	
72	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
73	*Current cap on CET1 instruments subject to phase-out arrangements*	-	
74	*Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)*	-	
75	*Current cap on AT1 instruments subject to phase-out arrangements*	-	
76	*Amount excluded from AT1 due to cap (excess after redemptions and maturities)*	-	
77	*Current cap on T2 instruments subject to phase-out arrangements*	-	
78	*Amount excluded from T2 due to cap (excess after redemptions and maturities)*	-	

4.2 CC2: Reconciliation of regulatory capital to balance sheet

All numbers in AED 000s

	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	31/12/2021	31/12/2021	
Assets			
Cash and deposits with central banks	1,446,482	1,446,482	
Due from banks	116,836	116,836	
Investment securities	2,011,778	2,011,778	
Loans and advances to customers	5,930,367	5,930,367	
Property and Equipment	76,277	76,277	
Other Assets	478,234	478,234	
Total assets	**10,059,974**	**10,059,974**	
Liabilities			
Due to banks	754,511	754,511	
Deposits from customers	8,470,569	8,470,569	
Other Liabilities	214,370	214,370	
Total liabilities	**9,439,450**	**9,439,450**	
Shareholders' equity			
Paid-in share capital	**3,180,982**	**3,180,982**	
Of which: amount eligible for CET1	3,180,982	3,180,982	(a)
Shares at Discount	(477,857)	(477,857)	(b)
Fair value reserve	(40,988)	(40,988)	
Accumulated losses	(2,041,613)	(2,041,613)	
Total shareholders' equity	**620,524**	**620,524**	
Total liabilities and equity	**10,059,974**	**10,059,974**	

5. Leverage ratio

5.1 LR1: Summary comparison of accounting assets vs leverage ratio exposure

All numbers in AED 000s

		Amount
1	Total consolidated assets as per published financial statements	12,653,087
2	Adjustments for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-
3	Adjustment for securitized exposures that meet the operational requirements for the recognition of risk transference	-
4	Adjustments for temporary exemption of central bank reserves (if applicable)	-
5	Adjustment for fiduciary assets recognized on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-
6	Adjustments for regular-way purchases and sales of financial assets subject to trade date accounting	-
7	Adjustments for eligible cash pooling transactions	-
8	Adjustments for derivative financial instruments	-
9	Adjustment for securities financing transactions (ie repos and similar secured lending)	-
10	Adjustments for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	(2,801,516)
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	-
12	Other adjustments	2,163,786
13	**Leverage ratio exposure measure**	**12,015,357**

5.2 LR2: Leverage ratio common disclosure template

All numbers in AED 000s

		a	b
		Dec'21	Sept-21
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	10,404,605	11,224,327
2	Gross-up for derivatives collateral provided where deducted from balance sheet assets pursuant to the operative accounting framework	-	-
3	(Deductions of receivable assets for cash variation margin provided in derivatives transactions)	-	-
4	(Adjustment for securities received under securities financing transactions that are recognized as an asset)	-	-
5	(Specific and general provisions associated with on-balance sheet exposures that are deducted from Tier 1 capital)	-	-
6	(Asset amounts deducted in determining Tier 1 capital)	-	-
7	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)**	**10,404,605**	**11,224,327**
Derivative exposures			
8	Replacement cost associated with *all* derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	-	-
9	Add-on amounts for PFE associated with *all* derivatives transactions	-	-
10	(Exempted CCP leg of client-cleared trade exposures)	-	-
11	Adjusted effective notional amount of written credit derivatives	-	-
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
13	**Total derivative exposures (sum of rows 8 to 12)**	**-**	-
Securities financing transactions			
14	Gross SFT *assets* (with no recognition of netting), after adjusting for sale accounting transactions	-	-
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
16	CCR exposure for SFT assets	-	-
17	Agent transaction exposures	-	-
18	**Total securities financing transaction exposures (sum of rows 14 to 17)**	**-**	-
Other off-balance sheet exposures			
19	Off-balance sheet exposure at gross notional amount	4,412,267	4,884,120
20	(Adjustments for conversion to credit equivalent amounts)	(2,801,516)	(2,800,140)
21	(Specific and general provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital)	-	-
22	**Off-balance sheet items (sum of rows 19 to 21)**	**1,610,752**	**2,083,980**
Capital and total exposures			
23	**Tier 1 capital**	665,523	875,713
24	**Total exposures (sum of rows 7, 13, 18 and 22)**	12,015,357	13,308,307
Leverage ratio			
25	**Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)**	5.54%	6.58%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	N/A	N/A
26	CBUAE minimum leverage ratio requirement	3.5%	3.5%
27	**Applicable leverage buffers**		

6. Liquidity
6.1 LIQA: Liquidity risk management

- **Overview and Governance of liquidity risk management.**

Liquidity Risk is the risk of not being able to fund increases in the assets and meet obligations as they become due and at a reasonable cost. Liquidity risk can be segregated into three categories: -

i. Mismatch or structural liquidity risk: the risk in The Bank's current consolidated statement of financial position structure due to maturity transformation in the cash flows of individual positions;
ii. Contingency liquidity risk: the risk that future events may require a significantly larger amount of cash than what The Bank's projections allow. This can arise due to unusual deviations of timing of cash flows (term liquidity risk), e.g., non-contractual prolongation of loans, or unexpected draw downs on committed loan facilities (call/ withdrawal liquidity risk); and
iii. Market liquidity risk: the risk that The Bank cannot easily offset or eliminate a position at the market price because of market disruption or inadequate market depth

The Bank's Board of Directors (BOD) has the overall responsibility for ensuring that the liquidity risk of the Bank is effectively managed. The Board Risk Committee (BRC) is responsible to provide effective oversight and control of liquidity risk. At management level, the Asset Liability Committee (ALCO) is responsible for ongoing liquidity risk management. The risk management department is responsible for day-to-day monitoring of the liquidity position of the Bank and monitoring the risk appetite and limits.

- **Liquidity risk mitigation techniques**

Bank maintains adequate amount of High-Quality Liquid Assets (HQLA) to be able to meet its financial obligations under normal and stressed scenarios. Bank has been focusing on diversifying its funding sources and maintaining ongoing relationship with key clients to manage its liquidity effectively.
Deposits are the main source of funding for the bank. Bank raises deposits from both retail as well as wholesale customers although the share of deposit from wholesale customers is higher than retail customers. Bank has been working extensively to reduce the overall cost of borrowing while ensuring that the liquidity position of the bank is adequate. This is achieved through a well-balanced strategy requiring close monitoring of the liquidity position on a daily basis.

- **Stress testing**

Stress testing is an integral part of Bank's liquidity risk management framework. Bank conducts stress testing using plausible scenarios including deposit run-offs, fall in the valuation of assets etc. to assess the viability of its liquidity position. The stress tests are performed regularly and the results to management.

- **Contingency Planning**

Bank has in place a liquidity contingency plan meant to address severe liquidity disruptions within the Bank as well as across the system. The CFP includes a set of triggers which will require pre-agreed action from the relevant stakeholders.

6.2 ELAR: Eligible Liquid Assets Ratio

All numbers in AED 000s

1	High Quality Liquid Assets	Nominal amount	Eligible Liquid Asset
1.1	Physical cash in hand at the bank + balances with the CBUAE	1,192,682	
1.2	UAE Federal Government Bonds and Sukuks	0	
	Sub Total (1.1 to 1.2)	1,192,682	1,192,682
1.3	UAE local governments publicly traded debt securities	1,011,587	
1.4	UAE Public sector publicly traded debt securities	0	
	Sub Total (1.3 to 1.4)	1,011,587	366,979
1.5	Foreign Sovereign debt instruments or instruments issued by their respective central banks	0	
1.6	**Total**	**2,204,269**	**1,559,661**
2	Total liabilities		9,638,158
3	**Eligible Liquid Assets Ratio (ELAR)**		**0.16**

6.3 Advances to Stables Resource Ratio

All numbers in AED 000s

		Items	Amount
1		**Computation of Advances**	
	1.1	Net Lending (gross loans - specific and collective provisions + interest in suspense)	5,547,820
	1.2	Lending to non-banking financial institutions	173,972
	1.3	Net Financial Guarantees & Stand-by LC (issued - received)	302,390
	1.4	Interbank Placements	0
	1.5	**Total Advances**	6,024,182
2		**Calculation of Net Stable Resources**	
	2.1	Total capital + general provisions	925,796
		Deduct:	
	2.1.1	Goodwill and other intangible assets	0
	2.1.2	Fixed Assets	492,205
	2.1.3	Funds allocated to branches abroad	83,124
	2.1.5	Unquoted Investments	1,080
	2.1.6	Investment in subsidiaries, associates and affiliates	0
	2.1.7	**Total deduction**	576,409
	2.2	**Net Free Capital Funds**	349,387
	2.3	**Other stable resources:**	0
	2.3.1	Funds from the head office	0
	2.3.2	Interbank deposits with remaining life of more than 6 months	0
	2.3.3	Refinancing of Housing Loans	0
	2.3.4	Borrowing from non-Banking Financial Institutions	394,444
	2.3.5	Customer Deposits	7,140,338
	2.3.6	Capital market funding/ term borrowings maturing after 6 months from reporting date	0
	2.3.7	**Total other stable resources**	7,534,782
	2.4	**Total Stable Resources (2.2+2.3.7)**	7,884,169
3		**Advances to Stable Resources Ratio (1.6/ 2.4*100)**	76.41

7. Credit risk

7.1 CRA: General qualitative information about credit risk

Definition

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and advances to customers, other banks and investment securities.

It is also the risk of loss, or of adverse change in the financial situation, resulting from fluctuations in the credit standing of issuers of securities, counterparties and any debtors to whom Bank is exposed.

Credit Risk Management

Bank is primarily engaged in business of corporate banking. Credit risk represents the single largest risk element to the bank and hence is the area of main focus of risk management. The credit policy has been formulated in consultation with all relevant stakeholders including business units, credit, risk and internal audit. The policy covers all aspects related to credit assessment, collateral requirements, risk grading and reporting, classification & provisioning requirement etc., and in compliance with regulatory requirements. The policies cover the entire spectrum of business lines and products. Bank has taken strict measures to define its credit underwriting standards. Timely review of accounts with detailed analysis of financial and non-financial risks are carried out. Bank has an internal rating system in place to grade / rate the client, which is part of the credit review process. Based on the minimum requirements, Management steers its lending decisions maintaining desired levels of risk. Adequacy of documentation is also reviewed. Renewals and reviews of facilities are also subject to the same rigorous review process.

Credit Department is entrusted with the responsibility of underwriting and engaging in credit reviews. Credit Control unit (CCU) ensures the documentation and limits entered in the system are in-line with the credit approvals for the said granted facilities. Risk Management Department is separate from the Credit Department. They are responsible for monitoring and review of the performance of the portfolio post disbursement as well as other aspects including classification & provisioning, early warning indicators monitoring etc. The Compliance function is responsible for ensuring adherence to the regulations and guidelines. They also perform due diligence around the KYC and AML requirements as well as insider trading. Internal Audit is responsible for providing independent assurance to the Board as the third line of defense. All the four functions viz. Credit Risk, Risk Management, Compliance and Internal Audit, are independent functions. The CRO reports to the Board Risk Committee whereas the Head of Compliance and Head of Internal Audit reports to the Board Audit and Compliance Committee.

The ultimate responsibility of the overall risk of the bank lies with the Board of Directors. They define the overall risk appetite which is cascaded to the business units. Credit approval authorities are governed by Delegation of Authority as approved by the Board which provides risk based delegation to various levels of management starting from Business Unit to Credit Department to Management Credit Committee and all the way up to the Board Executive Credit Committee and Board.

As a part of credit risk monitoring and control framework, regular risk monitoring at both individual and portfolio levels carried out along several parameters. This includes portfolio quality, level of provisions, and limit management, account conduct, adequacy of collaterals, adherence to sanction terms and covenants, portfolio rating performance as well as sanctity of the systems and softwares used including rating model, IFRS 9 models etc.

Management, Board Risk Committee and Board of Directors are regularly updated with the credit risk exposure and management function on monthly basis vide dashboard/presentations; detailing the quality of portfolio, provisions, recoveries, collateral and breaches etc. Concentration (sectoral, individual group etc.) is monitored through Risk appetite.

Review of risk management policies and systems is a continuous activity to reflect changes in market conditions, products and services offered by The Bank in order to present a comprehensive view of risk from a strategic and operational perspective and have a process to address risk proactively. Bank is currently undergoing strategic transformation which will prepare the Bank for the next phase of growth. As a result, the risk management framework is also being enhanced to adequately support the implementation of the strategy and mitigate the risks arising out of the same.

7.2 CR1: Credit quality of assets

All numbers in AED 000s

		a	b	c	d	e	f
		Gross carrying values of		Allowances/Impairments	Of which ECL accounting provisions for credit losses on SA exposures		Net values (a+b-c)
		Defaulted exposures	Non-defaulted exposures		Allocated in regulatory category of Specific	Allocated in regulatory category of General	
1	Loans	8,633,486	3,423,931	5,758,767	-	-	6,298,649
2	Debt securities	2,000,000	-	-	-	-	2,000,000
3	Off-balance sheet exposures	476,220	2,000,700	228,439	-	-	2,248,481
4	**Total**	**11,109,706**	**5,424,631**	**5,987,207**	**-**	**-**	**10,547,130**

The Bank defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

- Quantitative criteria: The obligor is more than 90 days past due on its contractual obligation to the Bank.
- Qualitative criteria: The Bank considers a default to have occurred with regard to particular obligors when either one of the following events have taken place:
  - The Bank considers that the obligor is unlikely to pay its credit obligation in full without recourse by the Bank to actions like realizing security (if held).
  - The Bank puts the credit obligation on a non-accrual status.
  - The Bank makes a charge-off or account-specific provision resulting from a perceived decline in credit quality subsequent to the Bank taking on the exposure.
  - The Bank sells the credit obligation at a material credit-related economic loss.
  - The Bank consents to a distressed restructuring of the credit obligation where this is likely to result in a diminished financial obligation caused by the material forgiveness or postponement of principal, interest and other fees.
  - The Bank has filed for the obligor's bankruptcy or similar order in respect of the obligor's credit obligation to the Bank.
  - The criteria above have been applied to all financial instruments held by the Bank and are consistent with the definition of default used for internal credit risk management purposes.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of twelve months.

7.3 CR2: Changes in stock of defaulted loans and debt securities

All numbers in AED 000s

		Amount
1	**Defaulted loans and debt securities at the end of the previous reporting period**	8,225,958
2	Loans and debt securities that have defaulted since the last reporting period	994,733
3	Returned to non-default status	236,847
4	Amounts written off	3,021
5	Other changes	-
6	**Defaulted loans and debt securities at the end of the reporting period (1+2-3-4±5)**	9,454,517

7.4 CRB: Additional disclosure related to the credit quality of assets

Definitions of 'past due' and 'impaired' exposures for accounting purposes

Bank follows CBUAE guidelines as enumerated in their circular 28/2010, for classification of assets. Bank has a well-defined approved process based on which loans are classified.
Past due exposures and impaired loans are those which are delinquent for more than 90 days and are put on non-accrual. While the definition is applied consistently across accounting and regulatory reporting, Bank may rebut this under IFRS 9 accounting requirements on a case to case basis with adequate justification. Also for the corporate non-impaired portfolio bank may not “classify” an account which is delinquent for more than 90 days. The term “classify” refers to CBUAE classification of Sub-Standard, Doubtful or Loss classification.

Impairment of Financial Assets
Financial assets that are measured at amortized cost are assessed for impairment and Expected Credit Loss (ECL) requirement at each reporting date.
In lines with IFRS 9 requirements, Bank applies a three-stage expected loss based approach to measure allowance for credit losses, for the following categories of financial instruments that are measured at amortized cost:

- Loans and Advances to the customers,
- Investments in Debt Securities at FVOCI and Amortized Cost,
- Due from Banks,
- Balances with Central Banks,
- Financial guarantees,
- Off balance sheet instruments,
- Loan Commitments

Staging
Stage 1 – Where there has not been a Significant Increase in Credit Risk (SICR) since initial recognition of a financial instrument, an amount equal to 12 months expected credit loss is recorded. The expected credit loss is computed using a probability of default occurring over the next 12 months. For those instruments with a remaining maturity of less than 12 months, a probability of default corresponding to remaining term to maturity is used.

Stage 2 – When a financial instrument experiences a SICR subsequent to origination but is not considered to be defaulted / impaired, it is considered in Stage 2. The ECL is estimated based on the probability of default over the remaining estimated life of the financial instrument.
Stage 3 – Financial instruments that are considered to be defaulted / impaired are included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime expected credit losses.

The bank incorporates forward-looking information into the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of Expected Credit Loss (ECL). The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

Significant increase in credit risk (SICR)

The Bank considers a financial asset to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Quantitative criteria

Corporate Loans:
For corporate loans, if the borrower experiences a significant increase in probability of default which can be triggered by the following quantitative factors:

- A credit risk rating (CRR) downgrade of 2 or more notches is considered significant in case the origination rating is below BBB+, hence the related facility shall be classified at Stage 2. Facilities with rating movement between AAA+ and A- are not subject to this criteria on account of low credit risk.
- If the origination rating is B+ (6+) and below (inclusive), a CRR downgrade of 1 or more notches is considered significant, hence the related facility shall be classified at Stage 2 since the movement of related PD is higher.
- Loan facilities restructured in the last 12 months;
- Loan facilities that are past due for 30 days and above but less than 90 days;
- Any facility of a performing customer being Stage 3.

Retail:
For Retail portfolio, if the borrowers meet one or more of the following criteria:

- Loan rescheduling before 30 days past due;
- Accounts overdue between 30 and 90 days.

Treasury:

- Significant increase in probability of default of the underlying treasury instrument;
- Significant change in the financial instruments' expected performance and behavior of borrower.

Qualitative criteria

Corporate Loans:
For corporate loans, if the borrower experiences a significant increase in probability of default, which can be triggered by the following qualitative factors:

- Net worth erosion
- Fraudulent activity
- Distressed restructure
- Financial covenants breach
- Significant operations disruption
- Bad news in public domain
- Significant reputation damage
- Subject to material litigation

Backstop:

A backstop is applied and the financial asset considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments.

Rescheduling and Restructuring of Credit facilities

A restructured loan is a loan whose terms have been modified, because of deterioration in the financial condition of the borrower, wherein bank has had to provide for a reduction of either interest or principal. Restructure may result in a loss to the Bank.

7.4.1.1 Gross Credit Exposure by Geographical Distribution

All numbers in AED 000s

Geographical Region	Total
United Arab Emirates	14,228,320
GCC Excluding UAE	60,550
Other Countries	207,502
Total	**14,496,372**

7.4.1.2 Gross Credit Exposure by Industry Segment

All numbers in AED 000s

Industry Segment	Total
Agriculture and allied activities	1,331
Mining and quarrying	2,050
Manufacturing	2,596,728
Electricity, gas & water	-
Construction & real estate	6,959,794
Trade	1,307,144
Transport, storage and communication	154,632
Financial Institutions	1,359,711
Other services	1,053,446
Government	162,748
Loans to individuals	23,810
Loans to HNIs	805,149
All others	69,829
Total	**14,496,372**

7.4.1.3 Gross Credit Exposure by Residual Contract Maturity

All numbers in AED 000s

Industry Segment	Total
Less than 3 Months	8,201,877
3 Months to 1 Year	624,547
1 to 5 Years	4,330,565
More than 5 Years	1,339,383
Total	**14,496,372**

7.4.1.4 Impaired Loans by Industry Segment

All numbers in AED 000s

Industry Segment	Overdue/Impaired Amount
Agriculture and allied activities	-
Mining and quarrying	1,025
Manufacturing	2,188,541
Electricity, gas & water	-
Construction & real estate	4,614,589
Trade	848,778
Transport, storage and communication	95,025
Financial Institutions	104,843
Other services	221,692
Government	-
Loans to individuals	14,341
Loans to HNIs	500,371
All others	44,281
Total	**8,633,486**

7.4.1.5 Impaired Loans by Geographical Distribution

All numbers in AED 000s

Geographical Region	Overdue/Impaired Amount
United Arab Emirates	8,429,031
GCC Excluding UAE	48,484
Other Countries	155,971
Total	**8,633,486**

7.4.1.6 Aging Analysis of past-due exposures

All numbers in AED 000s

Aging	Overdue/Impaired Amount
0-30 Days	427,780
30-60 Days	79,789
60-90 Days	3,789
90-120 Days	21,323
120-180 Days	145,084
180 Days & Above	7,955,721
Total	**8,633,486**

7.4.1.7 Breakdown of restructured exposures

All numbers in AED 000s

Performing/Non-Performing	Total
Performing Loans	201,579
Non-Performing Loans	307,336
Total	**508,915**

7.5 CRC: Qualitative disclosure requirements related to credit risk mitigation techniques

Credit Risk Mitigation

Effective "Collateral Management" is an integral part of Credit Risk Management. Credit Risk Mitigation (CRM) is a method of reducing credit risk in an exposure, at facility level, by a safety net of realizable securities including third-party guarantees etc. Such mitigants would compensate Bank in the event of credit risk related loss.

Potential credit losses from any given account, customer or portfolio are mitigated using a range of tools. Additional support in the form of collateral and guarantee is obtained where required. The reliance that can be placed on these credit mitigation resources is carefully assessed in light of issues such as legal enforceability, market value and counterparty risk of the guarantor. Collateral types which are eligible for risk mitigation include: cash; residential, commercial and industrial property; fixed assets such as motor vehicles, plant and machinery; marketable securities and bank guarantees etc. Risk mitigation policies control the approval of collateral types.

Collateral Framework vis-à-vis Basel III Approaches

Under the Basel framework, collaterals are segregated into Eligible Collateral & Ineligible Collateral and there are two approaches for recognizing Collateral Mitigation viz. Simple Approach and Comprehensive Approach.
The following are the Eligible Financial Collaterals under Simple Approach.

- Cash
- Gold
- Debt Securities rated / unrated (details are available in Basel II Guidelines)
- Equities included on a main index and Mutual Funds.

Bank currently uses the Simple Approach for credit risk mitigation under the Standardised Approach for Credit Risk RWA calculation. The treatment under the regulatory assessment under Basel will be different from the collateral recognition under ECL assessment for IFRS 9.

Under Simple Approach all Eligible Collaterals carry a risk weight, except cash which is "0" risk weight. Accordingly the Risk Weight of exposures covered by eligible Collaterals will be substituted with the Risk Weight of Collaterals. However, there is a minimum applicable floor rate of 20% for all Collaterals except for cash held in the home currency. Exposures supported with collaterals having relatively lesser risk weights than the risk weight of exposures, will attract lower risk weights, resulting in reduced capital charge.

Collateral Management Module

Bank has implemented a Collateral Management module which aids in recording and maintenance of collateral details as well as for integration of collateral data in the process for calculation of risk weighted assets. This

module assists in uniformity and standardization and has eliminated the manual process, whilst facilitating effective control and ongoing monitoring by the Central Credit Administration unit. The module is constantly reviewed for enhancements and improvements.

Concentration in CRMs

Concentration in credit risk arise when a number of customers are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Bank currently has concentration in the construction sector, which is also reflected in the collaterals that the Bank holds.

7.6 CR3: Credit risk mitigation techniques

All numbers in AED 000s

		a	b	c	d	e	f	g
		Exposures unsecured: carrying amount	Exposures secured by collateral	Exposures secured by collateral of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1	Loans	4,349,720	1,947,809	1,323,409	1,121	1,121	-	-
2	Debt securities *	1,000,000	1,000,000	1,000,000	-	-	-	-
3	**Total**	**5,349,720**	**2,947,809**	**2,323,409**	**1,121**	**1,121**	**-**	**-**
4	Of which defaulted	2,758,976	-	136,980	16,927	-	-	-

7.7 CRD: Qualitative disclosures on banks' use of external credit ratings under the standardized approach for credit risk

Bank is using its internal rating model based on score card to rate its customers into Financial, Industry, Delinquent, Management and Collateral risks.

In accordance with CBUAE Basel II guidelines, Bank uses Credit Ratings assigned by Fitch, Moody’s and Standard and Poor’s (S&P) for determining the risk weights of Sovereigns, Public Sector Entities, Multilateral Development Banks, Banks and Securities Firms

For Loans and Advances portfolio internal rating models are used which are mapped to Moody’s rating scale. However, Bank does not use the internal ratings and considers as exposure as "Unrated" in calculation of risk-weights under the standardized approach.

The Bank is primarily a corporate bank, with principal lending strategies focused towards the corporate sector and the small and medium enterprises (SME) segment. The Bank only offers a generic suite of products to both corporates and individuals and does not have any complex or securitized products. Exposure to retail customers is limited.

7.8 CR4: Standardized approach - credit risk exposure and Credit Risk Mitigation (CRM) effects

All numbers in AED 000s

		a	b	c	d	e	f
		Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	Asset classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Sovereigns and their central banks	3,669,268	-	3,586,339	-	539,083	15%
2	Public Sector Entities	171,751	51,732	142,100	6,719	148,820	100%
3	Multilateral development banks	-	-	-	-	-	0%
4	Banks	116,938	17,598	116,938	14,286	58,410	45%
5	Securities firms	-	-	-	-	-	0%
6	Corporates	2,927,465	1,795,365	1,684,522	512,121	2,454,684	112%
7	Regulatory retail portfolios	64,444	117,015	44,289	17,606	47,285	76%
8	Secured by residential property	-	-	-	-	-	0%
9	Secured by commercial real estate	97,523	18,991	61,431	3,798	65,229	100%
10	Equity Investment in Funds (EIF)	-	-	-	-	3,397,846	0%
11	Past-due loans	8,633,484	476,221	2,879,029	199,984	624,690	20%
12	Higher-risk categories	634,663	-	416,460	-	126,460	30%
13	Other assets	150,900	-	148,689	-	-	0%
14	**Total**	**16,466,436**	**2,476,922**	**9,079,797**	**754,514**	**7,462,506**	**76%**

7.9 CR5: Standardized approach - exposures by asset classes and risk weights

All numbers in AED 000s

	Asset classes \ Risk weight	a	b	c	d	e	f	g	h	i
		0%	20%	35%	50%	75%	100%	150%	*Others	Total credit exposures amount (post CCF and post-CRM)
1	Sovereigns and their central banks	3,473,429	-	-	-	-	-	112,910	-	**3,586,339**
2	Public Sector Entities	-	-	-	-	-	148,819	-	-	**148,819**
3	Multilateral development banks	-	-	-	-	-	-	-	-	**-**
4	Banks	-	28,298	-	100,350	-	2,576	-	-	**131,224**
5	Securities firms	-	-	-	-	-	-	-	-	**-**
6	Corporates	-	-	-	-	-	1,818,342	-	378,301	**2,196,643**
7	Regulatory retail portfolios	-	-	-	-	61,896	-	-	-	**61,896**
8	Secured by residential property	-	-	-	-	-	-	-	-	**-**
9	Secured by commercial real estate	-	-	-	-	-	65,229	-	-	**65,229**
10	Equity Investment in Funds (EIF)	-	-	-	-	-	-	-	-	**-**
11	Past-due loans	-	-	-	-	-	2,443,448	635,565	-	**3,079,013**
12	Higher-risk categories	-	-	-	-	-	-	416,460	-	**416,460**
13	Other assets	22,769	-	-	-	-	124,840	1,080	-	**148,689**
14	**Total**	**3,496,199**	**28,298**	**-**	**100,350**	**61,896**	**4,603,253**	**1,166,015**	**378,301**	**9,834,311**

***Corporate SME Risk Weighted at 85% updated under others column

8. Market risk

8.1 MRA: General qualitative disclosure requirements related to market risk

Market Risk is the risk that changes in market prices - such as interest rates, equity prices and foreign exchange rates will affect the Bank's profit or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters to ensure the Bank's solvency while optimizing the return on risk

Market Risk Governance Framework:

Market Risk is governed by overall risk management framework, risk appetite and related policies and procedures. As part of the overall responsibility of managing risk, the Board is the highest authority in managing market risk. The Board is supported by the BRC and BECC as Board sub-committees overseeing the implementation of market risk management framework. Risk Management, Treasury and Finance departments are involved in the day-to-day management of the risk with the ALCO being management level committee overseeing all the activities.

The risk management framework for Market Risk encompasses the following activities.

- Risk Identification
- Risk Measurement
- Risk Monitoring & Management
- Risk Reporting & MIS

Bank's overall exposure to market risk is very limited since the Bank conducts very limited trading activities. As bank has no exposure to commodities, the definition is limited to foreign exchange risk, interest rate risk and equity price risk.

8.2 MR1: Market risk under the standardized approach (SA)

		All numbers in AED 000s
		RWA
1	General Interest rate risk (General and Specific)	-
2	Equity risk (General and Specific)	2,803
3	Foreign exchange risk	73,118
4	Commodity risk	-
	Options	-
5	Simplified approach	-
6	Delta-plus method	-
7	Scenario approach	-
8	Securitisation	-
9	**Total**	**75,991**

9. Interest rate risk in the banking book (IRRBB)

Interest rate risk is the risk where changes in the interest rates in the market might adversely affect the Bank's financial condition through adverse impact on the profitability or fair value of financial instruments. The immediate impact of changes in interest rates is on the Net Interest Income ('NII'). A long term impact of changing interest rates is on the Bank's networth as the economic value of the assets, liabilities and off-balance sheet positions get affected due to variation in market interest rates.
IRRBB is primarily managed within the Bank using interest rate gap or re-pricing gap analysis as well as applicable limits. These limits are presented to management and ALCO on a monthly basis as well as to the BRC periodically. Bank assesses the impact of a parallel interest rate shift of 200 basis points. Given the nature of the risk, Bank deploys simplistic measures to monitor the risk.

Bank is in the process of initiating the implementation of standardized approach for assessment of interest rate risk in banking book. As a result, the quantitative disclosure provided below is based on simplistic assumptions regarding the overall assessment including bucketing, scenario assessment etc. which is expected to be enhanced once the implementation is completed.

	All figures in AED000s	
In reporting currency (AED)	**ΔEVE**	**ΔNII**
Period	**31/12/2021**	**31/12/2021**
Parallel up	-29,182	48,259
Parallel down	29,702	-48,259
Steepener	31,186	
Flattener	-33,237	
Short rate up	-35,008	
Short rate down	8,798	
Maximum	-35,008	
Tier 1 Capital	620,524	

10. Operational Risk

10.1 OR1: General qualitative information on a bank's operational risk framework

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.

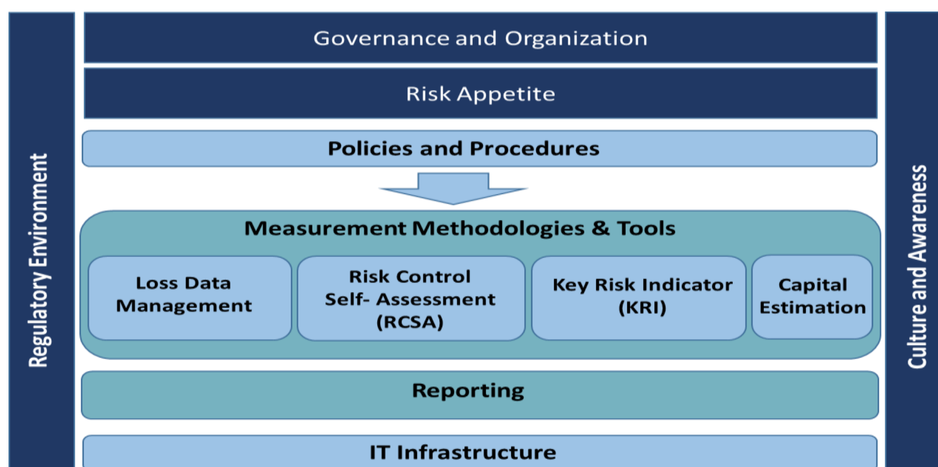
OPERATIONAL RISK GOVERNANCE

At the apex level, Operational Risk Management (ORM) starts with the Board of Directors, who have assigned the responsibility to BRC. The BRC approves the operational risk management policy as well as risk appetite for operational risk. The risk management department is responsible for the implementation of ORM framework across the Bank. They are also responsible for monitoring adherence to the policies and risk appetite and escalation of breaches to the right authority for necessary corrective actions. The first line of defense, which consists of all business and front line units, are primarily responsible for managing operational risks inherent in the products, activities, processes and systems for which they are accountable. The risk management department has a dedicated operational risk unit under it.

Each BU has Operational Risk Coordinator(s) who are responsible to investigate and report any significant risk incidents /issues / trends in BU to ORM for immediate action as well as, assisting in implementation of ORM frameworks and identifying and record Key Risk Indicators (KRIs) and submit to ORM on a periodic basis.

ORM FRAMEWORK

Effectively managing risks requires a framework designed to turn raw operational risk data into information that supports managerial decision-making. Therefore IB has adopted a structured ORM Framework in line with its nature, size, complexity and risk profile as below:



The ORM framework includes the tools used for OR assessment across the Bank to support identification, measurement and monitoring of inherent operational risk exposures of the business at all levels. ORM components provide the foundation to capture all OR contributors paving way for root cause and control effectiveness analysis, which plays an important role in inherent and residual risk evaluation.

The three major tools underpinning the identification and assessment of OR in the ORM framework are as follows:

- Loss/Incident Data Collection (LDC)

- Risk and Control Self-Assessment (RCSA)
- Key Risk Indicators (KRIs)

Loss/Incident Data Collection (LDC):

Operational loss event is an incident leading to alteration in the expected outcome(s) of a business activity or process due to inadequate or failed processes, people, system or external events. Operational loss events are further classified into:

- Actual Loss Event: An incident that has resulted in financial loss for the bank.
- Near Miss Event - Event(s) that did not result in loss, but had the potential to do so.
- Potential Loss Event: An incident that has been detected and may ultimately translate into financial loss or near miss for the Bank.

Reporting of loss events is an important component of the risk management program. The objective of LDC is to provide a consistent and structured approach to identify, capture, analyze and report on operational losses for assessing bank's exposure to OR, the effectiveness of internal controls, causes of large losses and information on whether control failures are isolated or systematic.

Risk Control Self-Assessment (RCSA):

In RCSA, the bank assesses the processes, which are central to its operations, against a library of potential threats and vulnerabilities and evaluating their potential impact.

It consistently evaluates risks with the following key considerations:

- Inherent Risk i.e. risk status before controls are considered.
- Residual Risk i.e. risk status after controls are considered.

The RCSAs are used on an enterprise-wide basis, including for control functions such as risk management, compliance, internal audit, etc.

KEY RISK INDICATORS (KRIs):

KRIs are an important component of the operational risk management framework. It is defined as a measure that attempts to identify potential operating losses before such losses happen and translate risk dimensions into tractable and measurable events. They are used to identify trends within business activities and compare them to a predetermined threshold as well as monitor the main drivers of exposure associated with key risks.

RISK MITIGATION TECHNIQUES:

Apart from the regular monitoring and review, Bank shall utilize specific measures to mitigate the risks arising out of operational risk. The measure includes but are not limited to the following:

Control Effectiveness Review: After each risk assessment, ORM function reviews existing control effectiveness and coordinate with other departments for new control implementation based on risk priority.

Business Continuity Plan (BCP): Banks are exposed to disruptive events which may be severe and can disrupt core functions and bank's normal business. In order to address this, IB has established Business Continuity Plans.

Insurance: Insurance is one of the ways to transfer the risk and insure the bank against Operational Risk losses. Based on the nature and risk criticality, RMD coordinates with the related department to ensure adequate insurance coverage is available.

RISK ESCALATION

Risk Escalation is a critical component of the ORM framework to ensure that any operational incident is recognized, understood and managed at the appropriate level of seniority within the Bank.

RISK APPETITE AND THRESHOLD

The Strategy for managing OR is targeted towards calibration of identified risks against Bank's Risk Appetite Statement as well as thresholds or limits for inherent and residual risks ensuring consistency of risk identification and assessment on a bank-wide as well as group-wide basis. Operational Risk appetite is maintained and tracked on a continuous basis.

OPERATIONAL RISK CAPITAL CHARGE:

Central Bank of UAE (CBUAE) communicated their decision that all banks in the UAE can adopt any of the following three approaches:

- **Basic Indicator Approach (BIA)**
- **The Standardized Approach (TSA)/Alternative Standardised Approach (ASA)**
- **Advanced Measurement Approach (AMA)**

Given IB's simplistic product nature, business complexity and size, the bank follows Basic Indicator Approach for calculating regulatory capital requirements for OR.

11. Remuneration Policy

11.1 REMA: Remuneration policy

The Bank's Board Nomination and Remuneration Committee (BNRC) is responsible for developing and governing the Bank's remuneration framework including but not limited to review and approval of the Bank's remuneration policy alongside overseeing all compensation matters. The BNRC is comprised of three Board Members – Mr. Omran Abdulla Omran Taryam (Chairman), Mr. Ahmed Mohamed Hamad Al Midfa and Mr. Faris Hmaid Trais Saeed Al Mazrouie. The key mandate of the BNRC is described below:

- Appropriate composition of the Board,
- Nomination of appropriate directors to the Board and its committees,
- Assessment of the Board performance and of individual directors and senior management,
- Succession plans for Board members and senior management,
- Bank's public reporting on renumeration matters, and
- Bank's HR strategy (including Emiratization)

CEO and Executive Management is responsible for other staff remuneration frame work, policy and its execution. On several compensation-related matters such as grading and salary structure (including benchmarking), standard organization design framework (including job evaluation) advice of Korn Ferry, an external Consultant are sought in 2019 and Executive Management has vision to implement it.

The Bank's remuneration policy is equally applicable to all employees of the Bank including the CEO, Senior Management and all staff across functions.
Senior Management includes the CEO and his direct reports such as Chief Financial Officer, Head of Human Resources, Chief Risk Officer, Chief Compliance Officer, Head of Special Assets Officer, Head of Credit and Chief Internal Auditor.

CEO and Senior Management are responsible for oversight of the Bank's key business lines. Material Risk Takers are those categories of employees that have or may have a material impact on the Bank's risk profile. The classification of Material Risk Takers is based on several criteria such as the job role, approving authority on matters that may have a material impact on the Bank's risk profile and the responsibilities within the organization. These include but are not limited to:

- Staff, individually or as part of a Committee, with authority to approve new business products or to commit to credit risk exposures and market risk transactions above certain levels
- Staff whose duties involve the assumption of risk or the taking on of exposures on behalf of the Bank.

The Bank's remuneration policy reflects the aspirations of its business strategy and growth plans. Some of the key features and objectives of the policy are:

- To align with the Bank strategy, risk appetite, objectives, corporate values and long-term interests of the Bank while operating under clear and transparent governance through efficient corporate governance structure.
- To ensure Total Rewards remain competitive within the market by adopting best practices in the UAE in banking sectors while relating the pay to the job and recognise differences in skill levels and job value.
- To link Total Rewards to individual performance by annually setting KPI and achievement of annual appraisals scores and appropriate to the goals of the company.
- To uphold the principles of equity, comply with all legal and regulatory requirements and maintain high standards of corporate governance.

BNRC reviewed the firm's remuneration policy this year. A summary of changes is enumerated below;

1. A structured governance framework around the responsibilities of the BNRC has been revised.
2. Promotion & Increment policy guidelines have been amended to enhance the fairness in the process.
3. A new grading structure will be introduced soon in line with the organization structure of the bank.
4. Air Ticket allowance is aligned with completion of anniversary of joining date keeping payment date at the beginning of the year.
5. 2019 UAE benchmark study conducted by Korn Ferry Hay Group will be considered while considering general increment or promotion.

The remuneration arrangements have been designed in a manner that is consistent with and promote sound and effective risk management. The Bank has a robust performance management process and systems in place by which Employees can understand what is expected of them in their roles and how their performance relates to the success of the unit and the organization.

The performance metrics for the Corporate and Commercial Team is based on Balanced Scorecard and divided into five distinct perspectives and competencies metrics.

- Financial metrics that focus on key financial targets under one's control or influence and generally include total income, return on assets, net profit etc.
- Internal Business metrics that focus on contribution to overall growth of the business through execution of excellent business methods such as completion of KYC and internal governance.
- Customer metrics that focus on activities that deliver a high quality service to both internal and external customers such as customer satisfaction rate, customer retention rate, new customer acquisition, market share, net promoter score, turnover time on customer complaints, average handling time of customer complaints etc.
- Innovation & Learning metrics that focus on adherence to on job learning and eagerness to learn with external training.
- Competencies metrics that focus on behavior, Customer Happiness, Execution Excellence, Problem Solving, Accountability, Multi Tasking, Team Work, Effective communication.

The performance metrics for the rest of the staff are broken into two distinct perspectives; KPI and competencies metrics.

- KPI that focus on key targets and objective setting each year at the start of the year and measured bi-annually.
- Competencies metrics that focus on behavior, Customer Happiness, Execution Excellence, Problem Solving, Accountability, Multi Tasking, Team Work, Effective communication.

The total compensation offered to Employees includes only fixed compensation. Basic Salary and Fixed Allowances are the two major components of our compensation. The fixed compensation is a non-discretionary payment made to Employee based on their job role and responsibilities and is independent of the Bank's performance.

The Bank's Performance Management System ensures there is a transparent and objective link between performance and rewards. At the end of each performance cycle, all employees are rated against a five point rating scale based on the KPIs achieved by the employee. Employees who are rated 'Unsatisfactory' for the performance year under consideration are not eligible to receive bonus.
Qualitative measures are in the form of non-sales parameters such as disciplinary action, complaints/errors, KYC completion etc.
The Bank does not have a policy on deferral and variable remuneration.

11.2 REM1: Remuneration awarded during the financial year

All numbers in AED 000s

			a	b
	Remuneration Amount		Senior Management	Other Material Risk-takers
1	Fixed Remuneration	Number of employees	12	13
2		Total fixed remuneration (3 + 5 + 7)	11,763	6,283
3		Of which: cash-based	11,159	5,915
4		Of which: deferred	-	-
5		Of which: shares or other share-linked instruments	-	-
6		Of which: deferred	-	-
7		Of which: other forms	604	368
8		Of which: deferred	-	-
9	Variable Remuneration	Number of employees	-	-
10		Total variable remuneration (11 + 13 + 15)	-	-
11		Of which: cash-based	-	-
12		Of which: deferred	-	-
13		Of which: shares or other share-linked instruments	-	-
14		Of which: deferred	-	-
15		Of which: other forms	-	-
16		Of which: deferred	-	-
17	**Total Remuneration (2+10)**		11,763	6,283

11.3 REM2: Special payments

All numbers in AED 000s

Special Payments	Guaranteed Bonuses		Sign on Awards		Severance Payments	
	Number of employees	Total amount	Number of employees	Total amount	Number of employees	Total amount
Senior Management	-	-	-	-	6	686
Other material risk-takers	-	-	-	-	1	37