البنك العربي المتحد
UNITED ARAB BANK

Basel III - Market Disclosures

Pillar 3 Reporting – 31st December 2021

Capital Adequacy & Risk Management

Contents

Pillar 3 Reports as per the revised CBUAE requirements:

1. Introduction

This report provides Pillar 3 disclosures for United Arab Bank PJSC referred to as "UAB" or the "Bank". The disclosures consist of both quantitative and qualitative information in compliance with the requirements of Central Bank of UAE (CBUAE).

The Basel Committee on Banking Supervision (BCBS) Basel 3 capital adequacy framework consists of three pillars. Pillar 1 provides a framework for measuring minimum capital requirements for credit, market and operational risks faced by banks. Pillar 2 allows banks and supervisors to take a view on whether the bank should hold additional capital to cover the three Pillar 1 risk types and/or to cover other risks. Pillar 3 requires banks to publish a range of disclosures, mainly covering risk, capital, leverage, liquidity and remuneration.

The capital requirements are computed using the Basel III framework of the Basel Committee on Banking Supervision (Basel Committee), after applying the amendments advised by the CBUAE, within national discretion. The Basel framework is structured around three 'pillars', with the Pillar 1 minimum capital requirements and Pillar 2 supervisory review process complemented by Pillar 3 market discipline.

The report is prepared as per the enhanced Pillar 3 Disclosure requirements guidelines issued by CBUAE in November 2020 and are effective for the year ended 31st December 2021. The enhanced Pillar 3 disclosures focus on regulatory measures required under Pillar 1 of the Basel framework for measuring credit, market and operational risks and their associated resulting risk-weighted assets (RWA) and capital requirements. In some instances, Pillar 3 also requires supplementary information to be disclosed to improve the understanding of underlying risks.

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

In November 2020, CBUAE issued revised standards and guidelines for Capital Adequacy in UAE. The new version to the Standards also includes additional Guidance on the topics of Credit Risk, Market Risk, and Operational Risk.

Following are the changes in the revised standards which have been adopted either prior to or during 2021:

- The Tier Capital Supply Standard
- Tier Capital Instruments Standard
- Pillar 2 Standard: Internal Capital Adequacy Assessment Process (ICAAP)
- Credit Risk, Market Risk and Operational Risk
- Equity Investment in Funds, Securitization, Counterparty Credit Risk, Leverage Ratio

In addition, Credit Value Adjustment (CVA) for Pillar 1 and 3 will be effective from 30 June 2022.
CBUAE requires the Pillar 2 - Supervisory Review Process to focus on each bank's Internal Capital Adequacy Assessment Process (ICAAP) in addition to Pillar 1 Capital calculations. The ICAAP should include a risk based forward looking view of, but not limited to, Credit, Market and Operational Risk Capital.

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

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

In compliance with the CBUAE Basel III standards and guidelines, these disclosures include qualitative and quantitative information on the Bank's risk management objectives and policies, risk assessment processes, capital management and capital adequacy.

The Pillar 3 Disclosures for the year 2021 have been appropriately reviewed by the management and internal and external audit.

2. About the Bank

United Arab Bank P.J.S.C. (the "Bank") was incorporated in 1975 as a Private Joint Stock Company in the Emirate of Sharjah. The legal form of the Bank was converted to a public company with limited liability in 1982 by a decree of His Highness The Ruler of Sharjah and has been registered as a Public Joint Stock Company under the UAE Commercial Companies Law No. (8) of 1984 (as amended). The Bank's registered office is located in the Emirate of Sharjah, United Arab Emirates. The address of the registered office is PO Box 25022, Sharjah, United Arab Emirates.

The Bank carries out the business of commercial banking through its offices and branches in the United Arab Emirates. The Bank also carries out Islamic banking operations through Islamic banking windows at selected branches.

The bank does not have any subsidiaries and therefore there is no consolidation required.

3. Overview of Risk Management, Key prudential metrics and Risk Weighted Assets (RWA)

Risk is inherent in all of the Bank's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to their responsibilities.

Risk Management covers all risks including credit, liquidity, market and operational risk, and processes from origination to approval and ongoing control, review, maintenance and reporting of exposures. It also covers the high level organization, roles and responsibilities of Board and management level committees, and authorities and processes relating to risk management, internal controls, compliance and internal audit functions.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. These are monitored through the Bank's strategic planning process.

Risk Management Structure

Board level committees

The Board of Directors are ultimately responsible for identifying and controlling risks; however, there are separate board sub-committees responsible for managing and monitoring risks.

(a) Board Credit Committee

The Board Credit Committee (BCC) has the responsibility to establish credit risk strategy and monitor the overall credit process within the Bank for maintaining a diversified portfolio, avoiding undesired risk concentrations, improving the overall asset quality of the portfolio, and complying with Credit Policy and regulatory guidelines.

(b) Board Audit Committee

The Board Audit Committee (BAC) is responsible for monitoring, reviewing and reporting to the Board on the formal arrangements relating to the financial and narrative reporting of the Bank, internal controls, compliance and internal / external audit processes.

(c) Board Risk Committee

The Board Risk Committee (BRC) has the overall responsibility for the development of the risk strategy and implementing principles, frameworks and policies for enhancing the Bank's risk management framework to best practices standards. This includes, but is not limited to, ensuring effective control structures and the monitoring of aggregate risk exposures (including but not limited to credit, market, and liquidity, operational and legal).

The Bank's Board of Directors (BOD), through the Board Risk Committee (BRC), sets out the of the Bank's Risk Appetite.

(d) Board Governance and Remuneration Committee

The Board Governance and Remuneration Committee (GRC) acts on behalf of the Board on all matters related to governance, remuneration, nomination and strategic plans, except for those powers and actions that are restricted to the Board on the basis of legal provisions or the Articles. The GRC is responsible for supporting the Board in overseeing the remuneration scheme, in order to ensure that the subject remuneration is appropriate and consistent with the Bank's culture, long-term business and risk appetite, performance and control environment as well as with any legal or regulatory requirements.

Management Groups

The Board level committees are further supplemented by the management Banks / functions who are responsible for day to day monitoring of risks.

(a) Risk Management Group

The Risk Management Group is responsible for implementing and maintaining risk related procedures to ensure an independent control process. It works closely with the commercial organization to support their activities, while safeguarding the risk profile of the Bank. It institutes prudent risk monitoring and control mechanisms (processes and systems) to ensure compliance of individual risk assets and portfolios to agreed terms and policy parameters. It reviews and presents all credit submissions, risk policy and portfolio management reports to the BCC and BRC.

(b) Financial Market

Financial Market is responsible for managing the Bank's assets and liabilities and the overall balance sheet of the Bank. It is also primarily responsible for managing the funding and liquidity risks of the Bank.

(c) Internal Audit

Risk management processes throughout the Bank are audited annually by the internal audit function that examines both the adequacy of, and the Bank's compliance with, its procedures. Internal Audit discusses the results of all assessments with management and reports its findings and recommendations to the Board Audit Committee.

Since 2019, UAE Central Bank has issued a number of standards and regulations on the various elements of overall Risk Management, Anti-Money Laundering, Capital adequacy and Capital Management Framework. The standards and regulations including but not limited to financial reporting, external audit, internal controls, compliance & internal audit, operational, country and transfer risk, market risk and interest rate and rate of return risk have been effected in 2019. The Bank had taken measures to adhere to the aforementioned standards and regulations to ensure compliance from the effective implementation date.

Risk Measurement and Reporting Systems

Monitoring and controlling risks is primarily performed based on limits established by the Bank. These limits reflect both the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept, with additional emphasis on selected industries. In addition, the Bank monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

Information compiled from all the businesses is examined and processed in order to identify, analyze and control at an early stage. The Board receives a comprehensive credit risk report once a quarter which is designed to provide all the necessary information to assess and conclude on the credit related risks of the Bank. The report includes aggregate credit exposure, hold limit exceptions, liquidity ratios and risk profile changes. Senior management assess the appropriateness of the allowance for credit losses on a quarterly basis.

For all levels throughout the Bank, specifically tailored risk reports are prepared and distributed in order to ensure all business divisions have access to extensive, necessary and up-to-date information.

Regular briefings are given to the Chief Executive Officer, RC and all other relevant members of management on all aspects of risk taken by the Bank including the utilization of limits, proprietary investments and liquidity, plus any other risk developments.

Risk Mitigation

The Bank actively uses collateral to reduce its credit risks.

Also, as part of its overall risk management, the Bank uses derivatives and other instruments to manage exposures resulting from changes in interest rates and foreign currencies.

Risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, 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. Concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, the Bank's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

Enterprise Risk Management Department

United Arab Bank continued its drive to focus on strengthening the risk management culture and ensuring the same is institutionalized at an enterprise wide basis. With this objective set forth, the management decided to set up enterprise risk management department to ensure that the bank adopt best in class risk management practices supported by necessary risk infrastructures.

Enterprise risk department housed under risk management is an independent Risk function and report directly to Chief risk officer (CRO). This department is responsible for managing

1. Market,
2. Liquidity Risk,
3. Risk Analytics and
4. Risk Reporting

The priority has been to strengthen the Enterprise Risk Management function with core emphasis on the following:

- Implementation of sound risk framework including policies and procedures.
- Ensure continuous compliance with Regulatory standards and best practices.
- Develop, institutionalized, assessed and monitor Risk Appetite framework. Risk appetite framework is a comprehensive document covering all the material risks which reported to the Risk committees and senior management on a regular basis
- The bank measures and manages Market & liquidity Risk by using different risk parameters with combinations of various limits.
- Refining and strengthening the Stress Testing framework in line with Central Bank of UAE and Basel guidelines
- Ensuring that the Bank remains complaint with IFRS9 Credit related guidelines including continuous and rigorous validation of bank internal models
- Setting up of information security function in line with the bank mission and strategy and continued the efforts to strengthen and protect information, process and systems
- Setting up of internal control unit responsible for implementing the internal control frame work in line with CBUAE guidelines.

2.2 UAB's Approach to Pillar 1

Pillar 1 Risks	Approach
Credit Risk	The Bank uses the **Standardized Approach** for calculating regulatory capital requirements for Credit Risk. This approach allows the use of external ratings from designated credit-rating agencies wherever available in determining the appropriate risk weights. The risk weights are determined by the asset class and the external rating of the counterparty. The net exposure incorporates off-balance-sheet exposures after applying the credit conversion (CCF) and credit risk mitigation (CRM) factors.
Market Risk	The Bank uses the **Standardized Approach** for calculating regulatory capital requirements for Market Risk.
Operational Risk	The Bank uses the **Basic Indicator Approach** for calculating regulatory capital requirements for Operational Risk.

KM1: Key Metrics for the Bank

Key prudential regulatory metrics related to regulatory capital, leverage ratio and liquidity standards have been included in the following table:

No	Key Metrics	31st Dec 2021
1	Common Equity Tier 1 (CET1)	1,507,681
1a	Fully loaded ECL accounting model (Note 1)	1,507,681
2	Tier 1	1,507,681
2a	Fully loaded ECL accounting model Tier 1	1,507,681
3	Total capital	1,644,239
3a	Fully loaded ECL accounting model total capital	1,644,239
6	**Total risk-weighted assets (RWA)**	**11,924,386**
5	Common Equity Tier 1 ratio (%)	12.64%
5a	Fully loaded ECL accounting model CET1 (%)	12.64%
6	Tier 1 ratio (%)	12.64%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	12.64%
7	Total capital ratio (%)	13.79%
7a	Fully loaded ECL accounting model total capital ratio (%)	13.79%
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.50%
9	Countercyclical buffer requirement (%)	0.00%
10	Bank D-SIB additional requirements (%)	0.00%
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9+ row 10)	2.50%
12	CET1 available after meeting the bank's minimum capital requirements (%)	3.29%
13	Total leverage ratio measure	17,138,289
14	**Leverage ratio (%) (row 2/row 13)**	**8.79%**
14a	Fully loaded ECL accounting model leverage ratio (%) (row 2A/row 13)	8.79%
14b	Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	8.79%
15	Total HQLA	3,077,935
16	Total net cash outflow	3,216,771
17	**LCR ratio (%)**	**95.68%**
18	Total available stable funding	7,582,284
19	Total required stable funding	8,838,073
20	**NSFR ratio (%)**	**85.79%**
21	Total HQLA	2,588,923
22	Total liabilities	13,573,003
23	**Eligible Liquid Assets Ratio (ELAR) (%)**	**19.07%**
24	Total available stable funding	10,962,743
25	Total Advances	8,843,830
26	**Advances to Stable Resources Ratio (%)**	**80.67%**

Note 1: “Fully Loaded” means bank’s regulatory capital compared with a situation where the transitional arrangement had not been applied. CBUAE introduced transitional arrangements as per circular no. 04/2020 “Regulation Regarding Accounting Provisions and Capital Requirements - Transitional Arrangements”. UAB have not used transitional arrangement.

OV1: Overview of Risk Weighted Assets

The following table provides an overview of total RWAs forming the denominator of the risk-based capital requirements. Further breakdown of RWAs are presented in subsequent parts.

AED 000s

		Risk Weighted Assets 31st Dec 2021	Minimum Capital Requirements * 31st Dec 2021
1	Credit risk (excluding counterparty credit risk)	10,838,749	1,138,069
2	Of which: Standardized approach (SA)	10,838,749	1,138,069
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)	85,852	9,014
7	Of which: Standardized approach for counterparty credit risk	85,852	9,014
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	2,835	298
21	Of which: Standardized approach (SA)	2,835	298
22	Of which: internal models approach (IMA)	-	-
23	Operational risk	996,951	104,680
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)**	**11,924,386**	**1,252,061**

*The minimum capital requirements applied is 10.5%

4. Linkages between financial statements and regulatory exposures

4.1 Basic Difference between Pillar 3 disclosures and disclosures in the audited financial statements

Topic	Risk review in the audited annual consolidated financial statements	Pillar 3 disclosures
Basis of requirements	The Bank's audited annual financial statements is prepared in accordance with the requirements of IFRS and UAE Federal Law No. 2 of 2015.	The Bank's Pillar 3 disclosures provide details on risk from a regulatory perspective as required by the Basel 3 Standardized approach requirements, which have been implemented in the UAE through the Central Bank of the UAE standards/guidelines issued in November 2020. The capital supply is determined based on Basel 3 requirements, which have been implemented in the UAE through the Central Bank of the UAE guidelines issued in February 2017 and standards/guidance issued in November 2020.
Basis of preparation	The quantitative credit risk disclosures in the credit risk management section are set out based on IFRS. Loans and advances are analyzed net of impairment, interest in suspense and off-balance-sheet exposures are considered at maximum exposure levels. Market risk disclosures are presented using VaR methodology and sensitivity analysis for the trading and non-trading books.	Provides details from a regulatory perspective on credit, market and operational risk. The capital calculation and the disclosures are based on the Standardized approach as recommended by the Central Bank of the UAE. Loans and advances are analyzed at gross levels and off-balance-sheet exposures are disclosed at post-CCF levels. Market risk and operational risk disclosures are based on the capital required.

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

AED 000s	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items:				
			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 balances with UAE Central Bank	2,009,565	2,009,565	2,009,565	-	-	-	-
Due from other banks	378,735	378,735	378,735	-	-	-	-
Loans and advances and Islamic financing receivables	8,213,350	8,213,350	8,213,350	-	-	-	-
Investments and Islamic instruments	3,530,217	3,530,217	3,530,217	-	-	-	-
Property, equipment and capital work-in-progress	303,271	303,271	303,271	-	-	-	-
Other assets	744,904	744,904	744,904	-	-	-	-
Total Assets	**15,180,042**	**15,180,042**	**15,180,042**	**-**	**-**	**-**	**-**
Liabilities							
Due to banks	2,410,988	2,410,988	-	-	-	-	-
Customers' deposits and Islamic customer deposits	10,406,425	10,406,425	-	-	-	-	-
Other liabilities	850,737	850,737	-	-	-	-	-
Total Liabilities	**13,668,150**	**13,668,150**	**-**	**-**	**-**	**-**	**-**
Shareholder Equity							
Share Capital	2,062,550	2,062,550	-	-	-	-	-
Other Reserves	59,929	59,929	-	-	-	-	-
Accumulated losses	(610,587)	(610,587)	-	-	-	-	-
Total shareholders' equity	**1,511,892**	**1,511,892**	**-**	**-**	**-**	**-**	**-**
Total shareholders' equity and liabilities	**15,180,042**	**15,180,042**	**-**	**-**	**-**	**-**	**-**

LI2: Main sources of differences between regulatory exposure amounts and carrying values in financial statements

AED 000s	Total	Items subject to:			
		Credit risk framework	Securitization framework	Counterparty credit risk framework	Market risk framework
Total assets amount under regulatory scope of consolidation (as per LI1)	15,180,042	15,180,042	-	-	-
Off-balance sheet amounts recognized in regulatory exposure (post CCF) including Acceptances	4,951,009	2,009,242	-	-	-
Gross exposures before credit risk mitigation	20,114,180	20,114,180	-	-	-
Credit risk mitigation (excluding guarantees)	958,445	958,445	-	-	-
Gross regulatory exposures at default	**19,155,735**	**19,155,735**	**-**	**-**	**-**

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

(a) Banks must explain the origins of any significant differences between the amounts in columns (a) and (b) in LI1

UAB does not have any subsidiary and hence no differences

(b) Banks must explain the origins of differences between carrying values and amounts considered for regulatory purposes shown in LI2

Differences arise due to fact that balances are shown net of provisions in accounting consolidation whereas they are shown gross in regulatory consolidation. In addition to that non funded portfolio is also included in regulatory exposes post Credit Conversion Factors and adjusted with Credit Risk Mitigation. (CRM).

(c) In accordance with the implementation of the guidance on prudent valuation, banks must describe systems and controls to ensure that the valuation estimates are prudent and reliable.

- **Valuation methodologies, including an explanation of how far mark-to-market and mark-to-model methodologies are used**
- **Description of the independent price verification process**
- **Procedures for valuation adjustments or reserves (including a description of the process and the methodology for valuing trading positions by type of instrument)**

At reporting date, UAB have two material assets that required daily valuation. 1) Fixed Income Securities 2) Derivative Instrument (IRS). Both these instruments get mark to market.

For fixed income securities, UAB is using price available on Bloomberg terminal. These prices are on daily basis shared between Treasury Middle office and Treasury Back office. Prices are used to MTM the securities on daily basis.

Additionally, on monthly basis, complete derivative portfolio is MTM. UAB is using Bloomberg terminal for extracting the instrument price at reporting date.

The MTM changes are reflect in bank P&L. Whereas, Fixed income securities MTM are transfer to Fair value reserves through OCI.

(d) Banks with insurance subsidiaries must disclose:

Not Applicable

(e) The CBUAE regulatory approach used with respect to insurance entities in determining a bank's reported capital positions

Not applicable.

5. Prudential Valuation Adjustment

PV1: Prudential valuation adjustments (PVA)

Not applicable.

6. Composition of Capital

CCI: Composition of Capital

AED 000s

	Common Equity Tier 1 capital: instruments and reserves	Amounts
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	2,062,550
2	Retained earnings	-610,587
3	Accumulated other comprehensive income (and other reserves)	55,718
4	*Directly issued capital subject to phase-out from CET1 (only applicable to non-joint stock companies)*	0
5	Common share capital issued by third parties (amount allowed in group CET1)	0
6	**Common Equity Tier 1 capital before regulatory deductions**	**1,507,681**
	Common Equity Tier 1 capital regulatory adjustments	
7	Prudent valuation adjustments	0
8	Goodwill (net of related tax liability)	0
9	Other intangibles including mortgage servicing rights (net of related tax liability)	0
10	Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of related tax liability)	0
11	Cash flow hedge reserve	0
12	Securitization gain on sale	0
13	Gains and losses due to changes in own credit risk on fair valued liabilities	0
14	Defined benefit pension fund net assets	0
15	Investments in own shares (if not already subtracted from paid-in capital on reported balance sheet)	0
16	Reciprocal cross-holdings in CET1, AT1, Tier 2	0
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)	0
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)	0
19	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	0
20	Amount exceeding 15% threshold	0
21	Of which: significant investments in the common stock of financials	0
22	Of which: deferred tax assets arising from temporary differences	0
23	CBUAE specific regulatory adjustments	0
24	**Total regulatory adjustments to Common Equity Tier 1**	**0**
25	**Common Equity Tier 1 capital (CET1)**	**1,507,681**

CCI: Composition of Capital (continued)

AED 000s

		Amount
	Additional Tier 1 capital: instruments	
26	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	0
27	OF which: classified as equity under applicable accounting standards	0
28	Of which: classified as liabilities under applicable accounting standards	0
29	*Directly issued capital instruments subject to phase-out from additional Tier 1*	0
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)	0
31	*Of which: instruments issued by subsidiaries subject to phase-out*	0
32	Additional Tier 1 capital before regulatory adjustments	**0**
	Additional Tier 1 capital: regulatory adjustments	
33	Investments in own additional Tier 1 instruments	0
34	Investments in capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation	0
35	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation	0
36	CBUAE specific regulatory adjustments	0
37	Total regulatory adjustments to additional Tier 1 capital	0
38	**Additional Tier 1 capital (AT1)**	**0**
39	**Tier 1 capital (T1= CET1 + AT1)**	**1,507,681**
	Tier 2 capital: instruments and provisions	
40	Directly issued qualifying Tier 2 instruments plus related stock surplus	0
41	*Directly issued capital instruments subject to phase-out from Tier 2*	0
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)	0
43	*Of which: instruments issued by subsidiaries subject to phase-out*	0
44	Provisions	136,558
45	**Tier 2 capital before regulatory adjustments**	**136,558**
	Tier 2 capital: regulatory adjustments	
46	Investments in own Tier 2 instruments	0
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)	0
48	Significant investments in the capital, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	0
49	CBUAE specific regulatory adjustments	0
50	**Total regulatory adjustments to Tier 2 capital**	0
51	**Tier 2 capital (T2)**	136,558
52	**Total regulatory capital (TC = T1 + T2)**	**1,644,239**
53	**Total risk-weighted assets**	**11,924,386**

CCI: Composition of Capital (continued) AED 000s

		Amount
	Capital ratios and buffers	
54	**Common Equity Tier 1 (as a percentage of risk-weighted assets)**	12.64%
55	**Tier 1 (as a percentage of risk-weighted assets)**	12.64%
56	**Total capital (as a percentage of risk-weighted assets)**	13.79%
57	**Institution specific buffer requirement (Capital Conservation Buffer (CCB)plus countercyclical buffer requirements plus higher loss absorbency requirement, expressed as a percentage of risk-weighted assets)**	2.50%
58	**Of which: capital conservation buffer requirement**	2.50%
59	**Of which: bank-specific countercyclical buffer requirement**	0.00%
60	**Of which: higher loss absorbency requirement (e.g. DSIB)**	0.00%
61	**Common Equity Tier 1 (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirement.**	3.29%
	The CBUAE Minimum Capital Requirement (Including CCB)	**13%**
62	Common Equity Tier 1 minimum ratio	7%
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)	178,866
70	Cap on inclusion of provisions in Tier 2 under Standardized approach	136,558
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)*	-

CC2: Reconciliation of regulatory capital to balance sheet

	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	31-12-2021	31-12-2021	
Assets			
Cash and balances at central banks	2,009,565	2,009,565	
Items in the course of collection from other banks	-	-	
Trading portfolio assets	-	-	
Financial assets designated at fair value	109,629	109,629	
Derivative financial instruments	16,054	16,054	
Loans and advances to banks	378,735	378,735	
Loans and advances to customers	8,213,350	8,213,350	
Reverse repurchase agreements and other similar secured lending	-	-	
Available for sale financial investments (Includes FVOCI)	3,420,588	3,420,588	
Current and deferred tax assets	-	-	
Prepayments, accrued income and other assets	728,850	728,850	
Investments in associates and joint ventures	-	-	
Goodwill and other intangible assets	-	-	
Of which: goodwill	-	-	(a)
Of which: intangibles (excluding MSRs)	-	-	(b)
Of which: MSRs	-	-	(c)
Property, plant and equipment	303,271	303,271	
Total assets	**15,180,042**	**15,180,042**	
Liabilities			
Deposits from banks	2,410,988	2,410,988	
Items in the course of collection due to other banks	-	-	
Customer accounts	10,406,425	10,406,425	
Repurchase agreements and other similar secured borrowing	-	-	
Trading portfolio liabilities	-	-	
Financial liabilities designated at fair value	-	-	
Derivative financial instruments	-	-	
Debt securities in issue	-	-	
Accruals, deferred income and other liabilities	730,792	730,792	
Current and deferred tax liabilities	-	-	
Of which: DTLs related to goodwill	-	-	(d)
Of which: DTLs related to intangible assets (excluding MSRs)	-	-	(e)
Of which: DTLs related to MSRs	-	-	(f)
Subordinated liabilities	-	-	
Provisions	100,722	100,722	
Retirement benefit liabilities	19,223	19,223	
Total liabilities	**13,668,150**	**13,668,150**	

CC2: Reconciliation of regulatory capital to balance sheet (continued)

Shareholders' equity			
Paid-in share capital	2,062,550	2,062,550	
Of which: amount eligible for CET1	2,062,550	2,062,550	(h)
Of which: amount eligible for AT1	-	-	(i)
Legal , Statutory and Other disclosed reserves	52,273	52,273	
Retained earnings	(610,587)	(610,587)	
Accumulated other comprehensive income	7,656	3,445	Cumulative changes in fair value taken at 45% for regulatory capital purposes (Basel III).
Total shareholders' equity	**1,511,892**	**1,507,681**	

CCA: Main features of regulatory capital instruments – Not Applicable

7. Macro Prudential Measures

CCyB1: Geographical distribution of credit exposures used in the countercyclical buffer

Not applicable.

8. Leverage Ratio

The Basel 3 leverage ratio is calculated by dividing the tier 1 capital by the leverage ratio exposure.

LRI: Summary Comparison of Accounting Assets Vs Leverage Ratio Exposure AED 000s

		31st Dec 2021
S No	**Description**	**Amount**
1	Total consolidated assets as per published financial statements	15,180,042
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	(34,124)
9	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	-
10	Adjustments for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	2,009,242
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	-
12	Other adjustments	-
13	**Leverage ratio exposure measure**	**17,155,160**

The Leverage Ratio Exposure consists of IFRS on-balance sheet assets and off-balance sheet items. Derivative exposures are calculated by including replacement value, Potential Future Exposures (PFE) and eligible cash variation margin netting, the current exposure method add-on and net notional amounts for written credit derivatives.

The table on the next page shows the difference between total IFRS assets per IFRS consolidation scope and the BCBS total on balance sheet exposures. Those exposures are the starting point for calculating the BCBS Leverage Ratio Exposure, as shown in the LR2 table. The difference is due to the application of the regulatory scope of consolidation for the purpose of the BCBS calculation. In addition, carrying amounts for derivative financial instruments and securities financing transactions (SFTs) are deducted from IFRS total assets. They are measured differently under BCBS leverage ratio rules and are therefore added back in separate exposure line items in the LR2 table.

LR2: Leverage Ratio Common Disclosure Template AED 000s

On-balance sheet exposures		31-Dec-21
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	15,163,988
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)	(119,778)
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)**	15,044,210
8	Replacement cost associated with *all* derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	16,054
9	Add-on amounts for PFE associated with *all* derivatives transactions	45,127
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)**	85,653
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)**	-
19	Off-balance sheet exposure at gross notional amount	4,951,009
20	(Adjustments for conversion to credit equivalent amounts)	(2,941,767)
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)**	2,009,242
23	**Tier 1 capital**	**1,507,681**
24	**Total exposures (sum of rows 7, 13, 18 and 22)**	**17,139,105**
25	**Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)**	**8.797%**
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	8.797%
26	CBUAE minimum leverage ratio requirement	3%
27	**Applicable leverage buffers**	**5.797%**

9. Liquidity Risk Management

LIQA: Liquidity risk management

(a) Governance of liquidity risk management, including: risk tolerance; structure and responsibilities for liquidity risk management; internal liquidity risk strategy, policies and practices across business lines and with the board of directors

Liquidity risk is the risk that the Bank cannot meet its financial liabilities when they come due. Liquidity risk can materialize both through its trading book (market liquidity risk) and banking book (funding liquidity risk) positions.

Liquidity risk arises either:

- From the inability to manage unplanned decreases or changes in funding sources;
- From the failure to recognize or address changes in market conditions that effects the ability to liquidate assets quickly and with minimum loss in value;
- Concentration of facilities from one source due to insufficient diversification of types of funding between different products and types of customers;
- Maturity mismatch where long term assets being funded with short-term liabilities;
- External rating downgrade/adverse publicity may decrease alternate source of funds;
- Unexpected funding required for off-balance sheet items, such as payment to beneficiaries under letter of credit or guarantees; or
- Operating in different currencies which create a funding requirement and liquidity risk in each currency.

Liquidity Risk Management in the Bank is governed by the Liquidity Risk Management policy and the Risk Appetite Framework approved by the Bank's Board of Directors. The Board has delegated the responsibility of managing the liquidity risk of the Bank to the Board Risk Committee (BRC). BRC & Risk Committee (RC) review liquidity risk policy, liquidity risk appetite and tolerance limits proposed by Risk Management for the Bank in line with the Bank's objectives, strategy and overall risk appetite. RC reviews annually the risk policies to manage and monitor liquidity risk in the Bank and recommend them to the BRC for approval.

The Risk Limits are recommended by the Asset, Liability and Investment Committee (ALICO). Financial Market Department is primarily responsible for managing liquidity for the Bank. Risk Management and Finance teams are responsible for the measurement and monitoring of liquidity metrics stipulated in the policy and updating ALICO, RC and BRC on issues pertaining to liquidity risk.

UAB as per the CBUAE is required to monitor and maintained mainly the below ratios:

- Eligible Liquid Asset (ELAR) Ratio
- Advanced to Stable Funding (ASF) Ratio

In addition, the UAB as per the bank internal Risk appetite statement (RAS) are required to monitor Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio. These metrics are complemented by internal metrics like, concentration and maturity mismatch analyses.

Liquidity Risk policy includes the Contingency Funding Plan ("CFP") which can be triggered in the event of a major liquidity problem, either due to bank specific or market wide/systematic triggers.

(b) Funding strategy, including policies on diversification in the sources of funding (both products and counterparties)

The Bank has adopted a conservative strategy to manage its liquidity and funding positions - maintaining a higher than required level of liquidity as measured by the regulatory liquidity ratios of ELAR and ASF Ratios.

Financial Market Department under ALICO supervision and in coordination with Finance is involved in the annual business planning / budgeting exercise, analyzes overall funding requirements for the coming year(s) and provides funding strategy / fund raising plans.

The Funding profile along with available tools are presented frequently to ALICO for seeking their inputs and opinion.

(c) Liquidity risk mitigation techniques

The Bank has adopted a pro-active approach in identifying and assessing, measuring and monitoring liquidity risks. Risk Management conducts regular and ad-hoc risk analyses (such as stress tests) and reports, findings and recommendations, to Bank ALICO.

Following are some of the key controls and risk management strategies for Liquidity Risk:

- Comprehensive Risk Appetite Framework and Policy.
- Liquidity profile along with available avenues for raising liquidity and utilization.
- Maintaining a diverse, yet stable pool of potential funding
- Maintaining sufficient liquidity buffers, pool of readily saleable and repo-eligible liquid assets regular monitoring of liquidity risk exposures.

Compressive framework along with reporting framework is available and continuously updated and shared with relevant committee.

An explanation of how stress testing is used

The Enterprise Risk Management function shall, in conjunction with the Chief Risk Officer and other Executive management, finalize the key risk scenarios which could have an impact on the Bank’s liquidity. The scenarios will be reviewed on an ongoing basis and will be aligned with UAE Central Bank guidelines. These scenarios will be the basis for carrying out detailed stress testing of the Bank’s liquidity positions.

Some potential scenarios that could be considered are:

- Bank’s specific Stress situation - a significant reputational risk leading to:
- Two or Three notch downgrade of the institution’s credit rating
- Partial to severe loss of deposits
- Loss of unsecured wholesale funding
- Drying up of short-term liquidity from the inter-bank market

Market wide Stress situation - a general deterioration of the business environment caused by one or more of the following: - recession / global economic conditions (e.g. Euro situation) / local property market downturn / liquidity crisis / political unrest/ Pandemic. Impact of these may include:

- Increases in derivative collateral calls.
- Substantial calls on contractual and non-contractual off-balance sheet exposures, including liquidity facilities.
- Need to fund balance sheet growth arising from non-contractual obligations honoured in the interest of mitigating reputational risk.
- Significant increase in use of committed credit lines.

Stress testing results will be presented to ALICO at least on a quarterly basis and shall assess impact on various aspects of liquidity and on key regulatory ratios. Stress testing may be carried out on a more frequent basis if ALICO opines that market conditions warrant the need for more frequent stress testing.

(d) An outline of the bank's contingency funding plans

The Contingency Funding Plan (CFP) sets out the Bank's strategies to respond to a severe disruption of the bank's liquidity or funding position due to internal or external events. The plan designates the CFP Team, which will be activated in the event of a liquidity crisis and establishes allocation of roles within the Team. The CFP includes a set of early warning triggers consisting of internal and external indicators, which are monitored by bank's ALICO and updated to the BRC. The plan includes identification, invocation and escalation procedures and details potential actions, available sources of liquidity, mitigations and specifies a communication plan, which could be implemented based on the severity of the liquidity crisis.

ALICO is the governing body for activation and monitoring of CFP. Once the CFP is activated, the same is required to be notified to the Board and Central Bank of UAE.

LIQ1: Liquidity Coverage Ratio (LCR)

		31-Dec-2021	
		Total unweighted value (Avg.)	**Total weighted value (Avg.)**
High-quality liquid assets			
1	Total HQLA		
Cash outflows			
2	**Retail deposits and deposits from small business customers, of which:**	1,880,150	117,367
3	Stable deposits	0	0
4	Less stable deposits	1,880,150	117,367
5	**Unsecured wholesale funding, of which:**	3,930,782	2,370,704
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	5,847	1,462
7	Non-operational deposits (all counterparties)	3,924,935	2,369,242
8	Unsecured debt	0	0
9	**Secured wholesale funding**		0
10	**Additional requirements, of which:**	2,619,941	730,737
11	Outflows related to derivative exposures and other collateral requirements	0	0
12	Outflows related to loss of funding of debt products	0	0
13	Credit and liquidity facilities	2,619,941	730,737
14	**Other contractual funding obligations**	113,743	0
15	**Other contingent funding obligations**	365,508	18,275
16	**Total Cash Outflows**		**3,237,084**
Cash inflows			
17	**Secured lending (e.g. reverse repo)**		
18	**Inflows from fully performing exposures**	234,665	120,922
19	**Other cash inflows**	-100,609	-100,609
20	**Total Cash Inflows**	**134,055**	**20,312**
			Total adjusted value
21	**Total HQLA**		**3,077,935**
22	**Total net cash outflows**		**3,216,771**
23	**Liquidity coverage ratio (%)**		**95.68%**

LIQ2: Net Stable Funding Ratio (NSFR)

AED 000s

	(In currency amount)	Unweighted value by residual maturity				Weighted value
		No maturity*	<6 months	6 months to <1 year	≥1 year	
Available stable funding (ASF) item						
1	Capital:	-	-	-	1,644,239	1,644,239
2	*Regulatory capital*	-	-	-	1,644,239	1,644,239
3	*Other capital instruments*	-	-	-	-	-
4	Retail deposits and deposits from small business customers:	-	1,496,010	156,840	222,175	1,709,457
5	*Stable deposits*	-	-	-	-	-
6	*Less stable deposits*	-	1,496,010	156,840	222,175	1,709,457
7	Wholesale funding:		8,221,245	1,853,132	834,486	3,896,043
8	*Operational deposits*	-	5,538	-	-	2,769
9	*Other wholesale funding*	-	8,215,707	1,853,132	834,486	3,893,274
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	-	79,384	0	353,102	353,102
12	*NSFR derivative liabilities*			-		
13	*All other liabilities and equity not included in the above categories*	-	79,384	0	353,102	353,102
14	**Total ASF**					**7,602,841**
Required stable funding (RSF) item						
15	Total NSFR high-quality liquid assets (HQLA)					388,353
16	Deposits held at other financial institutions for operational purposes	-	226,129	-	-	113,065
17	Performing loans and securities:					
18	*Performing loans to financial institutions secured by Level 1 HQLA*	-	-	-	-	-
19	*Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions*	-	381,723	206,841	3,267,390	3,428,069
20	*Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:*	-	4,678,917	987,396	-	2,833,157

LIQ2: Net Stable Funding Ratio (NSFR) (continued) AED 000s

(In currency amount)		Unweighted value by residual maturity: No maturity*	Unweighted value by residual maturity: <6 months	Unweighted value by residual maturity: 6 months to <1 year	Unweighted value by residual maturity: ≥1 year	Weighted value
21	*With a risk weight of less than or equal to 35% under the standardized approach for credit risk*	-	-	-	-	-
22	*Performing residential mortgages, of which:*	-	-	-	1,317,679	939,851
23	*With a risk weight of less than or equal to 35% under the standardized approach for credit risk*	-	-	-	900,883	585,574
24	*Securities that are not in default and do not qualify as HQLA, including exchange-traded equities*	-	-	-	1,581,733	1,344,473
25	Assets with matching interdependent liabilities					
26	Other assets:	-	3,697,495	-	-821,897	-208,893
27	*Physical traded commodities, including gold*	-				-
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*			-		-
29	*NSFR derivative assets*			-		-
30	*NSFR derivative liabilities before deduction of variation margin posted*			-		-
31	*All other assets not included in the above categories*	-	-	-	-821,897	-821,897
32	Off-balance sheet items		3,697,495	-	-	613,004
33	***Total RSF***					**8,838,073**
34	***Net Stable Funding Ratio (%)***					**86.02%**

* Items to be reported in the "no maturity" time bucket do not have a stated maturity. These may include, but are not limited to, items such as capital with perpetual maturity, non-maturity deposits, short positions, open maturity positions, non-HQLA equities and physical traded commodities.

ELAR: Eligible Liquid Assets Ratio

1	High Quality Liquid Assets	Nominal amount	Eligible Liquid Asset
1.1	Physical cash in hand at the bank + balances with the CBUAE	2,014,063	
1.2	UAE Federal Government Bonds and Sukuks	0	
	Sub Total (1.1 to 1.2)	2,014,063	2,014,063
1.3	UAE local governments publicly traded debt securities	669,026	
1.4	UAE Public sector publicly traded debt securities	191,212	
	Subtotal (1.3 to 1.4)	860,238	574,860
1.5	Foreign Sovereign debt instruments or instruments issued by their respective central banks	0	0
1.6	**Total**	**2,874,301**	**2,588,923**
2	Total liabilities		13,571,925
3	**Eligible Liquid Assets Ratio (ELAR)**		**19.08%**

ASRR: Advances to Stables Resource Ratio

AED 000s

		Items	31-Dec-21
1		**Computation of Advances**	**Amount**
	1.1	Net Lending (gross loans - specific and collective provisions + interest in suspense)	7,716,960
	1.2	Lending to non-banking financial institutions	160,719
	1.3	Net Financial Guarantees & Stand-by LC (issued - received)	427,281
	1.4	Interbank Placements	538,561
	1.5	**Total Advances**	8,843,521
2		**Calculation of Net Stable Resources**	
	2.1	Total capital + general provisions	1,772,008
		Deduct:	
	2.1.1	Goodwill and other intangible assets	0
	2.1.2	Fixed Assets	460,008
	2.1.3	Funds allocated to branches abroad	0
	2.1.5	Unquoted Investments	76
	2.1.6	Investment in subsidiaries, associates and affiliates	0
	2.1.7	**Total deduction**	460,084
	2.2	**Net Free Capital Funds**	1,311,924
	2.3	**Other stable resources:**	
	2.3.1	Funds from the head office	0
	2.3.2	Interbank deposits with remaining life of more than 6 months	418,665
	2.3.3	Refinancing of Housing Loans	0
	2.3.4	Borrowing from non-Banking Financial Institutions	2,177,575
	2.3.5	Customer Deposits	7,052,929
	2.3.6	Capital market funding/ term borrowings maturing after 6 months from reporting date	0
	2.3.7	**Total other stable resources**	**9,649,169**
	2.4	**Total Stable Resources (2.2+2.3.7)**	**10,961,093**
Advances to Stable Resources Ratio (1.6/ 2.4*100)			**80.68**

10. Credit Risk

CRA: General qualitative information about credit risk

(a) How the business model translates into the components of the bank's credit risk profile

Credit risk is the most materially significant and prevalent risk.

Credit risk arise from the risk that the counterparty dealing with financial institutions will fail to honor / discharge their obligation causing bank to incur a financial loss. Credit risk underwriting, credit risk monitoring and control are jointly performed by Credit and Risk department.

In order to effective monitor the credit risk, the UAB has put in place the effective three lines mechanism (lines of defense). Adequate segregation of duties to be followed, so as to ensure independence and avoid conflicts of interest in pursuit of the Bank's business objectives and strategy. The Bank shall maintain high governance standards and credit principles, and adopt industry accepted practices to avoid undesirable effects of unclear roles and responsibilities.

In order to avoid excessive concentrations of risk, the Bank's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly and approved by Board Credit committee or directly by the Board. The Risk Appetite Statement of the Bank which is approved by the Board reflects the Risk Strategy translated to the Business Strategy to manage growth and profile of the portfolio within acceptable tolerances.

(b) Criteria and approach used for defining credit risk management policy and for setting credit risk limits

Approval, disbursements, administration, rating classification wholesale and retail are governed by the Bank's Credit Policies. Similarly, distressed assets policy are governing the restructuring, recoveries and write-offs. The policies is drafted by risk management department and approved by the Board via the Board Risk Committee (BRC).. The policy scope cover all the major products and line of business. The Bank manages limits and controls concentrations of credit risk wherever they are identified – in particular, to individual customers and groups, and to industries and countries. The underwriting standards also define the minimum quality for new on-boarding of customers.

The policies, guidelines and processes outlined in the Credit Policy cover the entire spectrum of Bank's credit/assets portfolio. The policy applies to all Business Units/Departments which are engaged in the process of originating; maintaining, managing and/or reviewing the related credit portfolio(s).

Identifying the credit approval authorities and the scope of delegated authorities is governed by delegation of authority (DOA) which is approved by Board.

(c) Structure and organization of the credit risk management and control function

All Wholesale Banking and FI (Financial Institutions) credit proposals are independently reviewed by Credit Department and recommended to appropriate approval authority as defined in the DoA and Credit Policies of the Bank. For Retail, the Bank has in place necessary approval in line with Delegation of Authority. Board Credit Committee (BCC) and Board is ultimately responsible for approving the credit

The underwriting and risk control functions are separated from each other. Risk management is responsible for Credit post disbursement control and portfolio management, together with credit administration. These functions together with Special Assets Management (SAM) report to the Chief Risk Officer (CRO). The CRO reports independently to the BRC.

Credit function is responsible for underwriting and engaging in credit review. Credit function headed by the Chief Credit Officer (CCO), who reports to the CEO.

(d) Relationships between the credit risk management, risk control, compliance and internal audit functions

All Wholesale Banking Credit proposals submitted by Wholesale banking Group are independently reviewed by Credit Dept, before they are approved by the Head of Credit or, under the DoA to Credit Committee (comprising of CCO, CRO and CEO) and, if required, recommendation to the appropriate level committee Board Credit Committee (BCC) for final approval.

Compliance team ensures that guidelines are complied with, in the due diligence process for KYC and AML among others, such as dealing with PEPs and related parties or insider trading. This is done by following the strict guidelines in-place for all these aspects.

Only after final approval and fulfillment of documentation and conditions precedent, that Credit Administration Department makes the limits available for utilization by the customer. At this point, transactions can be executed by the customer through operations.

As part of Internal Audit plan, Internal Audit team acting as the verification unit (third line of defense) reviews the Credit Approval Process and submits its findings to Board Audit Committee for its review.

Although they work very closely with Risk Management, Compliance and Internal Audit are both independent from Credit Department.

(e) Scope and main content of the reporting on credit risk exposure and on the credit risk management function to the executive management and to the board of directors

Comprehensive Portfolio reports include but are not limited to: Loans and Advances, Sukuk and investment book total size, trends, risk rating, sector, past due, restructured information and geographic concentrations, retail product-wise exposures and performance, large exposure concentrations, top watch list exposures, top NPL exposures, write-offs etc. This is presented to the Special Asset Management Committee, Risk Committee and Board Risk Committee on a regular basis. The report highlights the status of the exposure, recoveries, if any, collaterals, provisions held against these accounts and the action plan to regularize/recover the dues from these accounts.

At the Board level, the Board Risk Committee has oversight of Risk Management function across the Bank.

CR1: Credit quality of assets

			a	b	c	d	e	f
			Gross carrying values of			Of which ECL accounting provisions for credit losses on SA exposures		
			Defaulted exposures	Non-defaulted exposures	Allowances / Impairment	Allocated in regulatory category of Specific	Allocated in regulatory category of General	Net values (a+b-c)
1	Loans		1,138,023	7,880,152	804,825	544,709	260,116	8,213,350
2	Debt securities		-	3,531,764	25,502	-	25,502	3,506,262
3	Off-balance sheet exposures	Contingent liabilities	208,211	2,455,823	87,947	47,033	40,914	2,576,087
4		Commitments	-	2,286,975	-	-	-	2,286,975
	Total		**1,346,234**	**16,154,714**	**918,274**	**591,742**	**326,532**	**16,582,674**

CR2: Changes in stock of defaulted loans and debt securities

		Amount
1	**Defaulted loans and debt securities at the end of the previous reporting period**	1,677,199
2	Loans and debt securities that have defaulted since the last reporting period	674,183
3	Returned to non-default status	-
4	Amounts written off	(1,011,859)
5	Other changes	(201,500)
6	**Defaulted loans and debt securities at the end of the reporting period (1+2-3-4±5)**	1,138,023

CRB: Additional disclosure related to the credit quality of assets

(a) The scope and definitions of 'past due' and 'impaired' exposures for accounting purposes and the differences, if any, between the definition of past due and default for accounting and regulatory purposes.

Once an account / relationship hits 90 DPD it is proposed for a ‘Default’ to Special Assets Committee (SAC) for downgrade to MRA 8. All customers which are in default i.e. the principal payment or accrued profit is in arrears for a period of 90 days or more should be classified as ‘Default’ rated and considered non-performing. Business or Credit can also submit a case to SAC for a downgrade (and immediately transfer to SAM) in the event of a drastic deterioration in quality due to financial or non-financial reasons even before reaching 90 dpd.

For Retail Portfolio, once an account / relationship hits 90 DPD it is proposed for a ‘Default’

The term ‘classified asset’ refers to an exposure rated Substandard, Doubtful or Loss.

(b) The extent of past-due exposures (>90 days) that are not considered to be impaired and the reasons for this.

AED 8,748,709 is overdue past 90 days but not classified as NPL. Of this AED 8.3M was classified as Stage 3 (NPL) subsequently in January 2022

(c) Description of methods used for determining accounting provisions for credit losses. In addition, banks that have adopted an ECL accounting model must provide information on the rationale for categorization of ECL accounting provisions in general and specific categories for standardized approach exposures.

Impairment of Financial Assets

Financial assets that are measured at amortized cost are assessed for impairment at each reporting date.

The Bank applies a three-stage approach to measure allowance for credit losses, using an expected credit loss approach as required under IFRS 9, for the following categories of financial instruments that are measured at amortized cost:

- Financing and investing assets and investment in Bonds/ Sukuks;
- Off-balance sheet instruments issued;
- Financial guarantee contracts issued;
- Due from banks and financial institutions;
- Balances with Central Banks; and
- Other financial assets (Receivable loan and advances)

Financial assets migrate through three stages based on the change in Credit Risk since initial recognition. No impairment loss is recognized on equity investments.

Excepted Credit Loss impairment model

The Expected Credit Loss (ECL) model contains a three-stage approach which is based on the change in credit quality of financial assets since initial recognition. Expected credit losses reflect the present value of all cash shortfalls related to default events either (i) over the following twelve months or (ii) over the expected life of a financial instrument depending on credit deterioration from inception.

- Under Stage 1, where there has not been a significant increase in credit Risk since initial recognition, an amount equal to 12 months ECL will be recorded. The 12 months ECL is calculated as the portion of life time ECL that represents the ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12 months ECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12 month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original effective profit rate;

- Under Stage 2, where there has been a significant increase in credit Risk since initial recognition but the financial instruments are not considered credit impaired, an amount equal to the default probability weighted lifetime ECL will be recorded. The PD and LGD are estimated over the lifetime of the instrument and the expected cash shortfalls are discounted by an approximation to the original effective profit rate; and

- Under the Stage 3, where there is objective evidence of impairment at the reporting date these financial instruments will be classified as credit impaired and an amount equal to the lifetime ECL will be recorded for the financial assets, with the PD set at 100%.

(c) Description of methods used for determining accounting provisions for credit losses. In addition, banks that have adopted an ECL accounting model must provide information on the rationale for categorization of ECL accounting provisions in general and specific categories for standardized approach exposures. (continued)

The ECL is then based on the present value of the expected shortfalls in cash flows if the financing is drawn down. The expected cash shortfalls are discounted at an approximation to the expected effective profit rate on the financing.

The Bank's liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognized in the income statement, and the ECL provision. For this purpose, the Bank estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the Risk-adjusted rate relevant to the exposure.

The ECL model is forward looking and requires the use of reasonable and supportable forecasts of future economic conditions in the determination of significant increase in credit risk and measurement of ECL.

Assessment of significant increase in Credit Risk

The assessment of a significant increase in Credit Risk is done on a relative basis. To assess whether the Credit Risk on a financial asset has increased significantly since origination, the Bank compares the Risk of default occurring over the expected life of the financial assets at the reporting date to the corresponding Risk of default at origination, using key Risk indicators that are used in the Bank's existing Risk management processes. At each reporting date, the assessment of a change in Credit Risk will be individually assessed for those considered individually significant and at the segment level for retail exposures.

The exposure will be moved from stage 1 to stage 2 if:

- the changes in rating notch beyond the Bank's established threshold related to the initial recognition;
- Restructuring and Rescheduling of account;
- an instrument is past due beyond 30 days; and
- An instrument's Credit Risk is considered higher based on qualitative criteria of the Bank.

The instruments moved to stage 2 from stage 1 remain in the stage until they perform for a sustained period as per Bank's policy and CBUAE guideline (i.e. 12 months). Movement from stage 2 to stage 3 are based on whether the financial assets are Credit impaired at the reporting date.

Experienced Credit judgment

The Bank's ECL allowance methodology requires the use of experienced Credit judgment to incorporate the estimated impact of factors not captured in the modelled ECL results, in all reporting periods.

Default definition followed by the Bank for impairment assessment remains in line with the guidelines of IFRS 9, without any recourse to the assumptions, and consistent with regulatory requirements.

SAC is ultimately authority in downgrading the wholesale banking account to NPL. Wherever required significant credit judgment is applied in case of transfer between Stage 1 and stage 2

Expected life

When measuring expected credit loss, the Bank considers the maximum contractual period over which the Bank is exposed to Credit Risk along with repayment till maturity

(c) Description of methods used for determining accounting provisions for credit losses. In addition, banks that have adopted an ECL accounting model must provide information on the rationale for categorization of ECL accounting provisions in general and specific categories for standardized approach exposures. (continued)

Refinancing and restructuring policies

Refinancing: The replacement of an obligor's existing credit facilities from another Bank with new credit facilities from UAB or consolidation of an obligor's existing credit facilities within UAB provided such facilities are not in default or likely to lead to a default.

Restructuring: The material revision or alteration of the terms and conditions of an obligor's existing credit facilities which may include reduced or deferred repayments, extended terms, reduced interest/profit rates or interest/profit roll-up or forgiveness, relaxation of covenants or terms and conditions, or relaxed collateral/security requirements. In such circumstances, failure to agree to such a restructuring is likely to lead to a credit event in the immediate or near term.

i. The Bank may consider the refinance of an existing credit facility from another Bank where the obligor is not in financial distress.
ii. Proposals for refinancing of existing credit facilities which meet the above "refinancing" definition should follow the existing credit approval process for new and existing facilities.
iii. As soon as existing credit facilities exhibit early indicators which may lead to a potential credit event, the Bank must refer the early action. The relevant approving authority shall review credit facilities exhibiting indicators which may lead to a credit event and decide whether a downgrade and the restructuring of the facility are required.
iv. Restructuring of existing credit facilities is usually contemplated by the Bank to avoid an impending default, address an existing payment default, or rehabilitate delinquent debt and is usually considered as a better alternative than acceleration towards legal redress.

Existing credit facilities which are being considered for restructuring may have one or more of the following features:

- a. Interest/profit payments are more than 90 days past due
- b. Principal payments are more than 90 days past due
- c. The obligor is in serious financial difficulties
- d. Sources of repayment or ability to repay or service the debt are uncertain
- e. The value or recoverability of supporting security is in doubt
- f. The principal is at serious risk of substantial or full capital loss
- g. A previous rescheduling has been unsuccessful
- h. In any other circumstance where CRO deems appropriate

The terms and conditions of the restructured credit facilities may have one or more of the following characteristics:

- a. Reduced cash pay interest/profit rate
- b. Reduced fees
- c. Interest/profit forgiveness (non-recovery of accrued interest/profit)
- d. Reduced or rescheduled principal payments
- e. Extended tenor
- f. Forgiveness of principal
- g. Weakened financial covenants and/or conditions
- h. A mechanism to provide the Bank with additional reward upon a successful outcome e.g. success fees or non-cash pay interest/profit – PIK (payment in kind)
- i. Significantly reduced LTV due to a reduction in the value of the collateral

(c) Description of methods used for determining accounting provisions for credit losses. In addition, banks that have adopted an ECL accounting model must provide information on the rationale for categorization of ECL accounting provisions in general and specific categories for standardized approach exposures. (continued)

Overall credit assessment of the obligor's credit status and ability to repay will continue to be a matter of judgment and this will inform both the nature of the restructured facilities and the subsequent risk rating attributable to the obligor both before and after the revised facilities being operative.

When considering restructuring proposals of existing credit facilities, particular emphasis should be given to the following areas when assessing the financial position of the obligor, the obligor's ability to repay, and the overall credit risk:

a. Current and future financial performance, understanding assumptions and key sensitivities
b. Visibility and sustainability of current and future cash flows
c. Availability and access to free cash flow
d. Full details of funded and unfunded facilities from other lenders, repayment profiles and any personal or corporate guarantees
e. Details of trade or other creditors including details of post-dated cheques issued
f. Full details of both current and fixed assets together with details of security to other lenders
g. Current assessment of the value and recoverability of existing collateral and potential for value appreciation or deterioration over time

If the information made available is either incomplete, insufficiently detailed or is not robust, consideration should be given to involving external advisors to support the obligor and obtain an independent assessment of the situation to better inform the Bank.

x. Refinancing, as defined above, is subject to the normal credit process and the obligor's risk rating will be assessed based upon the criteria as set out in the policy sections of this policy.

xi. Where credit facilities have been restructured and if they fall within "Non–performing credit facilities" as defined by CB UAE's instructions, the credit is to be considered as "Substandard".

(d) The bank's own definition of a restructured approach

Rescheduling & Restructuring may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate

Rescheduled are facilities with renegotiated terms that do not result in NPV loss to the Bank as compared to the original facility.

Restructured are facilities with renegotiated terms that result in NPV loss to the Bank as compared to the original facility. This NPV loss can occur due to various reasons, such as: a haircut of the principal, reduction in the interest/profit rate, extension in the tenor or such other consequential terms and conditions.

(h) Breakdown of restructured exposures between impaired and not impaired exposures.
Restructured accounts are totaling of AED 963.2 million. The total restructured amount is 11.73% of total gross financing.

CRC: Qualitative disclosure requirements related to credit risk mitigation techniques

(a) Core features of policies and processes for, and indication of the extent to which the bank makes use of, on- and off-balance sheet netting

Financial assets and liabilities are offset and reported net in the consolidated financial position only when there is a legally enforceable right to set off the recognized amounts and when the Bank intends to settle either on a net basis, or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions such as in the Bank trading activity.

The Bank is party to a number of arrangements, including master netting agreements, that give it the right to offset financial assets and financial liabilities but where it does not intend to settle the amounts net or simultaneously and therefore the assets and liabilities concerned are presented on a gross basis.

Credit – Related Commitments Risks

The Bank provide its customers guarantees and letters of credit which require that the Bank makes payments in the event of default that the customer fails to fulfil certain obligations to other parties.

This exposes the Bank to a similar Risk to financing and investing assets and these are mitigated by the same control processes and policies.

(b) Core features of policies and processes for collateral evaluation and management

Security is defined as all cash or near cash items, such as cash margin, fixed deposits under lien, unconditional financial guarantees from acceptable banks, negotiable instruments like bankers' check, demand draft, bills of exchange issued by prime banks and certain government securities/bonds.

Collateral means additional security, which secures the bank's exposure in case the primary source of repayment and liquidity of security stated above is not sufficient to settle in full the bank's exposure. Example of such collaterals is mortgage of property, pledge of blue-chip quoted and listed company shares, mortgage of plant, machinery and vehicles etc. Policy clearly defines the acceptable practice for valuation and frequency based on the type of asset. A list of approved valuation firms is maintained to conduct such valuation.

(c) Information about market or credit risk concentrations under the credit risk mitigation instruments used (i.e. by guarantor type, collateral and credit derivative providers)

Concentrations of credit risks arise when a number of customers are engaged in similar business activities, activities in the same geographic region, 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. Concentrations of credit risks indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographical location.

The Bank seeks to manage its credit risk exposure through diversification of its financing to ensure there is no undue concentration of risks with to individuals or groups of customers in specific geographical locations or economic sectors, which is achieved through Risk Appetite thresholds, Target Market Criteria and Risk Acceptance Criteria.

The Bank manages credit risk by placing limits on the amount of risk accepted in relation to individual customers and groups and economic segments. It also does so by credit risk mitigation through guarantees and tangible collaterals.

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

(a) Names of the external credit assessment institutions (ECAIs) and export credit agencies (ECAs) used by the bank, and the reasons for any changes over the reporting period

CBUAE recognized credit assessment institutions (ECAIs). There is no change over the reporting period.

(b) The asset classes for which ECAI and ECA is used

Externally rated Corporate, Banks, Sovereign and Government Related Entities. Where external ratings are available, these can be used internally. The external ratings are mapped to the internal scale using PDs. For easy of conversion we are using 22 rating scale same as used by majority of rating agencies.

(c) A description of the process used to transfer the issuer to issue credit ratings onto comparable assets in the banking book

The Bank assesses and map the probability of default of individual wholesale counterparties using internal term structure table which is to the various categories of counterparties. These segments include: Corporate, SME, FI, and Sovereign.

Models are developed with the external support of accredited consultants and are subject to external and internal validation. Models are calibrated to the Bank's internal rating scale, and are housed within the Moody's CreditLens platform. The Bank regularly validates the performance of the rating and their predictive power with regard to default events.

(d) The alignment of the alphanumerical scale of each agency used with the risk buckets (except where the relevant supervisor publishes a standard mapping with which the bank has to comply).

The Bank's internal ratings scale is mapped to Credit Lens's rating scale:

It is the Bank's policy to maintain accurate and consistent Risk Ratings across the credit portfolio. This facilitates focused management of the applicable Risks and the comparison of financing exposures across all lines of business, regions and products. All internal Risk Ratings are segmented into various category based on risk appetite, segmentation and risk profile. The attributable Risk Ratings are assessed and updated regularly.

(e) Breakdown of loan exposures by geographical areas (residence country) and industry

Country	FY 2021	
	On Balance sheet Assets	Contingent Assets and Unused Commitments
	AED'000	AED'000
United Arab Emirates	12,409,369	4,908,107
Other Middle East countries	1,215,353	20,695
Europe	64,323	15,186
USA	75,889	-
Rest of the world	885,795	7,020
TOTAL	**14,650,728**	**4,951,008**

(f) Breakdown of loan & advances (Funded exposures) by geographical areas (residence country) and industry

Country	Wholesale Banking	Retail Banking	Total
United Arab Emirates	6,795,849	1,680,393	8,476,242
Turkey	110,642	-	110,642
Egypt	107,290	-	107,290
Bangladesh	91,522	-	91,522
Oman	86,304	-	86,304
Mauritius	55,088	-	55,088
Brundi	35,398	-	35,398
Vietnam	23,871	-	23,871
Nigeria	18,363	-	18,363
Pakistan	7,345	-	7,345
Saudi Arabia	3,479	-	3,479
Sri Lanka	2,295	-	2,295
Malaysia	179	-	179
Kuwait	159	-	159
Total	**7,337,782**	**1,680,393**	**9,018,175**

(g) Amounts of impaired exposures (according to the definition used by the bank for accounting purposes) and related allowances, broken down by industry.

Sector wise impaired loans		
Economic Sector	**Total**	**Total**
Government and public sector	-	-
Trade	325,273	136,488
Personal loans (retail and business)	438,017	186,754
Manufacturing	181,326	70,896
Construction	7,218	11,793
Services	97,744	90,224
Financial institutions	88,446	42,779
Transport and communication	-	5,775
Agriculture	-	-
Others	-	-
Total	**1,138,023**	**544,709**

(h) Ageing analysis of accounting past-due but not impaired exposures.

FY 2021	Less than 30 days	31 to 60 days	61 to 90 days	More than 91 days	Total
Loans and advances	**42,396**	**8,144**	**710**	**125**	**51,376**
FY 2020					
Loans and advances	**96,274**	**24,215**	**5,166**	**10,053**	**135,709**

(i) Breakdown of restructured exposures between impaired and not impaired exposures.

	Stage 1	Stage 2	Stage 3	Total
Total	41,622	131,730	789,868	963,219
Total Provisions	(1,768)	(13,889)	(322,715)	(338,372)
Net credit exposure	39,853	117,841	467,153	624,847

CR3: Credit risk mitigation techniques - overview

		Gross 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	9,018,175	-	-	-	-	-	-
2	Debt securities	3,531,764	-	-	-	-	-	-
3	**Total**	12,549,939	-	-	-	-	-	-
4	Of which defaulted	1,138,023	-	-	-	-	-	-

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

		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 and Off-balance sheet amount**	**RWA**	**RWA density**
1	Sovereigns and their central banks	4,205,166	-	4,205,166	767,167	18.2%
2	Public Sector Entities	2,483,199	-	2,483,199	1,616,740	65.1%
3	Multilateral development banks	-	-	-	-	-
4	Banks	1,154,234	193,663	1,300,890	968,880	83.9%
5	Securities firms	-	-	-	-	-
6	Corporates	3,610,810	4,788,372	5,275,725	4,256,261	117.9%
7	Regulatory retail portfolios	561,742	-	561,742	441,412	78.6%
8	Secured by residential property	1,023,687	-	1,023,687	387,473	37.9%
9	Secured by commercial real estate	808,009	-	808,009	808,009	100.0%
10	Equity Investment in Funds (EIF)	-	-	-	-	-
11	Past-due loans	1,032,725	69,140	510,122	575,549	55.7%
12	Higher-risk categories	-	-	-	-	-
13	Other assets	1,488,174	-	1,105,293	1,103,110	74.1%
14	**Total**	16,367,748	5,051,175	17,273,834	10,924,601	66.7%

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

Risk weight

	Asset classes	0%	20%	35%	50%	75%	100%	150%	Others	Total credit exposures amount (post CCF and post-CRM)
1	Sovereigns and their central banks	3,295,691	177,885				731,590			4,205,166
2	Public Sector Entities		894,782		301,267		1,287,150			2,483,199
3	Multilateral development banks									
4	Banks		19,643		675,055		563,727	42,464		1,300,890
5	Securities firms									
6	Corporates	958,445					3,841,902	15,828	459,550	5,275,725
7	Regulatory retail portfolios					481,324	80,419			561,742
8	Secured by residential property			978,791			44,896			1,023,687
9	Secured by commercial real estate						808,009			808,009
10	Equity Investment in Funds (EIF)									
11	Past-due loans						379,269	130,853		510,122
12	Higher-risk categories									
13	Other assets	56,423					940,391	108,479		1,105,293
14	**Total**	**4,310,560**	**1,092,310**	**978,791**	**976,322**	**481,324**	**8,677,353**	**297,625**	**459,550**	**17,273,834**

11. Counterparty Credit Risk

Counterparty credit risk that the counterparty to a transaction could default before the final settlement of the transaction in cases where there is a bilateral risk of loss. The bilateral risk of loss is the key concept on which counterparty risk is calculated. Broad definition of counterparty credit risk include wrong way risk.

Bank calculate a counterparty credit risk charge for all exposure that give risk to counterparty credit risk. The categories of transaction that give risk to counterparty credit risk are:

- Over the counter (OTC) derivatives
- Exchange traded derivative
- Long settlement transaction
- Securities financing transaction

The transaction listed above generally exhibit the following abstract characteristic:

- The transaction generate a current exposure or market value
- The transaction have an associated random future market value based on market variable

CCRA: Qualitative disclosure related to counterparty credit risk

(a) The method used to assign operating limits defined in terms of internal capital for counterparty credit exposures and for CCP exposures

Not Applicable. No Exposure to CCP

(b) Policies relating to guarantees and other risk mitigants and assessments concerning counterparty credit risk, including exposures towards CCPs'

Not Applicable. No Exposure to CCP

There is currently no exposure to CCPs'.

(c) Policies with respect to wrong-way risk exposures

There is currently no exposure to CCPs'.

(d) The impact in terms of the amount of collateral that the bank would be required to provide given a credit rating downgrade.

Not applicable.

CCR1: Analysis of counterparty credit risk (CCR) exposure by approach.

		Replacement cost	Potential future exposure	EEPE	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
1	SA-CCR (for derivatives)	84,169	15,996			100,165	85,852
2	Internal Model Method (for derivatives and SFTs)			-	-	-	-
3	Simple Approach for credit risk mitigation (for SFTs)					-	-
4	Comprehensive Approach for credit risk mitigation (for SFTs)					-	-
5	VaR for SFTs					-	-
6	**Total**						85,852

CCR3: Standardized approach - CCR exposures by regulatory portfolio and risk weights

Regulatory Portfolio / Risk weight	0%	20%	50%	75%	100%	150%	Others	Total credit exposure
Sovereigns	-	-	-	-	-	-	-	-
Public Sector Entities (PSEs)	-	-	-	-	-	-	-	-
Multilateral development banks (MDBs)	-	-	-	-	-	-	-	-
Banks	-	-	5,030	-	82,071	826	-	87,927
Securities firms	-	-	-	-	-	-	-	-
Corporates	-	-	-	-	12,238	-	-	12,238
Regulatory retail portfolios	-	-	-	-	-	-	-	-
Secured by residential property	-	-	-	-	-	-	-	-
Secured by commercial real estate	-	-	-	-	-	-	-	-
Equity Investment in Funds (EIF)	-	-	-	-	-	-	-	-
Past-due loans	-	-	-	-	-	-	-	-
Higher-risk categories	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-
Total	**-**	**-**	**5,030**	**-**	**94,309**	**826**	**-**	**100,165**

CCR5: Composition of collateral for CCR exposure

	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash - domestic currency	-	-	-	-	-	-
Cash - other currencies	-	-	-	-	-	-
Domestic sovereign debt	-	-	-	-	-	-
Government agency debt	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	-	-	-	-	-	-

CCR6: Credit derivative exposures – Nil

CCR8: Exposures to central counterparties – Nil

12 Securitization

Not applicable

SECA	Qualitative disclosures related to securitization exposures	Not Applicable
SEC1	Securitization exposures in the banking book	Nil
SEC2	Securitization exposures in the trading book	Nil
SEC3	Securitization exposures in the banking book and associated regulatory capital requirements - bank acting as originator or as sponsor	Nil
SEC4	Securitization exposures in the trading book and associated capital requirements - bank acting as investor	Nil

13 Market Risk

MRA: General qualitative disclosure requirements related to market risk

(a) Strategies and processes of the bank: this must include an explanation of management's strategic objectives in undertaking trading activities, as well as the processes implemented to identify, measure, monitor and control the bank's market risks, including policies for hedging risk and strategies/processes for monitoring the continuing effectiveness of hedges.

Market Risk is the risk that the Bank's earnings or capital, or its ability to meet business objectives, will be adversely affected by changes in the level or volatility of market rates or prices such as foreign exchange rates, profit rates, credit spreads, equity and sukuk/bond market prices etc.

The Bank, keeping in view the size and scale, doesn't encourage proprietary trading activities. The Bank has a low appetite for market risk exposure(s) guided by approved tolerances. The Bank provides hedging solutions to its customers to mitigate their market risk on their underlying commitments and not for any speculative purposes. The Bank allows limited products for hedging purposes. These positions are monitored and reported on a regular basis. The Bank squares off its customer deals with the interbank counterparties in order to not carry any significant market risk on these positions.

(b) Structure and organization of the market risk management function: description of the market risk governance structure established to implement the strategies and processes of the bank discussed in the above point, and describing the relationships and the communication mechanisms between the different parties involved in market risk management.

Market Risk is governed by the Enterprise Risk Management Framework, Risk Appetite Framework and the Market Risk Policy approved by the Bank's Board of Directors. The Board has delegated the responsibility of managing Market risk of the Bank to the Board Risk Committee (BRC). BRC & Risk Management Committee (RC) reviews Market risk policy, Market risk appetite and tolerance limits proposed by Risk Management for the Bank in line with the Bank's objectives, strategy and overall risk appetite.

ERM framework and the Market Risk Policy are reviewed annually and changes/enhancements if any are approved by the RC and BRC.

Asset Liability and Investment Committee (ALICO) monitors the market risk positions, Head of ERM will report related management information to ALICO for necessary discussion, resolutions and decisions.

The Market Risk function folds under Enterprise Risk Management Unit under Risk Management and reports to the Chief Risk Officer. MRM department reviews the framework periodically and ensure that it remains aligned with changing market conditions and updates in regulatory guidelines that impact operations of the Bank.

(c) The scope and nature of risk reporting and/or measurement systems

The Bank calculates market risk capital requirements using Basel III Standardized Approach.

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

Risk Type	Definition	Exposure as of 31/12/2021
Interest rate risk	Risk arising from fluctuations in the level of interest rates in the market environment and impacts prices of interest rate sensitivities financial Instruments.	**Assets (figures 000):** 1. Gross due from banks: 378,735 2. Gross Loans: 9,018,175 3. Gross Investment :3,531,764 **Liabilities (figures 000):**: 1. Due to Banks:2,410,988 2. Deposits: 10.406,425
Foreign Exchange risk	Risk arising from fluctuations in foreign exchange rates and impacts transactions denominated in a currency other than the domestic currency of the Bank.	Yes
Equity Exposure risk	Risk arising from fluctuations in equity prices, volatilities, and dividend yields.	Nil
Commodity risk and	Risk arising from fluctuations in the prices of commodities.	Nil
Options risk	Risk arising from fluctuations in the volatilities and prices/ rates impacts financial instruments with optionality.	Nil

Key Reports used in Market Risk.

Liquidity

- Calculate the month liquidity premium as input for FTP
- Prepare BRFs related to LCR, NSFR, Interest rate risk in banking book and options Greeks
- Report on Cost Of Funds
- Deposits monitoring and impact on key ratios
- Deposits concentration report
- Update behavioral study for non-maturing and term deposits
- Testing EWIs for CFP
- ALM balance sheet preparation
- Liquidity and interest reports
- Evaluate deposits pricing
- Liquidity Gap analysis

Interest Rate Risk:

- DVO1 Balance and Trading Portfolio
- Interest Rate mismatch report
- NII , EVE Report
- Stress Testing

Market Risk:

- Limit Monitoring across Product, asset class
- Market Intelligence and Alerts reporting
- Market to Market and valuation report
- Hedge Effectiveness' Reports (IRS Deals) & Hedge Ratio calculation
- Monitoring Country Limit and CDS / Rating

MR1: Market risk under the Standardized approach (SA)

AED 000s

		31-Dec-21
		RWA
1	General Interest rate risk (General and Specific)	0
2	Equity risk (General and Specific)	0
3	Foreign exchange risk	2,835
4	Commodity risk	0
	Options	
5	Simplified approach	
6	Delta-plus method	
7	Scenario approach	
8	Securitization	0
9	**Total**	**2,835**

14 Interest Rate Risk in Banking Book

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Bank is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off balance sheet instruments that mature or reprice in a given period. The Board has established limits on the interest rate gaps for stipulated periods. Positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within the established limits.

Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for re-pricing bands. ALICO is the monitoring body for compliance with these limits and is assisted by Financial Market in its day to day monitoring activities.

Impact of shock on Interest rate is shown below:

IRRBB1: Quantitative information on IRRBB

In reporting currency (AED 000s)	**Change in EVE**	**Change in NII**
Period	**31/12/2021**	**31/12/2021**
Parallel up (200 bps)	(37,530)	155,184
Parallel down (200 bps)	89,931	(155,184)
Steepener	(471)	
Flattener	(75,134)	
Short rate up	(22,764)	
Short rate down	-	
Maximum	(75,134)	

15. Operational Risk

(a) Bank's policies, frameworks and guidelines for the management of operational risk

Operational risk is "the risk of loss resulting from inadequate or failed internal processes, people and system or from external events". This definition includes legal risk but excludes strategic and reputational risk. Key elements of the framework include:

- Risk Control Self-Assessment
- Incident Management where all loss events and relevant incidents are captured in an incident database Risk identification and setting up of Key Risk Indicators for new or enhanced processes
- Risk reporting to the senior management and Board

The day-to-day management of operational risk is through the maintenance of a comprehensive system of internal controls, supported by systems and Policy & procedures to monitor transaction and documentation, as well as business continuity planning and disaster recovery process.

(b) The structure and organization of their operational risk management and control function

The Bank's Operational Risk Framework follows the three lines of defense methodology. The framework clearly defines roles and responsibilities of individuals/units (across the three lines) that are involved in identifying, assessing, controlling, mitigating, monitoring and reporting Operational risk. Operational risk management department reports to Risk Management, independent of business and operations and ensures that practices remain compliant with approved framework.

(c) Their operational risk measurement system

To support measurement of operational risks, Bank has put in place a dedicated operational risk system that allows maintenance of incident database and risk assessment tools like Risk Control Self-Assessment and Key Risk Indicators. Bank presently follows the Basel II Basic Indicator Approach in calculating operational risk capital requirements.

(d) The scope and main context of their reporting framework on operational risk to executive management and to the board of directors

The Board assumes overall responsibility for Operational Risk Management. This includes defining risk appetite for operational risk, approval of the Operational Risk management framework, and oversight of senior management to ensure that strategies, policies and processes are implemented effectively.

Operational risk reports are shared with relevant Business units, Senior Management and Board on a periodic basis which includes analysis of the Bank's operational risk profile.

(e) The risk mitigation and risk transfer used in the management of operational risk

The Bank manages to mitigate the risk through setting policies & procedures and enhancing the control environment on an ongoing basis in line with the Board approved Operational Risk appetite. While the bank is committed to have effective risk management practices in place it also maintains an effective risk transfer methodology by procuring Insurance. The Bank actively engages with the Insurance provider for timely renewal and claims management.

16. Remuneration Policy

Qualitative disclosures

Key features of the remuneration system

(a) Name, composition and mandate of the main body overseeing remuneration.

Name: Board Nomination & Remuneration Committee
Composition and other rules are specified in term of references

The Board Governance & Remuneration Committee **(GRC)** provides oversight to the bank's Human Resources policies and is the main body that oversees remuneration for the bank, on behalf of the Board of Directors. The GRC has an independent oversight and control to review and approve HR policies endorsed by the bank's Management Committee (Mancom) or the Chief Executive Officer (CEO).

(b) External consultants whose advice has been sought, the body by which they were commissioned, and in what areas of the remuneration process.

Korn Ferry in 2020 performed Job Evaluations, new grading structure, peer group Benchmarking, Reward Strategy, new salary scales and variable pay.

(c) A description of the scope of the bank's remuneration policy (eg by regions, business lines), including the extent to which it is applicable to foreign subsidiaries and branches.

- Pay positioning has been ascertained on non-national data likewise pay ranges have also been developed on non-national data.
- National allowances has been added as a top up in allowances for nationals which align the pay range for nationals to peer group data.
- Separate scales have been developed for Core, Enabler and Support. For outsourced employee category the guidelines are to have their data as 10% less than support data. Separate scale has not been built in.

(d) A description of the types of employees considered as material risk-takers and as senior managers.

The CEO (senior management) and direct reports (executive management) are considered as senior managers and material risk-takers.

Information relating to the design and structure of remuneration processes. Disclosures should include:

(e) An overview of the key features and objectives of remuneration policy.

The bank's compensation approach is a performance-based, market-aware and aligned with business strategy and stakeholder interests. It encourages a culture that is driven by merit and differentiates the rewards excellent performance, both in the short and long term. Our principles are:

- Pay for performance, based on balanced risk taking and good business conduct as measured on a performance appraisal rating process.
- Attract, retain top performers, talent and business critical resources and motivate all employees to achieve results with integrity and fairness.
- Monitor compensation trends and practices in the relevant markets.

Apply strong corporate governance and comply with regulatory requirements.

It is the bank's policy that each employee's level of compensation is based on his/her role evaluation. An individual's level of responsibility is derived from his/her Job Description. The remuneration and bonus/rewards of employees will be linked to the soundness of the bank's financial position.

Compensation increases resulting from promotions or merit increments shall be in compliance with the approved job level and salary structure and job benefits applicable to each employee. However, the bank will not guarantee that monetary increments take effect every year, even in the instance of excellent performance results. Our principles are:

- To clearly state responsibilities and expectations of each position.
- To ensure that a consistent compensation and benefits structure continues to exist throughout the bank.
- To retain a competitive compensation and benefit structure comparable to similar organizations.
- To provide a competitive compensation and benefits package to all employees fully, accurately and on time.
- To revisit the structure in a short to long term basis to ensure alignment with market trends.
- To provide performance incentives based on performance and overall contribution in achieving business objectives.

(f) Whether the remuneration committee reviewed the firm's remuneration policy during the past year, and if so, an overview of any changes that were made, the reasons for those changes and their impact on remuneration.

Remuneration committee approved Korn Ferry new reward strategy in December 2020 and implemented in April 2021. The main changes is replacement the old grades with salary bands, applied new salary scale, refer to the job evaluation conducted and last performance rating, consolidated all allowances, made corrections on the benefits such as Education and National allowances. The impact on remuneration is increase of the staff cost. The reasons for the changes is to comply with Central Bank Corporate Governance regulations and align the salaries with the market which supposed to take many years.

(g) A discussion of how the bank ensures that risk and compliance employees are remunerated independently of the businesses they oversee.

- Control departments such as Risk, Compliance and Audit considered Enabler functions.
- Given the pay differentials across the job families within the peer group and at UAB, the differential in the overall pay range has been created.
- The percentage differential of 10% for Core at middle level and 15% at senior level. For Enabler, 10% mark up at senior levels represent the pay premiums in the market for each of the category of roles.

(h) Description of the ways in which current and future risks are taken into account in the remuneration processes. Disclosures should include an overview of the key risks, their measurement and how these measures affect remuneration.

The current main key risk is the remuneration is below the market sometimes and chances for employees to leave the organization to better prospective and increase the regret attrition especially for national employees. The challenge is increasing the salaries will impact on the staff costs.

Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration. Disclosures should include:

(i) An overview of main performance metrics for bank, top-level business lines and individuals.

Main performance metrics for bank should be as follows:-
Profitability:

1. Return on average shareholder's equity
2. Profitability: Return on assets / Cost: Income ratio
3. Capital: Capital Adequacy Ratio/ Tier 1 Capital Ratio
4. Loan loss ratio and Non-performing asset ratio
5. Concentration Loan and Deposit
6. Sensitivity analysis
7. Liquidity: ELAR, ASR, LCR and NSFR

Main performance metrics for individuals measured by performance appraisal against KPIs achievement on the areas of Financial, Customer, People and Process

(j) A discussion of how amounts of individual remuneration are linked to bank-wide and individual performance.

- Different weights are assigned to corporate and individual performance based on bands
- Board Governance & Remuneration Committee will determine:
  - KPIs for corporate scorecard
  - Performance threshold for each KPI
- Payout linkage to corporate, divisional and individual performance as shown in the following table:

Career Band	Corporate performance	Divisional Performance	Individual Performance
CEO / DCEO	100%	-	-
Executive Management	60%	40%	-
Senior Management	50%	50%	-
Management	-	40%	60%
Junior Management	-	30%	70%
Senior Officer	-	20%	80%
Officer	-	10%	90%
Admin Support	-	-	100%

(k) A discussion of the measures the bank will in general implement to adjust remuneration in the event that performance metrics are weak, including the bank's criteria for determining "weak" performance metrics.

Non Performing ratio KPI is measured as following criteria:

- Keeping the annual growth in NPLs within budget target
- Progressive bring the historical/ legacy NPL ratio with industry norm within next five years
- Computation should be in line with internal KPI

Description of the ways in which the bank seeks to adjust remuneration to take account of longer-term performance. Disclosures should include:

Long term incentive plans not approved by the remuneration committee because the bank not achieving net profit that allows payment of bonuses

(l) A discussion of the bank's policy on deferral and vesting of variable remuneration and, if the fraction of variable remuneration that is deferred differs across employees or groups of employees, a description of the factors that determine the fraction and their relative importance.

Not applicable

(m) A discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and (if permitted by national law) after vesting through claw back arrangements.

Not applicable as currently there is no deferral policy in the Bank.

(n) An overview of the forms of variable remuneration offered (i.e. cash, shares and share-linked instruments and other forms).

The only variable remuneration that bank utilizes is incentive plans for Branches and Sales employees managed by Retail Banking.

Performance Bonus:
UAB has not given any performance related bonus

(o) A discussion of the use of the different forms of variable remuneration and, if the mix of different forms of variable remuneration differs across employees or groups of employees), a description the factors that determine the mix and their relative importance.

Variable remuneration (if applicable) is paid in cash.

REM1: Remuneration awarded during the financial year

In AED 000

Remuneration Amount			a	b
			Senior Management	Other Material Risk-takers
1	Fixed Remuneration	Number of employees	14	0
2		Total fixed remuneration (3 + 5 + 7)	16,153.54	0
3		Of which: cash-based	16,153.54	0
4		Of which: deferred	0	0
5		Of which: shares or other share-linked instruments	0	0
6		Of which: deferred	0	0
7		Of which: other forms	0	0
8		Of which: deferred	0	0
9	Variable Remuneration	Number of employees	0	0
10		Total variable remuneration (11 + 13 + 15)	0	0
11		Of which: cash-based	0	0
12		Of which: deferred	0	0
13		Of which: shares or other share-linked instruments	0	0
14		Of which: deferred	0	0
15		Of which: other forms	0	0
16		Of which: deferred	0	0
17	**Total Remuneration (2+10)**		**16,153.54**	**0**

REM2: Special payments

In AED 000

Special Payments	Guaranteed Bonuses		Sign on Awards		Severance Payments	
	No of employees	Total amount	No of employees	Total amount	No of employees	Total amount
Senior Management	0	0	1	1,227.73	2	40.63
Other material risk-takers	0	0	0	0	0	0

REM3: Deferred payments

In AED 000

Deferred and retained remuneration	Total amount of O/s deferred remuneration	Of which: Total amount of O/s deferred and retained remuneration exposed to ex post explicit and/or implicit adjustment	Total amount of amendment during the year due to ex post explicit adjustments	Total amount of amendment during the year due to ex post implicit adjustments	Total amount of deferred remuneration paid out in the financial year
Senior management	0	0	0	0	0
Cash	0	0	0	0	0
Shares	0	0	0	0	0
Cash-linked instruments	0	0	0	0	0
Other	0	0	0	0	0
Other material risk-takers	0	0	0	0	0
Cash	0	0	0	0	0
Shares	0	0	0	0	0
Cash-linked instruments	0	0	0	0	0
Other	0	0	0	0	0
Total	0	0	0	0	0