Q2 2022

BASEL III PILLAR 3

Contents

Overview

Pillar III of the Basel framework aims to promote market discipline through regulatory disclosure requirements. These requirements enable market participants to access key information relating to a bank's regulatory capital and risk exposures in order to increase transparency and confidence about a bank's exposure to risk and the overall adequacy of its regulatory capital.

Enhanced requirements were issued by CB UAE in November 2020 and are effective from 31st December 21. 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 disclosure requirements in this revision of the standard includes the following elements in addition to the existing disclosures:

- Consolidation of all existing BCBS disclosure requirements into the Pillar 3 framework – These disclosure requirements cover the composition of capital, the leverage ratio, the Liquidity Coverage Ratio (LCR), the Net Stable Funding Ratio (NSFR), interest rate risk in the banking book and remuneration.
- Two enhancements to the Pillar 3 framework – This standard introduces a "dashboard" of a bank's key prudential metrics which will provide users of Pillar 3 data with an overview of a bank's prudential position, and a new disclosure requirement for those banks which record prudent valuation adjustments (PVAs) to provide users with a granular breakdown of how a bank's PVAs are calculated.
- Revisions and additions to the Pillar 3 standard arising from ongoing reforms to the regulatory policy framework.

Overview of risk management, key prudential metrics and RWA

Key metrics (KM1)

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

		Jun – 2022 (AED 000)	Mar – 2022 (AED 000)	Dec – 2021 (AED 000)
	Available capital (amounts)			
1	Common Equity Tier 1 (CET1)	19,967,714	19,918,250	19,785,886
1a	Fully loaded ECL accounting model	19,967,714	19,918,250	19,785,886
2	Tier 1	19,967,714	19,918,250	19,785,886
2a	Fully loaded ECL accounting model Tier 1	19,967,714	19,918,250	19,785,886
3	Total capital	21,819,384	21,697,802	21,479,861
3a	Fully loaded ECL accounting model total capital	21,819,384	21,697,802	21,479,861
	Risk-weighted assets (amounts)			
4	Total risk-weighted assets (RWA)	160,869,684	154,939,943	148,169,044
	Risk-based capital ratios as a percentage of RWA			
5	Common Equity Tier 1 ratio (%)	12.41%	12.86%	13.35%
5a	Fully loaded ECL accounting model CET1 (%)	12.41%	12.86%	13.35%
6	Tier 1 ratio (%)	12.41%	12.86%	13.35%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	12.41%	12.86%	13.35%
7	Total capital ratio (%)	13.56%	14.00%	14.50%
7a	Fully loaded ECL accounting model total capital ratio (%)	13.56%	14.00%	14.50%
	Additional CET1 buffer requirements as a percentage of RWA			
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.50%	2.50%	2.50%
9	Countercyclical buffer requirement (%)	-	-	-
10	Bank D-SIB additional requirements (%)	-	-	-
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9+ row 10)	2.50%	2.50%	2.50%
12	CET1 available after meeting the bank's minimum capital requirements (%)	3.06%	3.50%	4.00%
	Leverage Ratio			
13	Total leverage ratio measure	223,706,809	217,341,323	212,137,664
14	Leverage ratio (%) (row 2/row 13)	8.93%	9.16%	9.33%
14a	Fully loaded ECL accounting model leverage ratio (%) (row 2A/row 13)	8.93%	9.16%	9.33%
14b	Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	8.93%	9.16%	9.33%
	Liquidity Coverage Ratio			
15	Total HQLA	31,830,062	30,388,954	30,666,357
16	Total net cash outflow	32,920,509	25,738,428	24,942,176
17	LCR ratio (%)	96.69%	118.07%	122.95%
	Net Stable Funding Ratio			
18	Total available stable funding	100,174,323	99,461,963	100,211,233
19	Total required stable funding	96,732,976	93,008,094	88,838,851
20	NSFR ratio (%)	103.56%	106.94%	112.80%

Overview of risk management and RWA (OVA)

Mashreq Group's Enterprise Risk Management Framework (ERMF) sets out the overarching arrangements for risk management, control and assurance within the Group, including how the business model of the Group gives rise to the risks that the Group is exposed to and the Group's risk profile.

The ERMF is designed to provide a consistent and structured approach to identify, assess, measure, control, monitor and report on the Group's risks. The ERMF helps to ensure that material risks implicit within the Group's business activities are identified and are managed on behalf of internal and external stakeholders, including shareholders, customers, employees and regulators. The Group has also developed a Risk Appetite Framework (RAF) which outlines the nature and absolute quantum of risk that the Group is willing to assume. Group's risk profile is monitored against the approved Risk Appetite Statement on a periodic basis and any breaches against the risk appetite are reviewed by the Board Risk Committee ("BRC").

Effective risk governance and oversight provides Management and other stakeholders with assurance that the Group's business activities will not be excessively impacted by risks that could have been reasonably foreseen. This, in turn, reduces the uncertainty of achieving the Group's strategic objectives

The Board of Directors (the "Board") through the Board Risk Committee has overall responsibility for establishment and oversight of the Group's risk management framework. They are assisted by various management committees including the Executive Management Committee ("ExCo"), Enterprise Risk Committee ("ERC"), Assets and Liabilities Committee ("ALCO"), Regulatory Compliance Committee ("RCC") and Information Security Committee ("ISC"). Board committees are appointed by the Board and assist the Board in management of risk in the Group including review and approval of all risk management policies.

While the Board carries ultimate responsibility for overall risk management, the ERC assists the Board/Board Risk Committee in discharging these responsibilities including identifying, analyzing, assessing, treating, monitoring and communicating the risks associated with all activities, functions and processes within the Group including recommending the Group's overall Risk Appetite.

The ERC has overall responsibility for oversight of risk management framework and risk appetite of the Group. The Enterprise Risk Committee is also responsible for the approval of credit policies and procedures of the Group and to ensure adherence to the approved policies and close monitoring of different risks within the Group. The Enterprise Risk Committee also approves policy exceptions, establishes and monitors various concentration limits (such as limits for country, industry sector etc.) as part of the risk appetite and reviews credit portfolio to manage asset quality.

The Risk Management Group ("RMG") is independent of business groups and is led by a Chief Risk Officer ("CRO") with responsibility for deploying an enterprise-wide risk management and oversight of all material risks with the Group. The RMG is primarily responsible for defining the framework for management of all material risks within the Group.

The Internal Audit Group ("IAG") acts as the third line of defence function within the Group, independent from both the business units ("first line of defence") and Risk Management & Compliance functions ("second line of defence"). IAG provides independent assurance to stakeholders and senior management on compliance with all risk policies and procedures in the Group and the effectiveness of the risk management processes. This is undertaken through periodic reviews of all risk-taking units within the Group, in addition to Risk Management.

The Group's Board has the overall responsibility for establishing and overseeing the implementation of the Group's Enterprise Risk Management Framework (EMRF). In addition, the Board sets, communicates, and enforces the Group's risk culture that consistently influences and aligns with the strategy and objectives of the Group, and thereby supports the embedding of this ERMF, risk policies and processes within the Group.

The Board is supported by Board committees in discharge of its responsibilities. Board Risk Committee (BRC) is the primary risk management committee with responsibly for the establishment and oversight of the Group's ERMF on behalf of the Board. The Board and BRC are assisted by various committees including the Enterprise Risk Committee, Assets and Liabilities Committee (ALCO) and Investment Committee etc.

The Board is ultimately responsible for enforcing the risk culture within the bank through the BRC and relevant management committees. Any decline in risk culture and risk profile is communicated to the Board by management via the risk governance structure in place within the Group

The Group has extensive systems and associated mechanisms in place to enable measurement, assessment and analysis of the Group's risk profile including measurement and monitoring of Key Risk Indicators (KRI) and risk parameters.

Specifically, the Group benefits from risk measurement systems that enable the quantification of risk within credit, trading and non-traded market, operational (including fraud) and liquidity risks. In addition, the Group has systems in place to measure the Group's capital requirements in line with regulatory guidelines.

Overview of Risk Weighted Assets (OV1)

The following table provides an overview of total Risk Weighted Assets.

		a	b	c
		RWA		Minimum capital requirements
		Jun – 2022 (AED 000)	Mar – 2022 (AED 000)	Jun – 2022 (AED 000)
1	Credit risk (excluding counterparty credit risk)	146,698,265	140,705,677	15,403,318
2	Of which: standardised approach (SA)	146,698,265	140,705,677	15,403,318
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)	1,337,561	1,526,780	140,444
7	Of which: standardised approach for counterparty credit risk	1,337,561	1,526,780	140,444
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	Securitisation exposures in the banking book	97,786	131,699	10,268
17	Of which: securitisation internal ratings-based approach (SEC-IRBA)			
18	Of which: securitisation external ratings-based approach (SEC-ERBA)	-	-	-
19	Of which: securitisation standardised approach (SEC-SA)	97,786	131,699	10,268
20	Market risk	3,291,255	3,130,974	345,582
21	Of which: standardised approach (SA)	3,291,255	3,130,974	345,582
22	Of which: internal models' approach (IMA)			
23	Operational risk	9,444,816	9,444,816	991,706
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)**	**160,869,684**	**154,939,946**	**16,891,317**

- The regulatory minimum capital requirement is calculated at 10.5% of the RWA. Credit risk weighted assets (CRWAs) increased by AED 5.8 Bn during the quarter in line with the balance sheet growth.

Composition of capital

This section demonstrates the composition of regulatory capital, along with the reconciliation of regulatory capital to the balance sheet.

Composition of regulatory capital (CC1)

The below table gives a breakup of Group's Regulatory Capital.

		a	b
		Amounts (In AED 000)	**CC2 Reference**
	Common Equity Tier 1 capital: instruments and reserves		
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	2,006,098	C
2	Retained earnings	18,764,672	
3	Accumulated other comprehensive income (and other reserves)	(550,691)	
4	Directly issued capital subject to phase-out from CET1 (only applicable to non-joint stock companies)		
5	Common share capital issued by third parties (amount allowed in group CET1)		
6	**Common Equity Tier 1 capital before regulatory deductions**	**20,220,080**	

		a	b
		Amounts (In AED 000)	CC2 Reference
	Common Equity Tier 1 capital regulatory adjustments		
7	Prudent valuation adjustments	-	
8	Goodwill (net of related tax liability)	-	
9	Other intangibles including mortgage servicing rights (net of related tax liability)	(245,199)	B
10	Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of related tax liability)	(7,166)	A
11	Cash flow hedge reserve	-	
12	Securitisation gain on sale	-	
13	Gains and losses due to changes in own credit risk on fair valued liabilities	-	
14	Defined benefit pension fund net assets	-	
15	Investments in own shares (if not already subtracted from paid-in capital on reported balance sheet)	-	
16	Reciprocal crossholdings in CET1, AT1, Tier 2	-	
17	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
18	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
19	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	
20	Amount exceeding 15% threshold	-	
21	Of which: significant investments in the common stock of financials	-	
22	Of which: deferred tax assets arising from temporary differences	-	
23	CBUAE specific regulatory adjustments	-	
24	**Total regulatory adjustments to Common Equity Tier 1**	(252,365)	
25	**Common Equity Tier 1 capital (CET1)**	**19,967,714**	

		a	b
		Amounts (In AED 000)	CC2 Reference
	Additional Tier 1 capital: instruments		
26	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	-	
27	OF which: classified as equity under applicable accounting standards	-	
28	Of which: classified as liabilities under applicable accounting standards	-	
29	Directly issued capital instruments subject to phase-out from additional Tier 1	-	
30	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in AT1)	-	
31	Of which: instruments issued by subsidiaries subject to phase-out	-	
32	Additional Tier 1 capital before regulatory adjustments	-	
	Additional Tier 1 capital: regulatory adjustments		
33	Investments in own additional Tier 1 instruments	-	
34	Investments in capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	
35	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	
36	CBUAE specific regulatory adjustments	-	
37	Total regulatory adjustments to additional Tier 1 capital	-	
38	**Additional Tier 1 capital (AT1)**	**-**	
39	**Tier 1 capital (T1= CET1 + AT1)**	**19,967,714**	
	Tier 2 capital: instruments and provisions		
40	Directly issued qualifying Tier 2 instruments plus related stock surplus	-	
41	Directly issued capital instruments subject to phase-out from Tier 2	-	
42	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 30) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	-	
43	Of which: instruments issued by subsidiaries subject to phase-out	-	
44	Provisions	1,851,670	
45	**Tier 2 capital before regulatory adjustments**	**1,851,670**	

		a	b
		Amounts (In AED 000)	**CC2 Reference**
	Tier 2 capital: regulatory adjustments		
46	Investments in own Tier 2 instruments	-	
47	Investments in capital, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	
48	Significant investments in the capital, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
49	CBUAE specific regulatory adjustments	-	
50	**Total regulatory adjustments to Tier 2 capital**	**-**	
51	**Tier 2 capital (T2)**	**1,851,670**	
52	**Total regulatory capital (TC = T1 + T2)**	**21,819,384**	
53	**Total risk-weighted assets**	160,869,684	
	Capital ratios and buffers		
54	**Common Equity Tier 1 (as a percentage of risk-weighted assets)**	12.41%	
55	**Tier 1 (as a percentage of risk-weighted assets)**	12.41%	
56	**Total capital (as a percentage of risk-weighted assets)**	13.56%	
57	**Institution specific buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus higher loss absorbency requirement, expressed as a percentage of risk-weighted assets)**	**2.5%**	
58	**Of which: capital conservation buffer requirement**	2.5%	
59	**Of which: bank-specific countercyclical buffer requirement**	-	
60	**Of which: higher loss absorbency requirement (e.g. DSIB)**	-	
61	**Common Equity Tier 1 (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirement.**	3.06%	
	The CBUAE Minimum Capital Requirement		
62	Common Equity Tier 1 minimum ratio	7.00%	
63	Tier 1 minimum ratio	8.50%	
64	Total capital minimum ratio	10.50%	

		a	b
		Amounts (In AED 000)	CC2 Reference
	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 standardised approach (prior to application of cap)	2,222,004	
70	Cap on inclusion of provisions in Tier 2 under standardised approach	1,851,670	
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)	-	

Reconciliation of regulatory capital to balance sheet (CC2)

	a	b	c
	Balance sheet as in published financial statements (In AED 000)	Under regulatory scope of consolidation (In AED 000)	Reference (CC1)
	Jun – 2022	Jun – 2022	
Assets			
Cash and balances at central bank	20,082,006	20,081,799	
Deposits and balances due from banks	33,324,553	28,927,668	
Financial assets measured at fair value	14,397,328	15,034,740	
Financial assets measured at amortised cost	10,579,510	8,915,236	
Loans and advances measured at amortised cost	89,675,925	93,200,114	
Acceptances	10,683,131	10,683,131	
Other assets	4,856,807	3,716,994	A
Reinsurance contract assets	2,829,782	-	
Investment in associates	71,833	71,833	
Investment properties	462,829	-	
Property, plant and equipment	1,398,935	1,319,608	
Intangible assets	281,336	245,199	B
Total assets	**188,643,975**	**182,196,322**	

Liabilities			
Deposit and balances due to banks	25,287,228	25,287,228	
Repurchase agreements with banks	3,196,290	3,196,290	
Customers Deposits	109,334,680	109,333,556	
Acceptances	10,683,131	10,683,131	
Other liabilities	7,785,419	6,839,046	
Medium-term loans	6,630,270	6,632,068	
Insurance contract liabilities	4,668,119	-	
Total liabilities	**167,585,138**	**161,971,320**	
Shareholders' equity			

Issued and paid up capital	2,006,098	2,006,098	C
Statutory and legal reserves	1,012,320	1,012,320	
General reserve	312,000	312,000	
Currency translation reserve	(104,386)	(104,386)	
Investment revaluation reserve	(1,770,624)	(1,770,624)	
Retained earnings	18,764,672	18,764,672	
Equity attributable to owners of the Parent	**20,220,080**	**20,220,080**	
Non-controlling interests	838,757	4,923	
Total shareholders' equity	**21,058,837**	**20,225,003**	

- Under the regulatory scope of consolidation, insurance and commercial subsidiaries are not consolidated as per Tier Capital supply standards.

Geographical distribution of credit exposures used in the countercyclical capital buffer (CCyb1)

Jun - 2022 (AED 000)

Geographical breakdown	a	b	c	D	e
	Countercyclical capital buffer rate	**Exposure values and/or risk-weighted assets used in the computation of the countercyclical capital buffer**		**Bank-specific countercyclical capital buffer rate**	**Countercyclical buffer amount**
		Exposure values	**Risk-weighted assets**		
Hong Kong	1%	477,283	477,283		
Sum		477,283	477,283		
Total		352,913,984	148,133,613	0.003%	4,773

- Credit Risk Weighted Assets are used in the denominator of bank - specific counter cyclical buffer rate calculation
- Total On - Balance Sheet and Off - Balance Sheet exposures as reported in Pillar 1 CR 2 sheet is shown in the above table

Leverage ratio

Summary comparison of accounting assets vs leverage ratio exposure (LR1)

		Jun - 2022 (AED 000)
1	Total consolidated assets as per published financial statements	188,643,975
2	Adjustments for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	1,647,938
3	Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference	-
4	Adjustments for temporary exemption of central bank reserves (if applicable)	-
5	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-
6	Adjustments for regular-way purchases and sales of financial assets subject to trade date accounting	-
7	Adjustments for eligible cash pooling transactions	-
8	Adjustments for derivative financial instruments	(56,681)
9	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	3,587,183
10	Adjustments for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	39,258,224
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	-
12	Other adjustments	(9,373,832)
13	**Leverage ratio exposure measure**	**223,706,808**

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Leverage ratio common disclosure template (LR2)

		In AED 000	
		a	b
		Jun 2022	Mar 2022
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	178,807,153	171,381,778
2	Gross-up for derivatives collateral provided where deducted from balance sheet assets pursuant to the operative accounting framework	-	-
3	(Deductions of receivable assets for cash variation margin provided in derivatives transactions)	-	-
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	-	-
5	(Specific and general provisions associated with on-balance sheet exposures that are deducted from Tier 1 capital)	-	-
6	(Asset amounts deducted in determining Tier 1 capital)	-	-
7	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)**	**178,807,153**	**171,381,778**
Derivative exposures			
8	Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	1,209,364	550,707
9	Add-on amounts for PFE associated with all derivatives transactions	844,885	1,463,367
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)**	**2,054,249**	**2,014,074**
Securities financing transactions			
14	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	3,177,712	4,084,941
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
16	CCR exposure for SFT assets	409,471	417,124
17	Agent transaction exposures	-	-
18	**Total securities financing transaction exposures (sum of rows 14 to 17)**	**3,587,183**	**4,502,065**
Other off-balance sheet exposures			
19	Off-balance sheet exposure at gross notional amount	161,337,487	154,474,504
20	(Adjustments for conversion to credit equivalent amounts)	(122,079,263)	(115,031,097)
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)**	**39,258,224**	**39,443,407**
Capital and total exposures			
23	**Tier 1 capital**	**19,967,714**	**19,918,250**

24	**Total exposures (sum of rows 7, 13, 18 and 22)**	**223,706,809**	**217,341,323**
Leverage ratio			
25	**Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)**	**8.93%**	**9.16%**
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	-	-
26	CBUAE minimum leverage ratio requirement	3%	3%
27	**Applicable leverage buffers**	5.93%	6.16%

- The Basel 3 leverage ratio is calculated by dividing the period-end tier 1 capital by the period-end leverage exposure.
- The Leverage exposure consists of both on-balance sheet assets and off-balance sheet items.

Liquidity

This section intends to make an informed judgment about the soundness of the group's liquidity risk management framework and liquidity position.

Liquidity Coverage Ratio (LIQ1)

		Jun - 2022 (AED 000)	
		a	**b**
		Total unweighted value (average)	**Total weighted value (average)**
High-quality liquid assets			
1	Total HQLA		31,830,062
Cash outflows			
2	**Retail deposits and deposits from small business customers, of which:**		
3	Stable deposits	25,247,708	1,262,385
4	Less stable deposits	7,540,515	754,052
5	**Unsecured wholesale funding, of which:**		
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	15,805,557	3,951,389
7	Non-operational deposits (all counterparties)	44,954,290	29,135,252
8	Unsecured debt		
9	**Secured wholesale funding**		0
10	**Additional requirements, of which:**		
11	Outflows related to derivative exposures and other collateral requirements	222,362	222,362
12	Outflows related to loss of funding of debt products	181,081	181,081
13	Credit and liquidity facilities	51,950,667	11,089,906
14	**Other contractual funding obligations**	0	0
15	**Other contingent funding obligations**	25,717,600	1,285,880
16	**TOTAL CASH OUTFLOWS**		47,882,307
Cash inflows			
17	**Secured lending (eg reverse repo)**	1,725,703	1,266,130
18	**Inflows from fully performing exposures**	15,302,950	13,542,764
19	**Other cash inflows**	152,904	152,904
20	**TOTAL CASH INFLOWS**		14,961,798
			Total adjusted value
21	**Total HQLA**		31,830,062
22	**Total net cash outflows**		32,920,509
23	**Liquidity coverage ratio (%)**		96.69%

- The Group maintained LCR of 96.7% on a monthly average during last quarter and 113.6% as of June,2022.
- The key driver of LCR are the net cumulative outflows driven mainly by the deposit profile and the portfolio of high-quality liquid assets.
- The group HQLA composition comprised 90% Level 1 HQLA and the remaining in Level 2A and 2B HQLA. The Group HQLA requirement are mainly met through the balances with CBUAE and various high-quality securities portfolio.
- The banks funding strategy is to maintain a funding profile that is diversified by structure, tenor and currency.
- The bank closely monitors and manages the tenor of its funding sources to ensure it can meet liquidity need under different stress scenario and different time horizons.

Net Stable Funding Ratio (LIQ2)

Jun - 2022 (AED 000)

		a	B	c	d	E
		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:					
2	Regulatory capital	21,989,529	-	-	-	21,989,529
3	Other capital instruments	-	-	-	-	-
4	Retail deposits and deposits from small business customers:					
5	Stable deposits	-	25,930,169	238,163	944,268	25,804,184
6	Less stable deposits	-	9,148,524	506,707	572,462	9,262,170
7	Wholesale funding:					
8	Operational deposits	-	14,978,370	45,872	-	7,512,121
9	Other wholesale funding	-	77,074,016	6,983,398	7,351,249	31,396,178
10	Liabilities with matching interdependent assets					
11	Other liabilities:					
12	NSFR derivative liabilities					
13	All other liabilities and equity not included in the above categories	-	7,620,530	-	4,210,142	4,210,142
14	**Total ASF**					**100,174,323**
Required stable funding (RSF) item						
15	Total NSFR high-quality liquid assets (HQLA)					**4,211,300**
16	Deposits held at other financial institutions for operational purposes	-	2,408,111	-	-	1,204,055
17	Performing loans and securities:	-	56,302,955	10,229,167	57,608,036	73,580,361
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	-	23,925,660	5,336,590	4,287,404	10,544,548
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:	-	31,507,876	4,404,527	45,243,352	56,413,051
21	With a risk weight of less than or equal to 35% under the standardised approach for credit risk	-	31,507,876	4,404,527	45,243,352	56,413,051

22	Performing residential mortgages, of which:	-	-	-	6,399,066	4,159,393
23	With a risk weight of less than or equal to 35% under the standardised approach for credit risk	-	-	-	6,399,066	4,159,393
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	869,419	488,049	1,678,213	2,463,369
25	Assets with matching interdependent liabilities					
26	Other assets:	-	3,569,188	38,316	7,887,996	11,822,390
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					274,729
30	NSFR derivative liabilities before deduction of variation margin posted					52,162
31	All other assets not included in the above categories		3,569,188	38,316	7,887,996	11,495,500
32	Off-balance sheet items		168,538,104	-	-	5,914,869
33	**Total RSF**					**96,732,976**
34	**Net Stable Funding Ratio (%)**					**103.56%**

- The NSFR measures the amount of available stable funding relative to the amount of required stable funding. The main drivers of NSFR are composition and profile of deposits as against loans.

Credit Risk

This section describes the main characteristics and elements of credit risk management (business model and credit risk profile, organization and functions involved in credit risk management, risk management reporting).

Credit quality of assets (CR1)

This table provides a comprehensive picture of the credit quality of the Group's assets.

Jun - 2022 (AED 000)

		a	B	c	d	e	f
		Gross carrying values of		**Allowances/ impairments**	**Of which ECL accounting provisions for credit losses on SA exposures**		**Net values (a+b-c)**
		Defaulted exposures	**Non-defaulted exposures**		**Allocated in regulatory category of Specific**	**Allocated in regulatory category of General**	
1	Loans	5,323,572	159,339,145	4,667,895		1,063,666	159,994,822
2	Debt Securities	-	22,536,274	-		48,135	22,536,274
3	Off-balance sheet exposures	1,865,036	63,731,841	546,232		111,551	65,050,645
	Total	**7,188,608**	**245,607,260**	**5,214,127**		**1,223,352**	**247,581,741**

- Above table excludes Revocable commitments of AED 100.1 Bn.
- The total defaulted exposures and the corresponding impairment allowances do not vary significantly when compared to previous reporting period (Dec 2021).

Changes in stock of defaulted loans and debt securities (CR2)

The below table explains the changes in the group's defaulted exposures between December 2021 and June 2022.

Jun - 2022 (AED 000)

		A
1	**Defaulted loans and debt securities at the end of the previous reporting period**	**7,211,204**
2	Loans and debt securities that have defaulted since the last reporting period	1,014,817
3	Returned to non-defaulted status	28,402
4	Amounts written off	-
5	Other changes	- 1,009,012
6	**Defaulted loans and debt securities at the end of the reporting period (1+2-3-4±5)**	**7,188,608**

- Immaterial changes in the amounts of defaulted exposures.

Credit risk mitigation techniques – overview (CR3)

The following table discloses the usage of credit risk mitigation techniques.

Jun - 2022 (AED 000)

		a	b	c	d	e	f	G
		Exposures unsecured: carrying amount	**Exposures secured by collateral**	**Exposures secured by collateral of which: secured amount**	**Exposures secured by financial guarantees**	**Exposures secured by financial guarantees, of which: secured amount**	**Exposures secured by credit derivatives**	**Exposures secured by credit derivatives, of which: secured amount**
01	Loans	127,414,802	30,802,200	12,170,786	1,777,820	2,121,891	-	-
02	Debt Securities	22,536,274					-	-
03	**Total**	**149,951,076**	**30,802,200**	**12,170,786**	**1,777,820**	**2,121,891**	**-**	-
04	Of which defaulted	1,186,010	627,966	242,174	-		-	-

- Above table excludes Non-Funded Exposures and the corresponding collateral positions.
- Above table excludes impairment allowances (Provision + IIS + FIS).
- The collateral amounts used for credit risk mitigation have reduced compared to previous reporting period (Dec 2021).

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

Jun - 2022 (AED 000)

		A	b	C	d	e	F
		Exposures before CCF and CRM		**Exposures post-CCF and CRM**		**RWA and RWA density**	
	Asset classes	**On-balance sheet amount**	**Off-balance sheet amount**	**On-balance sheet amount**	**Off-balance sheet amount**	**RWA**	**RWA density**
01	Sovereigns	39,616,103	16,455	39,616,103	16,455	7,101,561	0.18
02	Public Sector Entities (PSEs)	12,399,343	3,296,883	12,399,343	1,583,373	11,773,155	0.84
03	Multilateral development banks (MDBs)	82,677		82,677		30,281	0.37
04	Banks	29,237,945	16,316,684	29,237,945	7,711,833	24,471,644	0.66
05	Securities firms	55,724		55,724		33,650	0.60
06	Corporates	61,748,068	36,916,169	61,607,552	17,177,028	67,827,216	0.86
07	Regulatory retail portfolios	12,922,456		12,922,456		8,703,474	0.67
08	Secured by residential property	8,731,146	67,183	8,731,146	33,591	4,143,624	0.47
09	Secured by commercial real estate	9,089,858	2,967,977	9,089,858	1,562,474	10,444,351	0.98
10	Past-due loans	712,194	1,318,804	712,194	1,318,804	2,523,466	1.24
11	Higher-risk categories	225,961		225,961		338,941	1.50
12	Other assets	7,709,621		7,709,621		7,035,201	0.91
	Total	**182,531,096**	**60,900,155**	**182,390,580**	**29,403,558**	**144,426,564**	**0.68**

- Above table excludes Revocable commitments of AED 100.1 Bn.
- Above table excludes impairment allowances (Provision + IIS + FIS).
- Increase in RWA for Due from Banks and Claims on Corporate majorly driven by portfolio growth and reduction in collateral amounts used for credit risk mitigation.

Standardised approach - exposures by asset classes and risk weights (CR5)

Jun - 2022 (AED 000)

		a	b	C	d	E	f	G	H	i	j
	Asset classes/ Risk weight*	**0%**	**10%**	**20%**	**35%**	**50%**	**75%**	**100%**	**150%**	**Others**	**Total credit exposures amount (post CCF and post-CRM)**
01	Sovereigns	29,951,858		2,988,688		376,378		6,315,634			39,632,558
02	Public Sector Entities (PSEs)	11,095		792,640		3,128,709		10,050,272			13,982,716
03	Multilateral development banks (MDBs)			36,858		45,819					82,677
04	Banks	3,848,392		4,777,404		9,245,466		18,798,964	57,044	222,508	36,949,778
05	Securities firms			9,994		28,157		17,572			55,724
06	Corporates	9,174,584		1,657,044		812,426		65,264,931	354,473	1,521,122	78,784,579
07	Regulatory retail portfolios	2,201,517					8,069,861	2,651,078			12,922,456
08	Secured by residential property	2,489			6,779,460		847,899	1,134,889		-	8,764,737
09	Secured by commercial real estate	207,981						10,444,351		-	10,652,332
10	Past-due loans	287,624						183,193	1,560,182		2,030,998
11	Higher-risk categories								225,961		225,961
12	Other assets	3,008,441						3,053,243	137,887	1,510,051	7,709,621
	Total	**48,693,980**	**-**	**10,262,627**	**6,779,460**	**13,636,956**	**8,917,760**	**117,914,128**	**2,335,546**	**3,253,681**	**211,794,138**

- Above table excludes Revocable commitments of AED 100.1Bn.
- Above table excludes impairment allowances (Provision + IIS + FIS).

Counterparty credit risk

This section covers qualitative & quantitative information on Counterparty Credit Risk.

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

Jun - 2022 (AED 000)

		A	b	c	D	e	F
		Replacement cost	**Potential future exposure**	**EEPE**	**Alpha used for computing regulatory EAD**	**EAD post-CRM**	**RWA**
1	SA-CCR (for derivatives)	603,489	863,832		1.4	2,054,249	1,337,561
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**						1,337,561

- Replacement cost has increased compared to previous reporting period (Dec 2021) specially on account of interest rate movements in the market. This has led to slight increase in overall EAD compared to YE 2021 (EAD ~ AED 1,946,477K). The slight reduction in RWA (from AED 1,453,438K on YE21) is however due reduction of exposure to unrated corporate clients.

Credit valuation adjustment (CVA) capital charge (CCR2)

Jun - 2022 (AED 000)

		A	b
		EAD post-CRM	**RWA**
1	All portfolios subject to the Standardised CVA capital charge*	2,054,245	1,188,756
2	All portfolios subject to the Simple alternative CVA capital charge		

Standardised approach - CCR exposures by regulatory portfolio and risk weights (CCR3)

Jun – 2022 (AED 000)

Regulatory portfolio	a	B	C	d	E	f	g	h
	0%	**20%**	**50%**	**75%**	**100%**	**150%**	**Others (4%)**	**Total credit exposure**
Sovereigns	16,455	0	0	0	0	0	0	16,455
Public Sector Entities (PSEs)	0	0	0	0	0	0	0	0
Multilateral development banks (MDBs)	0	0	0	0	0	0	0	0
Banks	0	333,774	439,212	150,013	0	0	222,508	1,145,507
Securities firms	0	0	0	0	0	0	0	0
Corporates	0	0	0	0	892,287	0	0	892,287
Regulatory retail portfolios	0	0	0	0	0	0	0	0
Secured by residential property	0	0	0	0	0	0	0	0
Secured by commercial real estate	0	0	0	0	0	0	0	0
Equity Investment in Funds (EIF)	0	0	0	0	0	0	0	0
Past-due loans	0	0	0	0	0	0	0	0
Higher-risk categories	0	0	0	0	0	0	0	0
Other assets	0	0	0	0	0	0	0	0
Total	16,455	333,774	439,212	150,013	892,287	0	222,508	2,054,249

- Replacement cost has increased compared to previous reporting period (Dec 2021) specially on account of interest rate movements in the market has led to slight increase in EAD compared to year end reporting.

Composition of collateral for CCR exposure (CCR5)

Jun – 2022 (AED 000)

	a	b	C	d	E	f
	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	144,654	53,196	25,931			
Domestic sovereign debt						
Government agency debt			885,825	534,216		
Corporate bonds						
Equity securities						
Other collateral						
Total						

Credit derivative exposures (CCR6)

Jun – 2022 (AED 000)

	A	b
	Protection bought	**Protection sold**
Notionals		
Single-name credit default swaps		
Index credit default swaps	29,384	-
Total return swaps		
Credit options		
Other credit derivatives		
Total notionals	29,384	-
Fair values		
Positive fair value (asset)	0	-
Negative fair value (liability)	242	-

- Exposures to Credit Default swaps have reduced compared to previous reporting period (Dec 2021) certain existing positions were liquidated

Exposures to central counterparties (CCR8)

Jun – 2022 (AED 000)

		a	b
		EAD (post-CRM)	**RWA**
1	**Exposures to QCCPs (total)**		
2	Exposures for trades at QCCPs (excluding initial margin and default fund contribution); of which:	222,507	8,900
3	(i) OTC derivatives	222,507	8,900
4	(ii) Exchange-traded derivatives		
5	(iii) Securities financing transactions		
6	(iv) Netting sets where cross-product netting has been approved		
7	Segregated initial margin	828,782	
8	Non-segregated initial margin	-	-
9	Pre-funded default fund contributions	-	-
10	Unfunded default fund contributions	-	-
11	**Exposures to non-QCCPs (total**		
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contribution); of which:	-	-
13	(i) OTC derivatives	-	-
14	(ii) Exchange-traded derivatives	-	-
15	(iii) Securities financing transactions	-	-
16	(iv) Netting sets where cross-product netting has been approved	-	-
17	Segregated initial margin	-	
18	Non-segregated initial margin	-	-
19	Pre-funded default fund contributions	-	-
20	Unfunded default fund contributions	-	-

- Exposure to QCCPs have increased as more trades were executed or novated to QCCPs to optimize RWAs against counterparties.

Securitisation

This section provides qualitative & quantitative information on bank's strategy and risk management with respect to its securitisation activities

Securitisation exposures in the banking book (SEC1)

Jun – 2022 (AED 000)

		a	b	C	d	e	f	g	h	i	j	K	l
		Bank acts as originator				Bank acts as sponsor				Bank acts as investor			
		Traditional	Of which simple, transparent and comparable (STC)	Synthetic	Sub-total	Traditional	Of which STC	Synthetic	Sub-total	Traditional	Of which STC	Synthetic	Sub-total
1	**Retail (total) - of which**	-	-	-	-	-	-	-	-	-	-	-	-
2	residential mortgage	-	-	-	-	-	-	-	-	-	-	-	-
3	credit card	-	-	-	-	-	-	-	-	-	-	-	-
4	other retail exposures	-	-	-	-	-	-	-	-	-	-	-	-
5	re-securitisation	-		-	-	-		-	-	-		-	-
6	**Wholesale (total) - of which**	-	-	-	-	-	-	-	-	**149,951**	-	-	**149,951**
7	**loans to corporates**	-	-	-	-	-	-	-	-	76,491	-	-	76,491
8	commercial mortgages	-	-	-	-	-	-	-	-		-	-	
9	lease and receivables	-	-	-	-	-	-	-	-		-	-	
10	**other wholesale**	-	-	-	-	-	-	-	-	73,460	-	-	73,460
11	re-securitisation	-		-	-	-		-	-	-		-	-

- Bank's exposure to securitization investments have reduced by more than half compared to previous reporting (Dec 2021) as an investment was called-in during the period.

Securitization exposures in the banking book and associated capital requirements - bank acting as investor (SEC4)

Jun – 2022 (AED 000)

		a	b	c	D	e	f	g	h	i	j	k	l	m	N	o	p	q
		Exposure values (by RW bands)					**Exposure values (by regulatory approach)**				**RWA (by regulatory approach)**				**Capital charge after cap**			
		≤20% RW	**>20% to 50% RW**	**>50% to 100% RW**	**>100% to <952% RW**	**952% RW**	**SEC-IRBA**	**SEC-ERBA and SEC-IAA**	**SEC-SA**	**952%**	**SEC-IRBA**	**SEC-ERBA and SEC-IAA**	**SEC-SA**	**952%**	**SEC-IRBA**	**SEC-ERBA and SEC-IAA**	**SEC-SA**	**952%**
1	**Total exposures**	49,719	26,772		73,460			149,951				97,786				10,268		
2	Traditional securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Of which securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Of which retail underlying	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Of which STC	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Of which wholesale	49,719	26,772		73,460			149,951				97,786				10,268		
7	Of which STC	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	Of which re-securitisation			-	-	-			-	-			-	-			-	-
9	Synthetic securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Of which securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Of which retail underlying	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Of which wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Of which re-securitisation			-	-	-			-	-			-	-			-	-

- The bank's exposure to securitization investments have reduced by more than half compared to previous reporting (Dec 2021) as an investment was called-in during the period.

Market risk

This section provides a description of the risk management objectives and policies for market risk.

Market risk under the standardised approach (SA) (MR1)

Jun – 2022 (AED 000)

		A
		RWA
1	General Interest rate risk (General and Specific)	1,679,752
2	Equity risk (General and Specific)	492,168
3	Foreign exchange risk	1,114,381
4	Commodity risk	4,640
	Options	
5	Simplified approach	
6	Delta-plus method	314
7	[redacted]	
8	Securitisation	
9	**Total**	**3,291,255**

- Marginal increase in overall Market Risk RWA reported at year end 2021 (AED 3,206,199K) due to increase exposure to foreign exchange positions.