Emirates Investment Bank P.J.S.C

Pillar 3 Disclosures

For the period of 30th September 2022

Contents

1. Overview

The Central Bank of the United Arab Emirates ("CBUAE") issued guidelines during 2009 for implementation of Basel II Capital Accord. The Group were told to follow the Standardised Approach for Credit Risk to strengthen the market discipline and risk management. In February 2017, new Basel III regulations had come into effect, calculation of Credit Risk under Pillar I remained same as per the Basel II Standardized Approach.

CBUAE requires the Pillar II – Supervisory Review Process to assess Group's Internal Capital Adequacy Assessment Process (ICAAP) based on the Group's specific risk as an add-on to Pillar I capital calculations. ICAAP should include Group's specific risk based on forward looking approach not limited to Credit, Market and Operational Risk Capital.

Pillar III Disclosures – The CBUAE set a list of disclosure requirements which will allow market participants to assess key pieces of information on the scope of application, capital, risk exposure, risk assessment process and hence the capital adequacy of the institution.

1.1 Pillar III Disclosures

Pillar III complements the minimum capital requirements and the supervisory review process. Its aim is to encourage market discipline by developing disclosure requirements which allow market participants to assess certain specific information on the scope of application of Basel III, capital, particular risk exposures and risk assessment processes, and hence the capital adequacy of the institution. Disclosures consist of both quantitative and qualitative information and are provided at the group's consolidated level. The CBUAE issued Basel III capital regulations, which came into effect on 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%.

The Groups' External auditor have examined the Pillar III disclosures for the year ended of 31st December 2021.

2. Consolidated Capital Structure as per Basel III

2.1 Information on Subsidiaries.

Name	Country of Incorporation	% Of Ownership	Description	Accounting Treatment
Subsidiaries:				
EIB Investments Co. LLC	UAE	24%	Investment in commercial, industrial, and agricultural activities and their respective management.	Full consolidation
The Bank has the ability to exercise control over EIB Investment Co. LLC (the entity) as it has rights to variable returns and has the ability to affect the returns. It is a non-financial subsidiary of the Bank.				

2.2 Regulatory Capital

The Group's capital base is divided into two main categories, namely CET1, Tier 2, depending on their characteristics.

- CET1 capital is the highest quality form of capital, comprising share capital, statutory reserves, fair value reserve, retained earnings, non-controlling interest after deductions for goodwill and intangibles and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes under 'CBUAE' guidelines.
- Tier 2 capital comprises of eligible general provision.

Key Metrics (KM1)

		Q3 2022	**Q1 2022**
Note: The numbers presented in all the tables are in AED'000 unless otherwise specified			
	Available capital (amounts)		
1	Common Equity Tier 1 (CET1)	340,463	373,629
1a	Fully loaded ECL accounting model	-	-
2	Tier 1	340,463	373,629
2a	Fully loaded ECL accounting model Tier 1	-	-
3	Total capital	361,541	393,787
3a	Fully loaded ECL accounting model total capital	-	-
	Risk-weighted assets (amounts)		
4	Total risk-weighted assets (RWA)	1,686,270	1,838,710
	Risk-based capital ratios as a percentage of RWA		
5	Common Equity Tier 1 ratio (%)	17.72%	20.32%
5a	Fully loaded ECL accounting model CET1 (%)	-	-
6	Tier 1 ratio (%)	17.72%	20.32%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	-	-
7	Total capital ratio (%)	18.82%	21.42%
7a	Fully loaded ECL accounting model total capital ratio (%)	-	-
	Additional CET1 buffer requirements as a percentage of RWA		
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.50%	2.50%
9	Countercyclical buffer requirement (%)	0.00%	0.00%
10	Bank D-SIB additional requirements (%)	0.00%	0.00%
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9+ row 10)	2.50%	2.50%
12	CET1 available after meeting the bank's minimum capital requirements (%)	8.32%	10.92%
	Leverage Ratio		
13	Total leverage ratio measure	3,567,173	3,140,929
14	Leverage ratio (%) (row 2/row 13)	9.54%	11.90%
14a	Fully loaded ECL accounting model leverage ratio (%) (row 2A/row 13)	-	-
14b	Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	9.54%	11.90%
	ELAR		
15	**Total HQLA**	**562,989**	**384,910**
16	**Total liabilities**	**3,077,995**	**2,599,323**
17	**Eligible Liquid Assets Ratio (ELAR) (%)**	**18.29%**	**14.81%**
	ASRR		
18	Total available stable funding	2,903,595	2,584,922
19	Total Advances	1,050,276	877,637
20	Advances to Stable Resources Ratio (%)	36.17%	33.95%

Overview of RWA (OV1)

Note: The numbers presented in all the tables are in AED'000 unless otherwise specified

		RWA		Minimum capital requirements
		Q3 2022	**Q2 2022**	**Q3 2022**
1	Credit risk (excluding counterparty credit risk)	1,686,270	1,612,617	219,215
s2	Of which: standardised approach (SA)	1,537,426	1,455,191	199,866
3	[redacted]			
4	[redacted]			
5	[redacted]			
6	Counterparty credit risk (CCR)	-	-	-
7	Of which: standardised approach for counterparty credit risk	-	-	-
8	[redacted]			
9	[redacted]			
10	[redacted]			
11	[redacted]			
12	Equity investments in funds - look-through approach	-	-	-
13	Equity investments in funds - mandate-based approach	148,844	157,426	19,350
14	Equity investments in funds - fall-back approach	-	-	-
15	Settlement risk	-	-	-
16	Securitisation exposures in the banking book	-	-	-
17	[redacted]			
18	Of which: securitisation external ratings-based approach (SEC-ERBA)	-	-	-
19	Of which: securitisation standardised approach (SEC-SA)	-	-	-
20	Market risk	64,247	55,128	8,352
21	Of which: standardised approach (SA)	-	-	
22	[redacted]			
23	Operational risk	170,965	170,965	22,225
24	[redacted]			
25	[redacted]			
26	Total (1+6+10+11+12+13+14+15+16+20+23)	1,921,482	1,838,710	249,793

3. Leverage Ratio

LR1 Summary comparison of accounting assets vs leverage ratio exposure

Note: The numbers presented in all the tables are in AED'000 unless otherwise specified

		30 September 2022
1	Total consolidated assets as per published financial statements	3,564,910
2	Adjustments for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(22,762)
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	-
9	Adjustment for securities financing transactions (ie repos and similar secured lending)	-
10	Adjustments for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	25,025
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**	**3,567,173**

LR2 Leverage ratio common disclosure template

The Basel III ratio that compares Tier1 capital to overall exposures, including some off-balance-sheet exposures, as adjusted by stipulated credit conversion factors. Intended to be a simple, non-risk-based backstop measure.

Note: The numbers presented in all the tables are in AED'000 unless otherwise specified

		30 September 2022	30 June 2022
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	3,564,910	3,012,417
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)	(22,762)	(2,061)
7	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)**	3,542,148	3,010,356

Derivative exposures			
8	Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	-	-
9	Add-on amounts for PFE associated with all derivatives transactions	-	-
10	(Exempted CCP leg of client-cleared trade exposures)	-	-
11	Adjusted effective notional amount of written credit derivatives	-	-
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
13	**Total derivative exposures (sum of rows 8 to 12)**	-	-
Securities financing transactions			
14	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	-	-
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
16	CCR exposure for SFT assets	-	-
17	Agent transaction exposures	-	-
18	**Total securities financing transaction exposures (sum of rows 14 to 17)**	-	-
Other off-balance sheet exposures			
19	Off-balance sheet exposure at gross notional amount	66,391	88,303
20	(Adjustments for conversion to credit equivalent amounts)	(41,366)	(61,483)
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)**	25,025	26,820
Capital and total exposures			
23	**Tier 1 capital**	340,463	373,629
24	**Total exposures (sum of rows 7, 13, 18 and 22)**	3,567,173	3,140,929
Leverage ratio			
25	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)	9.54%	11.90%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	9.54%	11.90%
26	CBUAE minimum leverage ratio requirement	3.0%	3.0%
27	Applicable leverage buffers	6.54%	8.90%

4. Liquidity risk management

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances. Liquidity risk can be caused by market disruptions which may cause certain sources of funding to dry up immediately.

The sources of liquidity risk can be categorized based on the origination of the risk from the assets and liabilities profile:

- **Structural liquidity risk:** Structural liquidity risk refers to the liquidity risk in the Group’s balance sheet structure due to maturity mismatches between assets and liabilities; and
- **Market liquidity risk:** Market liquidity risk refers to the inability of the Group to sell its assets at or near current market prices.

Liquidity is very crucial for the Group and its effective management helps the Group to ensure its ability to meet its cashflow obligations on time. To manage the liquidity, the Group has an Asset and Liability Management Committee (ALCO) which is responsible for managing the Group's assets and liabilities and the overall financial structure. It is also responsible for managing the funding and liquidity risks of the Group.

To limit the liquidity risk, the Group maintains a portfolio of high-quality liquid assets which can be used for collateralized borrowing and in adverse scenario it can easily be liquidated in the event of an unforeseen interruption of cash flow. The high quality of the asset portfolio ensures its liquidity coupled with the Group's own funds and stable client deposits help form a stable funding source. Even under adverse conditions, the Group has access to the funds necessary to cover client needs and meet its funding requirements. The Group also has committed lines of credit that it can access to meet liquidity needs. In addition, the Group maintains a statutory reserve with the CBUAE which can be withdrawn entirely on any day for daily settlement purposes, provided that the daily average requirements over a 14-day reserve maintenance period is maintained.

The primary tool for monitoring liquidity is the maturity mismatch analysis, which is monitored over successive time bands. Guidelines are established for the cumulative negative cash flow over successive time bands. In addition to that, the RMD monitors liquidity risk exposures against established limits and alert the ALCO upon breach of any of the above limits. To do so, RMD:

- Monitors the Group's exposures to liquidity risk,
- Monitors the liquidity gap and liquidity ratios for all breaches,
- Monitors early warning indicators and results of stress scenarios for possible changes to the risk profile, and
- Monitors the liquidity gap analysis, regulatory liquidity ratios and liquidity limits.

ELAR Eligible Liquid Assets Ratio

This is a ratio that all banks in UAE must comply with in accordance with the requirements of CBUAE. Eligibility is limited as follows:

- Account balances at the Central Bank.
- Physical cash at the Bank.
- Central Bank CDs.
- UAE Federal Government bonds and sukuks.
- Reserve requirements.
- UAE local government and PSE's publicly traded debt securities that are assigned 0% credit risk weighting under Basel II Standardized approach. (Limited to a maximum of 20% of eligible liquid assets). (Exposures to the federal Government and Emirates Government denominated in USD will receive 0% risk weight for a period of 7 years i.e., up to June 2028)
- Foreign, Sovereign debt instruments or instruments issued by their central banks, also multilateral development banks all of which receive 0% credit risk weighting under Basel II Standardized approach (limited to a maximum of 15% of eligible liquid assets).

Banks must hold an amount equivalent to at least 10% (or some other percentage as set by the Central Bank) of their total on balance sheet liabilities at all times in the above assets. This ratio will be subject to upward revisions from time to time either as a result of Central Bank policy or as a result of a recalibration exercise when assessing the impact of the LCR.

Below is the breakup of the Banks Eligible liquid assets and their ratio to the to the total Liabilities as of 30 September 2022 in accordance with the requirements of CBUAE.

Note: The numbers presented in all the tables are in AED'000 unless otherwise specified

1	**High Quality Liquid Assets**	**Nominal amount**	**Eligible Liquid Asset**
1.1	Physical cash in hand at the bank + balances with the CBUAE	497	
1.2	UAE Federal Government Bonds and Sukuks	437,592	
	Sub Total (1.1 to 1.2)	**438,089**	**438,089**
1.3	UAE local governments publicly traded debt securities	70,836	
1.4	UAE Public sector publicly traded debt securities	0	
	Sub total (1.3 to 1.4)	**70,836**	**70,836**
1.5	Foreign Sovereign debt instruments or instruments issued by their respective central banks	54,064	54,064
1.6	**Total**	**562,989**	**562,989**
2	**Total liabilities**		**3,077,995**
3	**Eligible Liquid Assets Ratio (ELAR)**		**18.29%**

ASRR Advances to Stables Resource Ratio

This is a ratio that all banks must comply with in accordance with the requirements of CBUAE. This is the ratio of a Bank's Net Lending to the Total stable resources.

Net lending for the purpose of LSRR includes the following components:

- All types of advances, net of deductions for provisions for bad and doubtful debts (other than general provisions) and interest in suspense.
- Lending to non-banking financial institutions.
- Financial guarantees and stand-by LCs issued (without netting for margin deposits). Less, financial guarantees and stand-by LCs received.
- Interbank placements having remaining maturity of 3 months or more (including residual maturity in roll over cases) whether in the UAE or abroad less matching interbank deposits with remaining maturity of 3 to 6 months. This means that any placements matched by any deposits both maturing within the 3 to 6 months bucket can be offset and are not to be included in "loans and advances".

Total stable resources for the purpose of LSRR includes the following components:

- Net Free Capital Funds: These will consist of total capital funds by way of capital and reserves, subordinated loans, perpetual notes and in case of foreign banks, the total amount of funds deposited by head office for cover of provision shortfall that cannot be withdrawn without Central Bank authorisation. However, to arrive at net free capital the following items will be deducted:
    - Goodwill, capitalised expenditure and other intangible assets.
    - Fixed assets
    - Funds allocated to branches abroad
    - Treasury shares held by the bank (ignore if already deducted from capital)
    - Unquoted investments
    - Investment in unconsolidated subsidiaries and affiliates

- If free capital funds after deducting the above show a negative figure, it will be deducted from other stable resources as given below. Positive figure will be added to other stable resources.

- Other stable resources.
    - Non-repayable head office funds.
    - Inter-bank deposits with remaining maturity life of more than 6 months.
    - 100% of refinancing of real estate loans.
    - Non-banking financial institutions - Stable portion to be estimated as under:

- 100% of all deposits with a remaining life of more than 6 months; and
- 85% of all other deposits.
- Customer deposits including margin deposits - Stable portion to be calculated as under:
- 100% of all deposits with a remaining life of more than 6 months; and
- 85% of all other deposits.
- Capital market funding / borrowing maturing after 6 months.
- Head office loans towards funding of large exposures.

Below is the breakup of the Banks total advances and their ratio to the to the total stable resources as of 30 September 2022 in accordance with the requirements of CBUAE.

Note: The numbers presented in all the tables are in AED'000 unless otherwise specified

		Items	**Amount**
1			
	1.1	Net Lending (gross loans - specific and collective provisions + interest in suspense)	955,802
	1.2	Lending to non-banking financial institutions	142
	1.3	Net Financial Guarantees & Stand-by LC (issued - received)	1,050
	1.4	Interbank Placements	93,282
	1.5	**Total Advances**	**1,050,276**
2		**Calculation of Net Stable Resources**	
	2.1	Total capital + general provisions	407,089
		Deduct:	
	2.1.1	Goodwill and other intangible assets	1,347
	2.1.2	Fixed Assets	2,377
	2.1.3	Funds allocated to branches abroad	0
	2.1.5	Unquoted Investments	84,249
	2.1.6	Investment in subsidiaries, associates, and affiliates	72
	2.1.7	**Total deduction**	**88,045**
	2.2	**Net Free Capital Funds**	**319,044**
	2.3	**Other stable resources:**	
	2.3.1	Funds from the head office	-
	2.3.2	Interbank deposits with remaining life of more than 6 months	-
	2.3.3	Refinancing of Housing Loans	-
	2.3.4	Borrowing from non-Banking Financial Institutions	590,763
	2.3.5	Customer Deposits	1,993,788
	2.3.6	Capital market funding/ term borrowings maturing after 6 months from reporting date	-
	2.3.7	**Total other stable resources**	**2,584,551**
	2.4	**Total Stable Resources (2.2+2.3.7)**	**2,903,595**
3		**Advances TO STABLE RESOURCES RATIO (1.6/ 2.4*100)**	**36.17%**