

بنك الإمارات للاستثمار

Emirates Investment Bank P.J.S.C

Pillar 3 Disclosures

For the period of 31st March 2023

Contents

Key Metrics (KM1)	2
OV1: Overview of RWA	4
LR1: Summary comparison of accounting assets vs leverage ratio exposure	5
LR2: Leverage ratio common disclosure template	5
ELAR Eligible Liquid Assets Ratio	6
ASRR: Advances to Stable Resources Ratio	7

Emirates Investment Bank P.J.S.C

Pillar 3 Disclosures

For the year ended 31 March 2023

Key Metrics (KM1)

		31 March 2023	31 Dec 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)	424,392	385,696
1a	Fully loaded ECL accounting model ¹	424,392	385,696
2	Tier 1	424,392	385,696
2a	Fully loaded ECL accounting model Tier 1	424,392	385,696
3	Total capital	446,409	407,979
3a	Fully loaded ECL accounting model total capital	446,409	407,979
	Risk-weighted assets (amounts)		
4	Total risk-weighted assets (RWA)	1,922,584	1,950,262
	Risk-based capital ratios as a percentage of RWA		
5	Common Equity Tier 1 ratio (%)	22.07%	19.78%
5a	Fully loaded ECL accounting model CET1 (%)	22.07%	19.78%
6	Tier 1 ratio (%)	22.07%	19.78%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	22.07%	19.78%
7	Total capital ratio (%)	23.22%	20.92%
7a	Fully loaded ECL accounting model total capital ratio (%)	23.22%	20.92%
	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 (%)	12.72%	10.42%
	Leverage Ratio		
13	Total leverage ratio measure	3,658,442	4,004,882
14	Leverage ratio (%) (row 2/row 13)	11.60%	9.63%
14a	Fully loaded ECL accounting model leverage ratio (%) (row 2A/row 13)	11.60%	9.63%
14b	Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	11.60%	9.63%
	ELAR		
15	Total HQLA	732,188	545,687
16	Total liabilities	3,100,406	3,458,900
17	Eligible Liquid Assets Ratio (ELAR) (%)	23.62%	15.78%
	ASRR		
18	Total Advances	658,803	1,087,400
19	Total available stable funding	3,010,541	3,321,957
20	Advances to Stable Resources Ratio (%)	21.88%	32.73%

¹ "Fully Loaded" means Group's regulatory capital compared with a situation where the transitional arrangement had not been applied. CBUAE introduced transitional as per circular no. 04/2020 "Regulation Regarding Accounting Provisions and Capital Requirements- Transitional Arrangements".

Emirates Investment Bank P.J.S.C

Pillar 3 Disclosures

For the year ended 31 March 2023

Overview of Risk management and RWA

The Central Bank of the United Arab Emirates (“CBAUE”) issued guidelines during 2009 for implementation of Basel II Capital Accord. The Group (Emirates Investment Bank PJSC and its subsidiary EIB Investment Co LLC) follow the Standardised Approach for Credit and Market Risk assessment and foundation approach for Operational Risk assessment. In February 2017, new Basel III regulations had come into effect, the Group has incorporated all the regulatory requirement as a part of capital adequacy computation by incorporating standards pertaining to Capital Supply, Equity Investment in Funds, Counterparty Credit Risk and Credit Valuation Adjustment charge. The Group has ensured to remain compliant by incorporating all the suggested changes which came as a part of revised CBAUE regulation which came in FY2020 and December FY2022.

CBAUE 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. The Group’s ICAAP include capital charge for specific risk associated with the Bank based on forward looking macro-economic parameters not limited to Credit, Market and Operational Risk.

Pillar III Disclosures – The CBAUE 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. The Group publishes Pillar 3 Disclosure report based on the regulation published by CBAUE on a quarterly basis and a comprehensive disclosure on an annual basis for financial year end.

Pillar III Disclosures

Pillar III disclosures complement 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 guidelines, 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 CBAUE issued revised Basel III capital regulations, which became effective from 31st December 2022. Regulatory requirements continue to advise institutions to maintain minimum capital requirements at four levels, namely Common Equity Tier 1 (‘CET1’), Additional Tier 1 (‘AT1’), Tier 2 Capital and Total Capital along with Capital Conservation Buffer. D-SIB are advised to set aside additional buffer of 1.5%. The Group maintains all these ratios above the minimum capital requirements along with the Capital Conservation Buffer of 2.5% by always maintaining the Capital Adequacy Ratio of the Group above 13%. The Group maintains the Board of Directors approved internal risk appetite threshold of 15% for Capital Adequacy Ratio.

The Groups’ External auditor examines the Pillar III disclosures of the Bank as per the standards issued by UAECB.

Consolidated Capital Structure as per Basel III

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 Group 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.				

Emirates Investment Bank P.J.S.C

Pillar 3 Disclosures

For the year ended 31 March 2023

Regulatory Capital

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

CET1 capital forms the highest quality 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.

OV1: Overview of RWA

		RWA		Minimum capital requirements
		31 March 2023	31 Dec 2022	31 March 2023
1	Credit risk (excluding counterparty credit risk)	1,605,640	1,636,750	208,733
2	Of which: standardised approach (SA)	1,605,640	1,636,750	208,733
3				
4				
5				
6	Counterparty credit risk (CCR)	-	-	-
7	Of which: standardised approach for counterparty credit risk	-	-	-
8				
9				
10				
11				
12	Equity investments in funds - look-through approach	-	-	-
13	Equity investments in funds - mandate-based approach	155,726	145,916	20,244
14	Equity investments in funds - fall-back approach	-	-	-
15	Settlement risk	-	-	-
16	Securitisation exposures in the banking book	-	-	-
17				
18	Of which: securitisation external ratings-based approach (SEC-ERBA)	-	-	-
19	Of which: securitisation standardised approach (SEC-SA)	-	-	-
20	Market risk	2,038	8,416	265
21	Of which: standardised approach (SA)	-	-	-
22				
23	Operational risk	159,180	159,180	20,693
24				
25				
26	Total (1+6+10+11+12+13+14+15+16+20+23)	1,922,584	1,950,262	249,936

Emirates Investment Bank P.J.S.C

Pillar 3 Disclosures

For the year ended 31 March 2023

LR1: Summary comparison of accounting assets vs leverage ratio exposure

The Basel III leverage ratio is defined as the capital measure (the numerator) divided by the exposure measure (the denominator), with this ratio expressed as a percentage.

The capital measure is the Tier 1 capital of the risk-based capital framework. The exposure measure is the sum of the following exposures: (a) on-balance sheet exposures; (b) derivatives exposures; (c) securities financing transactions (SFTs) exposures; and (d) off-balance sheet items.

		31 March 2023
1	Total consolidated assets as per published financial statements	3,632,695
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 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 (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)	25,747
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	3,658,442

LR2: Leverage ratio common disclosure template

		31 March 2023	31 Dec 2022
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	3,632,695	3,971,887
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)	-	(344)
7	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)	3,632,695	3,971,553

Emirates Investment Bank P.J.S.C

Pillar 3 Disclosures

For the year ended 31 March 2023

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	65,094	138,485
20	(Adjustments for conversion to credit equivalent amounts)	(39,347)	(105,156)
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)	25,747	33,329
Capital and total exposures			
23	Tier 1 capital	424,392	385,697
24	Total exposures (sum of rows 7, 13, 18 and 22)	3,658,442	4,004,882
Leverage ratio			
25	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)	11.60%	9.63%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	11.60%	9.63%
26	CBUAE minimum leverage ratio requirement	3.0%	3.0%
27	Applicable leverage buffers	8.60%	6.63%

ELAR Eligible Liquid Assets Ratio

The Group complies with the requirements of CBUAE for maintaining Eligible Liquid Asset Ratio. Eligibility is ascertained by maintaining:

- 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 in each emirate 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 from date updated guidance issued by UAECB in June 2021 i.e., up to June 2028)

Emirates Investment Bank P.J.S.C

Pillar 3 Disclosures

For the year ended 31 March 2023

- 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).

The Group always holds at least a minimum amount equivalent to at least 14% of its total on balance sheet liabilities in the above assets as compared to the regulatory requirement of 10% as advised by CBUAE. This ratio may be subject to upward/downward revisions from time to time either as a result of Central Bank policy or as a result of macroeconomic conditions.

Below is the breakup of the Group's Eligible liquid assets and their ratio to the to the total Liabilities as of 31 Mar 2023 in accordance with the requirements of CBUAE.

1	High Quality Liquid Assets	Nominal amount	Eligible Liquid Asset
1.1	Physical cash in hand at the bank + balances with the CBUAE	571,916	
1.2	UAE Federal Government Bonds and Sukuks	-	
	Subtotal (1.1 to 1.2)	571,916	571,916
1.3	UAE local governments publicly traded debt securities	74,506	
1.4	UAE Public sector publicly traded debt securities	-	
	Subtotal (1.3 to 1.4)	74,506	74,506
1.5	Foreign Sovereign debt instruments or instruments issued by their respective central banks	85,766	85,766
1.6	Total	732,188	732,188
2	Total liabilities		3,100,406
3	Eligible Liquid Assets Ratio (ELAR)		23.61%

ASRR: Advances to Stable Resources Ratio

The Group complies with the requirements by maintaining this ratio in line with the CBUAE requirement. This ratio measures net lending against the total stable resources available with the bank. The stable resources classification is done in line with CBUAE classification, primarily customised for all the wholesale/retail banks operating within UAE.

Net lending for the purpose of ASRR 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

Emirates Investment Bank P.J.S.C

Pillar 3 Disclosures

For the year ended 31 March 2023

- 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 Bank's total advances and their ratio to the total stable resources as of 31 Mar 2023 in accordance with the requirements of CBUAE.

		Items	Amount
1			
	1.1	Net Lending (gross loans - specific and collective provisions + interest in suspense)	564,521
	1.2	Lending to non-banking financial institutions	-
	1.3	Net Financial Guarantees & Stand-by LC (issued - received)	1,000
	1.4	Interbank Placements	93,282
	1.5	Total Advances	658,803
2		Calculation of Net Stable Resources	
	2.1	Total capital + general provisions	472,399
		Deduct:	
	2.1.1	Goodwill and other intangible assets	1,146
	2.1.2	Fixed Assets	2,337
	2.1.3	Funds allocated to branches abroad	-
	2.1.5	Unquoted Investments	81,902
	2.1.6	Investment in subsidiaries, associates, and affiliates	72
	2.1.7	Total deduction	85,457
	2.2	Net Free Capital Funds	386,942
	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	233
	2.3.5	Customer Deposits	2,623,366
	2.3.6	Capital market funding/ term borrowings maturing after 6 months from reporting date	-
	2.3.7	Total other stable resources	2,623,599
	2.4	Total Stable Resources (2.2+2.3.7)	3,010,541
3		Advances TO STABLE RESOURCES RATIO (1.6/ 2.4*100)	21.88%