BASEL III – PILLAR 3 DISCLOSURES

For the year ended 31 December 2021

Contents

Introduction

The Central Bank of the UAE ("CBUAE") supervises Emirates Islamic Bank P.J.S.C. ("EI" or the "Bank") and its subsidiaries (together referred to as the "Group") on a consolidated basis, and therefore receives information on the capital adequacy of, and sets capital requirements for, the Group as a whole. The capital requirements are computed at a Group level 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 III framework is structured around three 'pillars': minimum capital requirements (Pillar 1); supervisory review process (Pillar 2); and market discipline (Pillar 3).

Pillar 3 Disclosures 2021

Pillar 3 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 specified 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 consolidated level.

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 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 I 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 Group. The revised Pillar 3 disclosures, based on a common framework, are an effective means of informing the market about the risks faced by the Group, 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 Group's risk management objectives and policies, risk assessment processes, capital management and capital adequacy. The Group's Pillar 3 disclosures are in line with the key elements governed by the disclosure policy framework in line with CBUAE Basel III standards and approved by the Group Board Audit Committee.

Verification

The Pillar 3 Disclosures for the year 2021 have been reviewed by the Group's Internal and Statutory auditors.

Implementation of Basel III standards and guidelines

The Group is compliant with Standardized Approach for Credit, Market and Operational Risk (Pillar 1) as applicable in 2021.

The Group also assigns capital on other than Pillar 1 risk categories, which are part of Pillar 2 framework.

Group Structure

The Bank was incorporated by a decree of His Highness the Ruler of Dubai as a conventional Bank with a limited liability in the Emirate of Dubai on 3 October 1975. The Bank was reregistered as a Public Joint Stock Company in July 1995 and is regulated by the Central Bank of United Arab Emirates.

At an extraordinary general meeting held on 10 March 2004, a resolution was passed to transform the Bank's activities to be in full compliance with the Sharia rules and principles. The entire process was completed on 9 October 2004 (the "Transformation Date") when the Bank obtained the UAE Central Bank and other UAE authorities' approvals.

The Bank is a subsidiary of Emirates NBD Bank PJSC, Dubai (the "Group Holding Company"). The ultimate parent company of the Group Holding Company is Investment Corporation of Dubai (the "Ultimate Parent Company"), a company in which the Government of Dubai is the major shareholder. The Bank is listed in the Dubai Financial Market (TICKER: "EIB"). The Bank's website is www.emiratesislamic.ae. The Pillar 3 disclosures comprise of the Emirates Islamic Bank PJSC and its subsidiaries (together referred to as "the Group").

The direct subsidiaries of the Group are as follows:

Subsidiaries:	Group % Shareholding	Nature of Business	Country of Incorporation	Description of Accounting Treatment (Consolidation/ Investment Accounting)	Description of Regulatory Capital Treatment (Consolidation/ Deduction from capital/neither)
Emirates Islamic Financial Brokerage Co. LLC	100	Brokerage services	Dubai, U.A.E.	Consolidation	Consolidation
EIB Sukuk Company Limited	100	SPE for asset securitization	Cayman Islands	Consolidation	Consolidation
EI Funding Limited	100	SPE for asset securitization	Cayman Islands	Consolidation	Consolidation

Key metrics for the Group (KM1)

Key prudential regulatory metrics have been included in the following table:

	Available capital (amounts)	**December 2021 AED 000**	**December 2020 AED 000**
1	Common Equity Tier 1 (CET1)	8,489,170	7,901,151
1a	Fully loaded ECL accounting model[1]	8,489,170	7,748,955
2	Tier 1	8,489,170	7,901,151
2a	Fully loaded ECL accounting model Tier 1	8,489,170	7,748,955
3	Total capital	9,010,133	8,399,230
3a	Fully loaded ECL accounting model total capital	9,010,133	8,247,034
	Risk-weighted assets (amounts)		
4	Total risk-weighted assets (RWA)	45,659,027	43,825,889
	Risk-based capital ratios as a percentage of RWA		
5	Common Equity Tier 1 ratio (%)	18.59%	18.03%
5a	Fully loaded ECL accounting model CET1 (%)	18.59%	17.68%
6	Tier 1 ratio (%)	18.59%	18.03%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	18.59%	17.68%
7	Total capital ratio (%)	19.73%	19.16%
7a	Fully loaded ECL accounting model total capital ratio (%)	19.73%	18.82%
	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 (%)	9.23%	8.66%
	Leverage Ratio		
13	Total leverage ratio measure	69,054,873	NA
14	Leverage ratio (%) (row 2/row 13)	12.29%	NA
14a	Fully loaded ECL accounting model leverage ratio (%) (row 2A/row 13)	12.29%	NA
14b	Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	12.29%	NA
	Liquidity Coverage Ratio		
	ELAR		
15	Total HQLA	10,859,499	19,087,406
16	Total Liabilities	56,611,477	62,840,944
17	Eligible Liquid Assets Ratio (ELAR) (%)	19.18%	30.37%
	ASRR		
18	Total available stable funding	53,377,092	51,245,344
19	Total Advances	45,610,451	43,446,234
20	Advances to Stable Resources Ratio (%)	85.45%	84.78%

[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".

Pursuant to the above regulation, CBUAE issued a regulation for a 'Prudential Filter' that permits Banks to add back increase in IFRS 9 provisions (stage 1 and stage 2) to the regulatory capital over a transition period of 5 years, on a proportionate basis. The increase in IFRS 9 provision requirements is determined by calculating the difference between the IFRS 9 provision as of 31 December 2019 and the IFRS 9 provision as at the respective reporting date. The proportion of the increase in IFRS 9 provisions that is permitted to be added-back to regulatory capital from 1 January 2020 onwards will be phased out over a 5-year transition period (100%, 100%, 75%, 50%, 25% for the years 2020 to 2024 respectively).

Key metrics for the Group (KM1) (Continued)

Significant change in each metrics compared with previous year have been explained below:

CET1 capital increased by AED 0.59 billion compared to prior year, mainly driven by profits for the period AED 0.82 billion, offset by decrease in prudential filter year – on – year by AED 0.15 billion.

Total Risk weighted assets (RWA) increased by AED 1.8 billion during the year. Refer OV1 disclosure for further details on RWAs.

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

Below table splits the financial balance sheet into each regulatory risk category. The regulatory risk category drives the approach applied in the calculation of regulatory exposures and RWA.

December 2021 AED 000	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 securitisation framework	Subject to market risk framework	Not subject to capital requirements or subject to deduction from capital
Assets							
Cash and Deposits with Central Bank	10,688,166	10,688,166	10,688,166	-	-	-	-
Due from Banks	2,768,718	2,768,718	2,768,718	-	-	-	-
Investment Securities	6,684,578	6,684,578	6,684,578	-	-	6,684,578	-
Financing Receivables	42,614,024	42,614,024	42,614,024	-	-	-	-
Positive Fair Value of Derivatives	118,376	118,376	-	118,376	-	118,376	-
Customer Acceptances	787,200	787,200	787,200	-	-	-	-
Investment Properties	296,729	296,729	296,729	-	-	-	-
Property & Equipment	281,873	281,873	281,873	-	-	-	-
Other Assets	664,741	664,741	664,741	-	-	-	-
Total Assets	**64,904,405**	**64,904,405**	**64,786,029**	**118,376**		**6,802,954**	
Liabilities							
Due to Banks	2,548,432	2,548,432	-	-	-	-	2,548,432
Islamic Customer Deposits	47,269,061	47,269,061	-	-	-	-	47,269,061
Sukuk Payable	3,672,500	3,672,500	-	-	-	-	3,672,500
Negative Fair Value of Derivatives	126,616	126,616	-	126,616	-	126,616	-
Customer Acceptances	787,200	787,200	-	-	-	-	787,200
Other Liabilities	1,949,612	1,949,612	-	-	-	-	1,949,612
Total Liabilities	**56,353,421**	**56,353,421**	**-**	**126,616**	**-**	**126,616**	**56,226,805**

Variances between the financial and regulatory consolidated balance sheets arise primarily from differences in the basis of consolidation and the requirement to not consolidate non-financial subsidiaries for regulatory purposes which are subject to full consolidation for financial purposes.

Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories (LI1) (Continued)

The amounts shown in the column ‘Carrying values under scope of regulatory consolidation’ do not equal the sum of the amounts shown in the remaining columns of this table for line items ‘Derivatives’ and ‘Investment Securities’ in this column are subject to regulatory capital charges for credit risk, counterparty credit risk and market risk.

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

		a	b	c	d	e
	December 2021 AED 000	**Total**	**Items subject to:**			
			Credit risk framework	**Securitization framework**	**Counterparty credit risk framework**	**Market risk framework**
1	Asset carrying value amount under scope of regulatory consolidation (as per template LI1)	64,904,405	64,786,029	-	118,376	6,802,954
2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	126,616	-	-	126,616	126,616
3	**Total net amount under regulatory scope of consolidation**	**64,777,789**	**64,786,029**	**-**	**(8,240)**	**6,676,338**
4	Off-balance sheet amounts Excluding Derivatives	3,699,644	3,699,644	-	-	-
6	Differences due to different netting rules, other than those already included in row 2	-	-	-	-	-
7	Differences due to consideration of provisions and profit in suspense	4,829,871	4,829,871	-	-	-
8	Differences due to prudential filters	-	-	-	-	-
9	Derivatives	577,441	-	-	577,441	-
10	**Exposure amounts considered for regulatory purposes**	**73,884,745**	**73,315,544**	**-**	**569,201**	**6,676,338**

Major differences between carrying values and amounts considered for regulatory purposes are;

- Off-balance sheet amounts subject to credit risk including undrawn portions of committed facilities, trade finance commitments and guarantees post credit conversion factor (CCF). Further potential future exposures (‘PFE’) are added for counterparty credit risk on derivative exposures.
- Credit risk adjustments, including expected credit loss (ECL) and profit in suspense (PIS) which are grossed up for regulatory exposures.

Capital Management

Approach and policy

The Group's approach to capital management is driven by strategic and organizational requirements, considering the regulatory, economic and commercial environment. The Group aims to maintain a strong capital base to support the risks inherent in the business and invest in accordance with its strategy, meeting both consolidated and local regulatory capital requirements consistently.

Additional capital buffers (Capital Conservation Buffer (CCB) and Countercyclical Capital Buffer (CCyB) - maximum up to 2.5% for each buffer) introduced over and above the minimum CET1 requirement of 7%.

For 2021, as per the TESS standards, until June 2022, CCB is required to be kept at 1% of the Capital Base. CCyB is not in effect and is not required to be kept for 2021

Regulatory Capital

The Group's capital base is divided into three main categories, namely CET1, AT1 and Tier 2, depending on their characteristics.

- CET1 capital is the highest quality form of capital, comprising share capital, share premium, legal, statutory and other 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.
- AT1 capital comprises eligible non-common equity capital instruments.
- Tier 2 capital comprises qualifying subordinated financing, and undisclosed reserve.

Composition of regulatory capital (CC1)

This provides a breakdown of the constituent elements of the bank's capital.

		December 2021	December 2020	
		AED 000	**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	5,430,422	5,430,422	a
2	Retained earnings[1]	1,774,104	1,263,205	b
3	Accumulated other comprehensive income (and other reserves)	1,284,644	1,207,524	
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**	**8,489,170**	**7,901,151**	
	Common Equity Tier 1 capital regulatory adjustments			
7	Prudent valuation adjustments	-	-	
8	Goodwill (net of related tax liability)	-	-	
9	Other intangibles including mortgage servicing rights (net of related tax liability)	-	-	
10	Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of related tax liability)	-	-	
11	Cash flow hedge reserve	-	-	
12	Securitisation gain on sale	-	-	
13	Gains and losses due to changes in own credit risk on fair valued liabilities	-	-	
14	Defined benefit pension fund net assets	-	-	
15	Investments in own shares (if not already subtracted from paid-in capital on reported balance sheet)	-	-	
16	Reciprocal cross-holdings in CET1, AT1, Tier 2	-	-	
17	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	
18	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-	
19	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-	
20	Amount exceeding 15% threshold	-	-	
21	Of which: significant investments in the common stock of financials	-	-	
22	Of which: deferred tax assets arising from temporary differences	-	-	
23	CBUAE specific regulatory adjustments	-	-	
24	Total regulatory adjustments to Common Equity Tier 1	-	-	
25	**Common Equity Tier 1 capital (CET1)**	**8,489,170**	**7,901,151**	

		December 2021 AED 000	December 2020 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)**	**8,489,170**	**7,901,151**	
	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	520,963	498,079	c
45	**Tier 2 capital before regulatory adjustments**	**520,963**	**498,079**	
	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)**	**520,963**	**498,079**	

		December 2021 AED 000	December 2020 AED 000	CC2 Reference
52	**Total regulatory capital (TC = T1 + T2)**	**9,010,133**	**8,399,230**	
53	**Total risk-weighted assets**	**45,659,026**	**43,825,889**	
	Capital ratios and buffers			
54	Common Equity Tier 1 (as a percentage of risk-weighted assets)	18.59%	18.03%	
55	Tier 1 (as a percentage of risk-weighted assets)	18.59%	18.03%	
56	Total capital (as a percentage of risk-weighted assets)	19.73%	19.16%	
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)	2.50%	2.50%	
58	Of which: capital conservation buffer requirement	2.50%	2.50%	
59	Of which: bank-specific countercyclical buffer requirement	0.00%	0.00%	
60	Of which: higher loss absorbency requirement (e.g., DSIB)	0.00%	0.00%	
61	Common Equity Tier 1 (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirement.	9.23%	8.66%	
	The CBUAE Minimum Capital Requirement			
62	Common Equity Tier 1 minimum ratio	7.00%	7.00%	
63	Tier 1 minimum ratio	8.50%	8.50%	
64	Total capital minimum ratio	10.50%	10.50%	
	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)	966,359	1,035,912	
70	Cap on inclusion of provisions in Tier 2 under standardized approach	520,963	498,079	
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)	-	-	

		December 2021 AED 000	December 2020 AED 000	CC2 Reference
75	Current cap on AT1 instruments subject to phase-out arrangements			
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)	-	-	

CET1 capital increased by AED 0.59 billion compared to prior year, mainly driven by profits for the period AED 0.82 billion, offset by decrease in prudential filter year – on – year by AED 0.15 billion.

[1] Retained Earnings is after the inclusion of IFRS 9 prudential filers as prescribed by CBUAE.

Reconciliation of regulatory capital to balance sheet (CC2)

The following table enable users to identify the differences between the scope of accounting consolidation and the scope of regulatory consolidation, and to show the link between the bank's balance sheet in its published financial statements and the numbers that are used in the composition of capital disclosure template set out in Template CC1. Variances between the financial and regulatory consolidated balance sheets are consistent with LI1 disclosure.

December 2021 **AED 000**	**Balance sheet as in published financial statements** **As at period-end**	**Under regulatory scope of consolidation** **As at period-end**	**Reference**
Assets			
Cash and Deposits with Central Bank	10,688,166	10,688,166	
Due from Banks	2,768,718	2,768,718	
Investment Securities	6,684,578	6,684,578	
Financing Receivables	42,614,024	42,614,024	
Positive Fair Value of Derivatives	118,376	118,376	
Customer Acceptances	787,200	787,200	
Investment Properties	296,729	296,729	
Property & Equipment	281,873	281,873	
Other Assets	664,741	664,741	
Total Assets	**64,904,405**	**64,904,405**	
Liabilities			
Due to Banks	2,548,432	2,548,432	
Islamic Customer Deposits	47,269,061	47,269,061	
Sukuk Payable	3,672,500	3,672,500	
Negative Fair Value of Derivatives	126,616	126,616	
Customer Acceptances	787,200	787,200	
Other Liabilities	1,949,612	1,949,612	
Total Liabilities	**56,353,421**	**56,353,421**	
Issued Capital	5,430,422	5,430,422	a
Legal and Statutory Reserve	691,025	691,025	
Other Reserves	543,043	543,043	
Fair Value Reserve	112,390	50,576	
Retained Earnings	1,774,104	1,774,104	b
Provisions eligible for inclusion in Tier 2	-	520,963	c
Total Capital	**8,550,984**	**9,010,133**	

LEVERAGE RATIO

Summary comparison of accounting assets v/s leverage ratio exposure (LR1)

The following table reconciles the total assets in the published financial statements to the leverage ratio exposure measure.

		December 2021 AED 000
1	Total consolidated assets as per published financial statements	64,904,405
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	450,825
9	Adjustment for securities financing transactions (i.e., repos and similar secured financing)	-
10	Adjustments for off-balance sheet items (i.e., conversion to credit equivalent amounts of off-balance sheet exposures)	4,486,843
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	-
12	Other adjustments*	(787,200)
13	**Leverage ratio exposure measure**	**69,054,873**

* Includes Assets deducted from CET1 capital, and customer acceptances (considered as off-balance sheet)

LEVERAGE RATIO (Continued)

Leverage ratio common disclosure template (LR2)

The table below provides a breakdown of the components of the leverage ratio denominator, as well as information on the actual leverage ratio, minimum requirements and buffers.

		December 2021 AED 000
	On-balance sheet exposures	
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	64,786,027
2	Gross-up for derivatives collateral provided where deducted from balance sheet assets pursuant to the operative accounting framework	-
3	(Deductions of receivable assets for cash variation margin provided in derivatives transactions)	-
4	(Adjustment for securities received under securities financing transactions that are recognized as an asset)	-
5	(Specific and general provisions associated with on-balance sheet exposures that are deducted from Tier 1 capital)	-
6	(Asset amounts deducted in determining Tier 1 capital)	-
7	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)**	**64,786,027**
	Derivative exposures	
8	Replacement cost associated with *all* derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	118,378
9	Add-on amounts for PFE associated with *all* derivatives transactions	288,194
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) *1.4**	**569,201**
	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	6,872,308
20	(Adjustments for conversion to credit equivalent amounts)	(3,172,663)
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)**	**3,699,645**
	Capital and total exposures	
23	**Tier 1 capital**	**8,489,170**
24	**Total exposures (sum of rows 7, 13, 18 and 22)**	**69,054,873**
	Leverage ratio	
25	**Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)**	12.29%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	12.29%
26	CBUAE minimum leverage ratio requirement	3.50%
27	**Applicable leverage buffers**	**8.79%**

Overview of Risk Management and Risk Weighted Assets (“RWAs”) (OV1)

Risk management approach

Please refer Note 36 of the group annual financial statements for the risk management framework including: risk governance structure, risk profile and risk measurement systems of the bank, risk reporting to the board and senior management and risk mitigation.

The Group operates a wide-ranging stress testing program that support risk management and capital planning. It includes execution of stress tests mandated by regulators. The group’s stress testing is supported by dedicated teams and infrastructure. The testing program assesses capital strength and enhances resilience to external shocks, thereby helping to understand and mitigate risks and informed decision making on capital levels.

Overview of RWAs (OV1)

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

		a	b	c
				Minimum capital requirements
		December 2021 AED 000	December 2020 AED 000	December 2021 AED 000
1	Credit risk (excluding counterparty credit risk)	41,298,396	39,846,281	5,368,791
2	Of which: standardized approach (SA)	41,298,396	39,846,281	5,368,791
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)	341,154	-	44,350
7	Of which: standardized approach for counterparty credit risk	341,154	-	44,350
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 - fallback approach	37,525	-	4,878
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	61,961	29,578	8,055
21	Of which: standardized approach (SA)	61,961	29,578	8,055
22	Of which: internal models approach (IMA)	-		-
23	Operational risk	3,919,991	3,950,030	509,599
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)**	**45,659,027**	**43,825,889**	**5,935,673**

Overview of RWAs (OV1) (Continued)

The regulatory minimum capital requirement is calculated at 13.0 per cent of the RWA including CBUAE assigned capital buffers.

Pursuant to the revised capital adequacy standards and guidelines rolled out by CBUAE in 2020 and applicable in phases, Standardized Approach on counterparty credit risk (SACCR), and Equity Investment Fund (EIF) are implemented in 2021. VA will be implemented effective 30 June 2022 as part of final phase.

Credit risk weighted assets (CRWAs) increased by 1.5 billion due to overall volume growth in investment securities and financing receivables and includes impact from change in risk weights applied on GCC Sovereign and public sector entities, in line with the Central Bank of UAE regulations.

Increase in in Market risk weighted assets (MRWA) was attributed to change in regulations.

Operational risk weighted assets (ORWAs) were driven by a 3-year average operating income compared to prior year.

Credit Risk

Please refer Note no. 36 in the annual financial statements for criteria, approach, structure, and organization of credit risk management and reporting of risk exposures, risk mitigation and stress testing related to credit risk. For definition of default please refer Note 5(i) of annual financial statements.

Credit quality of assets - CR1

The table provides a comprehensive picture of the credit quality of the Group's (on- and off-balance sheet) assets.

		a	b	c	d	e	f
		Gross carrying values of			Of which ECL accounting provisions for credit losses on SA exposures		Net values (a+b-c)
	December 2021 AED 000	**Defaulted exposures[3]**	**Non-defaulted exposures**	**Allowances/ Impairments**	**Allocated in regulatory category of Specific**	**Allocated in regulatory category of General**	
1	Financing receivables	3,843,720	43,189,378	4,419,074	3,452,715	966,359	42,614,024
2	Sukuk[1]	-	6,547,090	15,367	-	15,367	6,531,723
3	**Total**	**3,843,720**	**49,736,468**	**4,434,441**	**3,452,715**	**981,726**	**49,145,747**
4	Off-balance sheet exposures[2]	238,851	21,334,710	19,647	-	19,647	21,553,914

[1] Sukuk Includes Only Banking Book Securities, excluding equities / funds

[2] Includes Letter of credit, Guarantees, Liability on risk participations, Irrevocable financing commitments and notional amount of Derivatives

[3] Defaulted exposures are net of Profit in Suspense (PIS)

Credit quality of assets - CR1 (Continued)

		a	b	c	d	e	f
		Gross carrying values of			Of which ECL accounting provisions for credit losses on SA exposures		Net values (a+b-c)
	December 2020 AED 000	**Defaulted exposures[3]**	**Non-defaulted exposures**	**Allowances/ Impairments**	**Allocated in regulatory category of Specific**	**Allocated in regulatory category of General**	
1	Financing receivables	4,052,183	41,088,618	4,331,825	3,295,913	1,035,912	40,808,976
2	Sukuk[1]	-	4,698,810	31,793	-	31,793	4,667,017
3	**Total**	4,052,183	45,787,428	**4,363,618**	**3,295,913**	**1,067,705**	**45,475,993**
4	Off-balance sheet exposures[2]	262,754	16,317,330	**77,180**	-	77,180	16,502,904

[1] Sukuk Includes Only Banking Book Securities, excluding equities / funds
[2] Includes Letter of credit, Guarantees, Liability on risk participations, Irrevocable financing commitments and notional amount of Derivatives
[3] Defaulted exposures are net of Profit in Suspense (PIS)

Changes in stock of defaulted Financing Receivables and Sukuk – CR2

The following table identifies the changes in the bank's stock of defaulted exposures, the flows between non-defaulted and defaulted exposure categories and reductions in the stock of defaulted exposures due to write-offs.

		December 2021 AED 000	December 2020 AED 000
1	Defaulted financing receivables and sukuk at the end of the previous reporting period	4,052,183	3,113,226
2	Financing receivables and sukuk that have defaulted since the last reporting period	209,330	1,495,666
3	Returned to non-default status	(1,342)	(29)
4	Amounts written off	(513,149)	(854,956)
5	New financial assets, net of repayments and others	96,698	298,276
6	**Defaulted financing receivables and sukuk at the end of the reporting period (1+2-3-4±5)**	**3,843,720**	**4,052,183**

ADDITIONAL DISCLOSURE REALTED TO THE CREDIT QUALITY OF ASSETS

Definition of Default

Please refer Note no. 7 in the annual financial statements for scope and definitions of 'past due' and 'impaired' exposures.

Past due exposures more than 90+dpd not impaired

As at 31st December 2021 AED 82.8 million total outstanding (2020: nil) past due exposures (more than 90+ dpd) were not impaired.

The methods used for determining accounting provisions for credit losses and adopting an ECL accounting model for categorization of ECL accounting provisions in general and specific categories for standardized approach exposures has been detailed in the annual financial statements Note 7(j).

Restructured Financial Assets

Please refer note 7(j) of the annual financials 2021 for restructured financial assets.

As at 31st December 2021, restructured financing constituted AED 1,984 million (2020: AED 1,972 million). Out of which impaired exposures constituted AED 1,984 million in December 2021 (2020: AED 1,972 million).

Gross Credit Exposure - Currency Classification

The Group's credit exposure by foreign and local currency, both funded and non-funded are detailed below:

December 2021 AED 000	Financing Receivables	Sukuk	Other assets[1]	Total funded	Commitments	OTC derivatives	Other off-balance sheet exposures[2]	Total non-funded	Grand Total
Foreign Currency	4,828,873	6,547,095	2,780,265	**14,156,233**	135,516	96,100	1,101,625	**1,333,241**	**15,489,474**
AED	42,599,655	-	12,072,812	**54,672,467**	758,975	473,101	2,490,728	**3,722,804**	**58,395,271**
Total	**47,428,528**	**6,547,095**	**14,853,077**	**68,828,700**	**894,491**	**569,201**	**3,592,353**	**5,056,045**	**73,884,745**

December 2020 AED 000	Financing Receivables	Sukuk	Other assets[1]	Total funded	Commitments	OTC derivatives	Other off-balance sheet exposures[2]	Total non-funded	Grand Total
Foreign Currency	4,178,246	4,698,810	2,304,803	**11,181,859**	367	109,559	819,022	**928,948**	**12,110,807**
AED	41,353,466	-	22,170,495	**63,523,961**	601,553	108,345	2,473,999	**3,183,897**	**66,707,858**
Total	**45,531,712**	**4,698,810**	**24,475,298**	**74,705,820**	**601,920**	**217,904**	**3,293,021**	**4,112,845**	**78,818,665**

1 Other assets include Cash & Deposits with Central Bank, Due from Banks, Investment Securities (Equity & Funds), Investment Properties, Property & Equipment, and Other Assets.

2 Other Off-Balance Sheet exposures are represented as post Credit Conversion Factor (CCF)

Gross Credit Exposure by Maturity

The Group's credit exposure by Residual Maturity, both funded and non-funded are detailed below:

December 2021 AED 000	Financing Receivables	Sukuk	Other assets[1]	Total funded	Commitments	OTC derivatives	Other off-balance sheet exposures[2]	Total non-funded	Grand Total
Less than 3 months	12,880,052	201,090	8,888,480	**21,969,622**	738,664	84,016	1,992,640	**2,815,320**	**24,784,942**
3 months to 1 year	6,124,835	501,798	4,774,554	**11,401,187**	78,348	76,005	1,292,255	**1,446,608**	**12,847,795**
1 year to 5 years	13,261,026	3,944,382	64,207	**17,269,615**	58,233	348,263	282,427	**688,923**	**17,958,538**
Over 5 years	10,348,111	1,899,825	1,125,836	**13,373,772**	19,246	60,917	25,031	**105,194**	**13,478,966**
Add: Grossing up of profit in suspense and provisions	4,814,504	-	-	**4,814,504**	-	-	-	**-**	**4,814,504**
Total	**47,428,528**	**6,547,095**	**14,853,077**	**68,828,700**	**894,491**	**569,201**	**3,592,353**	**5,056,045**	**73,884,745**

1 Other assets include Cash & Deposits with Central Bank, Due from Banks, Investment Securities (Equity & Funds), Investment Properties, Property & Equipment, and Other Assets.
2 Other Off-Balance Sheet exposures are represented as post Credit Conversion Factor (CCF)

Gross Credit Exposure by Maturity (continued)

The Group's credit exposure by Residual Maturity, both funded and non-funded are detailed below:

December 2020 AED 000	Financing Receivables	Sukuk	Other assets[1]	Total funded	Commitments	OTC derivatives	Other off-balance sheet exposures[2]	Total non-funded	Grand Total
Less than 3 months	10,616,372	54,779	16,877,724	**27,548,875**	483,442	14,252	2,295,671	**2,793,365**	**30,342,240**
3 months to 1 year	5,657,185	232,909	6,647,591	**12,537,685**	34,946	17,428	672,162	**724,536**	**13,262,221**
1 year to 5 years	14,497,676	2,930,676	-	**17,428,352**	24,648	147,565	311,705	**483,918**	**17,912,270**
Over 5 years	10,037,743	1,480,446	949,983	**12,468,172**	58,884	38,659	13,483	**111,026**	**12,579,198**
Add: Grossing up of profit in suspense and provisions	4,722,736	-	-	**4,722,736**	-	-	-	**-**	**4,722,736**
Total	**45,531,712**	**4,698,810**	**24,475,298**	**74,705,820**	**601,920**	**217,904**	**3,293,021**	**4,112,845**	**78,818,665**

1 Other assets include Cash & Deposits with Central Bank, Due from Banks, Investment Securities (Equity & Funds), Investment Properties, Property & Equipment, and Other Assets.
2 Other Off-Balance Sheet exposures are represented as post Credit Conversion Factor (CCF)

Gross Credit Exposure by Geography

The Group's credit exposure by Geography, both funded and non-funded are detailed below:

December 2021 AED 000	Financing Receivables	Sukuk	Other assets[1]	Total funded	Commitments	OTC derivatives	Other off-balance sheet exposures[3]	Total non-funded	TGrand otal
United Arab Emirates	45,399,432	4,152,310	12,599,327	**62,151,069**	758,975	560,132	3,192,364	**4,511,472**	**66,662,540**
GCC excluding UAE[2]	1,304,194	1,818,353	276,154	**3,398,701**	-	4,006	246,608	**250,614**	**3,649,315**
Arab League (excluding GCC)	194,799	-	671,799	**866,598**	-	-	20	**20**	**866,618**
Asia	288,700	211,785	643,455	**1,143,940**	135,516	-	9,717	**145,233**	**1,289,173**
Africa	-	-	26,936	**26,936**	-	-	36,725	**36,725**	**63,661**
North America	-	309,559	71,629	**381,188**	-	-	-	**-**	**381,188**
South America	60,000	-	-	**60,000**	-	-	-	**-**	**60,000**
Caribbean	-	-	-	**-**	-	5,063	-	**5,063**	**5,063**
Europe	181,403	55,088	563,777	**800,268**	-	-	106,919	**106,919**	**907,187**
Australia	-	-	-	**-**	-	-	-	**-**	**-**
Others	-	-	-	-	-	-	-	-	-
Total	**47,428,528**	**6,547,095**	**14,853,077**	**68,828,700**	**894,491**	**569,201**	**3,592,353**	**5,056,046**	**73,884,745**

1 Other assets include Cash & Deposits with Central Bank, Due from Banks, Investment Securities (Equity & Funds), Investment Properties, Property & Equipment and Other Assets.
2 This includes Saudi Arabia, Bahrain, Kuwait, Oman and Qatar
3 Off-Balance Sheet exposures are represented as post Credit Conversion Factor (CCF)

Gross Credit Exposure by Geography (continued)

The Group's credit exposure by Geography, both funded and non-funded are detailed below:

December 2020 AED 000	Financing Receivables	Sukuk	Other assets[1]	Total funded	Commitments	OTC derivatives	Other off-balance sheet exposures[3]	Total non-funded	Grand Total
United Arab Emirates	43,617,607	3,053,182	22,533,647	**69,204,436**	585,783	207,540	3,138,054	**3,931,377**	**73,135,813**
GCC excluding UAE[2]	1,387,095	1,583,528	302,006	**3,272,629**	14,232	4,112	45,860	**64,204**	**3,336,833**
Arab League (excluding GCC)	286,030	-	296,895	**582,925**	367	-	20	**387**	**583,312**
Asia	209,158	-	541,087	**750,245**	1,538	-	10,548	**12,086**	**762,331**
Africa	-	-	47,506	**47,506**	-	-	-	**-**	**47,506**
North America	-	-	59,137	**59,137**	-	-	-	**-**	**59,137**
South America	-	-	-	**-**	-	-	-	**-**	**-**
Caribbean	-	-	-	**-**	-	6,252	-	**6,252**	**6,252**
Europe	31,822	62,100	694,530	**788,452**	-	-	98,539	**98,539**	**886,991**
Australia	-	-	-	**-**	-	-	-	**-**	**-**
Others	-	-	490	**490**	-	-	-	**-**	**490**
Total	**45,531,712**	**4,698,810**	**24,475,298**	**74,705,820**	**601,920**	**217,904**	**3,293,021**	**4,112,845**	**78,818,665**

1 Other assets include Cash & Deposits with Central Bank, Due from Banks, Investment Securities (Equity & Funds), Investment Properties, Property & Equipment and Other Assets.
2 This includes Saudi Arabia, Bahrain, Kuwait, Oman and Qatar
3 Off-Balance Sheet exposures are represented as post Credit Conversion Factor (CCF)

Gross Credit Exposure by Economic Activity

The Group's credit exposure by Economic Activity, both funded and non-funded are detailed below:

December 2021 AED 000	Financing Receivables	Sukuk	Other assets[1]	Total funded	Commitments	OTC derivatives	Other off-balance sheet exposures[2]	Total non-funded	Grand Total
Agriculture, fishing & related activities	95,334	-	-	**95,334**	-	-	39,678	**39,678**	**135,012**
Crude, oil gas, mining & quarrying	24,181	401,962	-	**426,143**	-	-	1,333	**1,333**	**427,476**
Manufacturing	1,737,430	-	725	1,738,155	33,719	5,656	114,334	153,709	1,891,864
Electricity and water	467,534	558,730	-	**1,026,264**	-	10,839	14,216	**25,055**	**1,051,319**
Construction	184,894	-	-	184,894	3,439	2,582	1,622,950	1,628,971	1,813,865
Trade	3,882,825	96,931	-	**3,979,756**	58,026	31,345	386,517	**475,888**	**4,455,644**
Transport, Storage & Communication	852,957	402,423	-	**1,255,380**	9,674	3,783	25,114	**38,571**	**1,293,951**
Financial Institutions and investment companies	327,881	2,622,933	13,565,606	**16,516,420**	16,858	344,391	853,087	**1,214,337**	**17,730,756**
Real Estate	1,690,455	674,517	2,277	**2,367,249**	505,958	5,146	50,267	**561,371**	**2,928,620**
Services	5,979,585	558,610	-	**6,538,195**	81,489	79,722	464,284	**625,495**	**7,163,690**
Government	470,237	1,230,989	-	**1,701,226**	135,515	-	-	**135,515**	**1,836,741**
Personal	23,542,558	-	-	**23,542,558**	-	-	-	**-**	**23,542,558**
All Others	3,358,153	-	1,284,469	**4,642,622**	49,813	85,737	20,573	**156,123**	**4,798,745**
Add: Grossing up of Profit in suspense and provisions	4,814,504			**4,814,504**					**4,814,504**
Total	**47,428,528**	**6,547,095**	**14,853,077**	**68,828,700**	**894,491**	**569,201**	**3,592,353**	**5,056,046**	**73,884,745**

1 Other assets include Cash & Deposits with Central Bank, Due from Banks, Investment Securities (Equity & Funds), Investment Properties, Property & Equipment, and Other Assets.

2 Other Off-Balance Sheet exposures are represented as post Credit Conversion Factor (CCF)

Gross Credit Exposure by Economic Activity (continued)

The Group's credit exposure by Economic Activity, both funded and non-funded are detailed below:

December 2020 AED 000	Financing Receivables	Sukuk	Other assets[1]	Total funded	Commitments	OTC derivatives	Other off-balance sheet exposures[2]	Total non-funded	Grand Total
Agriculture, fishing & related activities	-	-	-	**-**	-	-	34,491	**34,491**	**34,491**
Crude, oil gas, mining & quarrying	4,903	-	-	**4,903**	-	-	11,348	**11,348**	**16,251**
Manufacturing	1,450,195	86,771	2,615	**1,539,581**	13,473	4,028	147,453	**164,954**	**1,704,535**
Electricity & Water	562,904	315,451	-	**878,355**	-	2,000	21,561	**23,561**	**901,916**
Construction	901,916	-	-	**619,110**	16,623	1,695	1,664,990	**1,683,308**	**2,302,418**
Trade	5,493,553	-	-	**5,493,553**	1,945	21,185	277,034	**300,164**	**5,793,717**
Transport, Storage and Communication	824,673	163,709	-	**988,382**	2,172	-	16,367	**18,539**	**1,006,921**
Financial Institutions and investment companies	471,915	1,919,550	23,086,135	**25,477,600**	45,000	118,518	781,945	**945,463**	**26,423,063**
Real Estate	2,530,588	363,901	364,680	**3,259,169**	106,095	12,489	14,296	**132,880**	**3,392,049**
Services	1,956,329	685,226	-	**2,641,555**	39,612	5,753	300,498	**345,863**	**2,987,418**
Sovereign	463,413	1,164,202	-	**1,627,615**	367	1,250	-	**1,617**	**1,629,232**
Personal	25,143,933	-	-	**25,143,933**	376,633	50,986	20,814	**448,433**	**25,592,366**
All Others	1,287,460	-	1,021,868	**2,309,328**	-	-	2,224	**2,224**	**2,311,552**
Add: Grossing up of Profit in suspense and provisions	4,722,736	-	-	**4,722,736**	-	-	-	**-**	**4,722,736**
Total	**45,531,712**	**4,698,810**	**24,475,298**	**74,705,820**	**601,920**	**217,904**	**3,293,021**	**4,112,845**	**78,818,665**

1 Other assets include Cash & Deposits with Central Bank, Due from Banks, Investment Securities (Equity & Funds), Investment Properties, Property & Equipment, and Other Assets.

2 Other Off-Balance Sheet exposures are represented as post Credit Conversion Factor (CCF)

Impaired Financing by Geography

The Group's Impaired Credit Exposure by Geography, is detailed below:

	Overdue (Gross of Profit in Suspense/ Provisions)			Provisions		Adjustments		Profit in Suspense	Total Impaired Assets
December 2021 AED 000	**Less than 90 days**	**90 days and above**	**Total**	**Specific***	**General****	**Write-offs**	**Write-backs**		
United Arab Emirates	-	4,228,570	**4,228,570**	3,442,291	-	513,149	130,857	395,275	**391,004**
GCC excluding UAE***	-	10,580	**10,580**	10,424	-	-	641	155	**1**
Arab League (excluding GCC)	-	-	-	-	-	-	-	-	-
Asia	-	-	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-
North America	-	-	-	-	-	-	-	-	-
South America	-	-	-	-	-	-	-	-	-
Caribbean	-	-	-	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-
Australia	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
Total	**-**	**4,239,150**	**4,239,150**	**3,452,715**	**966,359**	**513,149**	**131,498**	**395,430**	**391,005**

* Specific provisions represent Stage 3 Expected Credit Losses (ECL).
** General provisions represent Stage 1 and Stage 2 Expected Credit Losses (ECL).
*** This includes Saudi Arabia, Bahrain, Kuwait, Oman and Qatar

Impaired Financing by Geography (Continued)

The Group's Impaired Credit Exposure by Geography, is detailed below:

December 2020 AED 000	Overdue (Gross of Profit in Suspense/ Provisions)			Provisions		Adjustments		Profit in Suspense	Total Impaired Assets
	Less than 90 days	90 days and above	Total	Specific*	General**	Write-offs	Write-backs		
United Arab Emirates	-	4,393,816	**4,393,816**	3,246,761	-	854,956	102,649	390,783	**756,272**
GCC excluding UAE***	-	49,280	**49,280**	49,152	-	-	6,739	128	-
Arab League (excluding GCC)	-	-	-	-	-	-	-	-	-
Asia	-	-	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-
North America	-	-	-	-	-	-	-	-	-
South America	-	-	-	-	-	-	-	-	-
Caribbean	-	-	-	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-
Australia	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
Total	**-**	**4,443,096**	**4,443,096**	**3,295,913**	**-**	**854,956**	**109,388**	**390,911**	**756,272**

* Specific provisions represent Stage 3 Expected Credit Losses (ECL).
** General provisions represent Stage 1 and Stage 2 Expected Credit Losses (ECL).
*** This includes Saudi Arabia, Bahrain, Kuwait, Oman and Qatar

Impaired Financing by Economic Activity

The Group's Impaired Credit Exposure by Economic Activity, is detailed below:

	Overdue (Gross of Profit in Suspense/ Provisions)			Provisions		Adjustments		Profit in Suspense	Total Impaired Assets
December 2021 AED 000	**Less than 90 days**	**90 days and above**	**Total**	**Specific***	**General****	**Write-offs**	**Write-backs**		
Agriculture, fishing & related activities	-	4,049	**4,049**	4,144	-	-	800	37	**(132)**
Crude, oil gas, mining & quarrying	-	-	**-**	-	-	-	-	-	**-**
Manufacturing	-	344,568	**344,568**	337,046	-	-	15,244	14,058	**(6,536)**
Electricity and water	-	-	**-**	-	-	-	-	-	**-**
Construction	-	477,347	**477,347**	557,595	-	5	10,490	13,824	**(94,072)**
Trade	-	561,376	**561,376**	503,084	-	-	7,982	25,330	**32,962**
Transport, Storage & Communication	-	13,247	**13,247**	11,625	-	4	564	1,675	**(53)**
Financial Institutions	-	343,915	**343,915**	246,372	-	38,087	357	89	**97,454**
Real Estate	-	884,264	**884,264**	618,096	-	-	78,771	145,082	**121,086**
Services	-	592,450	**592,450**	458,457	-	-	-	22,678	**111,315**
Sovereign	-	-	**-**	-	-	-	-	-	**-**
Personal	-	1,017,934	**1,017,934**	716,296	-	475,053	17,290	172,657	**128,981**
All Others	-	-	**-**	-	-	-	-	-	**-**
Total	**-**	**4,239,150**	**4,239,150**	**3,452,715**	**966,359**	**513,149**	**131,498**	**395,430**	**391,005**

* Specific provisions represent Stage 3 Expected Credit Losses (ECL).
** General provisions represent Stage 1 and Stage 2 Expected Credit Losses (ECL).

Impaired Financing by Economic Activity (continued)

The Group's Impaired Credit Exposure by Economic Activity, is detailed below:

	Overdue (Gross of Profit in Suspense/ Provisions)			Provisions		Adjustments		Profit in Suspense	Total Impaired Assets
December 2020	Less than 90 days	90 days and above	Total	Specific*	General**	Write-offs	Write-backs		
AED 000									
Agriculture, fishing & related activities	-	4,949	**4,949**	4,967	-	-	-	5	**(23)**
Crude, oil gas, mining & quarrying	-	-	**-**	-	-	-	-	-	**-**
Manufacturing	-	359,605	**359,605**	344,530	-	12,981	10,332	10,566	**4,509**
Electricity and water	-	65	**65**	65	-	-	-	-	**-**
Construction	-	394,800	**394,800**	467,177	-	143,343	98	13,591	**(85,968)**
Trade	-	649,972	**649,972**	482,367	-	195,555	39,051	21,825	**145,780**
Transport, Storage & Communication	-	13,889	**13,889**	12,173	-	62,179	1,075	1,416	**300**
Financial Institutions	-	34,698	**34,698**	34,698	-	18,570	-	-	**-**
Real Estate	-	1,238,842	**1,238,842**	844,767	-	-	23,754	221,486	**172,589**
Services	-	897,257	**897,257**	537,310	-	44,182	8,471	24,525	**335,422**
Sovereign	-	-	**-**	-	-	-	-	-	**-**
Personal	-	849,019	**849,019**	567,859	-	378,146	26,607	97,497	**183,663**
All Others	-	-	**-**	-	-	-	-	-	**-**
Total	**-**	**4,443,096**	**4,443,096**	**3,295,913**	**-**	**854,956**	**109,388**	**390,911**	**756,272**

* Specific provisions represent Stage 3 Expected Credit Losses (ECL).
** General provisions represent Stage 1 and Stage 2 Expected Credit Losses (ECL).

QUALITIATIVE DISCLOSURE REQUIREMENTS REALTED TO CREDIT RISK MITIGATION TECHNIQUES - CRC

Please refer Note no. 36 in the annual financial statements for criteria, approach, structure, and organization of credit risk management and reporting of risk exposures, risk mitigation and stress testing related to credit risk.

The Group has adopted comprehensive approach for collateral valuation assessment. Categories of collaterals include cash/fixed deposits, shares, guarantees (corporate and bank guarantees). As at 31 December 2021, total eligible collaterals held by the Group amounted to AED 4,696 million (2020: AED 2,584 million). CR3 table below discloses collaterals securing financing and sukuk only. Out of these, AED 932 million (2020: AED 926 million) were held as cash collaterals.

Credit risk mitigation techniques – overview (CR3)

The following table discloses the extent of use of credit risk mitigation techniques.

	December 2021 AED 000	a Exposures unsecured: carrying amount	b Exposures secured by collateral	c Exposures secured by collateral of which: secured amount	d Exposures secured by financial guarantees	e Exposures secured by financial guarantees, of which: secured amount	f Exposures secured by credit derivatives	g Exposures secured by credit derivatives, of which: secured amount
1	Financing receivables	33,570,992	8,709,680	4,431,316	333,352	264,731	-	-
2	Sukuk	6,531,723	-	-	-	-	-	-
		----------------	---------------	---------------	------------	------------	-------------	------------
3	**Total**	**40,102,715**	**8,709,680**	**4,431,316**	**333,352**	**264,731**	**-**	**-**
		=========	========	=========	=======	=======	========	=======
4	Of which defaulted	383,480	7,525	7,525	-	-	-	-

Credit risk mitigation techniques – overview (CR3) (continued)

The following table discloses the extent of use of credit risk mitigation techniques

		a Exposures unsecured: carrying amount	b Exposures secured by collateral	c Exposures secured by collateral of which: secured amount	d Exposures secured by financial guarantees	e Exposures secured by financial guarantees, of which: secured amount	f Exposures secured by credit derivatives	g Exposures secured by credit derivatives, of which: secured amount
	December 2020 **AED 000**							
1	Financing receivables	35,234,834	5,500,350	2,517,949	73,792	65,624	-	-
2	Sukuk	4,667,017	-	-	-	-	-	-
3	**Total**	**39,901,851**	**5,500,350**	**2,517,949**	**73,792**	**65,624**	**-**	**-**
4	Of which defaulted	703,666	52,604	27,352	-	-	-	-

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

Recognition of External Credit Assessment Institutions (ECAI)

The standardized approach requires banks to use risk assessments prepared by ECAIs to determine the risk weightings applied to rated counterparties. As advised by CBUAE; Moody's Investor Service (Moody's), Standard and Poor's rating agency (S&P) and Fitch Ratings (Fitch) have been used for ratings purpose.

Based on the rating processes of these ECAIs, the CBUAE has established the following tables:

Long term rating		
S & P	**Fitch**	**Moody's**
AAA to AA-	AAA to AA-	Aaa to Aa-
A+ to A-	A+ to A-	A1 to A3
BBB+ to BBB-	BBB+ to BBB-	Baa1 to Baa3
BB+ to BB-	BB+ to BB-	Ba1 to Ba3
B+ to B-	B+ to B-	B1 to B3
Below B-	Below B-	Below B-
Unrated	Unrated	Unrated

If there is only one rating, that rating is used to determine the risk weight of the exposure. If there are two ratings that map to different risk weights, the higher risk weight is applied

If there are three ratings with different risk weights, the ratings corresponding to the two lowest risk weights is referred to. If these give rise to the same risk weight, that risk weight is applied. If different, the higher risk weight is applied

ECAI risk assessments are used within the Group as part of the determination of risk weightings for the following classes of exposure:

- Sovereigns
- Public Sector Enterprises
- Banks
- Corporates

All other exposure classes are assigned risk weightings as prescribed in the CBUAE standards.

Credit risk exposure and Credit Risk Mitigation (CRM) effects (CR4)

The following table Illustrates the effect of CRM on capital requirements' calculations. RWA density provides a synthetic metric on riskiness of each portfolio.

	Exposure before CRM		Exposure post CCF and CRM		RWA and RWA Density	
Risk weight Regulatory portfolio December 2021 AED 000	**On Balance Sheet**	**Off Balance Sheet**	**On Balance Sheet**	**Off Balance Sheet**	**RWA**	**RWA Density**
Sovereigns and their central banks	11,903,873	271,031	11,903,873	135,516	1,095,106	9%
Public Sector Entities	4,369,590	195,461	4,364,497	180,144	4,030,362	89%
Multilateral development banks	-	-	-	-	-	-
Banks	5,134,294	333,435	5,134,294	333,435	3,354,944	61%
Securities firms	-	-	-	-	-	-
Corporates	13,308,613	7,189,932	8,625,184	4,168,100	12,229,409	96%
Regulatory retail portfolios	13,037,396	-	13,037,396	-	10,083,415	77%
Secured by residential property	12,271,802	-	12,271,802	-	5,926,417	48%
Secured by commercial real estate	2,662,151	-	2,662,151	-	2,662,151	100%
Equity Investment in Funds (EIF) [1]	3,002	-	3,002	-	37,525	1250%
Past-due financing	4,261,897	238,851	509,914	238,850	789,617	105%
Higher-risk categories	-	-	-	-	-	-
Other assets	1,876,082	-	1,876,082	-	1,468,129	78%
Total	**68,828,700**	**8,228,710**	**60,388,195**	**5,056,045**	**41,677,075**	**64%**

1 As per the revised capital adequacy standards and guidelines applicable from 2021, CBUAE has prescribed additional capital charge for Group's equity investment in funds (EIF). This exposure was classified as High-risk categories until 30 September 2021.

Credit risk exposure and Credit Risk Mitigation (CRM) effects (CR4) (Continued)

The following table Illustrates the effect of CRM on capital requirements' calculations. RWA density provides a synthetic metric on riskiness of each portfolio.

	Exposure before CRM		Exposure post CCF and CRM		RWA and RWA Density	
December 2020 AED 000	**On Balance Sheet**	**Off Balance Sheet**	**On Balance Sheet**	**Off Balance Sheet**	**RWA**	**RWA Density**
Sovereigns and their central banks	20,906,797	2,735	20,906,797	2,368	544,190	3%
Public Sector Entities	739,062	-	739,062	-	63,090	9%
Multilateral development banks	-	-	-	-	-	-
Banks	5,455,370	88,743	5,455,370	88,743	2,744,664	50%
Securities firms	-	-	-	-	-	-
Corporates	15,288,592	5,902,819	12,870,763	3,508,450	15,983,619	98%
Regulatory retail portfolios	12,369,185	-	12,230,794	-	9,352,776	76%
Secured by residential property	10,606,479	752,592	10,606,479	376,296	5,547,848	51%
Secured by commercial real estate	3,351,045	-	3,351,045	-	3,351,045	100%
Equity Investment in Funds (EIF)	-	-	-	-	-	-
Past-due financing	4,443,095	262,754	868,228	136,988	1,005,427	100%
Higher-risk categories	3,158	-	3,158	-	4,737	150%
Other assets	1,543,037	-	1,543,037	-	1,248,885	81%
Total	**74,705,820**	**7,009,643**	**68,574,733**	**4,112,845**	**39,846,281**	**55%**

Exposures by asset classes and risk weights (CR5)

The following table Illustrates the effect of CRM on capital requirements' calculations. RWA density provides a synthetic metric on riskiness of each portfolio.

Risk weight Regulatory portfolio December 2021 AED 000	0%	20%	35%	50%	75%	100%	150%	Others 85%	Others 1250%	Total credit exposure
Sovereigns	10,317,803	667,976	-	184,198	-	869,412	-	-	-	12,039,389
Public Sector Entities (PSEs)	-	105,207	-	860,226	-	3,579,208	-	-	-	4,544,641
Multilateral development banks (MDBs)	-	-	-	-	-	-	-	-	-	-
Banks	-	1,008,466	-	2,612,025	-	1,847,238	-	-	-	5,467,729
Securities firms	-	-	-	-	-	-	-	-	-	-
Corporates	-	55,088	-	585,388	-	10,566,414	16,691	1,569,703	-	12,793,284
Regulatory retail portfolios	-	-	-	-	11,815,925	1,221,471		-	-	13,037,396
Secured by residential property	-	-	8,876,734	-	2,302,030	1,093,038	-	-	-	12,271,802
Secured by commercial real estate	-	-	-	-	-	2,662,151	-	-	-	2,662,151
Equity Investment in Funds (EIF) [1]	-	-	-	-	-	-	-	-	3,002	3,002
Past-due financing	-	-	-	-	-	667,061	81,704	-	-	748,765
Higher-risk categories	-	-	-	-	-		-	-	-	-
Other assets	482,881	-	-	-	-	1,243,343	149,857	-	-	1,876,081
Total	**10,800,684**	**1,836,737**	**8,876,734**	**4,241,837**	**14,117,955**	**23,749,336**	**248,252**	**1,569,703**	**3,002**	**65,444,240**

1 As per the revised capital adequacy standards and guidelines applicable from 2021, CBUAE has prescribed additional capital charge for Group's equity investment in funds (EIF). This exposure was classified as High-risk categories until 30 September 2021

<u>Exposures by asset classes and risk weights</u> (CR5) (Continued)

The following table Illustrates the effect of CRM on capital requirements' calculations. RWA density provides a synthetic metric on riskiness of each portfolio.

Risk weight Regulatory portfolio	0%	20%	35%	50%	75%	100%	150%	Others 85%	Others 1250%	Total credit exposure
December 2020										
AED 000										
Sovereigns	20,364,975	-	-	-	-	544,190	-	-	-	20,909,165
Public Sector Entities (PSEs)	423,611	315,451	-	-	-	-	-	-	-	739,062
Multilateral development banks (MDBs)	-	-	-	-	-	-	-	-	-	-
Banks	-	1,771,500	-	2,764,497	-	1,008,116	-	-	-	5,544,113
Securities firms	-	-	-	-	-	-	-	-	-	-
Corporates	-	64,276	-	256,381	-	14,618,673	-	1,439,882	-	16,379,212
Regulatory retail portfolios	-	-	-	-	11,512,074	718,720	-	-	-	12,230,794
Secured by residential property	-	-	7,675,414	-	1,783,631	1,523,730	-	-	-	10,982,775
Secured by commercial real estate	-	-	-	-	-	3,351,045	-	-	-	3,351,045
Equity Investment in Funds (EIF)	-	-	-	-	-	-	-	-	-	-
Past-due financing	-	-	-	-	-	1,004,795	421	-	-	1,005,215
Higher-risk categories	-	-	-	-	-	-	3,158	-	-	3,158
Other assets	372,666	-	-	-	-	1,013,339	157,032	-	-	1,543,037
Total	**21,161,252**	**2,151,227**	**7,675,414**	**3,020,878**	**13,295,705**	**23,782,608**	**160,611**	**1,439,882**	**-**	**72,687,577**

Exposures by asset classes and risk weights (CR5) (Continued)

As per the revised capital adequacy standards and guidelines applicable from 2021, Claims on GCC sovereign in non-domestic currency attract risk weight based on country rating, previously risk weighted at 0%. Accordingly, there is a shift in sovereign exposure from 0% to 20% RW. Also, short term claims on banks in foreign currency can now attract preferential risk weight, resulting in increase in 20% RW bucket. Other movements are mostly volume driven.

Counterparty Credit Risk (CCR)

Counterparty Credit Risk (CCR) is the risk that the counterparty to a transaction could default before the final settlement. The value of derivative transactions will change with fluctuations in factors such as interest rates, foreign exchange rates, equities, or commodities. The Group is exposed to CCR from its sales and balance sheet management activities. CCR is managed though the Counterparty Credit Risk Policy and methodology framework.

Counterparty Credit Risk Oversight and Management

The Board Credit and Investment Committee (BCIC) is the board level committee with an oversight on counterparty credit risk. The EI Risk Committee (GRC) and Management Credit Committee (MCC) are the management level committees responsible for the same and have an oversight on policy, methodology and limit framework.

Group Market & Treasury Credit Risk (MTCR) is a group function which is independent from the first line client relationship and product risk taking units. MTCR reports directly to the Group Chief Risk Officer (CRO), has second line responsibility for measuring, monitoring and assists with managing counterparty credit risk in the Group.

Identification

Existing credit underwriting process, New Products and Process Approvals (NPPA) and ongoing discussions with business units and customers are the methods adopted by the Group in its CCR management process.

Measurement

Mark-to-Market, Potential Future Exposure, Issuer (Risk) Exposure, Repo Exposure and Settlement (Risk) Exposure are calculated and reported on a daily basis. Approved risk measurement methodology is used to model statistical CCR measures such as the Potential Future Exposure (PFE). For derivative contracts, the total credit exposure of a contract is computed as peak exposure at a specified confidence interval over the remaining term of the contract.

Monitoring, Control and Reporting

Only authorized sales activities for approved products and risk types are used by the Global Markets & Treasury business. Limits are approved to reflect credit exposure amount and tenor appetite. CCR positions are monitored daily against approved and allocated CCR limits. Exceptions, including any temporary breaches, are reported and escalated to senior management. CCR Limits are reviewed annually in accordance with applicable credit policies, processes and approval delegation. Interim reviews are undertaken where necessitated by change in counterparty credit worthiness and/or business plans. Appropriate counterparty credit limits are established for each counterparty based on the Group's assessment of the counterparty's creditworthiness. CCR limits are subject to regular review and are approved within the overarching framework of credit risk management. Counterparties are actively monitored and reviewed. Collateral may be taken to partially or fully cover mark-to-market exposures on outstanding positions. The collateral agreement typically includes a minimum threshold amount where additional collateral is to be posted by either party if the mark-to-market exposures exceed the agreed threshold. Master agreements, such as those from the International Swaps and Derivatives Agreement (ISDA) also allow for closeout netting if either counterparty defaults.

Counterparty Credit Risk Limits

The Group's credit policy focuses on the core credit principles, lending guidelines and parameters, control, monitoring and IFRS 9 reporting requirements, problem loan identification, management of high-risk customers and provisioning. Standard procedures specific to businesses are in place to manage various types of risks across different business segments, products and portfolios.

Counterparty Credit Risk Capital Calculation

For regulatory capital charge purposes of Over the Counter (OTC) derivatives, the Group calculates pre-settlement capital adequacy requirement using following counterparty credit risk measures:

Counterparty Credit Risk (CCR) (Continued)

- Standardized Approach to Counterparty Credit Risk Capital Calculation (SA-CCR) – Transition from current exposure method from December 2021
- Standardized Credit Valuation Adjustment Capital Charge (CVA) – Expected application from 30 June 2022

Risk Category	Approach	Application
Derivatives	Standardized Approach for Counterparty Credit Risk (SA-CCR)	SACCR calculates the exposure at default of derivatives and "long-settlement transactions" exposed to counterparty credit risk. It builds EAD as (i) a "Replacement Cost", were the counterparty to default today; combined with (ii) an "Add On" with its appropriate multiplier, essentially potential future exposure. The SACCR EAD is an input to the bank's regulatory capital calculation where it is combined with the counterparty's external ratings to derive risk weights.
	Standardized Credit Valuation Adjustment(S-CVA)	Group also provides capital requirement to cover the risk of mark-to-market losses on the expected counterparty risk (such losses being known as CVA) to OTC derivatives.

Wrong Way Risk (WWR)

WWR arises when there is adverse (positive) correlation between a client's credit worthiness (probability of default) and the Group's credit exposure to that client. Wrong Way Risk is broadly categorized as either general or specific.

General Wrong Way Risk (GWWR) – GWWR arises where there is adverse (positive) correlation between the client's credit worthiness (PD) and the Group's exposure to the client owing to a co-dependency on non-client specific, market driven risk factors such as market levels for Forex, Interest Rates or Commodities. GWWR transactions are strongly discouraged and require pre-approval

Specific Wrong Way Risk (SWWR) - SWWR arises when there is adverse (positive) correlation between the client's credit worthiness (PD) and the Group's exposure to the client owing to the respective counterparty-group specific reasons. These would include trades with direct or indirect reference (including underlying collateral) to the counterparty or related entity's (parent, holding company, subsidiary, group entity) equity price or credit spread. These also include direct or indirect reference to the Group's security issuances. SWWR transactions are not permitted unless pre-approved.

Policy guidelines related to WWR are integrated in the Group's Counterparty Credit Risk Policy Framework. The goal of these guidelines is to provide best practices and guidelines for the identification, approval, reporting and mitigation of specific and general WWR.

Derivative Master Netting Agreements and Margin Agreements

Credit risk from derivatives is mitigated where possible through netting agreements whereby derivative assets and liabilities with the same counterparty can be offset. The Group policy requires all netting arrangements to be legally documented. ISDA (International Swaps and Derivatives Association) master agreements are the Group's preferred manner for documenting OTC derivatives.

The agreements provide the contractual framework within which dealing activities across a full range of OTC products are conducted and contractually bind both parties to apply close-out netting across all outstanding transactions covered by an agreement if either party defaults or other predetermined events occur.

The Group considers the level of legal certainty regarding enforceability of its offsetting rights under master netting agreements and credit support annexes to be an important factor in its risk management process.

In-house legal counsel independently reviews relevant jurisdictions, counterparties and respective master agreements and advise business and risk units on close-out netting and collateral enforceability.

The SACCR and S-CVA capital charge accordingly incorporates the margining impact due to these enforceable netting and margining agreements.

Counterparty Credit Risk (CCR) (Continued)

Impact of the Group's Rating downgrade on Collateral

The liquidity impact of a downgrade on collateral management from the Group's perspective is not material as the collateral agreements are generally not linked to Group's rating.

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

The following table provides a comprehensive view of the methods used to calculate counterparty credit risk regulatory requirements and the main parameters used within each method.

SA-CCR (for derivatives)

		a	b	c	d	e	f
		Replacement cost	**Potential future exposure**	**EEPE**	**Alpha used for computing regulatory EAD**	**EAD post-CRM**	**RWA**
	December 2021 AED 000						
1	SA-CCR (for derivatives)	118,378	288,194	-	1.4	569,201	341,154
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**	-	-	**-**	**-**	-	**341,154**

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

The following table presents information on the risk-weighting of CCR exposures under the standardized approach by regulatory portfolio.

	a	b	c	d	e	f	g	h
Risk weight Regulatory portfolio December 2021 AED 000	**0%**	**20%**	**50%**	**75%**	**100%**	**150%**	**Others**	**Total credit exposure**
Sovereigns	-	-	-	-	-	-	-	-
Public Sector Entities (PSEs)	-	12,804	-	-	-	-	-	12,804
Multilateral development banks (MDBs)	-	-	-	-	-	-	-	-
Banks	-	81,410	252,025	-	-	-	-	333,435
Securities firms	-	-	-	-	-	-	-	-
Corporates	-	-	70,017	-	136,254	16,691	-	222,962
Regulatory retail portfolios	-	-	-	-	-	-	-	-
Secured by residential property	-	-	-	-	-	-	-	-
Secured by commercial real estate	-	-	-	-	-	-	-	-
Equity Investment in Funds (EIF)	-	-	-	-	-	-	-	-
Past-due financing	-	-	-	-	-	-	-	-
Higher-risk categories	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-
Total	**-**	**94,214**	**322,042**	**-**	**136,254**	**16,691**	**-**	**569,201**

Market Risk

Market Risk is the risk that the value of financial instruments in the Group's books – with the inclusion of some other financial assets and liabilities could produce a loss because of changes in future market conditions.

The Group takes on market risks in the pursuit of its strategic and business objectives.

The Group predominantly pursues opportunities in the market that exposes itself to the following categories of market risk - which are actively managed and monitored:

- Interest Rate Risk: losses in value due to changes in the level, slope and curvature of yield curves, the volatility of interest rates and changes in credit spreads
- FX Risk: losses in value due to exposures to changes in spot prices, forward prices and volatilities of currency rates
- Credit Spread Risk: Losses in the value due to change in credit spreads driven by associated credit risk of the security issuer/underlying
- Commodity Price Risk: losses in value due to exposures to changes in spot prices, forward prices, and volatilities of commodities such as precious metals.

The Group's risk exposures to market risk are segregated into Trading and Banking Books. The Trading Book include those financial instruments held with trading intent arising from market-making, position-taking and other so designated financial instruments accounted for at fair value daily. The Banking Book include financial instruments not held with trading intent that arise from the management of Interest Rate risk and FX risk from the Group's retail and corporate and institutional banking assets and liabilities, and other financial investments designated as either FVOCI or Amortised Cost.

Market risk oversight and management process

As part of the Group's enterprise-wide risk management framework, an extensive governance processes are applied to the market risk taking activities. This governance framework includes, inter alia:

- Approval by the Group's Board Risk Committee (BLC) and Asset-Liability Committee (ALCO) of a set of risk limits with appropriate monitoring, reporting and limits excesses' escalation procedures subject to regular review and consistent with the Bank's approach to strict compliance with Shari'ah rules and principles.
- A comprehensive set of policies, procedures and limits; and
- Monitoring a wide range of risk metrics appropriate for the respective dealing activities - such as risk sensitivities, Gross and Net open positions, Value-at-Risk (VaR) and stop-loss limits.

Respective desk head/ managers are accountable for managing market risk within the approved limits. These managers have extensive knowledge of markets and products, their risk exposures and of the financial instruments available to hedge their exposures.

Oversight by EI Market & Treasury Credit Risk (EI MTCR)

Emirates Islamic MTCR is a risk function which is independent from the first line market risk taking units. EI MTCR reports directly to EI CRO, has second line responsibility for measuring, monitoring and managing market risk in the Bank, in co-operation with other independent and support functions across the bank's global businesses.

Market Risk Capital

The Group calculates market risk capital requirements using Basel III Standardized Approach. The following risk types are covered by Basel III Standardized Approach. Emirates Islamic do not foster Trading mandate and hence provides the capital requirement as applicable.

Market Risk (continued)

Profit rate risk:	Risk arising from fluctuations in the level of profit rates in the market environment and impacts prices of profit rate sensitivities financial instruments.
Equity risk:	Risk arising from fluctuations in equity prices, volatilities and dividend yields.
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 Group.
Commodity risk:	Risk arising from fluctuations in the prices of commodities.
Options Risk:	Risk arising from fluctuations in the volatilities and prices/ rates impacts financial instruments with optionality.

Market risk under the standardized approach - MR1

The following table provides the components of capital requirement under the SA for market risk:

		December 2021 AED 000 RWA	December 2020 AED 000 RWA
1	General Profit rate risk (General and Specific)	-	-
2	Equity risk (General and Specific)	-	-
3	Foreign exchange risk	61,961	29,578
4	Commodity risk	-	-
	Options	-	-
5	Simplified approach	-	-
6	Delta-plus method	-	-
7	Scenario approach	-	-
8	Securitization	-	-
9	**Total**	**61,961**	**29,578**

Operational Risk - (ORA)

For details of Group's Operational Risk Management, kindly refer Note 36 (M) in the Financial Statements

Basel II framework outlines three methods for calculating the risk charge for operational risk: Basic Indicator, Standardized Approach and Advanced Measurement Approach. The Group presently follows the Standardized Approach.

The total capital requirement for Operational Risk as at 31 December 2021 is AED 3,919 million (2020: AED 3,950 million). This charge is computed by categorizing the Group's activities into 8 business lines (as defined by CBUAE guidelines) and multiplying the line's three-year average gross income by a pre-defined beta factor.

Profit Rate Risk in the Banking Book (PRRBB)

PRRBBA – PRRBB Risk Management Objectives and Principles

Overview

Profit Rate Risk in the Banking Book (PRRBB) is defined as potential loss of future earnings or economic value due to adverse movement in profit rates, which arises from a mismatch in the repricing profile of assets, liabilities and off-balance sheet items in the banking book.

Management

In order to manage this risk optimally, PRRBB in non-trading portfolios is transferred to Treasury under the supervision of the ALCO, through Funds Transfer Pricing (FTP) framework. Profit rate risk is managed by Treasury under oversight of the ALCO and within the Risk Appetite approved by the Board. The Finance and Risk functions are responsible for measurement, monitoring, formulation of policy framework and provide periodic updates to the ALCO and the BRC. The Internal Audit provides an independent opinion to the Board Audit Committee (BAC) on the adequacy and effectiveness of risk governance and internal controls. The ALCO regularly monitors the profit rate risk positions and if required directs suitable remediation to ensure this remains within Risk Appetite.

Measurement

The Group uses two key metrics for measuring PRRBB: Net Funded Income (NFI) sensitivity, an income measure which quantifies the potential change in projected net funded income over a one-year horizon for defined movements in profit rates and Economic Value of Equity (EVE), a value measure which estimates the potential change in present value of the Group's Assets and Liabilities for defined movements in profit rates. These metrics are measured and monitored on periodic basis.

The NFI sensitivity disclosed below is calculated based on a stressed assumption of parallel shifts to the yield curve as recommended by Basel and assessing the corresponding impact on NFI over a one-year horizon. The EVE sensitivity disclosed below is calculated based on a stressed assumption of parallel and non-parallel shifts to the yield curve as recommended by Basel. Further, the EVE computations are based on a gap analysis with a repricing schedule that distributes the principal cash flows into granular time buckets and discounted with the equivalent risk-free rate. The sensitivity analysis performed for down rate shocks includes a floor to the market rates at zero, unless the market rates are already negative. The average repricing maturity of retail, wholesale non-maturity deposits are determined based on historical analysis conducted normally over a period of 5 years. Considering the nature, size, and duration of the portfolio, the profit rate risk on account of early settlement would not be significant relative to the portfolio and is excluded from computation assumptions.

Quantitative Disclosure

1. Average repricing maturity assigned to NMDs – 1.7 years
2. Longest repricing maturity assigned to NMDs – 5 years

PRRBB1 - Quantitative information on PRRBB

AED 000	**∆EVE**		**∆NFI**	
Period	**December 2021**	**December 2020**	**December 2021**	**December 2020**
Parallel up	98,869	114,016	285,730	247,424
Parallel down	10,566	8,387	(280,129)	(184,742)
Steepener	174,695	142,456	-	-
Flattener	-	-	-	-
Short rate up	-	-	-	-
Short rate down	43,737	6,560	-	-
Maximum	174,695	142,456	-	-
Period	**2021**		**2020**	
Tier 1 capital	**8,489,170**		**7,901,151**	

Liquidity

Overview and Governance

Liquidity Risk refers to the inability of the Group to fund an increase in assets and meet obligations as they become due (Structural Funding Risk), or the inability to convert assets into cash at reasonable prices (Market Liquidity Risk). The risk arises from mismatches in the amount and timings of cash flows.

The Emirates Islamic Board of Directors (BOD), through the Board Risk Committee (BRC), sets out the absolute boundaries of the Bank's Risk Appetite. The ALCO (Asset Liability Committee) is the principal senior management committee supporting the BOD to effectively discharge their oversight function on the Group's liquidity risk. ALCO is responsible for managing the liquidity risk within the internally approved Risk Appetite. The ALCO executes the liquidity risk management strategies through Treasury and Business units. The Finance and Risk functions are responsible for measurement, monitoring, formulation of policy framework and provide periodic updates to the ALCO and the BRC.

Management

The objective of the Group's liquidity and funding management framework is to ensure that all foreseeable funding commitments, under both normal and stressed conditions can be met when due. To this end, the Group maintains a diversified funding base comprising core retail and corporate customer deposits and institutional balances. The funding profile is further augmented with Term funding from Capital Market and Wholesale funding sources. The Group maintains a portfolio of High-Quality Liquid Assets to enable quick and smooth response to unforeseen liquidity requirements. The details of liquidity risk maturity analysis are in the Note 36 of the Financial Statements.

The ALCO through the Funds Transfer Pricing (FTP) framework, incorporates the liquidity costs, benefits and risks in the internal pricing of assets and liabilities to the business lines.

The funding liquidity management process includes:

- projecting cash flows under various stress scenarios and considering the level of liquid assets necessary in relation thereto.
- mis-match analysis between assets and liabilities for different periods with a focus on shorter time frames. These gap reports are based on contractual cash flow with overlays of behavioral assumptions for non-maturing assets and liabilities and potential liquidity demand through undrawn commitments.
- monitoring balance sheet liquidity, advances to deposits ratios, long term funding ratios, Eligible Liquid Asset Ratio (ELAR) and Advances to stable Resource Ratio (ASRR) against internal and regulatory requirements.
- maintaining a diverse range of funding sources with back-up facilities.
- managing the deposit concentration and profile of sukuk maturities.

Stress Testing

Stress Testing is an integral part of the Liquidity Risk Management Framework. The objective of stress testing is to ensure that the Group maintains adequate level of liquidity to be able to withstand a range of severe stress scenario. The Group conducts liquidity stress testing across Systemic, Bank Specific and Combined Scenarios and ensures that the Survival Horizon across these stress scenarios remains within the Board approved appetite. The Stress Tests are conducted on a periodic basis and updated to the ALCO and the BRC.

Contingency Funding Plan

The Contingency Funding Plan (CFP) sets out the Group'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 the ALCO and updated to the BRC. The plan includes identification, invocation and escalation procedures and details of potential actions, available sources of liquidity, mitigations and specifies a communication plan, which could be implemented based on the severity of the liquidity crisis.

Liquidity (continued)

<u>Eligible Liquid Assets Ratio (ELAR)</u>

The Eligible Liquid Asset Ratio (ELAR) is a regulatory ratio introduced in accordance with Circular No. 33/2015 - Regulations re Liquidity with an objective to promote short term resilience of the liquidity risk profile of the Bank.

The Group measures and reports its ELAR under the Central Bank of UAE liquidity regulations. ELAR is calculated as a proportion of the stock of eligible liquid assets against the total liabilities.

The eligible liquid assets comprise of the following:

- Highly Liquid Assets made of Cash, Reserves placed with the Central Bank, Central Bank CDs and Federal Government Sukuk Securities.
- Other liquid Assets made of publicly traded sukuk securities of the UAE Local Government and Public Sector Entities having 0% risk weight under Basel III Standardized Approach and rated by recognized rating agencies.
- Other liquid assets in the form of foreign sovereign sukuk instruments issued by their respective central banks which are 0% risk weighted Basel III Standardized Approach.

The total liabilities comprise of total customer deposits, interbank deposits, sukuk payables and other liabilities.

Ratio

The ELAR is calculated based on Central Bank of UAE regulations which is included in the following table.

1	**High Quality Liquid Assets**	**Nominal Amount** **December 2021** **AED 000**	**Eligible Liquid Asset** **December 2021** **AED 000**	**Nominal Amount** **December 2020** **AED 000**	**Eligible Liquid Asset** **December 2020** **AED 000**
1.1	Physical cash in hand at the bank + balances with the CBUAE	10,744,666	-	17,985,306	-
1.2	UAE Federal Government Bonds and Sukuks	-		-	
	Sub Total (1.1 to 1.2)	10,744,666	10,744,866	17,985,306	17,985,306
1.3	UAE local governments publicly traded sukuk securities	114,833	-	115,196	-
1.4	UAE Public sector publicly traded sukuk securities				
	Sub Total (1.3 to 1.4)	114,833	114,833	115,196	115,196
1.5	Foreign Sovereign sukuk instruments or instruments issued by their respective central banks	-	-	986,904	986,904
1.6	**Total**	**10,859,499**	**10,859,499**	**19,087,406**	**19,087,406**
2	Total liabilities	-	56,611,477	-	62,840,944
3	**Eligible Liquid Assets Ratio (ELAR)**	-	**19.18%**	-	**30.37%**

Eligible Liquid Assets Ratio (ELAR) (continued)

The Group maintained ELAR of 19.18% over the reporting period, which is in excess of the regulatory minimum of 10%. The ELAR is influenced by the amount of eligible liquid assets over the total liabilities.

The Eligible Liquid Assets over the reporting period was AED 10.9 billion which mainly comprised of cash and reserves with Central Bank of UAE

The Total Liabilities over the reporting period was AED 56.6 billion.

Advance to Stable Resources Ratio (ASRR)

The Advance to Stable Resources Ratio (ASRR) is a regulatory ratio introduced in accordance with Circular No. 33/2015 which is a measure that recognizes both the actual uses as well as the likely uses of funds in terms of the contractual maturity and behavioral profile of the sources of funds available to the bank, in order to ensure that there are limited maturity mismatches and cliff effects.

The Group measures and reports its ASRR under the Central Bank of UAE liquidity regulations.

The ASRR is calculated as a proportion of Total Net financing against the Total Stable Resources. The Total Net Financing is defined as following:

- Include all types of Islamic Financing net of deductions for provisions for bad and doubtful financing (other than general provisions) and profit in suspense
- Plus: financing to non-banking financial institutions
- Plus: financial guarantees and stand-by LCs issued (without netting for margin deposits)
- Less: financial guarantees and stand-by LCs received
- Plus: 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 "Islamic Financing”.

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The Total Stable Resources comprises of the following:
Net Free Capital Funds: These will consist of total capital funds by way of capital and reserves.

Deductions from free capital funds:

- Goodwill, capitalized expenditure and other intangible assets
- Fixed assets
- 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 Islamic financing
- Non-banking financial institutions - Stable portion to be estimated as under:
  (a) 100% of all deposits with a remaining life of more than 6 months; and
  (b) 85% of all other deposits
- Customer deposits including margin deposits - Stable portion to be calculated as under:
  (a) 100% of all deposits with a remaining life of more than 6 months; and
  (b) 85% of all other deposits
- Sukuk Payable maturing after 6 months
- Head office financing towards funding of large exposures

Advance to Stable Resources Ratio (ASRR) (Continued)

Ratio

The ASRR computed based on Central Bank of UAE regulations is included in the following table.

		Items	December 2021	December 2020
1		**Computation of Advances**	**AED 000**	**AED 000**
	1.1	Net Financing (gross financing - specific and collective provisions + profit in suspense)	43,283,198	41,591,289
	1.2	Financing to non-banking financial institutions	576,009	536,412
	1.3	Net Financial Guarantees & Stand-by LC (issued - received)	1,136,825	972,466
	1.4	Interbank Placements	614,419	346,067
	1.5	**Total Advances**	**45,610,451**	**43,446,234**
2		**Calculation of Net Stable Resources**		
	2.1	Total capital + general provisions	9,415,234	8,766,300
		Deduct:		
	2.1.1	Goodwill and other intangible assets	-	-
	2.1.2	Fixed Assets	334,019	393,604
	2.1.3	Funds allocated to branches abroad	-	-
	2.1.5	Unquoted Investments	150,582	159,646
	2.1.6	Investment in subsidiaries, associates and affiliates	30,000	30,000
	2.1.7	**Total deduction**	**514,601**	**583,250**
	2.2	**Net Free Capital Funds**	**8,900,633**	**8,183,050**
	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 Home financing	-	779,172
	2.3.4	Deposits from non-Banking Financial Institutions	835,385	1,000,650
	2.3.5	Customer Deposits	39,968,574	39,446,222
	2.3.6	Sukuk payable maturing after 6 months from reporting date	3,672,500	1,836,250
	2.3.7	**Total other stable resources**	**44,476,459**	**43,062,294**
	2.4	**Total Stable Resources (2.2+2.3.7)**	**53,377,092**	**51,245,344**
3		**Advances to Stable Resources Ratio (1.5/ 2.4*100)**	**85.45%**	**84.78%**

The Group maintained ASRR of 85.45% in Q4 2021, which is below the regulatory limit of 100%.

Remuneration Policy

The Group has a remuneration policy that covers all group entities.

Composition and functions of Board Nomination & Remuneration Committee

The Board Nomination & Remuneration Committee (BN&RC) provides oversight to the Group's HR policies and is the main body that oversees remuneration at the Group, on behalf of the Board of Directors. The BN&RC has independent oversight and control to review and approve HR policies and strategies endorsed by the Executive Committee (ExCo) or the Chief Executive Officer (CEO).

The BN&RC guides Management on strategic Human Resources (HR) decisions and reviews and approves changes to HR policies, related to for example executive succession planning, nationalization strategy, reward, workforce planning, ExCo compensation and HR governance.

The BN&RC also focuses on HR strategic issues associated with Reward including bonus planning and variable pay policies, to ensure an appropriate balance between risk and financial results. Each year, approval is sought from the BN&RC with respect to:

- Approval of the bonus pool for the Group
- The distribution of the Performance Bonus to ExCo members
- Annual individual bonuses for ExCo where the allocated bonus exceeds more than 12 months of the Senior Management's gross pay.

The BN&RC consists of four Directors of the Board and assembles on a quarterly basis. Management attendance comprises of the Group CEO, the Group Chief Human Resource Officer (GCHRO) and other members of executive and senior management who may attend by invitation

Identification of Senior Managers and Material risk takers

From a Group perspective, Senior Managers have been identified as those responsible and accountable to the Board of Directors for the sound and prudent day-to-day management of the Group. i.e., the Group CEO, the Group ExCo, Group Heads of the Control Functions.

The Group is in the process of determining Material Risk Takers (MRTs), of which the identification will be based on appropriately set qualitative and quantitative criteria and in line with the CBUAE Corporate Governance Regulations (September 2019) and Corporate Governance Standards (September 2019). This exercise will be completed in 2022.

Design and structure of remuneration policies and processes

The Group's general remuneration policies and practices aim to provide a Total Reward offering that recognizes and rewards performance aligned to our business strategy, within a sound risk management and governance framework that clearly emphasizes 'how' goals are achieved in addition to 'what' is achieved and has the following objectives:

- Attract, retain and motivate talent through fair and equitable remuneration, with an offering that is clear and easy to understand and appropriately balanced between fixed and variable compensation.
- Foster a pay-for-performance culture, with appropriate differentiation based on performance and contribution aligned to the achievement of business objectives.
- Support a culture that generates sustainable growth and value over the long term to our stakeholders, customers, employees and communities.
- Align, drive and reinforce our culture, values and desired behaviors that are integral to the attainment of individual and team results and the achievement of organizational goals.
- Integrate risk management and compensation, promoting conduct based on prudent decision-making and highest ethical standards and guided by internal controls and regulatory compliance.
- Instill a sense of ownership in our employees by providing them with opportunities to share in the company's success through our competitive total reward offering that is linked to exceptional performance and financial results.

Remuneration Policy (Continued)

Overview of key risks and impact on remuneration

The Group has elaborated in its Risk Appetite Statement, its focus on steady/sustainable earnings growth through a good risk-reward balance, appropriate risk management techniques and low cost of funding. The organization by design is geared to:

- Maintain earnings growth with strong Asset Quality through disciplined risk management. This is further emphasized by the independence of the Credit & Market Risk Functions from the Sales /Business/Revenue generation functions.
- Ensure that the appetite for material risks assessed by the Bank will be in line with the Bank-level appetite for maintaining high credit ratings.

The Enterprise and Regulatory Risk unit provides an overarching view of emerging risks and facilitates coordination between key risk functions, in order to minimize risks and achieve business objectives cohesively and effectively. The Group continues to employ an enterprise-wide approach to risk management.

A key element of our compensation philosophy is the integration of risk management and compensation, promoting conduct based on prudent decision-making and highest ethical standards, guided by internal controls and regulatory compliance. From a governance perspective, the BN&RC oversees the Group remuneration policies, focusing on ensuring that the policies are consistent with and promote sound and effective risk management and do not encourage excessive risk taking. Compensation is linked to corporate, business and individual performance objectives including performance against metrics set by control functions, including Risk.

Any future deferrals to be awarded, to employees are intended to be subject to Ex-Post Risk Adjustments covered in detail further below.

Overview of Linked with levels of remuneration

In assessing performance, there is a focus on ‘how’ goals are achieved in addition to ‘what’ is achieved, and this applies to all levels of the Bank, including business units and at the individual level.

The Group Scorecard and ExCo Scorecards include quantitative and qualitative measures which are set to support the Group’s vision to be the most innovative bank for its customers, people and communities:

- From a quantitative perspective, there are benchmark metrics which are focused on promoting the right behaviors associated with the organization values and separate metrics set by the Control Functions, setting the minimum level of performance relating to governance, controls and risk management across the organization. Where these metrics have not been met, this has a negative impact on the overall scoring for the ExCo on their Scorecards. There are also metrics in the Scorecard focused on the following areas: Financials, Customer and Communities, Process Improvement and Innovation and People.
- The qualitative measures in the Group and ExCo Scorecards are aligned with the Group’s vision and set the objectives of the organization that are cascaded to business units and employees.

At the employee level, there are roles that may have standard objectives and/or KPIs applied as assessed by the business. Where appropriate, specific customer conduct objectives are included within individual performance objectives.

Linking Individual remuneration to bank-wide and individual performance

The Group’s compensation approach is a critical tool for the success of its vision and purpose. Group’s compensation philosophy aims to provide a Total Reward offering that recognizes and rewards performance aligned to our business strategy, within a sound risk management and governance framework that clearly emphasizes ‘how’ goals are achieved in addition to ‘what’ is achieved.

Fixed remuneration for employees is set to appropriately reflect the level of professional experience, role responsibilities and seniority of the employee.

Remuneration Policy (Continued)

Linking Individual remuneration to bank-wide and individual performance (Continued)

With respect to bonus remuneration decisions, Group adopts a top-down approach. The BN&RC approves the bonus pool taking into account financial and non-financial performance of the Group and overall compliance with the risk appetite. The pay-for-performance principle is then applied, and bonus pools are allocated based on the performance of business units and employees measured against a range of performance metrics as set out in the relevant Scorecards.

Performance objectives are set by Group, ExCo and employees at the start of the performance year. The attainment of performance metrics is assessed throughout the year, formally at mid-year and year-end. At year-end, a score is calculated for each ExCo Scorecard and the overall performance of the units takes into account the achievement of qualitative and quantitative metrics. This score impacts the overall bonus pool allocation for the ExCo's unit.

The bonus pool allocations to the Risk, Audit and Compliance functions are made irrespective of the overall financial performance of the units they support and are based on the function's performance and overall affordability only.

Employee performance is assessed using performance ratings which are designed to support the pay-for-performance principle and enables the organization to differentiate between varying levels of performance. Individual bonuses are then determined taking into account the bonus pool funding for the relevant business and employee performance rating.

The Group's Bonus Pool is adjusted taking into account the Group's performance based on financial and non-financial metrics. Subsequent allocations of the pool to the business units and employees take into account the performance or non-performance of the business unit and employee.

In the event that performance metrics are weak (i.e. during periods of material restatement or downturn of financial results for the relevant period),the Group also intends to apply Ex-Post Risk Adjustment in the form of in-year adjustments as part of the year-end remuneration process or via operation of Malus Adjustment and/or Claw back Adjustment on awards made d The specific criteria for Ex-Post Risk Adjustment will be reviewed by the BN&RC annually and applied in each case as determined by the Committee in its sole discretion.

Variable remuneration

Variable remuneration, by way of the annual discretionary bonus and incentive payments, is awarded in cash which has been aligned to practice in the local market, and is relatively more straightforward to administer, whilst enabling the Bank to reward employees based on Group, business unit and individual performance.

Different forms of variable remuneration and a description of the factors that determine the mix and their relative importance

The Group's bonus scheme applies the pay-for-performance principle and operates on a discretionary basis. Bonus allocations to employees are determined based on the overall risk-adjusted Group performance, business performance and individual performance, the employee's role and responsibilities, and performance assessment based on both financial and non-financial criteria, including conduct and behavior. Incentives apply to certain businesses and sales roles (or operations roles which support the sales roles) and/or roles responsible for recoveries against outstanding collections. The incentives also operate on the pay-for-performance principle. Incentives are calculated based on value-add, whether it be associated with the effort made by selling products and growing portfolios or volumes of transactions processed. Quantitative targets are set for specific roles and measurement against the quantitative targets are based on a set formulaic approach. Conduct, quality and risk measures apply to the performance assessment of the employee and impact the overall incentive payout to the employee. Employees who are under an incentive scheme are not entitled to annual bonuses.

Talent bonuses are awarded in very limited circumstances. Talent bonuses are awarded to select talent employees with the intention of incentivizing and retaining top talent in the Group.

Other forms of Fixed Remuneration captured are Employer Pension Contributions for Senior Managers.

Remuneration Policy (Continued)

Remuneration related to Risk and Compliance employees

As Senior Managers of the Group, the variable remuneration of the Head of Risk and Head of Compliance are directly overseen by the BN&RC.

Remuneration for Risk and Compliance employees is set at a level to attract and retain suitably qualified and experienced employees and is predominantly fixed remuneration (when considering the fixed:variable remuneration ratio). Performance is assessed based on the objectives of their respective functions and not on the performance of the business units that they oversee/support.

The bonus pool allocations to the Risk and Compliance functions are made irrespective of the overall financial performance of the business units they support and are based on the function's performance and overall affordability of the Group. Individual variable remuneration decisions for Control Function employees are determined independently of the business areas that they oversee/support.

Engagement of External professional consultants

External professional consultants are engaged by the Group HR Reward team and local Compliance teams on a regular basis to ensure Group's remuneration policies, practices and processes are in alignment with the market and compliant with regulatory requirements in each relevant jurisdiction.

Remuneration awarded during the financial year – (REM1)

The following table includes information on fixed and variable remuneration for the financial year.

	December 2021 AED 000 Remuneration Amount		**a** **Senior Management**	**b** **Other Material Risk-takers**
1	Fixed Remuneration	Number of employees	12	-
2		Total fixed remuneration (3 + 5 + 7)	17,308	-
3		Of which: cash-based	16,883	-
4		Of which: deferred	-	-
5		Of which: shares or other share-linked instruments	-	-
6		Of which: deferred	-	-
7		Of which: other forms	425	-
8		Of which: deferred	-	-
9	Variable Remuneration	Number of employees	-	-
10		Total variable remuneration (11 + 13 + 15)	4,461	-
11		Of which: cash-based	4,461	-
12		Of which: deferred	-	-
13		Of which: shares or other share-linked instruments	-	-
14		Of which: deferred	-	-
15		Of which: other forms	-	-
16		Of which: deferred	-	-
17		**Total Remuneration (2+10)**	**21,769**	-

Remuneration Policy (Continued)

The specific criteria for Ex-Post Risk Adjustment will be reviewed by the BN&RC annually and applied in each case as determined by the Committee in its sole discretion.

Group will take into account all relevant factors to the proximity of the employees to the failure or risk management in question and employee's level of responsibility in deciding whether, and to what extent, it is reasonable to seek recovery of any or all of the variable remuneration.

Special Payments – (REM2):

The following table includes quantitative information on special payments for the financial year.

December 2021
AED 000

Special Payments	Guaranteed Bonuses		Sign on Awards		Severance Payments	
	Number of employees	Total amount	Number of employees	Total amount	Number of employees	Total amount
Senior Management	-	-	-	-	1	1,985
	-	-	-	-	-	-

Deferred remuneration – (REM3):
Deferred remuneration is currently not applied at Group.

Acronyms

ALCO	Asset and Liability Committee
ALM	Asset and Liability Management
ASF	Available stable funding
AT1	Additional Tier 1
BCBS	Basel Committee on Banking Supervision
BIS	Bank of International Settlements
BRC	Board Risk Committee
CBUAE	Central Bank UAE
CCF	Credit Conversion Factor
CCP	Central Counterparty
CCR	Counterparty Credit Risk
CCyB	Countercyclical capital buffer
CET1	Common Equity Tier 1
CRM	Credit Risk Mitigation
CRO	Chief Risk Officer
CVA	Credit Valuation Adjustment
D-SIB	Domestic Systemically Important Bank
DVA	Debit Valuation Adjustment
EAD	Exposure at default
ECAI	External Credit Assessment Institutions
EL	Expected loss
FSB	Financial Stability Board
GCC	Gulf Cooperative Council
GCRO	Group Chief Risk Officer
G-SIB	Global Systemically Important Bank
HQLA	High Quality Liquid Asset
IFRS	International Financial Reporting Standards
ICAAP	Internal Capital Adequacy Assessment Process
PRR	Profit Rate Risk
ELAR	Eligible Liquid Asset Ratio
LGD	Loss Given Default
MDB	Multilateral Development Banks
MR	Market Risk
MTM	Mark-To-Market
NFI	Net Funded Income
ASRR	Advances to Stable Resources Ratio
OTC	Over the counter
PD	Probability of Default
PFE	Potential Future Exposure
PIT	Point in Time
PM	Portfolio Management
PVA	Prudent Valuation Adjustment
QCCP	Qualifying Central Counterparty
RSF	Required stable funding
RWAs	Risk-Weighted Assets
SA	Standardized Approach
SFT	Securities Financing Transactions
SME	Small and Medium - sized Enterprise
SPE	Special Purpose Entity
T1	Tier 1 capital
T2	Tier 2 capital
TC	Total capital
TESS	Target Economic Support Scheme
VaR	Value at Risk
XVA	Credit and Funding Valuation Adjustment
T2	Tier 2 capital
TC	Total capital
TM	Treasury Markets
VaR	Value at Risk
XVA	Credit and Funding Valuation Adjustment

Glossary

Capital Conservation Buffer

A capital buffer prescribed by BCBS and CBUAE under Basel III and designed to ensure banks build up capital buffers outside periods of stress which can be drawn down as losses are incurred. Should the bank's CET1 capital fall within the capital conservation buffer range, capital distributions will be constrained by the regulators.

Countercyclical Capital Buffer (CCyB)

The countercyclical capital buffer is part of a set of macroprudential instruments, designed to help counter pro-cyclicality in the financial system. CCyB as defined in the Basel III standard provides for an additional capital requirement of up to 2.5 per cent of risk-weighted assets.

Counterparty Credit Risk (CCR)

The risk that a counterparty defaults before satisfying its obligations under a derivative, a securities financing transaction (SFT) or a similar contract.

Credit Conversion Factor (CCF)

As prescribed by CBUAE, an estimate of the amount the Group expects a customer to have drawn further on a facility limit at the point of default.

Credit Risk Adjustment (CRA)

This includes impairment allowances or provisions balances, and changes in ECL.

Credit risk mitigation (CRM)

Credit risk mitigation is a process to mitigate potential credit losses from any given account, customer or portfolio by using a range of tools such as collateral, netting agreements, credit insurance, credit derivatives and guarantees.

Domestic systemically important banks (D-SIB)

Domestic systemically important banks are deemed systemically relevant for the domestic financial system in which they operate. The CBUAE and the BCBS have developed a framework for identifying and dealing with D-SIBs. The Central Bank of the UAE annually assesses national banks at their consolidated group level and foreign banks at their UAE branch level; to designate banks whose failure could escalate to systemic risk for the UAE banking sector and eventually impact the economy.

Internal Capital Adequacy Assessment Process (ICAAP)

A requirement under Pillar 2 of the Basel framework to undertake a comprehensive assessment of their risks and to determine the appropriate amounts of capital to be held against these risks.

Leverage Ratio

A ratio introduced under Basel III/CRD that compares Tier 1 capital to total exposures, including certain exposures held off-balance sheet as adjusted by stipulated credit conversion factors. Intended to be a simple, non-risk-based backstop measure.

Eligible Liquid Assets Ratio (ELAR)

The ratio of the stock of high-quality liquid assets to expected net cash outflows. High quality liquid assets should be unencumbered, liquid in markets during a time of stress and, ideally, be central bank eligible.

Advances to Stables Resource Ratio (ASRR)

The ratio of available stable funding to required stable funding. It is a longer-term liquidity measure designed to restrain the amount of wholesale deposit and encourage stable funding over a one-year time horizon.

RWA density

The risk-weighted asset as a percentage of exposure at default (EAD).

Securities Financing Transactions (SFT)

Securities Financing Transactions are secured (i.e., collateralized) transactions that involve the temporary exchange of cash against securities, or securities against other securities, e.g., stock financing or stock deposits or the financing or deposits of other financial instruments, a repurchase or reverse repurchase transaction, or a buy-sell back or sell-buy back transaction.

Standardized Approach (SA)

In relation to credit risk, a method for calculating credit risk capital requirements using External Credit Assessment Institutions (ECAI) ratings and supervisory risk-weights. In relation to operational risk, a method of calculating the operational risk capital requirement by the application of a supervisory defined percentage charge to the gross income of eight specified business lines.

Appendix A

Template CCA: Main features of regulatory capital instruments

Sr no	Particulars	Equity Shares
1	Issuer	Emirates Islamic Bank PJSC
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	
3	Governing law(s) of the instrument	CBUAE, SCA, CCL
	Regulatory treatment	
4	Transitional arrangement rules (i.e. grandfathering)	Common Equity Tier I
5	Post-transitional arrangement rules (i.e. grandfathering)	Common Equity Tier I
6	Eligible at solo/group/group and solo	Solo and Group
7	Instrument type (types to be specified by each jurisdiction)	Common Shares
8	Amount recognized in regulatory capital (**AED in Millions, as of 31 December 2021**)	5,430
9	Nominal amount of instrument	NA
9a	Issue price	
9b	Redemption price	NA
10	Accounting classification	Equity Attributable to Equity Holders
11	Original date of issuance	
12	Perpetual or dated	Perpetual
13	Original maturity date	No Maturity
14	Issuer call subject to prior supervisory approval	NO
15	Optional call date, contingent call dates and redemption amount	NA
16	Subsequent call dates, if applicable Coupons / dividends	NA
17	Fixed or floating dividend/coupon	NA
18	Coupon rate and any related index	NA
19	Existence of a dividend stopper	NA
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step-up or other incentive to redeem	NO
22	Non-cumulative or cumulative	Non- Cumulative
23	Convertible or non-convertible	NA
24	Write-down feature	NA
25	If write down, write down trigger(s)	NA
26	If write down, full or partial	NA
27	If write down, permanent or temporary	NA
28	If temporary write-own, description of writeup mechanism	NA
28a	Type of subordination	NA
29	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned).	Perpetual Debt Instruments
30	Non-compliant transitioned features	NA
31	If yes, specify non-compliant features	NA