

بنك الإمارات للاستثمار

Emirates Investment Bank P.J.S.C
Pillar 3 Disclosures
For the year ended 31 December 2021

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1. Overview

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

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

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

1.1 Pillar III Disclosures

Pillar III complements the minimum capital requirements and the supervisory review process. Its aim is to encourage market discipline by developing disclosure requirements which allow market participants to assess certain specific information on the scope of application of Basel III, capital, particular risk exposures and risk assessment processes, and hence the capital adequacy of the institution. Disclosures consist of both quantitative and qualitative information and are provided at the group’s consolidated level. The CBUAE issued Basel III capital regulations, which came into effect on 1 February 2017 introducing minimum capital requirements at three levels, namely Common Equity Tier 1 (‘CET1’), Additional Tier 1 (‘AT1’) and Total Capital. Additional capital buffers (Capital Conservation Buffer and Countercyclical Capital Buffer - maximum up to 2.5% for each buffer) introduced are over and above the minimum CET1 requirement of 7%.

2. Consolidated Capital Structure as per Basel III

2.1 Information on Subsidiaries.

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

2.2 Regulatory Capital

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

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

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The capital overview as per Basel III framework is given below.

The same information can be obtained from the Financial Statements – FYE 2021 referring to “Note 28 – Capital Adequacy”.

Available capital	FYE - 2021 AED '000'	FYE - 2020 AED '000'
Common equity tier 1 capital	442,271	441,831
Tier 1 capital	442,271	441,831
Total eligible capital	460,717	454,802
Risk-weighted asset		
Credit risk	1,475,710	1,037,665
Market risk	7,576	6,872
Operational risk	170,965	196,963
Total risk-weighted assets	1,654,251	1,241,500
Capital Ratio		
Total capital ratio for the Group	27.85%	36.63%
Tier 1 ratio	26.74%	35.59%

The consolidated capital structure as per Basel III is given below.

The same information can be obtained from the Financial Statements – FYE 2021 referring to “Note 28 – Capital Adequacy”.

Details		Amount AED '000'
Capital Base		
1	Common equity Tier 1 (CET1) Capital	-
1.1	Share capital	70,000
1.2	Share premium account	-
1.3	Eligible reserves	83,843
1.4	Retained earnings / (losses)	307,977
1.5	Eligible amount of minority interests	-
1.6	Capital shortfall (if any)	-
	CET1 capital before the regulatory adjustments and threshold deduction	461,820
1.7	Less: Regulatory deductions	(19,549)
1.8	Less: Threshold deductions	-
	Total CET1 capital after the regulatory adjustments and threshold deductions	442,271
	Total CET1 capital after transitional arrangement for deductions (CET1)	442,271
2	Additional Tier 1 (AT1) capital	-
2.1	Eligible AT1 capital (After grandfathering)	-
2.2	Other AT1 capital e.g. (Share premium, minority interest)	-
	Total AT1 capital	-
	Total AT1 capital after transitional arrangements (AT1)	-
3	Tier 2 (T2) capital	-
3.1	Tier 2 Instruments e.g., subordinated loan (After grandfathering and/or amortization)	-
3.2	Other Tier 2 capital (including General Provisions, etc.)	18,446
	Total T2 capital	18,446
	Total T2 capital after transitional arrangements (T2)	18,446

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Capital Adequacy (Standardised Approach):

The same information can be obtained from the Financial Statements – FYE 2021 referring to “Note 28 – Capital Adequacy”.

Quantitative Disclosures				
	Capital requirements	RWA AED '000'	Capital charge AED '000'	Capital ratio
1	Credit Risk - Standardized Approach	1,475,710	191,842	13%
2	Market Risk - Standardized Approach	7,576	985	13%
3	Operational Risk			
	a. Basic Indicator Approach	170,965	22,226	13%
	b. Standardized Approach / ASA	NA	-	
	c. Advanced Measurement Approach	NA	-	
	Total Capital requirement		215,053	
	Capital Ratio			
	a. Total ratio			27.85%
	b. Tier 1 ratio			26.74%
	c. CET 1 ratio			26.74%

3. Risk Management Approach

Objective of the Group is to align its risk management function with the Group’s strategic and business objectives. To achieve this objective the Group has in place strong governance system, strong risk management culture and proper communication among the key departments. Risk management is responsible to establish and implement the principles and policies, governance, and approach in line with the regulatory guidelines and industry practices.

3.1 Governance

Risk management structure: The Board of Directors has the ultimate responsibility for setting the Group’s risk appetite and for the establishment and oversight of the Group’s risk management framework. This is managed through several committees, including Board and management level committees.

Board level committees:

- **Board Risk Committee (BRC)** has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, and policies for enhancement of the Group’s risk management framework in line with best industry practice standards, monitoring of aggregate risk exposures (credit, market, liquidity, operational, legal, etc.) and compliance with the regulatory requirements.
- **Board Audit Committee (BAC)** is primarily responsible to have an oversight and review of financial statements audit and internal control issues as well as to oversee the independence and performance of Group’s external and internal auditors.

Management level committees

- **Asset and Liability Management Committee (ALCO)** is responsible for managing the Group's assets and liabilities and the overall financial structure. It is also responsible for managing the funding and liquidity risks of the Group.
- **Credit Committee (CC)** is management level committee which carries out credit lending decisions including but not limited to approval and renewal of credit facilities, the review and monitoring of loan portfolio performance, decisions on loan settlement, provisioning write off and amendments to pricing and grading.

Internal Audit

Risk management processes throughout the Group are subject to an internal audit that examines both the adequacy of the procedures and the Group's compliance with the procedures. Internal Audit discusses the results of all assessments with management and reports its findings and recommendations to the BAC.

Risk Management Department (RMD)

The Risk Management Department within the Group is responsible for identifying, monitoring, and managing the risk related to Credit, Market, Operational and information security risks. The department monitors the risk on a day-to-day basis according to the Board of Directors approved risk appetite framework. The RMD is responsible for reporting any deviation from policy and regulatory guidelines to senior management and ultimately to the BRC.

3.2 Components of the Risk

Risk is inherent in the Group's activities and is managed through a process of ongoing identification, measurement and monitoring and is subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and everyone within the Group is accountable for the risk exposures relating to his responsibilities.

The Group is exposed to various risks including but not limited to:

- Credit risk
- Market risk
- Operational risk
- Liquidity Risk
- Interest Rate Risk in the Banking Book

Each of the above-mentioned risk will be explained in detail in the later sections in this document.

3.3 Risk Mitigation

As part of its overall risk management, the Group uses various methods to manage exposures resulting from changes in credit risks, liquidity risks, market risks (including Interest rate risk, foreign exchange risk, and equity price risk), and operational risks.

The Group seeks to manage its credit risk exposures ensuring diversification of financing and investment activities to avoid undue concentration. The Group actively monitors collateral to mitigate its credit risks.

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To guard against liquidity risk, management ensures to maintain a reasonable amount of liquidity buffer and assets are managed taking overall liquidity into consideration. The Group always ensure to maintain a reasonable amount of high-quality liquid assets with repo eligibility.

The market risks are managed based on asset allocation across various asset categories and continuous appraisal of market conditions for movement and expectation of interest rate based on duration sensitivity, credit spread widening and movement in the equity prices. The Group strives to maintain minimal foreign currency open position specially in the currency which is not pegged.

To manage all other risks, the Group has developed a detailed risk management framework to identify and apply resources to mitigate the risks.

3.4 Risk Appetite Limits

The Group has a Board of Directors approved Risk Appetite statement along with the specified threshold. It provides a detailed guidelines about each risk parameters, the products in which the Group can take exposure, threshold for allocation of assets, the business models assumption, large exposure limits etc. The detailed Risk Appetite for each of the risk parameters has been further provided in the risk section.

The RMD continuously monitors the compliance with the risk appetite and incase of any breach the same is reported to senior management daily and on a quarterly basis to the Board Risk Committee.

The detailed appetite and limits for each of the risks including credit risk, liquidity risk, market risk, concentration risk, operational risk has been provided in the separate sections in this document.

3.5 Internal Capital Adequacy Assessment Process (ICAAP)

For every financial year, RMD prepares Internal Capital Adequacy Assessment Process (ICAAP) in line with CBUAE guidelines and submits it to Board of Directors for its review and approval. Once approved by the Board of Directors it is submitted to the CBUAE for their assessment.

The basic objective of the ICAAP is to assess the adequacy of available capital in accordance with the future capital planning of the Group. To assess such adequacy, the ICAAP takes into consideration Pillar 1 risk as reported in accordance with BRF 95, Pillar 2 risks which are specific to the Group's asset and liability profile and apply various stress scenarios to assess the capital position in stressed conditions. Based on results of ICAAP, the Board of Directors makes plan for future injection of capital through various instruments if required or change the business strategies if required.

3.6 Risk Management and Reporting

The Group measures risks using quantitative as well as qualitative methods for credit, market, liquidity, and operational risks. Further, the Group also uses quantitative analysis and methods to support revisions in business and risk strategies as and when required. These analysis and methods reflect both the expected losses likely to arise in the normal course of business or unexpected losses in an unforeseen event based on simple statistical techniques and probabilities derived from historical experience.

Monitoring and controlling risks is primarily performed based on limits established by the Board of Directors and management. These limits reflect the business strategy and market environment of the Group as well as the level of risk that the Group is willing to accept, with additional emphasis on selected industries.

RMD prepares various risk reports, which are submitted to the senior management, the Board Risk Committee and the Central Bank of UAE. The main reports are mentioned below along with the frequency of reporting.

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Name of the report	Submission	Frequency
Risk Appetite	BRC	Quarterly
ICAAP	BRC & CBUAE	Yearly
Capital adequacy Ratio	CBUAE	Quarterly
Risk related area of Risk Based Survey	CBUAE	Quarterly
Leverage Ratio	CBUAE	Quarterly
Pillar 3 Disclosures report	Bank's website	Yearly
Expected Credit Loss	-	Quarterly
Risk management Disclosure in the FS	-	Quarterly
Credit Committee Pack	Credit Committee	Monthly

4 Credit Risk Management

Credit risk is the risk that a client or counterparty will fail to meet a commitment, resulting in financial loss to the Group. Such risk arises from lending, investments in debt securities, and other activities undertaken by the Group. Credit risk is actively monitored in accordance with the credit risk policies which clearly define delegated lending authorities, policies, and procedures. The management of credit risk also involves monitoring the credit exposures based on issue, risk rating and geographical concentration etc.

The primary objective of the Group is to establish such a mechanism which can adequately identify, measure, control, and report the credit risk to which the Group is exposed whether it is related to the existing or potential business activities.

The Group has a proper risk governance structure. The Board of Directors of the Group has ultimate responsibility for the management of the risk. The Board has delegated its powers to the Board Risk Committee which oversee the following exposures:

- Lending to HNI's and corporates, and
- Investments in Debt securities and Fixed Income Funds.

The Board of Directors has established credit risk appetite thresholds for the Group and established the credit limits for investment exposures and loans and advances for the acceptance of risk.

To manage the credit risk, the Group perform robust analysis before taking any credit risk exposure. Group continuously monitors status of the customers to assess its repayment ability. However, if the customers are assessed in a position where they are unable to repay then, appropriate provisions are assigned to in accordance with the level of risk associated with it.

4.1 Capital Adequacy (Credit risk - Standardized Approach)

Under Standardized Approach, all credit exposures are assessed according to the CBUAE classifications. For all Loans and Advances risk weights are assigned as advised by CBUAE, whereas for the investment exposures which are externally rated risk weights are applied as per the Basel guidelines.

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Gross Credit Exposure as per the Standardized Approach:

Asset Class	On Balance sheet	Off Balance Sheet	Credit risk mitigation			Risk Weighted Assets
	Gross	Gross	Exposure Before CRM	CRM	Net Exposure After CCF	
All figures are in AED '000'						
Claims On Sovereigns	539,944	-	539,944	-	539,944	141,156
Claims On PSE Including (GRE)	111,175	-	111,175	-	111,175	55,588
Claims On MLD Banks	7,385	-	7,385	-	7,385	-
Claims On Banks	433,940	-	433,940	91,813	342,127	155,199
Claims On Securities Firms	-	-	-	-	-	-
Claims On Corporates	1,299,148	65,628	1,364,776	743,474	1,338,991	603,973
Claims on Regulatory Retail Portfolio	-	-	-	-	-	-
Claims Secured by Residential Property	139,035	-	139,035	-	139,035	90,375
Claims Secured by Commercial RE	50,511	-	50,511	-	50,511	50,511
Past Due Loans	26,155	-	26,155	-	-	-
Higher-Risk Categories	-	-	-	-	-	-
Other Assets	122,818	-	122,818	-	122,818	119,504
Credit Derivatives	-	-	-	-	-	-
Equity investments in funds	156,871	-	156,871	-	156,871	259,404
Total claims	2,886,982	65,628	2,952,610	835,287	2,808,857	1,475,710

Gross Credit Exposure as per the Standardized Approach:

Asset Class	Rated	Unrated	Total	Post CCF	RWA
All figures are in AED '000'					
Claims On Sovereigns	539,944	-	539,944	539,944	141,156
Claims On PSE Including (GRE)	111,175	-	111,175	111,175	55,588
Claims On MLD Banks	7,385	-	7,385	7,385	-
Claims On Banks	431,719	2,221	433,940	342,127	155,199
Claims On Securities Firms	-	-	-	-	-
Claims On Corporates	573,240	791,536	1,364,776	1,338,991	603,973
Claims on Regulatory Retail Portfolio	-	-	-	-	-
Claims Secured by Residential Property	-	139,035	139,035	139,035	90,375
Claims Secured by Commercial RE	-	50,511	50,511	50,511	50,511
Past Due Loans	-	26,155	26,155	-	-
Higher-Risk Categories	-	-	-	-	-
Other Assets	-	122,818	122,818	122,818	119,504
Credit Derivatives	-	-	-	-	-
Equity investments in funds	60,121	96,750	156,871	156,871	259,404
Total claims	1,723,584	1,229,026	2,952,610	2,808,857	1,475,710

Gross Credit Exposure by Maturity:

The same information can be obtained from the Financial Statements – FYE 2021 referring to “Note 26 – Risk Management”.

Balance Head	< 3 Months	3 months to 6 months	6 months to 1 year	1 year to 5 years	More than 5 years	Undated	Total
All figures are in AED '000'							
Loans and Advances – net	132,057	133,440	212,376	436,600	-	-	914,473
Investments - net	53,863	72,769	62,406	638,205	290,027	244,106	1,361,376

4.2 Credit Risk Mitigation

To mitigate the credit risk, the Group ensure to obtain sufficient and good quality collaterals. Collaterals provided against credits are carefully assessed to ensure that in the event of default, the Group's credit exposure can be offset by realization of the collateral. Collaterals are accepted based on the respective product programs. The Credit Committee evaluates the level of collateral coverage being provided in relation to the creditworthiness of the borrower and the quality of the collateral offered. Along with the quality of the collateral, the RMD also monitors the concentration of collaterals.

The following are acceptable as collateral:

- Deposits under Lien,
- Securities: Shares, Bonds, Mutual fund Units, Deposit securities and certificates of deposits and other recognized instruments that are liquid; and
- Real estate.

4.3 Expected Credit Loss

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Group measures credit risk using the concept of Expected Credit Loss which requires the following elements:

- Probability of Default (PD)
- Loss Given Default (LGD)
- Exposure at Default (EAD)

4.4 Expected Credit Loss measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition of a facility as summarized below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and its credit risk is continuously monitored by the Group.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, then financial instrument is moved to 'Stage 2' but is not yet deemed to be credit impaired.
- The SICR is measured as a change in one year probability of default between the date of inception of the facility and the reporting date.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.
- Financial assets in Stage 1 have their ECL measured at an amount equal to the expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- A pervasive concept in measuring the ECL in accordance with IFRS 9 is that it should consider forward-looking information.
- Purchased or originated credit impaired financial assets are those financial assets that are credit impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

4.5 Significant increase in credit risk (SICR)

The Group considers a financial asset to have experienced a significant increase in credit risk when a significant change in one year probability of default occurs between the origination date of a specific exposure and the date that the IFRS 9 ECL is calculated.

Loans and advances:

A borrower experiences a significant increase in credit risk if the following quantitative factors are triggered:

- Accounts being overdue between 30 to 90 days.
- Adverse findings for an account/borrower as per Credit Bureau data.

Investments:

- Significant increase in probability of default of the underlying instrument.
- Significant deterioration in credit rating of the underlying instrument.

Due from banks:

- Significant increase in probability of default of the counterparty bank.
- Significant deterioration in credit rating of the counterparty bank since origination of exposure.

4.6 Definition of default and credit-impaired assets

The Group defines a loan, due from bank and investment instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

- The borrower is more than 90 days past due on its contractual payments.
- Debt instrument is in payment default when it has missed a scheduled payment or has only made partial payment.

An instrument is considered as no longer be in default (i.e., to have cured) when it meets the cooling period criteria prescribed by the CBUAE. An exposure is not directly upgraded from Stage 3 to Stage 1, initially it is upgraded to Stage 2 followed by a cooling period of 12-months to confirm the risk has decreased sufficiently before upgrading to Stage 1. With regards to restructured accounts (where any sort of relaxation is provided to a client on re-payment structure), the Group observes a probationary period of minimum 3 instalments and 12 months whichever is lower before upgrading from Stage 3 to Stage 2.

4.7 Measuring ECL – Explanation of inputs, assumptions, and estimation techniques

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or lifetime basis depending on whether a significant increase in credit risk has occurred since the initial recognition of a specific facility or whether an asset is considered credit-impaired. The Group has adopted a forward exposure method for computing the ECL for each facility. The Group has opted for a quarterly granular computation of PD, EAD and LGD.

- The PD represents the likelihood of a borrower defaulting on its financial obligations (as per 'Definition of default and credit-impaired' above), either over the next 12 months, or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Group expected to be owed at the time of default.
- LGD represents the Group's expectation of the extent of loss on a defaulted exposure.

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Lifetime expected credit losses are losses resulting from all probable default events over the expected life of the financial instrument. Expected credit losses are the probability-weighted default of all the cash flows discounted to net present value using effective interest rate for credit exposure.

4.8 Forward looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECL incorporate forward-looking information. The Group has performed historical analysis and identified the key variables impacting credit risk and expected credit losses for the portfolio.

The impact of observed and forward-looking indicators is used to estimate forward looking PD. LGD is as per Foundation IRB guidelines and EAD is estimated as the outstanding exposure at the time of default.

The Group has calculated ECL at an instrument level exposure and does not require any grouping of instruments in the process of loss calculation.

4.9 Credit Quality of Financial Assets

The table below shows the credit quality of the Group's financial assets (excluding cash in hand and investments in equity instruments), based on the Group's internal credit rating system.

The same information can be obtained from the Financial Statements – FYE 2021 referring to "Note 26 – Risk Management".

Asset Class	Neither past due nor impaired			Past due	Total
	Prime and High Grade	Standard grade	Sub-standard grade		
All figures are in AED '000'					
Balances with CBUAE	276,103	-	-	-	276,103
Due from banks	143,985	123,894	3,775	-	271,654
Loans and advances	-	913,734	1,720	26,155	941,609
Investments in debt instruments	79,289	515,624	559,429	-	1,154,342
Other assets	4,343	11,445	7,955	-	23,743
Total	503,720	1,564,697	572,879	26,155	2,667,451

Credit risk exposure of the Group's financial assets for each internal risk rating.

The same information can be obtained from the Financial Statements – FYE 2021 referring to "Note 26 – Risk Management".

Internal Rating	Moody's equivalent Grades	Exposure AED'000
Prime and high grade	Aaa-A3	503,720
Standard grade	Baa1-Baa3	1,564,697
Sub-standard grade	Ba1-B3	572,879
Past due	-	16,155
Total		2,667,451

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Credit risk exposure of the Group's financial assets by currency type.

Currency	AED	USD	Others	Total
All figures are in AED '000'				
Balances with CBUAE	276,103	-	-	276,103
Due from Banks	617	112,841	158,195	271,654
Loans and advances	873,207	61,831	6,570	941,609
Investments in debt instruments	-	1,154,342	-	1,154,342
Other assets	23,743	-	-	23,743
Sub Total - Funded	1,173,671	1,329,015	164,765	2,667,451
Guarantees	14,941	2,754	-	17,695
Total credit risk exposure	1,188,612	1,331,770	164,765	2,685,146

4.9.1 Maximum exposure to credit risk – Financial instruments subject to impairment

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL is recognised. The gross carrying amount of financial assets as below also represents the Group's maximum exposure to credit risk on these assets.

The same information can be obtained from the Financial Statements – FYE 2021 referring to "Note 26 – Risk Management".

Gross carrying amount	Stage 1	Stage 2	Stage 3	Total
All figures are in AED '000'				
Balances with CBUAE	276,103	-	-	276,103
Due from banks	271,654	-	-	271,654
Loans and advances	913,734	1,720	26,155	941,609
Investments in debt instruments – at AC	1,050,894	67,402	1,660	1,119,956
Other assets	23,743	-	-	23,743
Total	2,536,127	69,122	27,815	2,633,065
Guarantees	17,695	-	-	17,695
Total credit risk exposure	2,553,822	69,122	27,815	2,650,760

ECL	Stage 1	Stage 2	Stage 3	Total
All figures are in AED '000'				
Due from banks	508	-	-	508
Loans and advances	972	9	22,989	23,970
Investments in debt instruments – at AC	3,592	3,643	1,660	8,895
Total	5,072	3,652	24,649	33,373

All guarantees issued by the Group are collateralised by cash and classified as Stage 1 within the ECL model.

4.9.2 Movement of financial instruments subject to impairment

a) Due from Banks:

The same information can be obtained from the Financial Statements – FYE 2021 referring to "Note 26 – Risk Management".

Particulars	Not Impaired	Impaired	Total	Not Impaired	Impaired	Total
	Gross carrying amount			Expected credit loss		
All figures are in AED '000'						
Opening	300,528	-	300,528	670	-	670
New financial assets recognized	344	-	344	-	-	-
Write off	-	-	-	-	-	-
Repayments and other movements	(29,218)	-	(29,218)	(162)	-	(162)
Closing	271,654	-	271,654	508	-	508

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b) Loans and Advances:

The same information can be obtained from the Financial Statements – FYE 2021 referring to “Note 26 – Risk Management”.

Particulars	Not Impaired	Impaired	Total	Not Impaired	Impaired	Total
	Gross carrying amount			Expected credit loss		
All figures are in AED ‘000’						
Opening	418,032	28,773	446,805	1,188	25,348	26,536
New financial assets recognized	556,731	-	556,731	265	-	265
Write off	-	-	-	-	-	-
Repayments and other movements	(59,309)	(2,618)	(61,927)	(472)	(2,359)	(2,831)
Closing	915,454	26,155	941,609	981	22,989	23,970

c) Investment in Debt instruments:

Particulars	Not Impaired	Impaired	Total	Not Impaired	Impaired	Total
	Gross carrying amount			Expected credit loss		
All figures are in AED ‘000’						
Opening	1,043,911	6,024	1,049,935	10,530	1,980	12,510
New financial assets recognized	553,988	-	553,988	5,500	-	5,500
Write off	-	-	-	-	-	-
Repayments and other movements	(479,603)	(4,364)	(483,967)	(6,963)	(320)	(7,283)
Closing	1,118,296	1,660	1,119,956	9,067	1,660	10,727

4.9.3 Risk concentrations of the maximum exposure to Credit Risk

Concentration of risk is managed at the client, counterparty and geographical level. All the Loans and Advances are backed by deposit under lien, securities, and real estate as collateral. The maximum exposure to any client or counterparty (excluding balances with CBUAE) as of 31 December 2021 was AED 422 million which is fully backed deposit under lien.

The same information can be obtained from the Financial Statements – FYE 2021 referring to “Note 26 – Risk Management”.

Geographic Distribution	Loans and Due from Banks	Debt Securities and placements	Others	Total Funded	Commitments	Other Off balance sheet exposures	Total non-funded	Total
All figures are in AED ‘000’								
United Arab Emirates	933,219	587,754	10,705	1,531,678	26,878	17,695	44,573	1,576,251
GCC excluding UAE	46,872	328,451	6,430	381,753	-	-	-	381,753
North America	47,753	31,526	516	79,795	-	-	-	79,795
Europe	178,609	107,169	1,280	287,058	8,398	-	8,398	295,456
Others	6,810	375,545	4,812	387,167	12,657	-	12,657	399,824
Total	1,213,263	1,430,445	23,743	2,667,451	47,933	17,695	65,628	2,733,079

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Industry Segment	Loans and Due from Banks	Debt Securities and placements	Others	Total Funded	Commitments	Other Off balance sheet exposures	Total non-funded	Total
All figures are in AED '000'								
Agriculture, fishing & related activities	-	2,659	-	2,659	-	-	-	2,659
Crude Oil, Gas, Mining & Quarrying	-	116,722	-	116,722	-	-	-	116,722
Manufacturing	-	146,056	-	146,056	-	-	-	146,056
Utilities	-	71,065	-	71,065	-	-	-	71,065
Construction and real estate	612,124	121,277	-	733,401	5,465	-	5,465	738,866
Transportation and communication	-	70,960	-	70,960	-	-	-	70,960
Financial Institutions	271,654	324,005	-	595,659	21,055	-	21,055	616,714
Government	-	545,765	-	545,765	-	-	-	545,765
Services	-	11,211	-	11,211	-	-	-	11,211
All others	329,485	20,725	23,743	373,953	21,413	17,695	39,108	413,061
Total	1,213,263	1,430,445	23,743	2,667,451	47,933	17,695	65,628	2,733,079

4.9.3.1 Loans and Advances:

a) Lombard Loan: It is a form of secured financing backed by collaterals like Deposit Under Lien, Equities, Bonds and Sukuks, Fixed Income Funds. The maximum exposure to any customer or counterparty (excluding balances with UAE Central Bank) as of 31 December 2021 was AED 422 million which is fully backed deposit under lien. The below table represents the top 5 exposures of Lombard Lending excluding fore mentioned loan.

S. No.	Limit	Outstanding	Collateral Valuation
All figures are in AED '000'			
1	100,000	100,694	345,103
2	41,296	41,649	211,800
3	40,000	40,272	138,000
4	37,000	31,068	57,848
5	33,547	16,221	36,838

b) Equity Release: It is form of secured financing backed by real estate collateral. The below table represents the top 5 exposures of Equity Release Loans.

S. No.	Limit	Outstanding	Collateral Valuation
All figures are in AED '000'			
1	70,000	70,000	175,000
2	18,730	18,786	46,825
3	14,560	14,629	36,400
4	12,000	12,053	30,000
5	11,200	11,263	28,000

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4.9.3.2 Investment Book:

The Investment book of the Group has the following exposure to credit risk at issuer/ counterparty level and geographical level.

a) Single issuer Concentration: The below table represents the top exposure of the Group tied to a single issuer or counterparty.

S. No.	Asset Type	Country of Risk	Rating	Value AED '000'
1	Bond/ Sukuk	United Arab Emirates	BBB-	89,650
2	Bond/ Sukuk	Oman	B+	75,821
3	Bond/ Sukuk	Bahrain	B	59,863
4	Bond/ Sukuk	Saudi Arabia	BBB-	44,285
5	Bond/ Sukuk	United Arab Emirates	BBB-	40,254

Geographical Concentration: Below table represents top exposure of the Group tied to a single country of risk.

S. No.	Asset Type	Country of Risk	Country Rating	Value AED '000'
1	Bonds/Sukuks	United Arab Emirates	AA-	311,650
2	Bonds/Sukuks	India	BBB-	173,966
3	Bonds/Sukuks	China	A+	116,327
4	Bonds/Sukuks	Saudi Arabia	A-	93,120
5	Bonds/Sukuks	Oman	B+	91,061

The Group has an exposure in Russia of AED 35.48 million.

Sector Concentration: The below table represents the top exposure of the Group tied in each sector.

S. No.	Asset Type	Sector	Value AED '000'
1	Bonds/Sukuks	Sovereigns	269,662
2	Bonds/Sukuks	Banks	192,494
3	Bonds/Sukuks	Diversified Financial Services	110,284
4	Bonds/Sukuks	Real Estate	99,736
5	Bonds/Sukuks	Utilities	71,065

5 Market Risk Management

Market risk is broadly defined as change in value arising from the movement of risk factors in financial markets. Risk includes bonds and sukuk risk, equities, and FX net open position. Group computes market risk capital charge if any of the investment exposure that are classified into FVTPL (Fair Value through P&L) under IFRS-9 guidelines and is part of the trading book of the bank.

As far as market risk charge is concerned the Group computes specific risk charge, and general risk charge using duration sensitivity-based methodology. The Group follows the methodology mentioned in the CAR template to compute specific and general risk charge for the bonds and equities classified under FV-TPL. All the bonds and sukuks are allocated across the duration bucket and corresponding percentage change in yield are assigned to it to compute general risk charge. In case duration or maturity cannot be estimated for a particular bond or sukuk bucket allocation is done as per call date. Whereas specific risk charge for the same are estimated by bifurcating portfolio into GCC Sovereigns, Other Sovereigns, Corporate and assigning capital charge specific to ratings.

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Specific Market Risk Charge (For Trading Book)

Bond Type	Rating	Maturity	Capital Charge
UAE Federal Government-AED	National Discretion	NA	0.00%
UAE Central Bank-AED	National Discretion	NA	0.00%
UAE Federal Government-FX	AAA to AA-	NA	0.00%
UAE Central Bank-FX	AAA to AA-	NA	0.00%
Emirates Sovereign-AED	National Discretion	NA	0.00%
Emirates Sovereign-FX	AAA to AA-	NA	0.00%
	A+ to BBB-	0 <= 6 months	0.25%
		> 6 & <= 24 months	1.00%
		> 24 months	1.60%
	BB+ to B-/Unrated	NA	8.00%
Below B-	NA	12.00%	
GCC Sovereign -Domestic Currency	National Discretion	NA	0.00%
GCC Sovereign -FX	AAA to AA-	NA	0.00%
	A+ to BBB-	0 <= 6 months	0.25%
		> 6 & <= 24 months	1.00%
		> 24 months	1.60%
	BB+ to B-/ Unrated	NA	8.00%
Below B-	NA	12.00%	
Other Sovereign	AAA to AA-	NA	0.00%
	A+ to BBB-	0 <= 6 months	0.25%
		>6 & <= 24 months	1.00%
		> 24 months	1.60%
	BB+ to B- /Unrated	NA	8.00%
Below B-	NA	12.00%	
Qualifying Securities (as per Basel II Jun 2006 Para 711)	AAA to BBB-	0 <= 6 months	0.25%
		>6 & <= 24 months	1.00%
		> 24 months	1.6%
Other Debt Securities	BB+ to BB-/ Unrated	NA	8.00%
	Below BB-	NA	12.00%

General Market Risk Charge (For Trading Book)

Zone	Duration Band	% Change in yield
Zone 1	0 <= 1 month	1.00%
	>1 & <= 3 months	1.00%
	>3 & <= 6 months	1.00%
	>6 & <= 12 months	1.00%
Zone 2	>1.0 & <= 1.9 years	0.90%
	>1.9 & <= 2.8 years	0.80%
	>2.8 & <= 3.6 years	0.75%
Zone 3	>3.6 & <= 4 years	0.75%
	>4.3 & <= 5.7 years	0.70%
	>5.7 & <= 7.3 years	0.65%
	>7.3 & <= 9.3 years	0.60%
	>9.3 & <= 10.6 years	0.60%
	>10.6 & <= 12.0 years	0.60%
	>12.0 & <= 20.0 years	0.60%
>20 years	0.60%	

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Zone 1: Duration of the fixed income securities ranging from 0 to 12 months.

Zone 2: Duration of the fixed income securities ranging from 1 year to 3.6 years.

Zone 3: Duration of the fixed income securities greater than 3.6 years.

The Group strive to maintain a medium risk appetite as far as market risk related exposure is concerned. The RMD of the Group monitors and controls all the market risk related exposures on a frequent basis and provides visibility of any significant emerging risk to the relevant stakeholders.

Sensitivity Analysis:

Earnings at Risk captures interest rate risk for all assets and liabilities maturing within one year window as shown below.

Interest rate risk: The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group's statement of profit or loss and equity.

The same information can be obtained from the Financial Statements – FYE 2021 referring to "Note 26 – Risk Management".

Description	Impact on net profit	Impact on equity
	AED '000'	AED '000'
Increase in 100 basis points	947	(14,715)

Currency risk: Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group has set limits on positions by currency. Positions are monitored on a daily basis and strategies used to ensure positions are maintained within established limits.

Major currency wise open positions of the Group are as follows.

The same information can be obtained from the Financial Statements – FYE 2021 referring to "Note 26 – Risk Management".

Description	Long/(short)
	AED '000'
Euro	380
Pound Sterling	31
Swiss Francs	20
US Dollars	753,804

Since the UAE Dirham is pegged to the US Dollar, management believes that presently the Group is not exposed to any significant foreign currency risk in respect of the US Dollar.

Equity price risk: Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual stocks. The non-trading equity price risk exposure arises from the Group's equity investment portfolio.

The effect on quoted equities due to a reasonably possible change in equity indices, with all other variables held constant, is as follows.

The same information can be obtained from the Financial Statements – FYE 2021 referring to "Note 26 – Risk Management".

Description	Change in Equity price	Effect on equity
	%	AED '000'
Abu Dhabi Securities Market	+/- 10	598
Dubai Financial Market	+/- 10	4,595
Others	+/- 10	78

6 Operational Risk Management

Operational Risk is the risk of loss that arises from the failed or inadequate processed, systems, people, or external events. The Operational risk team within the RMD create database for incident/loss reporting, Key Risk Indicators and established Risk Control and Self-Assessment (RCSA) framework in the Group.

To compute the capital charge for operational risk the Group uses Basic Indicator Approach as prescribed by CBUAE. Using the Basic Indicator Approach, the Group computes average gross income over the last three years and assign 15% of such average as an operational capital risk charge.

Operational Risk Charge Table

The Group aims to minimize operational risk related losses and losses that could bring materially negative impact on funding and capital adequacy and ultimately on the rating of the Group. The Group aims to avoid failures in critical functions which can lead to compromising its ability to fulfil its obligation towards clients. The Group has an observed operational risk loss of AED 17,712 for financial year 2021.

APPROACH & BANKING ACTIVITIES	GROSS INCOME (Audited) AED '000'								
	YEAR-3			YEAR-2			LAST YEAR		
	Net Interest Income	Net non-interest income	Gross Income	Net Interest Income	Net non-interest income	Gross Income	Net Interest Income	Net non-interest income	Gross Income
Basic indicator approach (BIA)	56,590	63,666	120,256	48,696	10,189	58,885	49,046	45,357	94,403

Three-year average	Beta factor	CAPITAL CHARGE (Basel) AED '000'	CAPITAL CHARGE (U.A.E) AED '000'
91,181	15%	13,677	17,951

7 Liquidity Risk Management

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

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

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

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

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

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

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

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The below table represents maturity of the Groups Assets and Liabilities into various buckets. All figures are in AED '000'.

The same information can be obtained from the Financial Statements – FYE 2021 referring to “Note 26 – Risk Management”.

Particulars	Less than 3 months	From 3 months to 6 months	From 6 months to 12 months	Subtotal less than 12 months	1 – 5 years	Over 5 years	Subtotal over 12 months	Undated	Total
ASSETS									
Cash and balances with UAE CB	276,385	-	-	276,385	-	-	-	-	276,385
Due from banks, net	271,146	-	-	271,146	-	-	-	-	271,146
Loans and advances, net	132,057	133,440	212,376	477,873	436,600	-	436,600	-	914,473
Investments, net	53,863	72,769	62,406	189,038	638,205	290,027	928,232	244,106	1,361,376
Other assets	10,912	6,463	3,633	21,008	18,113	-	18,113	3,555	42,676
Property, equipment, and intangible assets	-	-	-	-	-	-	-	3,935	3,935
Total assets	744,363	212,672	278,415	1,235,450	1,092,918	290,027	1,382,945	251,596	2,869,991
LIABILITIES AND EQUITY									
Due to banks	259,183	55,088	36,725	350,996	-	-	-	-	350,996
Customer deposits	1,209,097	40,839	159,115	1,409,051	569,684	-	569,684	-	1,978,735
Other liabilities	13,836	2,473	3,502	19,811	33,772	-	33,772	5,568	59,151
Equity	-	-	-	-	-	-	-	481,109	481,109
Total liabilities and equity	1,482,116	98,400	199,342	1,779,858	603,456	-	603,456	486,677	2,869,991
Net liquidity gap	(737,753)	114,272	79,073	(544,408)	489,462	290,027	779,489	(235,081)	-

The liquidity gap of the Group is closely monitored by the ALCO. The Group has unused money market limits to raise sufficient funding to manage unexpected outflows. The Group continues to monitor its liquidity positions to ensure it has sufficient liquidity.

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7.1 Analysis of financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Group's financial liabilities at the year-end based on remaining contractual undiscounted repayment obligations. However, the Group expects that many clients will not request repayment on the earliest date the Group could be required to pay and, accordingly, the table below does not reflect the expected cash flows based on the Group's deposit retention history.

The same information can be obtained from the Financial Statements – FYE 2021 referring to "Note 26 – Risk Management".

Particulars	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
All figures are in AED '000'					
Due to banks	-	259,280	92,378	-	351,658
Customer deposits	704,766	504,602	202,228	604,983	2,016,579
Other liabilities	-	13,881	6,095	33,937	53,913
Total	704,766	777,763	301,790	638,920	2,422,150

7.2 Eligible Liquid Assets Ratio (ELAR)

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

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

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

Below is the breakup of the Banks Eligible liquid assets and their ratio to the to the total Liabilities as of 31 Dec 2021 in accordance with the requirements of CBUAE.

High Quality Liquid Assets	Amount AED '000'	Eligible Liquid Asset AED '000'
Physical cash in hand at the bank	282	
Statutory reserves with Central Bank	26,099	
Free and other account balances at the Central Bank (excluding statutory reserves)	250,004	
Central Bank CDs (unencumbered)	-	
UAE Federal Government Bonds and Sukuks	-	
Sub Total	276,385	

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Table continues...

High Quality Liquid Assets	Amount	Eligible Liquid Asset
UAE local governments publicly traded debt securities (0% Risk Weight under BII SA) Rated A+ and above	16,720	
UAE local governments publicly traded debt securities (0% Risk Weight under BII SA) Rated A and below or unrated	89,649	
UAE Public sector publicly traded debt securities (non-commercial, 0% Risk Weight under BII SA) Rated A+ and above	-	
UAE Public sector publicly traded debt securities (non-commercial, 0% Risk Weight under BII SA) Rated A and below or unrated	-	
Sub total	106,369	78,028
Foreign Sovereign debt instruments or instruments issued by their respective central banks (0% Risk Weight under Basel II SA)	7,385	7,385
Total	390,139	361,798
Total liabilities		2,388,882
Eligible Liquid Assets Ratio (ELAR)		15.15%

7.3 Lending to Stable Resources Ratio (LSRR)

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

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

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

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

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

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- Inter-bank deposits with remaining maturity life of more than 6 months.
- 100% of refinancing of real estate loans.
- Non-banking financial institutions - Stable portion to be estimated as under:
 - 100% of all deposits with a remaining life of more than 6 months; and
 - 85% of all other deposits.
- Customer deposits including margin deposits - Stable portion to be calculated as under:
 - 100% of all deposits with a remaining life of more than 6 months; and
 - 85% of all other deposits.
- Capital market funding / borrowing maturing after 6 months.
- Head office loans towards funding of large exposures.

Below is the breakup of the Banks total advances and their ratio to the to the total stable resources as of 31 Dec 2021 in accordance with the requirements of CBUAE.

Items	Amount AED '000'
Computation of Advances	
Net Lending minus (Specific + collective impairment provision + interest in suspense)	916,559
Lending to NBFI	18
Financial Guarantees & Stand-by LC Issued	11,050
Financial Guarantees & Stand -by LCs Received	-
Interbank Placements with a remaining life of more than 3 months	-
Total Advances	927,627
Calculation of Net Stable Resources	
Total own funds + Gen provision	490,801
Deduct:	
Goodwill and other intangible assets	144
Fixed Assets	3,791
Funds allocated to branches abroad	-
Treasury shares held / No INPUT required here	-
Unquoted Investments	103,101
Investment in subsidiaries, associates and affiliates	72
Total deduction	107,108
Net Free Capital Funds	383,693
Other stable resources:	
Non repayable head office funds	-
Interbank deposits with remaining life of more than 6 months	36,725
Refinancing of Housing Loans	-
Borrowing from non-Banking Financial Institutions remaining life of more than 6 months	568,907
85% of the rest of NBFI Deposits	42,734
Customer Deposits with remaining life of more than 6 months	159,890
85% of the rest of Customer Deposits	1,019,714
Capital market funding/ term borrowings maturing after 6 months from reporting date	-
Head Office loans towards meeting Large Exposure Funding	-
Total other stable resources	1,827,970
Total Stable Resources	2,211,663
LENDING TO STABLE RESOURCES RATIO	41.94%

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8 Interest Rate Risk in Banking Book (IRRBB)

Interest rate risk in the banking book is the risk posed by adverse movements in interest rates that bring an impact on economic value of equity (EVE) over a longer period, and earnings at risk (EAR) which can be noticed over a shorter period.

The Group's exposure to IRRBB arises from the following sources:

- Gap risk arises from the timing of instrument rate changes or the term structure of banking book instruments.
- Risk becomes more prominent when the Group has long term fixed rate asset and short-term liabilities which gets repriced frequently.

The Group measures the sensitivity of IRRBB by applying 200 basis points (bps) upward and downward parallel change and assesses the change in interest rates in line with regulatory requirements.

All figures in AED '000,000'

ASSETS		< 1 month	1m to 3m	3m to 6m	6m to 1yr	1yr to 2yr	2yr to 3yr	3yr to 4yr	4yr to 5yr	5yr to 7yr	7yr to 10yr	10yr to 15yr	15yr to 20yr	> 20yr	Total
Cash & Balance with CB	276	-	-	-	-	-	-	-	-	-	-	-	-	-	276
Due from banks	-	271	-	-	-	-	-	-	-	-	-	-	-	-	271
Equity, Commodity & Funds	207	-	-	-	-	-	-	-	-	-	-	-	-	-	207
Bonds (Fixed Rate)	-	-	48	73	63	166	388	32	60	164	98	11	1	17	1,120
Bonds (Perpetual Bond)	28	-	-	-	-	-	-	-	-	-	-	-	-	-	28
Bonds (Trading Book)	6	-	-	-	-	-	-	-	-	-	-	-	-	-	6
Commercial Papers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Overdrafts & Advances	-	34	386	16	43	436	-	-	-	-	-	-	-	-	916
Other assets	46	-	-	-	-	-	-	-	-	-	-	-	-	-	46
Total Inflows (A)	564	305	434	89	106	180	810	32	60	164	98	11	1	17	2,871

LIABILITIES	Non-Rated	< 1 month	1m to 3m	3m to 6m	6m to 1yr	1yr to 2yr	2yr to 3yr	3yr to 4yr	4yr to 5yr	5yr to 7yr	7yr to 10yr	10yr to 15yr	15yr to 20yr	> 20yr	Total
Customer Deposits	-	450	54	41	159	569	-	1	-	-	-	-	-	-	1,274
Client Call Accounts	705	-	-	-	-	-	-	-	-	-	-	-	-	-	705
Due to banks	-	259	-	55	37	-	-	-	-	-	-	-	-	-	351
Other liabilities	59	-	-	-	-	-	-	-	-	-	-	-	-	-	59
Shareholders' Funds	482	-	-	-	-	-	-	-	-	-	-	-	-	-	482
Total Outflows (B)	1,246	709	54	96	196	569	-	1	-	-	-	-	-	-	2,871

GAP	Non-Rated	< 1 month	1m to 3m	3m to 6m	6m to 1yr	1yr to 2yr	2yr to 3yr	3yr to 4yr	4yr to 5yr	5yr to 7yr	7yr to 10yr	10yr to 15yr	15yr to 20yr	> 20yr	Total
Asset Liability Gap (A - B)	-682	-404	380	-7	-90	33	388	31	60	164	98	11	1	17	0
Factors		0%	0%	1%	1%	3%	4%	6%	8%	10%	13%	18%	22%	26%	
Interest Rate Product		0	1	0	-1	1	17	2	5	17	13	2	0	4	61

Interest Rate Risk in Banking Book as a percentage of Equity	12.54%
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Along with measurement of IRRBB, the Group also measures interest rate risk on investment book applying 200 bps impact.

Bond Book Average Duration	3.13 Years
Interest Rate Risk (+200bps Shift) as a percentage of Equity	16.3%

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8.1 Interest Rate Risk Mitigation

The RMD conducts periodic assessment of asset-liability mismatch, broadening of gaps across various maturity buckets and key underlying assumptions driving the Interest rate risk in the banking book. The interest rate risk measurement divides the interest sensitive instruments into maturity buckets. For each of the maturity buckets, the difference between interest sensitive assets and interest sensitive liabilities are analyzed to arrive at the interest rate risk on the banking book.

9 Leverage Ratio

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

The capital measure is the Tier 1 capital of the risk-based capital framework.

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

Leverage Ratio	FYE-2021 AED '000'
On Balance Sheet items	2,907,498
SFTs	538,807
Deductions Tier 1 Capital	19,549
Total on Balance sheet Exposure Excluding Derivatives and SFTs	2,349,142
Gross SFT assets	538,807
CCR Exposure for SFT assets	117,803
Total SFT Exposures	656,609
Other Off-Balance sheet exposure (gross)	47,933
Reduction in exposure due to conversion to credit equivalent amounts	23,644
Other Off-Balance sheet exposure	24,289
Total Exposures	3,030,041
Tier 1 Capital	442,271
Leverage Ratio	14.60%