Pillar III Disclosure - Year End December 2020

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1. Bank of Baroda, UAE- A Branch of Foreign Bank

"Bank of Baroda, UAE" is a branch of a foreign Bank. Its parent company, "Bank of Baroda", an Indian state-owned Bank is headquartered in Vadodara (earlier name Baroda) and has Corporate Office in Mumbai. Bank of Baroda underwent a merger with Vijaya Bank and Dena Bank on 1st April 2019. The parent entity holds a rich 113-year history in India and 47 years in UAE. The Bank has worldwide presence across 21 countries including major financial centers i.e. New York, London, Brussels, Dubai, Hong Kong and Singapore- serving 131 Million Customers.

2. Legal Status and Principal Activities- Bank of Baroda, UAE

The Bank's operations in UAE commenced with first branch in Dubai on 25th June 1974 and second branch in Abu Dhabi on 23rd July 1974, followed by opening of more branches at different emirates subsequently. The Bank is registered in the UAE as a Foreign Branch holding a Commercial Banking license and is regulated by the Central Bank of the U.A.E. ("CBUAE"). The Bank currently operates from six main branches in the UAE - Dubai, Deira, Abu Dhabi, Sharjah, Ras-Al-Khaimah, and Al-Ain - as well as nine Electronic Banking Service Units (EBSUs).

Entity Name	Registered Office Address
Bank of Baroda, UAE	Umm Hurrair Building, Al Doha Street, Al Karama, Dubai, U.A.E., P.O. Box 3162
Bank of Baroda-Head Office	Baroda Bhavan, R.C. Dutt Road, Vadodara, Gujarat, India, Pin- 390007
Bank of Baroda-Corporate Office	Baroda Corporate Centre, C-26, Block-G, Bandra Kurla Complex, Bandra (East), Mumbai, India, Pin- 400051

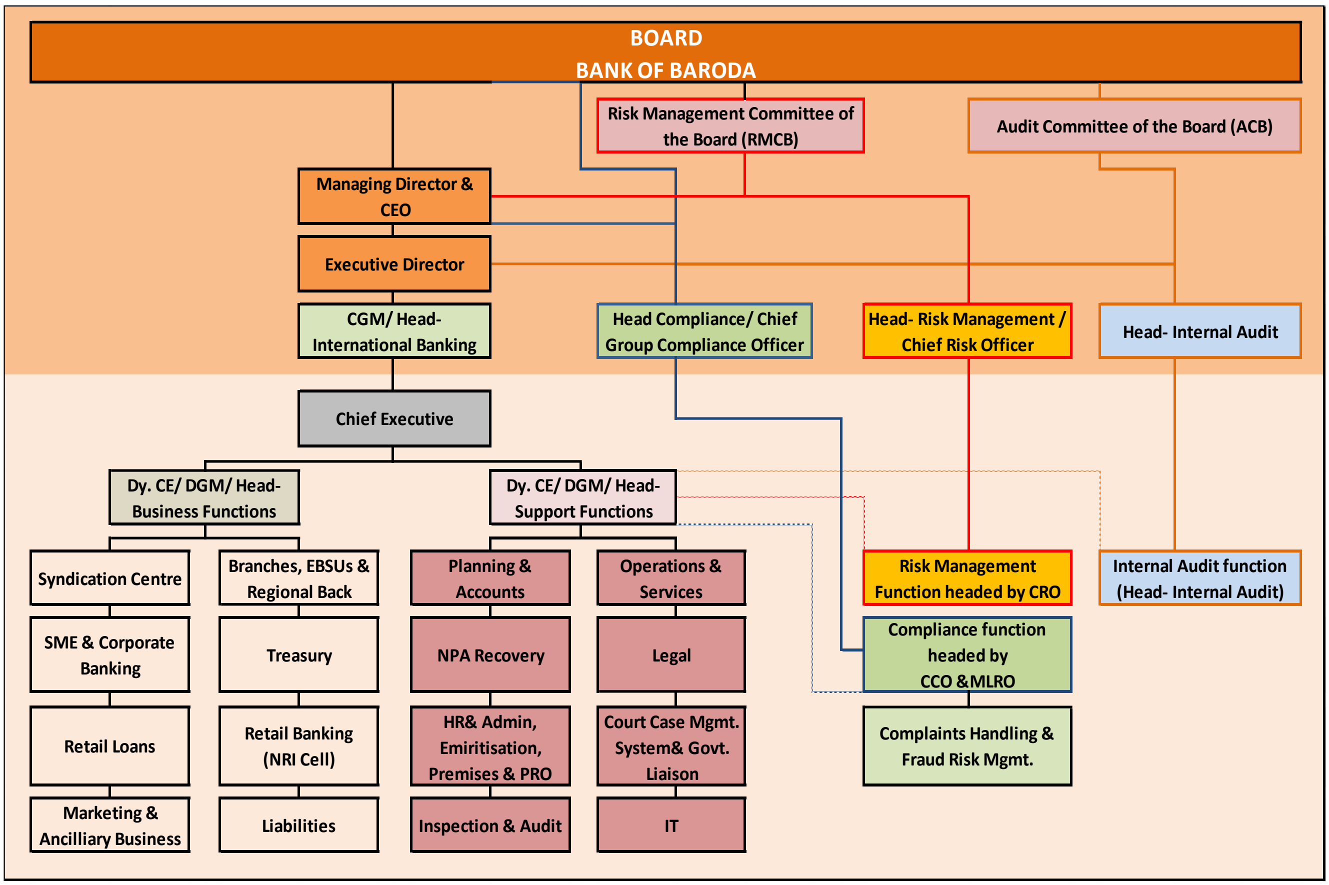
The Bank offers a diversified range of products and services in the UAE, including Deposit and Loan Products for individuals and businesses, Remittance, Trade Finance and Treasury Operations.

3. Risk Governance

The Bank's risk management policies are established to identify and analyze the risks faced by it, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk Management policies and systems are reviewed regularly to reflect the regulatory updation, changes in market conditions, products and services offered. All the standards are governed by specific policies which are defined and documented. The Bank, through training and management, standards and procedures- aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The overall risk management framework relies upon the Bank's internal entity wise standards that cover credit, market, operational, liquidity and other risks- including measuring, monitoring and reporting of the same. Limits and appetite for credit, market and liquidity risks are approved by the Board/ appropriate Committee authorized by the Board.

Following is the governance structure of Risk Management in the Bank's UAE Branch.



Legend: Dotted lines represent administrative reporting line. Upper part in dark colour background represents structure at Corporate office and the lower part in lighter colour represent UAE branch structure.

In order to effectively discharge this responsibility, the Bank has established Risk Committees viz. Risk Management Committee, Asset and Liability Management Committee (ALCO), Credit Risk Management Committee (CRMC) and Operational Risk Management Committee (ORMC) which are responsible for developing and monitoring risk management policies in their specified areas. These Committees comprise Officers in Senior Levels and their meetings are convened at defined frequencies to oversee and manage the risk profile.

The Bank adopted three lines of defence approach for risk management detailed as under:

1st Line of Defence:	2nd Line of Defence	3rd Line of Defence:
First line of defence are operating units and business line functions which are responsible for identifying and managing the risks inherent in the products, services and activities.	Second line of defence includes Risk Management & Compliance Department, which designs, implements, co-ordinates, reports and facilitates effective Risk Management in the Bank and complements the business line's risk management activities	Internal Audit acts as the third line of defence which reviews and provides assurance with regard to adequacy of internal controls and their effective implementation. Internal audit works as an independent function and provides assurance to the Senior Management/Board.

3.1 Risk Management Framework

The risk management framework of the Bank involves risk identification, assessment, measurement, monitoring, management and reporting of all risks by way of suitable mitigation methods and strengthening of the policies and procedures. Although business units are the risk takers, the risk management function and systems are embedded in the entire organization. The business decisions are taken by committees and individuals having delegated powers within the risk appetite and following a four-eye principle. The Bank adopted three lines of defence mechanism for its risk management, with clear demarcation between each line (as defined above).

The UAE Branch has implemented risk management framework in lien with the CBUAE requirements, including establishment of an independent second line functions of Risk Management & Compliance, as well as third line function i.e. Internal Audit. The Risk Management function is headed by Chief Risk Officer, having independent charge and reporting to the group risk function at the Corporate Office. The CRO is supported by risk management team having experience in the respective functional areas. The Branch is having overarching Policies and framework to manage the key risks, including credit, market, operational, liquidity, compliance, financial crime risk etc. duly approved by the Board/ Board approved committees.

The territory is operating within the risk appetite set by the Board. The implementation of the policies and frameworks are overseen by various risk management committees including UAE Risk Management Committee, ALCO, Operational Risk Management Committee (ORMC), Credit Risk Management Committee (CRMC), Compliance Committee, Audit Committee, in addition to the Zonal Committee. The key Risk Management Committees and their responsibilities are enunciated hereunder:

3.2 Committee Structure

For effective risk management of the UAE Branch, the following risk management committees are established:

3.2.1. Risk Management Committee (RMC)

- Recommend the objective functions and tolerance limits for risk appetite statements of the Bank and report the risk profile of the BOB-UAE to the ERMC through the RMC.
- Design and implement Risk Adjusted Performance Measurement (RAPM) and Capital allocation framework.
- Design mechanisms for aligning risk decision making with performance and capital allocation using RAROC.
- Design and develop standards for identification and assessment of risks which are not covered or not fully covered in Pillar I.
- Annually review BOB-UAE Stress Test Policy and conduct macro-economic stress testing.
- Design a methodology for BOB-UAE capital computation (CRAR) and computation of Regulatory and Economic Capital of the Bank.
- Monitor and analyze the Early Warning Signals (EWS) generated.
- Preparation of monthly/quarterly risk reporting dashboards for ERMC/RMC and other Committees of the BOB-UAE.
- Conduct knowledge sharing sessions and arrange for training to bring about risk awareness and ensure timely trainings and awareness programs are conducted across BOB-UAE.

3.2.2. Credit Risk Management Committee (CRMC)

- Formulating credit/credit risk policies and procedures on standards for credit risk management, credit proposals, financial covenants, rating standards and benchmarks.
- Formulation, enforcement and compliance of the risk parameters for review and implementation of credit risk appetite and strategy as per direction given by the Regulators/Board/ Other Committees.
- To maintain a diversified and good quality asset portfolio by following the risk-based lending practices suggested in the policy and business expectations and guidance.
- Laying down risk assessment systems and monitoring quality of loan portfolio, identification of problems and correction of deficiencies.
- Review of credit risk portfolio i.e. rating review pending, evaluation of portfolio, conducting comprehensive studies on economy, industry, testing the resilience on the loan portfolio, concentration risk, credit risk appetite etc.,
- To approve the credit spreads / default risk premium in respect of different rating grades.

- Review collaterals, guarantee and other credit risk mitigants including issues related to eligibility, concentration, legal enforceability, valuation, liquidation, inspection, custody etc.
- Approval of all new products, processes and/or modifications of the existing products including credit-related products /processes /schemes as per the procedure laid down in this policy.
- Laying down risk assessment systems, developing MIS, and monitoring quality of loan portfolio, identification of problems and correction of deficiencies.
- Review Pending proposals in hands, pending risk rating, account identified for dynamic rating based on EWS, AECB/ RBR/ BRF reporting, IFRS-9/ ECL computation & methodology, accurately updating & reporting data and credit audit requirements.

3.2.3. Asset Liability Management Committee (ALCO)

- Ensuring that the Liquidity/ Interest Rate Risk is managed and controlled within the Liquidity and Funding/ Interest Rate Risk Management Parameters, and ensure corrective actions are initiated wherever necessary by putting in place strategies.
- Ensuring that the liquidity/ Interest Rate Sensitivity position is properly analyzed and duly reported to International Division, at Corporate Office, Mumbai, India.
- Ensuring that the exceptions are reported to International Division, Corporate Office
- To facilitate review of the liquidity and funding operations and management of interest rate risk independently to ensure that the liquidity management/ Interest Rate Risk Policies and procedures are being adhered to by the Internal Audit/ Inspection.
- To monitor the cost and yield pattern of resources/ deployment and take necessary corrective actions in case of need.
- To look into the associated areas of Funds and Liquidity Management such as Currency Risk, Interest Rate Risk etc
- To set the parameters for interest rates on deposits/ advances.
- To review the investment portfolio of the territory on monthly basis.

3.2.4. Operational Risk Management Committee (ORMC)

- Communicate to business units and staff the importance of operational risk management and assure adequate participation and co-operation
- Review and approve the development and implementation of operational risk methodologies and tools, including assessments, reporting, capital and loss event database.
- To discuss and recommend suitable controls/ mitigations for managing operational risk.
- To discuss any issues arising in any business unit/ product that may impact the risks of other business units/ products.

3.2.5. Zonal Audit Committee

- To review the position of excess/ overdue in stressed loan accounts
- To review the position of Overdue review proposals
- To review the position of Pending unit visit cases
- To review the position of House-keeping-Reconciliation of various accounts, sensitive accounts and other matters.
- To review the position of pending Rectification Certificates

In line with Corporate Governance Regulations issued by the CBUAE in 2019, the Bank is in the process of establishing various governance structures, suiting the operations of the Bank in the UAE. The same will be implemented by 2022, as per the prescribed timelines.

4. Regulatory Capital requirement framework

The bank assesses its Capital Adequacy based on the Central Bank regulations. The framework is structured around the following three Pillars:

- Pillar 1 on minimum capital requirements for credit, market and operational risk
- Pillar 2 on the supervisory review process and the Internal Capital Adequacy Assessment Process (ICAAP)
- Pillar 3 on market discipline

4.1 Pillar 1- Minimum Capital Requirement:

Bank recognizes the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position. Bank has a strong capital base to ascertain the confidence of stakeholders, investors, creditors and the market. Strong capital base is also capable to protract future development of the business. The Bank has complied with all regulatory capital requirements throughout the year by maintaining adequate amount of capital i.e. above 13%.

Pillar 1 defines the total minimum capital requirements for credit, market and operational risk. Bank currently uses standardized approach for assessment of Credit, Market and Basic Indicator approach for Operational Risk weighted assets (RWA). Under these approaches, regulatory prescribed risk weights and parameters are applied to calculate Pillar 1 capital requirements.

The new central bank capital regulations became effective from 1st February 2017, and Central Bank has put a regulatory threshold for Common Equity Tier 1, Tier 1 and overall regulatory Capital.

- Common Equity Tier 1 Capital Ratio of 7% of risk weighted assets (RWA)- a minimum, which ordinary share capital, translation reserve, fair value reserves relating to unrealized gains/ losses on investments classified as available-for-sale and derivatives held as cash flow hedges and retained earnings.

- Tier 1 capital adequacy of 8.5% of RWA- a minimum, which includes Eligible AT1 capital after grand fathering, share premium (issue of AT1 capital), minority interests
- Tier 2 capital includes general provision and subordinated term loans. General provision shall not exceed 1.25% of credit risk weighted assets ("CRWA").
- Minimum Capital requirement - total minimum capital calculated as the sum of Tier1 & Tier 2 Capital and it must be at least 10.50% of RWA.
- Over and above the minimum capital requirements Central Bank has also mandated the Banks to keep additional Capital Conservation Buffer (CCB) of 2.5% of RWA in addition to minimum CET1 capital of 7 %.

To achieve the broader macro-prudential goal of protecting the banking sector from periods of excess aggregate credit growth and in addition to the CCB requirements, banks may be required to implement the countercyclical buffer (CCyB). Banks must meet the CCyB requirements by using CET1 capital. The level of the CCyB requirements will vary between 0% - 2.5% of RWA and be communicated by the Central Bank with an adequate notice period.

Capital Adequacy Ratio as on 31st December 2020 is as under;

Common Equity Tier- 1 Ratio (CET)	18.34%
Tier- 1 Capital Ratio	18.34%
Capital Adequacy Ratio (CAR)	19.49%

4.2 Pillar 2 – ICAAP and Supervisory Review Process:

The bank annually performs ICAAP exercise with comprehensive risk assessment and stress testing along with scenario analysis and the results are submitted to the Central Bank for supervisory review process.

The key highlights of the ICAAP are listed below.

- Governance Structure, Risk Management Framework and Risk Appetite Framework
- Financial position of the Bank
- Key Performance Indicators of the Bank
- Pillar 2 Risks (Concentration Risk, Interest Rate Risk Banking Book, Reputation Risk, Business & Strategic Risk, Settlement Risk, Country Risk, Liquidity Risk, Group Risk, Model Risk, Compliance Risk) not covered under Pillar1.
- Stress Test and Scenarios Analysis
- Future Capital Planning and Projections

4.3 Pillar 3 – Market Discipline

The Bank, on an annual basis, discloses detailed qualitative and quantitative information on its risk management practice and capital adequacy in line with the Central Bank Pillar 3 guidelines.

5. BASEL -II - Pillar 3 Disclosures and Reports

5.1. Consolidated Capital Structure Under Basel II as on 31st December 2020 is as under;

Details	Summary Note and References	AED "000" 31.12.2020
Tier 1 Capital		
1. Paid up share capital/common stock	This represents the amount received from the head office as capital for the UAE branches of the Bank.	760,000
2. Reserves a. Statutory reserve	This includes the statutory reserves in accordance with Federal Law No 2 of 2015, the fair value reserves, cash flow hedge reserve and actuarial gain/loss on retirement benefit schemes.	79,498
b. Special reserve c. General reserve	This represents the retained earnings and unremitted profits to head office	1,543,192
3. Minority interests in the equity of subsidiaries 4. Innovative capital instruments		
5. Other capital instruments		
6. Surplus capital from insurance companies		
Sub-total		**2,382,690**
Less: Deductions for regulatory calculation	This represents deferred tax assets on tax losses.	(309,160)
Less: Deductions from Tier 1 capital		
Tier 1 Capital - Subtotal		**2,073,530**
Tier 2 capital	This represents the general provisions restricted to 1.25% of Credit RWA	130,586
Less: Other deductions from capitals	Fair Value Reserve	(340)
Tier 3 capital		
Total eligible capital after deductions		**2,203,776**

5.2. Capital Adequacy as on 31st December 2020

Risk Weighted Assets (RWA) Pillar 1	Summary Note and References	AED "000" 31.12.2020
Credit Risk	Credit risk weighted assets as per Standardized Approach	10,446,845
Market Risk	Market risk weighted assets as per Standardized Approach	4,250
Operational Risk	Operational risk weighted assets as per Basic Indicator Approach	854,396
Risk Weighted Assets (B)	**Total Risk Weighted Assets**	**11,305,491**
Capital Adequacy Ratio (Pillar1) (C)	**Capital Adequacy Ratio = Total Capital Base (A)/ Risk Weighted Assets (B)**	**19.49%**
Tier 1 Ratio	Tier-1 Capital Adequacy Ratio = Total Tier-1 Capital Base (A)/ Risk Weighted Assets (B)	18.34%

6. Pillar 3 Disclosures and Reports - BASEL – III

In UAE, Bank of Baroda – UAE is operating as branch of foreign bank. The Bank has deployed capital funds to the tune of AED 760 Mn. The remaining capital funds constitute of Reserves & Surpluses, retained earnings and other items eligible as per the Central bank of UAE guidelines.

6.1. Consolidated Capital Structure Under Basel III as on 31st December 2020 is as under;

Details		Summary Note and References	Amount in AED "000"
Capital Base			
1	**Common Equity Tier 1 (CET1) Capital**		
1.1	Share Capital	This represents the amount received from the head office as capital for the UAE branches of the Bank.	760,000
1.2	Share premium account		
1.3	Eligible Reserves	This includes the statutory reserves in accordance with Federal Law No 2 of 2015, the fair value reserves, cash flow hedge reserve and actuarial gain/loss on retirement benefit schemes.	79,498
1.4	Retained Earnings / (-) Loss	This represents the retained earnings and unremitted profits to head office	1,543,192
1.5	Eligible amount of minority interest		

1.6	Capital shortfall if any		
	CET1 capital Before the regulatory adjustments and threshold deduction		**2,382,690**
1.7	Less: Regulatory deductions	This represents deferred tax assets on tax losses.	(309,160)
1.8	Less: Threshold deductions		
	Total CET1 capital after the regulatory adjustments and threshold deduction		**2,073,530**
	Total CET1 capital after transitional arrangement for deductions (CET1)		**2,073,530**
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.) [1]	This represents the general provisions restricted to 1.25% of Credit RWA – **130,586** Less: fair value reserves - **340**	130,246
	Total T2 Capital		130,246
	Total T2 capital after transitional arrangements (T2)		**130,246**

6.2. Capital Adequacy as on 31st December 2020

Capital Requirement	RWA (In AED "000")	Capital Charge (In AED "000")	Capital Ratio%
Credit Risk - Standardized Approach	10,446,845	1,096,918	
Market Risk - Standardized Approach	4,250	446	
Operation Risk			
a. Basic Indicator Approach	854,396	89,711	
b. Standardized Approach/ASA			
c. Advanced Measurement Approach			

Total Capital requirements	11,305,491	1,187,075	
Capital Ratio			
a. Total for Top consolidated Group			19.49%
b. Tier 1 ratio only for top consolidated Group			18.34%
c. CET1 ratio only for top consolidated Group			18.34%

6.3. Qualitative Disclosures – Credit Risk Management

Definition of past due and impaired (for accounting purposes)
A financial asset to be in default, when the customer is unlikely to pay its credit obligations in full, without recourse by the Bank to actions such as realizing security (if any is held); For retail, a facility or any credit obligation to the customer is remain unpaid for more than 90 days; The Bank follows the UAE Central Bank circular 28/2010 on regulations regarding classification of loans and their provisions for the definition of "impaired loans"
Description of approaches followed for specific and general allowances and statistical methods
Specific Allowances: Under IFRS9, equivalent of CBUAE Specific Provision is Stage 3 ECL, which is the allowance that captures the lifetime expected credit losses for impaired assets. The Bank reviews its impaired assets on a regular basis to assess the amount of Stage 3 ECL required to be recorded in the consolidated income statement. As per the CBUAE notice no. CBUAE/BSD/2018/458 dated 30 April 2018, clause 6.4, if the CBUAE specific provision and general/collective provision cumulatively is higher than the impairment allowance computed under IFRS 9, the differential should be transferred to an “Impairment Reserve” as an appropriation from the retained earnings. This Impairment Reserve shall be split to that which relates to difference in specific provision and general/collective provision. To assess the amount of specific provision required for Stage 3 assets the Bank follows UAE Central Bank circular 28/2010 wherein specific provisions are taken for 'Substandard', 'Doubtful' and 'Loss' grades as per the circular **General Allowances:** Under IFRS9, equivalent of CBUAE General Provision is Stage 1 and Stage 2 ECL, which is measured based on the extent of credit deterioration since origination as described below: **Stage 1 –** Where there has not been a significant increase in credit risk (SICR) since initial recognition of a financial instrument, an amount equal to 12 months expected credit loss is recorded. The expected credit loss is computed using a probability of default occurring over the next 12 months. For those instruments with a remaining maturity of less than 12 months, a probability of default corresponding to remaining term to maturity is used.

Stage 2 – When a financial instrument experiences a SICR subsequent to origination but is not considered to be impaired, i.e. Stage 3, it is included in Stage 2. This requires the computation of expected credit loss based on the probability of default over the remaining estimated life of the financial instrument.

As per the CBUAE notice no. CBUAE/BSD/2018/458 dated 30 April 2018, the Bank compares the IFRS9 ECL for Stage 1 and Stage 2 with the CBUAE General Provision requirement which is calculated as per the UAE Central Bank circular 28/2010 based on the total Credit Risk Weighted Assets (CRWA) and accordingly create an Impairment Reserve.

Discussion of Bank's Credit Risk Management Policy

Credit risk identification and assessment is carried out through a comprehensive mechanism comprising three levels of defense. The first level of defense lies with the business units and is responsible for maintaining a sound credit quality of assets in line with the approved business strategy and credit risk appetite. The second level of defense is with the Corporate Credit Divisions that assesses the risk on a customer at facility level and ensures proper documentation of customer, facility and security documents along with Risk management unit that assesses credit risk on a portfolio basis and maintains credit risk policies and credit risk rating models up to date.

Internal Audit acts as a third level of defense with regular reviews of credit analysis and the risk functions to check the compliance with policies and procedures of the Bank. The unit also reviews the policy documents on a regular basis.

Partial adoption of foundation IRB/advanced IRB

Approach	Description of exposures	Plans and timing of migration to implement fully higher approach
Standardized Approach	As per Basel II / Basel III categorization	Bank is already following the Standardization approach
Foundation IRB	As per Basel II categorization	In addition to the RWA calculations as per the Standardized approach of Basel, the Bank also has two-dimensional internal rating models compliant to Basel standards. These credit risk models cover across its Corporate & SME portfolio. As part of Corporate Model Risk Management (MRM) Policy, The Bank also has the annual model validation process in place. This includes qualitative and quantitate validation of models. However, the Bank adheres to the Standardized Approach for its credit risk capital computation, as per the Central Bank of UAE guidelines.

Collateral and other credit enhancement

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. The Bank holds collateral against loans and advances to customers in the form of cash margins, pledges/liens over deposits, mortgage interests over property, other registered securities over assets and guarantees.

The Bank accepts guarantees from parent companies for loans to their subsidiaries or other Bank companies. Bank monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitor the market value of collateral obtained during its periodic review of credit facilities and of the adequacy of the allowance for impairment losses.

As per the Bank's Loan policy it is ensured that loans are extended to customers within their capability to service interest and repay principal instead of relying excessively on collateral. Accordingly, depending on customers' credit worthiness and the type of product, facilities may be secured / unsecured. Nevertheless, collateral is and can be an important credit risk mitigant.

The Bank has complied with regulatory capital requirements throughout the year. There have been no material changes in the Bank's management of capital during the year.

6.4. Credit Risk Exposure:

The table below shows the maximum exposure to credit risk for the components of the statement of financial position, including contingent liabilities and commitments. The maximum exposure is shown, before the effect of mitigation through the use of credit enhancements, master netting and collateral agreements.

Items	2020	2019
	AED'000	AED'000
Cash and balances with the UAE Central Bank (excluding cash on hand)	3,331,523	2,476,021
Due from banks	3,144,222	4,506,903
Due from Head Office and other branches	261,545	618,895
Loans and advances to customers	12,400,517	14,494,782
Customers' indebtedness under acceptances	1,894,131	2,040,493
Other assets (excluding prepayments)	79,212	86,381
On Balance Sheet	**21,111,150**	**24,223,475**
Letters of credit	353,460	390,434
Guarantees	688,172	969,276
Foreign Exchange forward commitments	4,039,973	2,781,427
Undrawn loan commitments	1,942,145	2,637,369
Off Balance Sheet	7,023,930	6,778,506
Total credit risk exposure	**28,134,900**	**31,001,981**

6.5. Gross Credit exposure by currency:

Currency	Loans	Debt Security	Total Funded	Commit ments	OTC Derivative	Off- B/s Exposure	Total Non-Funded	Total
Foreign Currency (in AED "000")	7,532,181	166,557	7,698,783	1,858,443	1,241,872	433,135	3,533,450	11,232,233
AED (in AED "000")	7,902,507	0	7,902,507	83,702	2,798,101	608,677	3,490,480	11,392,987

6.6. Gross Credit exposure by Geography:

Geography Name	Loans and advances		Due from banks, Head Office and other branches		Investment securities	
	2020 AED "000"	2019 AED "000"	2020 AED "000"	2019 AED "000"	2020 AED "000"	2019 AED "000"
United Arab Emirates	**12,219,876**	**13,441,212**	**539,000**	**650,000**	**146,516**	**146,828**
Other Middle East Countries	**228,433**	**44,783**	**1,160,287**	**3,10,2047**		**-**
India	**1,194,807**	**1,990,196**	**1,456,769**			**-**
Europe	**-**	**313,116**	**-**	**55,095**		**-**
USA	**248,778**	**0**	**7,459**	**381,994**		**-**
Others	**1,542,794**	**1,544,609**	**242,251**	**936,662**		**-**
Total	**15,434,688**	**17,333,916**	**3,405,766**	**5,125,798**	**146,516**	**146,828**

6.7. Gross Credit exposure by Industry / Sector:

Industry / Sectors Segment	Loans and advances		Due from banks, Head Office and other branches		Investment securities	
	2020 AED "000"	2019 AED "000"	2020 AED "000"	2019 AED "000"	2020 AED "000"	2019 AED "000"
Mining, quarrying	568,245	584,054	-	-	-	-
Manufacturing	3,594,051	2,794,537	-	-	-	-
Electricity, gas and water	266,799	158,162	-	-	-	-
Real estate	811,623	860,397	-	-	-	-
Trade	2,672,140	5,103,615	-	-	-	-
Transport and communication	123,118	82,311	-	-	-	-
Banks and financial	766,696	798,966	3,405,766	5,125,798	-	-

institutions						
Government	87,011	124,214	-	-	146,516	146,828
Others	6,545,006	6,827,660	-	-	-	-
Total	**15,434,688**	**16,187,490**	**3,405,766**	**5,125,798**	**146,516**	**146,828**

6.8. Gross Credit Exposures by Residual Contractual Maturity:

Residual Contractual Maturity	Loans	Debt Securities	Total Funded	Commi tments	OTC Deriva tives	Off-Balance Sheet exposure s	Total Non-Funded
Less than 3 months	3,713,431		3,713,431	0	590,712	0	0
3 months to one year	1,075,855	146,516	1,222,371	1,942,145	3,449,261	353,640	6,335,758
One to five years	3,153,080		3,153,080			688,172	688,172
Over five years	3,899,585		3,899,585			0	0
Overdues (NPL)	3,592,737		3,592,737			0	0
Grand Total	**15,434,688**	**146,516**	**15,581,204**	**1,942,145**	**4,039,973**	**1,041,812**	**7,023,930**

6.9. Aging analysis of past due but not impaired loans

The following table sets out the aging of loans and advances which are past due but not impaired and for which no individual impairment provision has been raised. A loan is considered to be past due when the counterparty has failed to make a principal or interest payment when contractually due. Past due status of a loan does not necessarily mean that the counterparty is impaired.

Particulars	2020 Loans to customers			2019 Loans to customers		
	Consumer AED "000"	Wholesale AED "000"	Total AED "000"	Consumer AED "000"	Wholesale AED "000"	Total AED "000"
Up to 30 days past due	26,369	271,762	298,131	-	105,812	105,812
Between 31-60 days past due	99,838	143,887	243,725	9,102	194,623	203,725
Between 61-90 days past due	17,474	165,514	182,988		147,034	147,034
Total	**143,681**	**581,163**	**724,844**	**9,102**	**447,469**	**456,571**

6.10. Basel Portfolio as per Standardized Approach

Asset Classes (In AED "000")	**On & Off-Balance Sheet**	**Credit Risk Mitigation (CRM)**		**On & Off-Balance Sheet**	**Risk Weighted Assets**
As per Basel II, June 2006, Para 50 to 81, and Central Bank National Discretions	Gross Outstanding	Exposure Before CRM	CRM	Net Exposure After Credit Conversion Factors (CCF)	
CLAIMS ON SOVEREIGNS	3,566,726	3,566,726	0	3,566,726	87,011
CLAIMS ON NON-COMMERCIAL PUBLIC SECTOR ENTERPRISES (PSEs)	183,650	183,650	0	168,958	33,792
CLAIMS ON MULTI LATERAL DEVELOPMENT BANKS	0	0	0	0	0
CLAIMS ON BANKS	4,408,661	4,408,661	329	4,379,003	1,245,966
CLAIMS ON SECURITIES FIRMS	0	0	0	0	0
CLAIMS ON CORPORATES AND GOVERNMENT RELATED ENTERPRISES (GRE)	10,760,043	10,760,043	2,943,991	6,315,897	6,067,113
CLAIMS INCLUDED IN THE REGULATORY RETAIL PORTFOLIO	3,354,028	3,354,028	1,735,841	911,660	683,745
CLAIMS SECURED BY RESIDENTIAL PROPERTY	1,288,860	1,288,860	51,240	1,191,331	736,597
CLAIMS SECURED BY COMMERCIAL REAL ESTATE	533,648	533,648	604	492,103	492,103
PAST DUE LOANS	4,741,530	808,630	115,956	683,707	703,826
HIGHER-RISK CATEGORIES	0	0	0	0	0
OTHER ASSETS	551,399	551,399	0	551,399	396,692
SECURITIZATION EXPOSURES	0	0	0	0	0
CREDIT DERIVATIVES (Banks Selling protection)	0	0	0	0	0
TOTAL CLAIMS	**29,388,545**	**25,455,645**	**4,847,960**	**18,260,785**	**10,446,845**

6.11. Reconciliation of Changes in Provision for Impaired Loans

	Descriptions	**AED "000"**
	Opening Balance of Provisions for Impaired Loans	**2,829,528**
Add:	Charge for the year	549,621
	Specific provisions	564,858
	General provisions	(15,237)
Add:	Write-off of impaired loans to income statement	207,712
Less:	Recovery of loan	137,267
	Closing Balance of Provisions for Impaired Loans	**3,034,170**

6.12. Market Risk

Capital requirement for market risk is calculated using standardized approach. The capital requirement for market risk is segregated interest rate risk, equity risk, foreign exchange risk and Commodity risk. Bank is having Market Risk exposure towards Foreign Exchange Risks only.

Capital requirement for Market Risk is calculated using standardized approach and is reported in BRF 95 as on 31.12.2020 as under.

INTEREST RATE RISK - TRADING BOOK	**AED 000's**
	Capital requirement
1) SPECIFIC RISK	0
2) GENERAL RISK - MATURITY BASED	0
3) GENERAL RISK - DURATION BASED	0
FOREIGN EXCHANGE RISK	**4,250**
EQUITY EXPOSURE RISK- TRADING BOOK	
1) GENERAL RISK	0
2) SPECIFIC RISK	0
COMMODITY RISK- TRADING BOOK	
1) MATURITY LADDER APPROACH	0
2) SIMPLIFIED APPROACH	0
OPTIONS RISK	
1) SIMPLIFIED APPROACH	0
2) INTERMEDIATE APPROACH	0
MARKET RISK TOTAL CAPITAL CHARGE	**4,250**

- **Foreign Exchange Risk:** To manage foreign exchange risk, Bank's Board has laid down various limits such as Day-Light Limit, Net Overnight Position Limit (NOOPL), Nostro Balance Limit, Total Aggregate GAP Limit (TAGL), Aggregate Gap Limit (AGL), Individual Gap Limit (IGL), Stop Loss Limits, Value at Risk Limits which are being regularly monitored.

6.13. Operational Risk:

Operational Risk is inherent due to Banking Products, Processes, Systems and Activities. Opposed to two other Pillar I risks, viz. credit risk and market risk, operational risks are not diversifiable. This means that as long as people, systems, processes and external events remain imperfect, Operational Risk cannot be fully eliminated. Management of operational risk includes its identification, assessment, measurement, control, mitigation, analysis, monitoring and reporting.

Bank computes Capital Charge under Operational Risk using Basic Indicator Approach (BIA). Position of OR Cap charge as on 31.12.2019 is summarized as under.

Approach & Banking Activities	Gross Income (Audited)									Three-year average	Beta Factor	Capital Charge (Basel)	Capital Charge (U.A.E.)
	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)	440,630	22,460	463,090	511,699	27,801	539,500	370,976	(6,533)	364,443	455,678	15%	68,352	89,712

Bank's Operational Risk Management Framework (ORMF) comprises of following:

- Operational Risk Management Policy, Procedures and Processes;
- Operational Risk Profile, Risk Appetite and Strategy to Mitigate Risk
- Operational Risk Organizational and Governance Structure
- Operational Risk Management System (ORMS) to identify, measure, monitor, control and mitigate Operational Risk, i.e. Loss Data Management, System &Tools, Business Line Mapping, Risk and Control Self-Assessment (RCSA), Key Risk Indicators (KRIs), Operational Risk Capital Computation
- New Product Approval through Product Approval Committee (PPAC).

Internal and External Fraud is managed by Fraud Management Division of the Bank. Bank is continuously strengthening its anti-fraud activities through enhanced anti-fraud strategies viz. centralized fraud management function, staff trainings, enabling IT security features in the products and services being offered. The same is continuously reducing fraud losses to the Bank.

As per the Operational Risk Management Policy, OR profile of the territory is arrived by considering the Internal Loss Data (ILD), Risk & Control Self- Assessment (RCSA) and Key Risk Indicators (KRI's). The brief description of same is as under;

- **Internal Loss Data (ILD):**

Operational loss event data is an important aspect in the management and measurement of operational risk as it helps in the root-cause analysis of the event, so that appropriate measure in the form of action plan can be initiated and implemented in a time-bound manner to strengthen the internal control environment.

The Internal Loss Data is collected from business units through SAS EGRC system as and when the event takes place and the same is validated by territory Risk Management Department for onward submission to Corporate Office.

- **Risk Control and Self-Assessment (RCSA):**

Bank conducts RCSA of its Products, Services, and Systems & Processes on an ongoing basis. Risk Register is maintained in respect of all products/ services/ processes/ systems. RCSA workshops and Trainings on Operational Risk are conducted to the business functions on an ongoing basis.

Under RCSA, the scorecards based on frequency and severity of the potential risk/ loss event using a consistent scale provide a means of translating qualitative assessments into quantitative metrics that give a relative ranking of different types of residual operational risk exposures.

The results obtained from scorecards are consolidated to prepare Territory wide Operational Risk profile for reporting to Operational Risk Management Committee of the Territory. Results are also being used for quantifying strength of internal control environment in the Territory by using them in BEICF framework, identification of KRIs and comparison of results with loss/ near-miss incidences to ensure its effectiveness. Control weaknesses and areas of risk exposure identified through the RCSA are a valuable source of input for scenario analysis under stress test exercise.

- **Key Risk Indicators (KRI):**

Key Risk Indicators (KRIs) are monitored in the form of threshold on a defined time interval. KRI serves as a good technique to measure the impact of significant change in the Bank on its operational risk profile.

The KRI framework includes identification of KRIs for Key risk drivers, developing the data requirements and calculation methodology, assignment to the appropriate risk entity/ business unit, fixing the threshold level, their computation, monitoring of computed value, taking action plan for critical areas, reporting to Territory ORMC, review of their applicability on periodical basis and back-testing of KRIs.

Considering the above process, the Bank has developed 16 KRIs, which are being monitored on a monthly, quarterly and Yearly interval on a scale of Low, Medium and High Risk. As on 31st December 2020, no KRI has been reported in **"High Risk"** category.

6.14. Liquidity Risk

Bank's daily liquidity requirement is managed through treasury operations and same is monitored by risk management function. Liquidity Risk is measured and monitored through various limits and approaches like Eligible Liquid Assets Ratio (ELAR), Advances to Stable Resources Ratio (ASRR), Stock Approach Ratios, Structural Liquidity Ratios, Intraday Liquidity Management, Concentration of Deposits Indicators, Currency Wise Resources-Deployment Ratios.

The Asset Liability Management Committee (ALCO) of the bank is responsible for review and management of liquidity at aggregated level. Treasury function ensures that sufficient liquidity is available in the Bank.

6.15. Interest Rate Risk

The Bank manages interest rate risk by matching the repricing of assets and liabilities through risk management strategies. Interest rate risk is also assessed by measuring the impact of defined movements in interest yield curves on the Bank's net interest income. Interest rate risk is monitored through the following indicators.

- **Interest Rate Sensitivity (IRS):** Interest Rate Risk in the Banking Book ('IRRBB') arises from timing mismatches in the repricing of non-traded assets and liabilities and is the potential adverse impact of changes in interest rates on earnings and capital. For the purpose of managing the IRRBB, Bank aims to balance and mitigate the impact of future interest rate movements against the cost of hedging.

- **Earnings at Risk (EaR):** Earning at Risk is computed in order to evaluate the impact of interest rate changes on Bank's net interest income (NII) for the period of next one year. Accordingly, Interest rate risk is assessed by measuring the impact of reasonably possible interest rate movements. Assuming a fluctuation in interest rates of 200 basis point, the Bank estimates the following impact on the net interest income before taxation for the year:

Parallel Shift in Yield Curve	Net Interest Income	Impact on Regulatory Capital	Whether Economic Value declines exceeded 20% of T1+T2 Capital
Movement	**AED Mn**	**AED Mn**	**(AED Mn)**
+200 b.p.	+34.77	+278.96	No
-200 b.p.	-34.77	-278.96	No

6.16. Investment Securities –Banking Book

The Bank has investments in debt securities which are measured at fair value through other comprehensive income. Credit risk in these investments is managed within the overall credit risk appetite for corporate and financial institutions. The following table provides analysis of the debt securities. The standard credit ratings used by the Bank are those assessed by Standard & Poor's or their equivalent.

Investment securities

Rating	**2020 AED"000"**	2019 AED"000"
A- to A+	146,516	146,828
Total	**146,516**	**146,828**