بنك بروda

Bank of Baroda

India's International Bank

BANK OF BARODA (UAE)

Pillar 3: Disclosure Report Q3 2023

Contents

1. **Background:**

Bank of Baroda-a premier Indian State-Owned bank, operates in the UAE as a foreign Bank with a full-fledged banking license offering a diversified range of products and services, including Deposits and Loan Products for individuals and businesses, Remittance, Trade Finance and Treasury Operations. After its inception in India in 1908, the Bank has grown multi-fold with a global presence since 1953 when the Bank started its journey beyond the Indian border. Using innovation, technology, financial prudence, and smart enterprise, the bank has made substantial growth over the years. The Bank had celebrated its 115th Foundation Day in 2022 in India and completing 49 years of its service in UAE.

The Bank is registered in UAE as a Foreign Branch and is regulated by the Central Bank of the U.A.E (CBUAE). The Bank currently operates from five main branches in the UAE - Dubai, Deira, Abu Dhabi, Sharjah and Ras-Al-Khaimah - as well as nine Electronic Banking Service Units (EBSUs).

Entity Name	Registered Office Address
Bank of Baroda (UAE) Foreign Branch	UAE Zonal Office: 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- 390 007
	Corporate Office: Baroda Corporate Centre, C-26, Block-G, Bandra Kurla Complex, Bandra (East), Mumbai, India, Pin- 400 051

This Pillar-3 disclosure document is prepared in line with the CBUAE Regulations on Capital Adequacy Standards and Guidance along with Notice 4980/2020. This included revised Standards and Guidance with respect to Pillar 3 – Market Disclosures. Further to this, the Central Bank of UAE provided explanatory notes and disclosure templates for Pillar 3 on 30th November 2021 as part of Notice 5508/2021 and 9th May 2022 Notice 2022/1887.

The Bank has put in place a disclosure policy containing the details around requirements as per CBUAE regulations in respect of Pillar 3 disclosures. Since the UAE operations is a branch, no other entity is considered for the consolidation purpose and details around Bank of Baroda UAE Branch only are included.

Bank of Baroda is an Indian Public Sector Bank, with majority shareholding of Government of India (63.97% as on 30th September 2023). Being a branch, capital requirements of the Bank's UAE operations are provided by the Head Office (Bank of Baroda- India) by way of capital funds. The UAE capital includes Head Office allocated capital funds, Reserves and surplus, retained profits etc.

The internal controls around Pillar 3 reporting are listed below:

- Maker-checker concept: the pillar 3 disclosure process undergoes four- eye principle (maker- checker concept);
- Data reconciliation – data compiled from various sources are compared and reconciled with the financial statements, before using the same for compiling Pillar 3 disclosures;
- Validation and Reviews – Pillar 3 report undergoes several rounds of reviews by Risk, Finance and other relevant functions;
- Internal audit – Internal audit provides independent and objective assurance of disclosures on Pillar 3 reports

2. Pillar 3 Disclosures Reports

2.1. Overview of Risk Management and RWA:

2.1.1 Key Risk Metrics (KM1)

The objective of below table is to provide an overview of bank's prudential regulatory metrics which covers the key prudential metrics related to regulatory capital, leverage ratio and liquidity standards. Accordingly, the Bank has disclosed all applicable metric values using the standards specified for the reporting period.

#	KM1 - Key Risk Metrics	Sept 23	Jun 23	Mar 23	Dec 22	Sept 22
	Available capital					**(Amounts are in AED 000 or in %)**
1	Common Equity Tier 1 (CET1)	2,399,982	2,407,423	2,408,442	2,420,172	2,097,957
1a	Fully loaded ECL accounting model	2,399,982	2,399,982	2,399,982	2,399,982	2,077,767
2	Tier 1	2,399,982	2,407,423	2,408,442	2,420,172	2,097,957
2a	Fully loaded ECL accounting model Tier 1	2,399,982	2,399,982	2,399,982	2,399,982	2,077,767
3	Total capital	2,547,316	2,560,937	2,554,966	2,562,832	2,227,875
3a	Fully loaded ECL accounting model total capital	2,547,316	2,553,496	2,546,506	2,542,642	2,207,685
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	12,757,095	13,245,579	12,682,455	12,374,698	11,389,908
	Risk-based capital ratios as a percentage of RWA					
5	Common Equity Tier 1 ratio (%)	18.81%	18.18%	18.99%	19.56%	18.42%
5a	Fully loaded ECL accounting model CET1 (%)	18.81%	18.12%	18.92%	19.39%	18.24%
6	Tier 1 ratio (%)	18.81%	18.18%	18.99%	19.56%	18.42%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	18.81%	18.12%	18.92%	19.39%	18.24%
7	Total capital ratio (%)	19.97%	19.33%	20.15%	20.71%	19.56%
7a	Fully loaded ECL accounting model total capital ratio (%)	19.97%	19.28%	20.08%	20.55%	19.38%
	Additional CET1 buffer requirements as a percentage of RWA					
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.50%	2.50%	2.50%	2.50%	2.50%
9	Countercyclical buffer requirement (%)	0.00%	0.00%	0.00%	0.00%	0.00%

#	KM1 - Key Risk Metrics	Sept 23	Jun 23	Mar 23	Dec 22	Sept 22
10	Bank D-SIB additional requirements (%)	0.00%	0.00%	0.00%	0.00%	0.00%
11	Total of bank CET1 specific buffer requirements (%) (row: 8 + 9+ 10)	2.50%	2.50%	2.50%	2.50%	2.50%
12	CET1 available after meeting the bank's minimum capital requirements (%)	8.83%	9.65%	10.21%	9.06%	9.06%
	Leverage Ratio					
13	Total leverage ratio measure	27,076,494	25,993,357	24,416,922	22,922,784	22,398,136
14	Leverage ratio (%) (row 2/row 13)	8.86%	9.26%	9.86%	10.56%	9.37%
14a	Fully loaded ECL accounting model leverage ratio (%) (row 2A/row 13)	8.86%	9.23%	9.83%	10.47%	9.28%
14b	Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	8.86%	9.23%	9.83%	10.47%	9.28%
	Liquidity Coverage Ratio					
15	Total HQLA	NA	NA	NA	NA	NA
16	Total net cash outflow	NA	NA	NA	NA	NA
17	LCR ratio (%)	NA	NA	NA	NA	NA
	Net Stable Funding Ratio					
18	Total available stable funding	NA	NA	NA	NA	NA
19	Total required stable funding	NA	NA	NA	NA	NA
20	NSFR ratio (%)	NA	NA	NA	NA	NA
	ELAR					
21	Total HQLA	4,241,963	2,956,662	3,023,654	2,516,745	2,545,231
22	Total liabilities	18,687,299	17,813,640	16,528,471	15,101,605	13,960,489
23	**Eligible Liquid Assets Ratio (ELAR) (%)**	22.70%	16.60%	18.29%	16.67%	18.23%
	ASRR					
24	Total available stable funding	18,873,971	17,775,464	16,794,887	15,808,639	14,580,062
25	Total Advances	15,185,533	14,980,767	14,274,624	13,002,778	12,233,044
26	**Advances to Stable Resources Ratio (%)**	80.46%	84.28%	84.99%	82.25%	83.90%

2.1.2 Risk Management Approach:

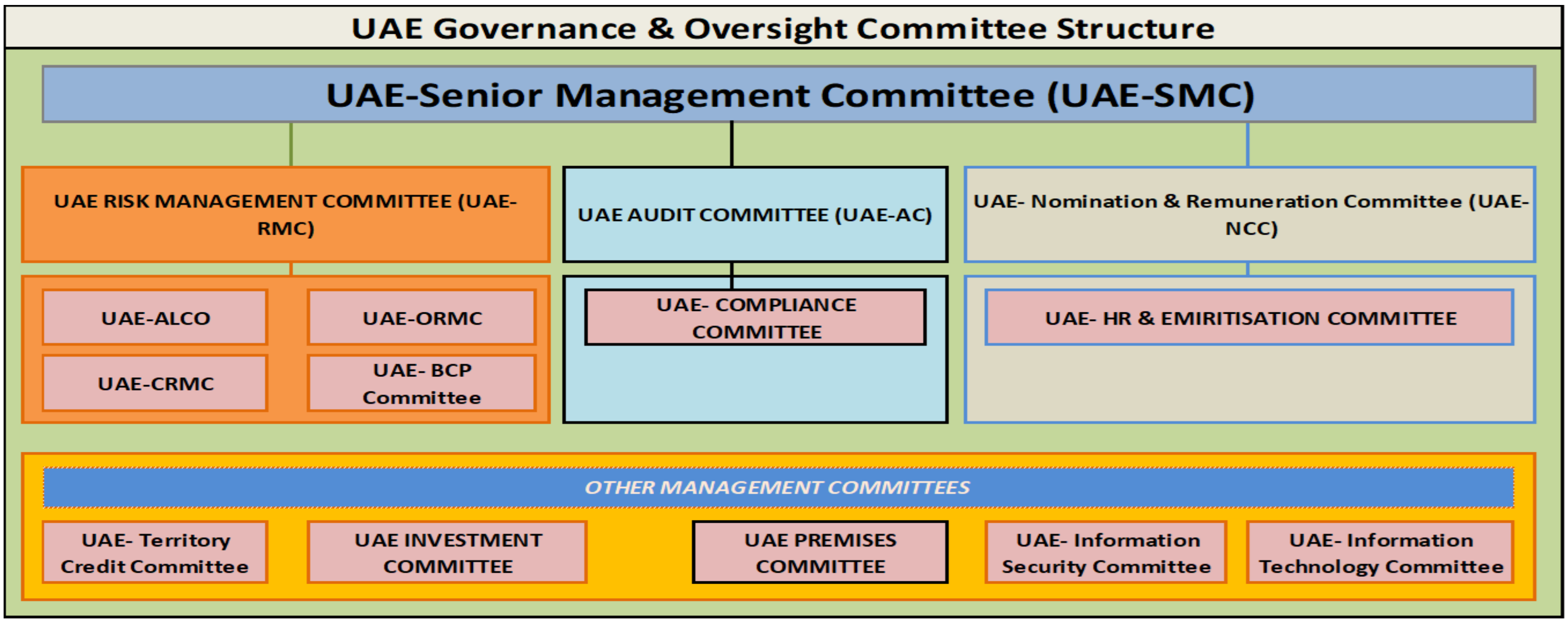
The objective of this metrics is to provide an overview of the bank's strategy and how senior management and the board of directors assess and manage risks, enabling users to gain a clear understanding of the bank's risk tolerance/appetite in relation to its main activities and all significant risks. Accordingly, the overall Risk management approach of the bank is as under;

Bank's Risk Management Approach:
(A) Overall Risk Profile: Risk is an integral part of the banking business and the Bank aims to achieve an appropriate trade-off between risk and returns. To ensure sustainable and consistent growth, the Bank has developed a sound risk management framework so that the risks assumed by the Bank are properly assessed and monitored. The Bank undertakes business activities within the defined risk appetite limits and policies approved by the Board of Directors of the Bank The Bank is engaged in various commercial banking activities including accepting deposits from the retail and corporate customers, loans and advances to retail as well as corporate clients, investments, other ancillary activities such as remittances and payments and settlements and safe custody locker facilities to its clients. In the process the Bank incurs various risks, mainly categorized into credit risk, market risk, operational risk, liquidity risk, business and strategic risk, reputational risk, compliance risk etc. The Bank's risk appetite and its business strategy co-exist to achieve and enhance shareholder's value. To manage the identified risks, the Board of the Bank sets risk appetite and tolerance levels. The UAE operations are having its own risk appetite and tolerance levels approved by Board/ Board empowered committee and the operating units are adhering to the risk appetite and tolerance limits by ensuring their businesses are well within the threshold levels. The risk appetite and risk strategy are reviewed and updated on annual basis, along with the business plan, in line with the changes in risk profile of the UAE Branch.
(B) Risk Governance Structure: The Bank adopted three lines of defense model for its risk management. The increased focus on risk and the supporting governance framework includes identifying the responsibilities of different parts of the Bank for addressing and managing risk. Each of the three lines has an important role to play in risk management. These are: i. First Line of defense: This comprises of all the Bank's business line functions and operating units' employees as required to own and ensure the effective management of risk and compliance with regulations, Bank's policies and guidelines.

ii. Second line of defense – This comprises of the risk control owners, the risk management function and compliance function. It is responsible for identifying, measuring, monitoring and reporting risk on an enterprise-wide basis independently from the first line of defense.

iii. Third line of defense - An independent assurance is provided by the internal audit function by conducting internal risk-based and other audits. The reviews provide assurance to the Board that the overall governance framework, including the risk governance framework, is effective and that policies and processes are in place and consistently applied.

At UAE territory, the Bank is having an organization structure consisting of Senior Management, Management Committees, control functions under second and third line (Risk Management & Compliance under 2nd line and Internal Audit function- 3rd line) to manage various material risks assumed by the UAE operations during the course of business. The UAE Oversight Committee structure, its linkages with Head Office Governance structure is depicted hereunder:



The Board of Directors of the Bank, is responsible for overall risk management across the Banking group of Bank of Baroda, including UAE Operations. Specific committees of the Board have been constituted to facilitate focused oversight on various risks. The Board also constituted a Risk Management Committee of the Board which oversees all material risks faced by the Bank, including its Overseas operations. Under the RMCB, various Management level Committees (Credit Policy Committee (CPC), ALCO, Enterprise Risk Management Committee (ERMC)) at Head Office manages different risk categories in the Bank at Head Office. All risks are approved within the overarching Risk Appetite Framework and are adequately hedged.

As a part of implementation of Corporate Governance Regulations of 2019 of Central Bank of UAE, the Bank had constituted following Committees, duly approved by the Board:

1. UAE Senior Management Committee (SMC), equivalent to Board for UAE Operations
2. UAE- Risk Management Committee (UAE-RMC)
3. UAE Audit Committee (UAE- AC)
4. UAE Nominations and Compensation Committee (UAE-NCC)

UAE Risk Management Committee (UAE-RMC) is responsible for enterprise (UAE) wide risk management and review/ monitoring of risk exposures vis-à-vis the risk appetite set by Board/ Board empowered committee.

At senior management level, UAE Credit Risk Management Committee is responsible for Credit Risk Management. UAE ALCO monitors and manages market risk including liquidity risk of UAE Operations. UAE ORMC & UAE BCP Committee is responsible for monitoring and managing Operational Risk.

(C) Risk Culture:

A strong risk culture needs consistent support and appropriate risk awareness, behavior and judgment about risk-taking within a strong risk governance framework of the Bank. The Bank is constantly endeavoring to create a strong risk culture by imparting trainings to the employees at all levels. The Risk Management Framework endeavors to inculcate risk culture and philosophy through regular awareness sessions and trainings. Risk awareness trainings shall be conducted regularly to ensure that:

- All staff in the Bank are aware of the basic concepts and benefits of risk management in their respective areas and enable them to apply risk management principles in day-to-day operations.
- All staff are made aware of the organization’s approach to risk management and risk culture within the Bank.

Risk Culture is being created through continuous interactions with various functional units for implementation of risk management strategies, policies and processes.
All risk limits are defined in the Policies/ frameworks/ manuals. Business functions operate within the limits and any deviation on the same is reported to the Senior Management (both UAE and HO level).

Employees have been provided with Core value document to communicate the corporate core principles of Bank of Baroda. The following are the approaches to inculcate the Risk Culture and Risk Awareness in BOB-UAE.

- Establishing the proper escalation matrix and process
- Internal Presentations on Risk Management
- Formal training, conferences/ seminars on risk related issues
- Reinforce behavioral, ethical and compliance standards, by circulating Bank's guidelines

(D) Risk Measurement Systems:

Major risk areas like Credit, Market, Operational, Country Risk, Concentration Risk, have tools or systems in place to measure and manage the risks. Key Risk Management Systems in UAE Branch include:

I. Credit Rating System (BOBRAM/ BOBICON)
II. Market Risk Management System (Fusion Risk)
III. Operational Risk Management System (SAS-GCM)
IV. Liquidity Risk Management System (ORACLE-OFSAA)
V. Expected Credit Loss System (LIC EY-ECL)

(E) Risk Reporting:

UAE Risk Management department monitors and reports various risk- related MIS to the UAE Senior Management including Chief Executive and Dy. Chief Executive and to various Risk Management Committees periodically. In addition, risk reporting for group level consolidation at Head Office is also done by the UAE Risk Management Department periodically.

(F) Stress Testing Framework:

The stress testing is continued to be an important tool that is used by the Bank as part of its internal risk management that alerts the Bank's Management with regard to adverse & unexpected outcomes related to a broad variety of risks and provides an indication to the Bank on how much capital would be needed to absorb losses if large shocks occur.

Bank's Stress testing framework (as part of the Policy on ICAAP-Stress Test-Capital Plan) has been designed to meet clear objectives that are documented and approved at the board level, or an appropriately senior-level governance body. The Bank uses regulatory prescribed stress scenarios as well as internal scenarios while carrying out the stress tests.

Stress tests are carried out with varying levels of intensity on various kinds of risks, including credit, market, operational, liquidity, and other material risks, identified from time to time.

Banks' internal stress testing frameworks, the relevant high-level objectives are aligned with the Bank's risk appetite and risk management framework, and relates, to the use of stress tests to inform capital and liquidity planning or to their role as an integral element of risk management. The stress testing framework includes an effective governance structure that is clear, comprehensive, and documented. The governance structure is specifying the roles and responsibilities of senior management, oversight bodies and those responsible for the ongoing operation of the stress testing framework.

The results of stress tests are discussed with the respective business owners and are extensively used in revising the business strategies, revising, and reviewing various risk limits etc.

(G) Risk Management Process of Monitoring and Mitigation:

Monitoring and reporting processes are in place for periodic monitoring of key risks through various risk metrics and methodologies appropriate for each risk category. The Bank's Risk Appetite Framework and various risk management policies cover the identification of the material risks and their mitigation techniques commensurate with the business operations in UAE. Further, the respective risk policies and operation manuals articulate the procedure of risk identification, monitoring and mitigations.

2.1.3 Overview of RWA (OV1):

The purpose of this metrics is to provide an overview of total risk weighted assets.

(Amount in AED "000")

#	OV1 - Overview of RWA	RWA		Min. capital requirements
		Sept 23	June 23	Sept23
1	Credit risk (excluding counterparty credit risk)	11,587,337	12,125,136	1,216,670
2	Of which: standardized approach (SA)	11,587,337	12,125,136	1,216,670
3	Of which: foundation internal ratings-based (F-IRB) approach			
4	Of which: supervisory slotting approach			
5	Of which: advanced internal ratings-based (A-IRB) approach			
6	Counterparty credit risk (CCR)	99,710	77,976	10,470
7	Of which: standardized approach for counterparty credit risk	99,710	77,976	10,470

#	OV1 - Overview of RWA	RWA		Min. capital requirements
		Sept 23	June 23	Sept23
8	Of which: Internal Model Method (IMM)	--	--	--
9	Of which: other CCR	--	--	--
10	Credit valuation adjustment (CVA)	99,710	77,976	10,470
11	Equity positions under the simple risk weight approach			
12	Equity investments in funds - look-through approach	0	0	0
13	Equity investments in funds - mandate-based approach	0	0	0
14	Equity investments in funds - fallback approach	0	0	0
15	Settlement risk	0	0	0
16	Securitization exposures in the banking book	0	0	0
17	Of which: securitization internal ratings-based approach (SEC-IRBA)			
18	Of which: securitization external ratings-based approach (SEC-ERBA)	0	0	0
19	Of which: securitization standardized approach (SEC-SA)	0	0	0
20	**Market risk**	14,630	8,782	1,536
21	Of which: standardized approach (SA)	14,630	8,782	1,536
22	Of which: internal approach (IMA)			
23	**Operational risk**	**955,708**	**955,708**	**100,349**
24	Amounts below thresholds for deduction (subject to 250% risk weight)			
25	Floor adjustment			
26	**Total (1+6+10+11+12+13+14+15+16+20+23)**	**12,757,095**	**13,245,579**	**1,339,495**

2.2. Leverage Ratio

This section describes the leverage ratio of the bank that indicates the financial position of the bank in terms of its debt and its capital or assets and it is calculated by Tier 1 capital divided by consolidated assets where Tier 1 capital includes common equity, reserves, retained earnings and other securities after subtracting goodwill. The summarized position of leverage ratio is described in below sections (i.e., LR-1 & 2).

2.2.1 Summary comparison of accounting assets vs leverage ratio exposure measure (LR1):

This section details the source of material differences between the total balance sheet assets, as reported in the financial statements, and the leverage ratio exposure measure.

	LR1 - Comparison of accounting assets vs leverage ratio exposure measure	Sept 23 (Amount in AED "000")
1	**Total consolidated assets as per published financial statements**	25,652,040
2	Adjustments for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	0
3	Adjustment for securitized exposures that meet the operational requirements for the recognition of risk transference	0
4	Adjustments for temporary exemption of central bank reserves (if applicable)	0
5	Adjustment for fiduciary assets recognized on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	0
6	Adjustments for regular-way purchases and sales of financial assets subject to trade date accounting	0
7	Adjustments for eligible cash pooling transactions	0
8	Adjustments for derivative financial instruments	240,084
9	Adjustment for securities financing transactions (i.e., repos and similar secured lending)	-
10	Adjustments for off-balance sheet items (i.e., conversion to credit equivalent amounts of off-balance sheet exposures)	1,184,369
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	-
12	Other adjustments	-
13	**Leverage ratio exposure measure**	**27,076,494**

2.2.2 Leverage ratio common disclosure template (LR2)

This section describes the key factors that have had a material impact on the leverage ratio for this reporting period.

(Amount in AED "000")

#	LR2 - Leverage ratio common disclosure template (LR2)	Sept 23	June 23
	On-balance sheet exposures		
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	25,652,040	24,417,582
2	Gross-up for derivatives collateral provided where deducted from balance sheet assets pursuant to the operative accounting framework	-	-
3	(Deductions of receivable assets for cash variation margin provided in derivatives transactions)	-	-
4	(Adjustment for securities received under securities financing transactions that are recognized as an asset)	-	-
5	(Specific and general provisions associated with on-balance sheet exposures that are deducted from Tier 1 capital)	-	-
6	(Asset amounts deducted in determining Tier 1 capital)	-	-
7	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)**	**25,652,040**	**24,417,582**
	Derivative exposures		
8	Replacement cost associated with *all* derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	3,471	1,003
9	Add-on amounts for PFE associated with *all* derivatives transactions	168,018	140,699
10	(Exempted CCP leg of client-cleared trade exposures)	-	-
11	Adjusted effective notional amount of written credit derivatives	-	-
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
13	**Total derivative exposures (sum of rows 8 to 12) * 1.4**	**240,084**	**198,383**
	Securities financing transactions		
14	Gross SFT *assets* (with no recognition of netting), after adjusting for sale accounting transactions	0	0
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0	0
16	CCR exposure for SFT assets	0	0
17	Agent transaction exposures	0	0
18	**Total securities financing transaction exposures (sum of rows 14 to 17)**	0	0

#	LR2 - Leverage ratio common disclosure template (LR2)	Sept 23	June 23
Other off-balance sheet exposures			
19	Off-balance sheet exposure at gross notional amount	4,023,773	4,797,063
20	(Adjustments for conversion to credit equivalent amounts)	(2,839,404)	(3,419,671)
21	(Specific and general provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital)	-	-
22	**Off-balance sheet items (sum of rows 19 to 21)**	**1,184,369**	**1,377,392**
Capital and total exposures			
23	**Tier 1 capital**	**2,399,982**	**2,407,423**
24	**Total exposures (sum of rows 7, 13, 18 and 22)**	**27,076,494**	**25,993,357**
Leverage ratio			
25	**Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)**	**8.86%**	**9.26%**
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	**8.86%**	**9.26%**
26	CBUAE minimum leverage ratio requirement	3.00%	3.00%
27	**Applicable leverage buffers**	**3.00%**	**3.00%**

2.3. Liquidity:

This section describes bank's business models and liquidity risk profiles, organization and functions involved in liquidity risk management and bifurcated as qualitative and quantitative.

2.3.1 Liquidity Coverage Ratio (LIQA):

Qualitative / Quantitative disclosures
Liquidity Risk Management Governance Structure: The management of the liquidity risk of the Bank is governed by the Central Bank of UAE's Regulation no. 33/2015 on Regulations re Liquidity Risk at Banks dated 27/05/2015. In line with the liquidity regulatory requirements, the Bank put in place a comprehensive Asset Liability Management Policy, covering extensively the liquidity risk and interest rate risk management within the Bank. As per the Policy, the territory's liquidity risk is overseen by the Asset Liability Management Committee (UAE ALCO). UAE Treasury is responsible for managing the liquidity risk of the territory, being first line of defense. Risk Management Department acts as the second line of defense and Internal Audit acts as the third line of defense in liquidity risk management. The Bank's UAE operations, uses CBUAE prescribed UAE specific alternative approaches (i.e., ELAR and ASRR as reported in BRF 8 & 7 templates of CBUAE respectively) and accordingly, the Bank is not under LCR/ NSFR regime currently.
Funding strategy & diversification in the sources of funding: The Bank uses its funding strategy on a diversified profile in terms of investor types, geography and wide range of retail and corporate products, which forms an important element of bank's liquidity risk management framework. Bank's most stable funding element (i.e., Capital) in UAE is sourced from its Corporate Office, which is raised from capital markets issuances and equity. Other sources comprise of customer deposits (retail as well as corporate) and inter bank borrowings, which act as an additional source of funding. Unsecured wholesale funding represents unsecured wholesale liabilities sourced primarily by bank's deposit mobilization team in UAE. Given the relatively short-term nature of these liabilities, they are predominantly used to fund liquid trading assets. Unsecured wholesale funding comprises a range of institutional products, such as corporate deposits, bank borrowings as well as Money Market deposits. To avoid any unwanted reliance on these short-term funding sources, and to promote a sound funding profile which complies with the defined risk appetite, Bank has implemented risk limits (across various tenors) on these funding sources, which are derived from Bank's regular behavioral and stress testing analysis. In addition, Bank limits the total volume of unsecured wholesale funding to manage the reliance on these funding sources as part of the overall funding diversification.

Qualitative / Quantitative disclosures
Liquidity Risk Management Mitigation For liquidity risk management, the Bank maintains high quality liquid funds in the form of m- bills, cash balances with Central Bank, highly liquid securities qualifying the definition of CBUAE. The Bank monitors liquidity position on a daily basis, through various measures including stock approach ratios, flow approach (maturity ladder). Treasury manages the liquidity position keeping in view of the risk appetite and threshold limits set under the risk appetite framework and ALM policy of the territory. The Bank's liquidity risk is managed through various frameworks and risk appetite triggers, approved by the Board/ Board empowered committee, as enunciated in the ALM Policy, which also includes the Contingency Funding Plan (CFP). These are designed to enable the Bank to maintain liquidity risk to an acceptable level.
Liquidity Stress Testing As part of the liquidity risk management, stress tests are conducted for idiosyncratic as well as market wide stress scenarios and combined stress scenarios. The stress tests are conducted in accordance with the Policy on ICAAP-Stress Test-Capital Plan. Stress test outcomes are taken into consideration for reviewing the liquidity risk strategies, policies and positions and for developing the contingency funding plan.
Contingency funding plans Contingency funding plan (CFP) is part of Bank's ALM Policy, for addressing severe liquidity disruptions which might affect the bank's ability to fund some or all of its liabilities in a timely manner at a reasonable cost. The contingency funding plan contains a detailed description of the liquidity early warning signals, communication mechanism with various stakeholders, sources of contingency funds, roles and responsibilities of the implementation team etc.

2.3.2 Liquidity Coverage Ratio (LIQ1):

Bank is using the alternative approach for Liquidity Coverage Ratio (LCR) as per the provisions in Liquidity Risk Regulation of CBUAE (2015), i.e., ELAR (Eligible Liquid Assets Ratio). ELAR details are provided in "Table ELAR".

2.3.3 Net Stable Funding Ratio (LIQ2):

Bank is using the alternative approach for Net Stable Funding Ratio (NSFR) as per the provisions in Liquidity Risk Regulation of CBUAE (2015), i.e., ASRR (Advances to Stable Resources Ratio). ASRR details are provided in "Table ASRR". Though NSFR is not applicable for the Bank at UAE, for consolidation at Corporate Office as per regulatory requirement of Reserve Bank of India (RBI), UAE branch reports NSFR to Corporate Office on a monthly basis.

2.3.4 Eligible Liquid Assets Ratio (ELAR):

This section describes as simple averages of daily observations for computations of ELAR over the previous quarter (i.e., the average calculated over a period of, typically, 90 days) in the AED.

(Amount in AED 000 or %)

1	High Quality Liquid Assets	Nominal amount	Eligible Liquid Asset
1.1	Physical cash in hand at the bank + balances with the CBUAE	2,239,265	
1.2	UAE Federal Government Bonds and Sukuks	1,322,303	
	Sub Total (1.1 to 1.2)	3,561,568	3,561,568
1.3	UAE local governments publicly traded debt securities	26,328	
1.4	UAE Public sector publicly traded debt securities	-	
	Subtotal (1.3 to 1.4)	26,328	26,328
1.5	Foreign Sovereign debt instruments or instruments issued by their respective central banks	-	0
1.6	**Total**	**3,587,896**	**3,587,896**
2	Total liabilities		16,479,584
3	**Eligible Liquid Assets Ratio (ELAR)**		**21.77%**

2.3.5 Advances to stable resources ratio (ASRR);

This section presents the breakdown of bank's advances to Stables Resource ratio as per the Liquidity regulations.

(Amount in AED 000 or %)

#	#	Items	Amount
1		**Computation of Advances**	
	1.1	Net Lending (gross loans - specific and collective provisions + interest in suspense)	9,964,884
	1.2	Lending to non-banking financial institutions	1,119,563
	1.3	Net Financial Guarantees & Stand-by LC (issued - received)	(1,254,280)
	1.4	Interbank Placements	5,355,366
	1.5	**Total Advances**	15,185,533
2		**Calculation of Net Stable Resources**	
	2.1	Total capital + general provisions	2,930,072
		Deduct:	
	2.1.1	Goodwill and other intangible assets	-
	2.1.2	Fixed Assets	9,821
	2.1.3	Funds allocated to branches abroad	-
	2.1.5	Unquoted Investments	-
	2.1.6	Investment in subsidiaries, associates and affiliates	-
	2.1.7	**Total deduction**	**9,821**
	2.2	**Net Free Capital Funds**	**2,920,251**
	2.3	**Other stable resources:**	
	2.3.1	Funds from the head office	-
	2.3.2	Interbank deposits with remaining life of more than 6 months	550,950
	2.3.3	Refinancing of Housing Loans	-
	2.3.4	Borrowing from non-Banking Financial Institutions	745,246
	2.3.5	Customer Deposits	14,657,524
	2.3.6	Capital market funding/ term borrowings maturing after 6 months from reporting date	-
	2.3.7	**Total other stable resources**	**15,953,721**
	2.4	**Total Stable Resources (2.2+2.3.7)**	**18,873,971**
3		**Advances To Stable Resources Ratio (1.6/ 2.4*100)**	**80.46**