بنك برودا
Bank of Baroda
India's International Bank

BANK OF BARODA (UAE)

Pillar 3: Disclosure Report 2021

Contents

1. **Background:**

Bank of Baroda-a premier Indian State-Owned bank, operates in the UAE as a large foreign Bank with a full-fledged banking license offering a diversified range of products and services in the UAE, 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 and had celebrated its 114th Foundation Day in 2021, in India and 48 years of its service in UAE.

Currently, Bank of Baroda has over 96 branches across 18 countries including major financial centers i.e., New York, London, Brussels, Dubai, Hong Kong and Singapore- serving over 131 million Customers. Under the 'Alternative Mechanism' scheme, the Indian Government had amalgamated Vijaya Bank and Dena Bank with Bank of Baroda, with effect from April 1, 2019 thereby leveraging networks, deposits and other resources- which has resulted in significant synergies with a wider talent pool, larger geographical coverage and extended database being utilized for analytics- which ultimately offers a competitive advantage over its peers in the rapidly digitalizing banking space.

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 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) Foreign Branch	**UAE Zonal Office:** Umm Hurair 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
	Corporate Office: Baroda Corporate Centre, C-26, Block-G, Bandra Kurla Complex, Bandra (East), Mumbai, India, Pin- 400051

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. The Standards prescribed the effective date of these disclosures to be 31st December 2021 and quarterly thereon.

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 31.12.2021). Being a branch, the 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 HR functions;
- Internal audit – Internal audit provides independent and objective assurance of disclosures in Pillar 3 report

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	Dec 21	Sept 21	June 21	Mar 21	Dec 20
	Available capital (Amounts are in AED 000 or in %)					
1	Common Equity Tier 1 (CET1)	2,125,381	2,074,622	2,100,325	2,088,309	2,074,717
1a	Fully loaded ECL accounting model	2,098,461	2,036,702	2,062,405	2,050,389	2,074,717
2	Tier 1	2,125,381	2,074,622	2,100,325	2,088,309	2,074,717
2a	Fully loaded ECL accounting model Tier 1	2,098,461	2,036,702	2,062,405	2,050,389	2,074,717
3	Total capital	2,222,274	2,198,585	2,217,480	2,210,516	2,205,302
3a	Fully loaded ECL accounting model total capital	2,195,354	2,160,665	2,179,560	2,172,596	2,205,302
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	11,855,575	11,000,114	10,454,825	10,712,854	11,305,490
	Risk-based capital ratios as a percentage of RWA					
5	Common Equity Tier 1 ratio (%)	17.93%	18.86%	20.09%	19.49%	18.35%
5a	Fully loaded ECL accounting model CET1 (%)	17.70%	18.52%	19.73%	19.14%	18.35%
6	Tier 1 ratio (%)	17.93%	18.86%	20.09%	19.49%	18.35%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	17.70%	18.52%	19.73%	19.14%	18.35%
7	Total capital ratio (%)	18.74%	19.99%	21.21%	20.63%	19.51%
7a	Fully loaded ECL accounting model total capital ratio (%)	18.52%	19.64%	20.85%	20.28%	19.51%
	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%

	KM1 - Key Risk Metrics	Dec 21	Sept 21	June 21	Mar 21	Dec 20
9	Countercyclical buffer requirement (%)	0.00%	0.00%	0.00%	0.00%	0.00%
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 + row 9+ row 10)	2.50%	2.50%	2.50%	2.50%	2.50%
12	CET1 available after meeting the bank's minimum capital requirements (%)	8.24%	9.49%	10.71%	10.13%	9.01%
	Leverage Ratio					
13	Total leverage ratio measure	20,112,206	21,204,351	21,809,781	24,123,005	27,125,715
14	Leverage ratio (%) (row 2/row 13)	10.57%	9.78%	9.63%	8.66%	7.65%
14a	Fully loaded ECL accounting model leverage ratio (%) (row 2A/row 13)	10.43%	9.61%	9.46%	8.50%	7.65%
14b	Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	10.57%	9.78%	9.63%	8.66%	7.65%
	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	2,310,596	2,221,379	3,547,371	3,014,803	3,634,422
22	Total liabilities	13,166,193	13,378,357	14,979,990	16,461,279	19,342,431
23	Eligible Liquid Assets Ratio (ELAR) (%)	17.55%	16.60%	23.68%	18.31%	18.79%
	ASRR					
24	Total available stable funding	13,946,121	13,897,373	14,476,888	15,195,865	17,158,466
25	Total Advances	12,344,117	12,202,003	11,808,858	12,613,860	12,913,603

	KM1 - Key Risk Metrics	Dec 21	Sept 21	June 21	Mar 21	Dec 20
26	Advances to Stable Resources Ratio (%)	88.51%	87.80%	81.57%	83.01%	75.26%

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) <u>Overall Risk Profile:</u> 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 territory.

(B) Risk Governance Structure:

The Bank adopted three lines of defence 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:

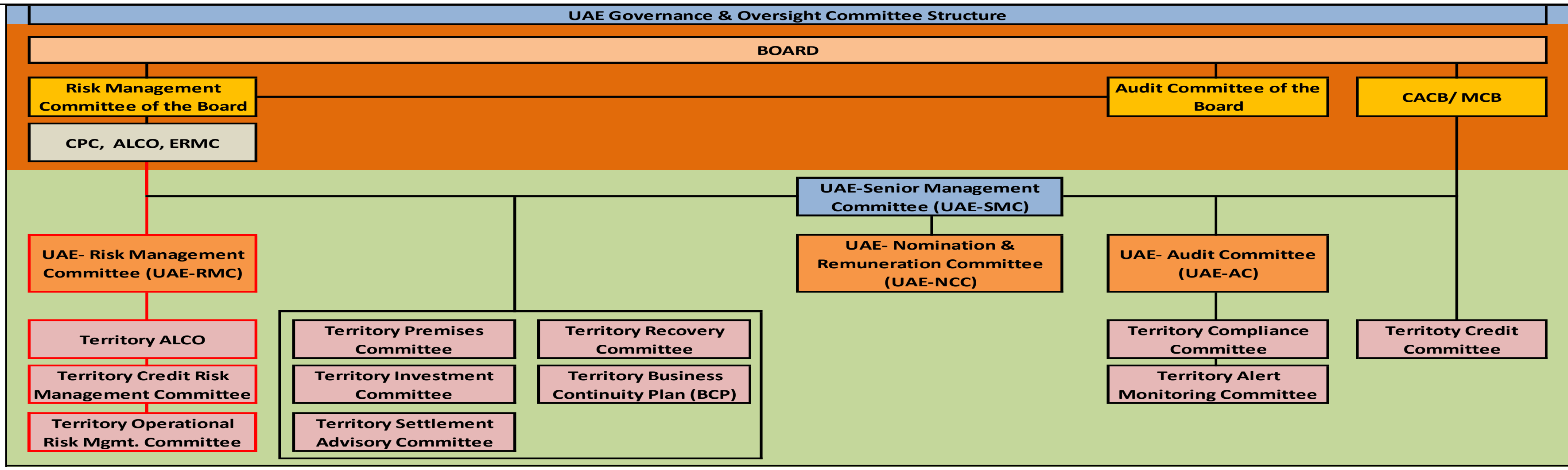
i. First Line of defence: This comprises of all the Bank's business line functions and operating units' employees as required to own and ensure the effective management of risk and compliance with regulations, Bank's policies and guidelines.

ii. Second line of defence – 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 defence.

iii. Third line of defence - 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.

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 has also constituted a Risk Management Committee of the Board which oversees the different type of risks. 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. All risks are approved within the overarching Risk Appetite Framework and are adequately hedged.

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:



UAE Risk Management Committee 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.

UAE Credit Risk Management Committee is responsible for Credit Risk Management. AUE ALCO monitors and manages market risk including liquidity risk of the territory. UAE ORMC is responsible for monitoring and managing operational risk.

Further, as a part of implementation of Corporate Governance Regulations of 2019 of Central Bank of UAE, the Bank has constituted the 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)

Full implementation of the Corporate Governance regulations and the newly constituted committees are underway.

(C) <u>Risk Culture:</u>

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 will also be 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.

- Risk Culture "Tone from the Top" – Management message on Risk
- Establishing the proper escalation matrix and process
- Internal Presentation on Risk Management
- Formal training, conferences/ seminars on risk related issues
- Reinforce behavioral, ethical and compliance standards, by circulating Bank circulars

(D) <u>Risk Measurement Systems:</u>

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 (KGR-VAR)
III. Operational Risk Management System (SAS-EGRC)
IV. Country Risk Management System
V. Liquidity Risk Management System (ORACLE-OFSAA)
VI. 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 frameworks 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		Minimum capital requirements
		Dec 21	**Sep 21**	**Dec 21**
1	Credit risk (excluding counterparty credit risk)	10,855,369	9,917,116	1,140,476
2	Of which: standardized approach (SA)	10,855,369	9,917,116	1,140,476
3	[redacted]			
4	[redacted]			
5	[redacted]			
6	Counterparty credit risk (CCR)	0	0	0
7	Of which: standardized approach for counterparty credit risk	0	0	0
8	[redacted]			
9	[redacted]			
10	[redacted]			
11	[redacted]			
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	[redacted]			
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	9,170	4,943	963
21	Of which: standardized approach (SA)	9,170	4,943	963
22	[redacted]			

	OV1 - Overview of RWA	RWA		Minimum capital requirements
		Dec 21	Sep 21	Dec 21
23	Operational risk	991,036	1,078,055	104,178
24	[redacted]			
25	[redacted]			
26	**Total (1+6+10+11+12+13+14+15+16+20+23)**	**11,855,575**	**11,000,114**	**1,245,618**

2.2. Financial statements vs. Regulatory exposures

The purpose of this section is to provide the qualitative/quantitative explanations on the difference observed between accounting carrying value and amount considered for regulatory purpose. The template explains the linkages between the financial statements and regulatory exposure.

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

The objective of this metrics is to identify the differences between accounting and regulatory scopes of consolidation if any, while mapping of financial statement categories with regulatory risk categories

(Amount in AED “000”)

LI1 - Difference between accounting and regulatory Scopes of consolidation	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items: Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitization framework	Subject to market risk framework	Not subject to capital requirements or subject to deduction from capital
Assets							
Cash and balances with the UAE Central Bank	1,156,281	1,156,281	1,156,281	-	-	-	-
Due from banks	1,631,431	1,631,431	1,631,431	-	-	-	-
Due from Head Office and other branches	297,992	297,992	297,992	-	-	-	-
Loans and advances to customers	11,668,584	11,668,584	11,668,584	-	-	-	-
Investment securities	1,080,321	1,080,321	1,080,321	-	-	-	-
Derivatives	4,462	4,462	4,462		-	-	-
Customers' indebtedness under acceptances	22,487	22,487	22,487	-	-	-	-
Furniture and equipment	24,338	24,338	24,338	-	-	-	-
Deferred tax asset	232,453	232,453	214,348	-	-	-	18,106

Other assets	107,363	107,363	107,363	-	-	-	-
Total Assets	**16,225,712**	**16,225,712**	**16,207,606**		**-**	**-**	**18,106**
Liabilities							
Due to banks	570,613	570,613	-	-	-	-	570,613
Due to Head Office and other branches	469,586	469,586	-	-	-	-	469,585
Deposits from customers	12,834,128	12,834,128	-	-	-	-	12,834,128
Derivatives	1,210	1,210	-	-	-	-	1,210
Liabilities under acceptances	22,487	22,487	-	-	-	-	22,487
Other liabilities	249,921	249,921	-	-	-	-	249,921
Equity:							
Head Office assigned capital	760,000	760,000	-	-	-	-	-
Retained Earnings	1,277,068	1,277,068	-	-	-	-	-
Statutory reserve	79,498	79,498	-	-	-	-	-
Fair Value Reserve	(38,799)	(38,799)					
Total Liabilities	**16,225,712**	**16,225,712**	**-**	**-**	**-**	**-**	**14,147,944**

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

(Amount in AED "000")

		Total	**Items subject to:**			
			Credit risk framework	**Securitization framework**	**Counterparty credit risk framework**	**Market risk framework**
1	Asset carrying value amount under scope of regulatory consolidation (as per template LI1)	**16,225,712**	**16,207,606**	-	-	-
2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)		-	-	-	-

3	Total net amount under regulatory scope of consolidation	**16,225,712**	**16,207,606**	-	-	-
4	Off-balance sheet amounts	5,105,269	5,105,269	-	-	-
5	*Differences in valuations*	-	-	-	-	-
6	*Differences due to different netting rules, other than those already included in row 2*	-	-	-	-	-
7	*Differences due to consideration of provisions*	3,278,421	3,278,421	-	-	-
8	*Differences due to prudential filters*	-	-	-	-	-
	Others	1,353,644	1,353,644			
9	Exposure amounts considered for regulatory purposes	**20,857,777**	**20,839,672**	-	-	-

2.2.3 Explanations of differences between accounting and regulatory exposure amounts (LIA)

The Bank financials are prepared and disclosed based on the IFRS Guidelines whereas the regulatory consolidation is as per the Basel guidelines / Central Bank of UAE Regulations. Since the UAE operations are branch operations, no other entity's financials are consolidated and only stand- alone UAE data is included in this reporting. Therefore, the consolidated and standalone data is the same.

2.3. Prudential valuation Adjustments (PVAs)

This section describes any significant changes over the reporting period and the key drivers of such changes including "Other adjustments", where significant and the types of financial instruments for which the highest amounts of PVA are observed.

	PVAs- Prudential valuation Adjustments	**Equity**	**Interest rates**	**FX**	**Credit**	**Commodities**	**Total**	**Of which: In the trading book**	**Of which: In the banking book**
1	Closeout uncertainty, of which:	NIL							
2	*Mid-market value*								
3	*Closeout cost*								
4	*Concentration*								
5	Early termination								
6	Model risk								
7	Operational risk								
8	Investing and funding costs								
9	Unearned credit spreads								
10	Future administrative costs								
11	Other								
12	**Total adjustment**								

2.4. Composition of capital

Bank's regulatory capital comprises of mainly the Share Capital (parked at UAE branch by Bank of Baroda Corporate office), Statutory Reserves and Reserves & Surplus. The further detailed composition of capital is defined in the below sections.

2.4.1 Composition of regulatory capital (CC1)

This section describes a narrative commentary to explain any significant changes over the reporting period and the key drivers of such changes on the composition of regulatory capital.

	CC1 - Composition of Regulatory Capital	**Amounts in AED "000"**
	Common Equity Tier 1 capital: instruments and reserves	
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	760,000
2	Retained earnings	1,277,068
3	Accumulated other comprehensive income (and other reserves) and IFRS transitional arrangement	106,418
4	*Directly issued capital subject to phase-out from CET1 (only applicable to non-joint stock companies)*	0
5	Common share capital issued by third parties (amount allowed in group CET1)	0
6	**Common Equity Tier 1 capital before regulatory deductions**	**2,143,486**
	Common Equity Tier 1 capital regulatory adjustments	
7	Prudent valuation adjustments	0
8	Goodwill (net of related tax liability)	0
9	Other intangibles including mortgage servicing rights (net of related tax liability)	0
10	Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of related tax liability)	0
11	Cash flow hedge reserve	0
12	Securitization gain on sale	0
13	Gains and losses due to changes in own credit risk on fair valued liabilities	0
14	Defined benefit pension fund net assets	0
15	Investments in own shares (if not already subtracted from paid-in capital on reported balance sheet)	0

	CC1 - Composition of Regulatory Capital	Amounts in AED "000"
16	Reciprocal cross-holdings in CET1, AT1, Tier 2	0
17	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	0
18	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	0
19	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	**18,105**
20	Amount exceeding 15% threshold	0
21	Of which: significant investments in the common stock of financials	0
22	Of which: deferred tax assets arising from temporary differences	0
23	CBUAE specific regulatory adjustments	0
24	**Total regulatory adjustments to Common Equity Tier 1**	18,105
25	**Common Equity Tier 1 capital (CET1)**	**2,125,381**
	Additional Tier 1 capital: instruments	
26	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	0
27	OF which: classified as equity under applicable accounting standards	0
28	Of which: classified as liabilities under applicable accounting standards	0
29	*Directly issued capital instruments subject to phase-out from additional Tier 1*	0
30	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in AT1)	0
31	*Of which: instruments issued by subsidiaries subject to phase-out*	0
32	Additional Tier 1 capital before regulatory adjustments	**2,125,381**
	Additional Tier 1 capital: regulatory adjustments	
33	Investments in own additional Tier 1 instruments	0
34	Investments in capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation	0
35	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation	0
36	CBUAE specific regulatory adjustments	0
37	Total regulatory adjustments to additional Tier 1 capital	0
38	**Additional Tier 1 capital (AT1)**	**2,125,381**

	CC1 - Composition of Regulatory Capital	Amounts in AED "000"
39	**Tier 1 capital (T1= CET1 + AT1)**	**2,125,381**
	Tier 2 capital: instruments and provisions	
40	Directly issued qualifying Tier 2 instruments plus related stock surplus	0
41	*Directly issued capital instruments subject to phase-out from Tier 2*	0
42	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 30) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	0
43	*Of which: instruments issued by subsidiaries subject to phase-out*	-38,799
44	Provisions	135,692
45	**Tier 2 capital before regulatory adjustments**	96,893
	Tier 2 capital: regulatory adjustments	
46	Investments in own Tier 2 instruments	0
47	Investments in capital, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	0
48	Significant investments in the capital, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	0
49	CBUAE specific regulatory adjustments	0
50	**Total regulatory adjustments to Tier 2 capital**	**0**
51	**Tier 2 capital (T2)**	**96,893**
52	**Total regulatory capital (TC = T1 + T2)**	**2,222,274**
53	**Total risk-weighted assets**	**11,855,575**
	Capital ratios and buffers	
54	**Common Equity Tier 1 (as a percentage of risk-weighted assets)**	17.93%
55	**Tier 1 (as a percentage of risk-weighted assets)**	17.93%
56	**Total capital (as a percentage of risk-weighted assets)**	18.74%
57	**Institution specific buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus higher loss absorbency requirement, expressed as a percentage of risk-weighted assets)**	10.50%
58	**Of which: capital conservation buffer requirement**	2.50%
59	**Of which: bank-specific countercyclical buffer requirement**	0
60	**Of which: higher loss absorbency requirement (e.g., DSIB)**	0

	CC1 - Composition of Regulatory Capital	Amounts in AED "000"
61	**Common Equity Tier 1 (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirement.**	8.24%
	The CBUAE Minimum Capital Requirement	
62	Common Equity Tier 1 minimum ratio	7%
63	Tier 1 minimum ratio	8.50%
64	Total capital minimum ratio	10.50%
	Amounts below the thresholds for deduction (before risk weighting)	
[redacted]	[redacted]	
66	Significant investments in common stock of financial entities	0
[redacted]	[redacted]	
68	Deferred tax assets arising from temporary differences (net of related tax liability)	18,105
	Applicable caps on the inclusion of provisions in Tier 2	
69	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	96,893
70	Cap on inclusion of provisions in Tier 2 under standardized approach	96,893
[redacted]	[redacted]	
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)	
73	*Current cap on CET1 instruments subject to phase-out arrangements*	0
74	*Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)*	0
75	*Current cap on AT1 instruments subject to phase-out arrangements*	0
76	*Amount excluded from AT1 due to cap (excess after redemptions and maturities)*	0
77	*Current cap on T2 instruments subject to phase-out arrangements*	0
78	*Amount excluded from T2 due to cap (excess after redemptions and maturities)*	0

2.4.2 Reconciliation of regulatory capital to balance sheet (CC2):

The section identifies the differences between the scope of accounting consolidation and the scope of regulatory consolidation, and to show the link between bank's balance sheet in its published financial statements and the numbers that are used in the composition of capital disclosure template set out in Template CC1. This also provides a narrative commentary to explain any significant changes in the expanded balance sheet items over the reporting period and the key drivers of such change including any significant changes in other balance sheet items that is found in Table LIA.

(Amount in AED "000")

CC2- Reconciliation of Regulatory Capital to Balance Sheet	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	As at period-end	As at period-end	
Assets			
Cash and balances at central banks	1,156,281	1,156,281	
Items in the course of collection from other banks	-	-	
Trading portfolio assets	-	-	
Financial assets designated at fair value	-	-	
Derivative financial instruments	4,462	4,462	
Loans and advances to banks	1,929,423	1,929,423	
Loans and advances to customers	11,668,584	11,668,584	
Reverse repurchases agreements and other similar secured lending	-	-	
Available for sale financial investments (Includes FVOCI)	1,080,321	1,080,321	
Current and deferred tax assets	232,453	232,453	
Prepayments, accrued income and other assets	129,850	129,850	
Investments in associates and joint ventures	-	-	
Goodwill and other intangible assets	-	-	
Of which: goodwill	-	-	(a)
Of which: intangibles (excluding MSRs)	-	-	(b)
Of which: MSRs	-	-	(c)
Property, plant and equipment	24,338	24,338	

CC2- Reconciliation of Regulatory Capital to Balance Sheet	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	As at period-end	As at period-end	
Total assets	**16,225,712**	**16,225,712**	
Liabilities			
Deposits from banks	1,040,199	1,040,199	
Items in the course of collection due to other banks	-	-	
Customer accounts	12,834,128	12,834,128	
Repurchase agreements and other similar secured borrowing	-	-	
Trading portfolio liabilities	-	-	
Financial liabilities designated at fair value	-	-	
Derivative financial instruments	1,210	1,210	
Debt securities in issue	-	-	
Accruals, deferred income and other liabilities	272,408	272,408	
Current and deferred tax liabilities	-	-	
Of which: DTLs related to goodwill	-	-	(d)
Of which: DTLs related to intangible assets (excluding MSRs)	-	-	(e)
Of which: DTLs related to MSRs	-	-	(f)
Subordinated liabilities	-	-	
Provisions	-	-	
Retirement benefit liabilities	-	-	
Total liabilities	**14,147,945**	**14,147,945**	
Shareholders' equity			
Paid-in share capital	760,000	760,000	
Of which: amount eligible for CET1	760,000	760,000	(h)
Of which: amount eligible for AT1	-	-	(i)
Retained earnings and Statutory Reserves	1,317,767	1,317,767	
Accumulated other comprehensive income	-	-	
Total shareholders' equity	**2,077,767**	**2,077,767**	

2.4.3 Main features of regulatory capital instruments (CCA)

This section describes the terms and conditions of all instruments included in the regulatory capital.

	CCA - Main features of regulatory capital instruments	Quantitative / qualitative information
1	Issuer	**Bank of Baroda Head office India**
2	Unique identifier (e.g., CUSIP, ISIN or Bloomberg identifier for private placement)	**Not Applicable – Branch of Foreign Bank**
3	Governing law(s) of the instrument	
	Regulatory treatment	
4	Transitional arrangement rules (i.e., grandfathering)	
5	Post-transitional arrangement rules (i.e., grandfathering)	
6	Eligible at solo/ group/ group and solo	
7	Instrument type (types to be specified by each jurisdiction)	
8	Amount recognized in regulatory capital (currency in millions, as of most recent reporting date)	
9	Nominal amount of instrument	
9a	Issue price	
9b	Redemption price	
10	Accounting classification	
11	Original date of issuance	
12	Perpetual or dated	
13	Original maturity date	
14	Issuer call subject to prior supervisory approval	
15	Optional call date, contingent call dates and redemption amount	
16	Subsequent call dates, if applicable	
	Coupons / dividends	
17	Fixed or floating dividend/coupon	
18	Coupon rate and any related index	
19	Existence of a dividend stopper	
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	

	CCA - Main features of regulatory capital instruments	Quantitative / qualitative information
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	
21	Existence of step-up or other incentive to redeem	
22	Non-cumulative or cumulative	
23	Convertible or non-convertible	
24	Write-down feature	
25	If write down, write down trigger(s)	
26	If write down, full or partial	
27	If write down, permanent or temporary	
28	If temporary write-own, description of writeup mechanism	
28a	Type of subordination	
29	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned).	
30	Non-compliant transitioned features	
31	If yes, specify non-compliant features	

2.5. Macroprudential Supervisory measures (CCyB1)

This section describes exposures on an "ultimate risk" basis for the purposes of the countercyclical capital buffer including the methodology of geographical allocation used and the jurisdictions or types of exposures for which the ultimate risk method is not used as a basis for allocation. The Bank does not hold any capital at other geographical locations; therefore, the assessment of "ultimate risk" is not carried out by the Bank.

CCyB1 – Geographical breakdown	Countercyclical capital buffer rate	Exposure values and/or risk-weighted assets used in the computation of the countercyclical capital buffer		Bank-specific countercyclical capital buffer rate	Countercyclical buffer amount
		Exposure values	Risk-weighted assets		
Home Country 1	Not Applicable				
Country 2					
Country 3					
…..					
Country N					
Sum					
Total					

2.6. 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).

2.6.1 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	**Dec 21 (Amount in AED "000")**
1	Total consolidated assets as per published financial statements	16,225,712
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	(4,462)
9	Adjustment for securities financing transactions (i.e., repos and similar secured lending)	0
10	Adjustments for off-balance sheet items (i.e., conversion to credit equivalent amounts of off-balance sheet exposures)	0
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	0
12	Other adjustments	(18,105)
13	**Leverage ratio exposure measure**	**16,203,145**

2.6.2 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)	Dec 2021	Sep 2021
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	16,221,250	20,004,277
2	Gross-up for derivatives collateral provided where deducted from balance sheet assets pursuant to the operative accounting framework	0	0
3	(Deductions of receivable assets for cash variation margin provided in derivatives transactions)	0	0
4	(Adjustment for securities received under securities financing transactions that are recognized as an asset)	0	0
5	(Specific and general provisions associated with on-balance sheet exposures that are deducted from Tier 1 capital)	0	0
6	(Asset amounts deducted in determining Tier 1 capital)	(18,105)	(48,544)
7	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)**	**16,203,145**	**19,955,733**
Derivative exposures			
8	Replacement cost associated with *all* derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	4,462	2,368
9	Add-on amounts for PFE associated with *all* derivatives transactions	1,857,735	45,013
10	(Exempted CCP leg of client-cleared trade exposures)	0	0
11	Adjusted effective notional amount of written credit derivatives	0	0
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0	0
13	**Total derivative exposures (sum of rows 8 to 12)**	**2,607,076**	**47,381**
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
Other off-balance sheet exposures			

	LR2 - Leverage ratio common disclosure template (LR2)	Dec 2021	Sep 2021
19	Off-balance sheet exposure at gross notional amount	2,498,193	2,323,445
20	(Adjustments for conversion to credit equivalent amounts)	(1,196,208)	(1,122,208)
21	(Specific and general provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital)	0	0
22	**Off-balance sheet items (sum of rows 19 to 21)**	**1,301,985**	**1,201,237**
Capital and total exposures			
23	**Tier 1 capital**	2,125,381	2,074,622
24	**Total exposures (sum of rows 7, 13, 18 and 22)**	20,112,206	21,204,351
Leverage ratio			
25	**Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)**	**10.57%**	**9.78%**
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	10.43%	9.56%
26	CBUAE minimum leverage ratio requirement	3.00%	3.00%
27	**Applicable leverage buffers**	**0.00%**	**0.00%**

2.7. 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.

2.7.1 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.

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.

2.7.2 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".

2.7.3 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.

2.7.4 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	1,025,248	
1.2	UAE Federal Government Bonds and Sukuks	1,259,021	
	Sub Total (1.1 to 1.2)	2,284,268	2,284,268
1.3	UAE local governments publicly traded debt securities	26,327	
1.4	UAE Public sector publicly traded debt securities	0	
	Sub total (1.3 to 1.4)	26,327	26,327
1.5	Foreign Sovereign debt instruments or instruments issued by their respective central banks		0
1.6	**Total**	**2,310,596**	**2,310,596**
2	Total liabilities		13,166,193
3	**Eligible Liquid Assets Ratio (ELAR)**		**17.55%**

2.7.5 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)	10,045,823
	1.2	Lending to non-banking financial institutions	677,263
	1.3	Net Financial Guarantees & Stand-by LC (issued - received)	134,970
	1.4	Interbank Placements	1,486,061
	1.5	**Total Advances**	12,344,117
2		**Calculation of Net Stable Resources**	
	2.1	Total capital + general provisions	2,330,470
		Deduct:	
	2.1.1	Goodwill and other intangible assets	0
	2.1.2	Fixed Assets	13,782
	2.1.3	Funds allocated to branches abroad	0
	2.1.5	Unquoted Investments	0
	2.1.6	Investment in subsidiaries, associates and affiliates	0
	2.1.7	**Total deduction**	13,782
	2.2	**Net Free Capital Funds**	2,316,688
	2.3	**Other stable resources:**	
	2.3.1	Funds from the head office	0
	2.3.2	Interbank deposits with remaining life of more than 6 months	0
	2.3.3	Refinancing of Housing Loans	0
	2.3.4	Borrowing from non-Banking Financial Institutions	621,023
	2.3.5	Customer Deposits	10,641,110
	2.3.6	Capital market funding/ term borrowings maturing after 6 months from reporting date	367,300
	2.3.7	**Total other stable resources**	11,629,433
	2.4	**Total Stable Resources (2.2+2.3.7)**	13,946,121
3		**Advances To Stable Resources Ratio (1.6/ 2.4*100)**	88.51%

2.8. Credit Risk (CRA)

This section describes the Bank's risk management objectives and policies for credit risk, focusing in-particular the following.

2.8.1 General Qualitative information about credit risk

Bank's credit risk profile: Credit Risk arises from all transactions where actual, contingent or potential claims against any counterparty, borrower, obligor or issuer (which we refer to collectively as "counterparties") exist, including those claims that we plan to distribute. These transactions are typically part of our non-trading lending activities (such as loans and contingent liabilities) as well as our direct trading activity with clients (such as OTC derivatives). These also include traded bonds and debt securities. The Bank's credit portfolio is segregated into three major segments: 1. Corporate & SME Loans 2. Retail Loans 3. Syndicated Loans Bank manages the respective positions within Bank's credit risk frameworks. The Bank manage its credit risk by using the following philosophy and principles: ▪ Bank Credit Risk Management function is independent from the business divisions ▪ In each credit vertical, the credit decision standards- processes-principles are consistently applied as per the Credit Risk Policy and Framework. The Bank's key principle of credit risk management is a proper client credit due diligence. The client selection is achieved in collaboration with relationship managers at each credit vertical who stands as the first line of defense. While onboarding the client, Bank aims to prevent undue concentration risks by maintaining a diversified credit portfolio in terms of client (single/ group name), industry, country and product-specific concentrations are assessed and managed against the set risk appetite of the bank. The Bank maintains underwriting standards aiming to avoid large undue credit risk on a counterparty and portfolio level. In this regard, cash margins and eligible collaterals /covenants are commanded for unsecured positions as a risk mitigant, as per the credit risk management policy/ loan policy of the Bank.
Credit risk management policy and credit risk appetite:

The credit underwriting standards are enunciated in the Loan Policy and Retail Credit Policy. The risk appetite framework encompassing all types of risk, including credit risk is embedded in the Enterprise Risk Management Framework, in addition to the aforementioned credit policies. The Bank also put in place a credit risk management policy containing detailed framework of credit risk management.

Credit risk management and relationships between Control Functions:

Bank articulates roles and responsibilities at business/ control functions to actively identify, communicate and manage credit risks arising from business activities and to implement the credit risk management policy. Senior management at executive level plays a crucial role while taking the overall responsibility for policy compliance on Credit Risk Management.

Credit risk identification and assessment are carried out through a comprehensive mechanism comprising three levels of defense. The first level of defense lies with the business units/ Loan Departments which are responsible for maintaining a sound credit quality of assets in line with the approved business strategy and credit risk appetite. These functions assess the risk on a customer at facility level and ensures proper documentation of customer, facility and security documents. The second level of defense is Risk management unit that assesses credit risk on a portfolio basis and maintains credit risk policies and credit risk rating models up to date. Individual credit proposals over a certain threshold level are also evaluated independently by the Risk Management function, prior to onboarding/ assuming the risk.

Internal Audit acts as a third level of defense with regular reviews of credit and the risk functions to check the compliance with policies and procedures of the Bank. Key control functions of the Bank include Risk Management, Compliance and Internal Audit. Roles and responsibilities of Control Functions in Credit risk management include:

Risk Management:

Risk Management function independently carries out the following credit risk monitoring and management activities (includes, but not limited to) :

- Examining process, systems of first line of defense
- Review of portfolio risk
- Monitoring of external credit ratings and credit default swap spreads in case of a listed corporate;
- Internal rating model governance
- Improvement of deficiency of process, system, pointed out by third line of defense or otherwise, is noticed by the department
- Reporting and escalating genuine limit violations and excesses;
- Ensuring appropriate independent credit analysis is undertaken and independently verifying the internal rating calculated by the Credit department for the counterparty, using an appropriate rating model.

Compliance:

Compliance function ensures adherence of various regulatory prescriptions and Bank's Policy guidelines with regard to credit risk management are implemented, including KYC/ AML and CFT risk assessment requirements by the business function.

Internal Audit:

Internal Audit acts as the third line of defense. It carries out independent review of credit & risk function and provides assurance to the Board. In addition to audit of first line and second line credit risk management functions, the Internal Audit team also performs Credit Audit for individual credit transactions, over a certain threshold level.

Credit Risk Reporting Structure:

Risk Management Department monitors the prudential limits and risk appetite as per the approved policies. The status of various limits and credit risk related MIS is presented to the Credit Risk Management Committee and also to the Senior Management, for strategic direction and taking necessary remedial action, if any.

The risk management department will report the credit risk profile of the bank to Risk Management Committee (RMC), Credit Risk management Committee (CRMC), senior management and corporate office (International operations and Global Risk Management Department) as per the defined periodicity in policies.

2.8.2 Credit quality of assets (CR1)

This section narrates a comprehensive picture of the credit quality of bank's (on- and off-balance sheet) assets.

(Amount in AED 000)

		a	b	c	d	e	f
		Gross carrying values of		**Allowances/ Impairments**	**Of which ECL accounting provisions for credit losses on SA exposures**		**Net values (a+b-c)**
		Defaulted exposures	**Non-defaulted exposures**		**Allocated in regulatory category of Specific**	**Allocated in regulatory category of General**	
1	Loans	4,682,456	11,395,134	3,278,421	3,040,381	238,040	12,799,169
2	Debt securities	56,983	1,138,828	59,491	56,983	2,508	1,136,320
3	Off-balance sheet exposures	29,442	1,141,560	38,627	29,442	9,185	1,132,374
4	**Total**	**4,768,881**	**13,675,521**	**3,376,540**	**3,126,806**	**249,734**	**15,067,863**

2.8.3 Change in the Stock of Defaulted Loans and Debt Securities (CR2);

This section describes the changes in bank's stock of defaulted exposures, the flows between non-defaulted and defaulted exposure categories and reductions in the stock of defaulted exposures due to write-offs including the drivers of any significant changes in the amounts of defaulted exposures from the previous reporting period and any significant movement between defaulted and non-defaulted loans.

		Amount in AED "000"
1	**Defaulted loans and debt securities at the end of the previous reporting period**	3,611,102
2	Loans and debt securities that have defaulted since the last reporting period	458,684
3	Returned to non-default status	13,106
4	Amounts written off	234,629
5	Other changes	(946,830)
6	**Defaulted loans and debt securities at the end of the reporting period (1+2-3-4±5)**	**4,768,881**

2.8.4 Additional disclosure related to credit quality of assets (CRB)

This section supplements the quantitative templates with information on the credit quality of the bank's assets

Definitions of 'past due' and 'impaired' exposures: 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”. The bank uses both approaches of Central Bank Provisions (CBUAE 28/2010 – Regulations for Classification of Loans and determining their provisions) and IFRS9 for determining the provisions on credit losses. **Bank does not consider any exposure which is past-due >90 days as part of exclusion from impaired loan.**
Accounting Provision under ECL Framework: **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.

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 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, if required.

Definition of a restructured approach:

Restructured Loan means any Loan that has been, or in accordance with the Credit and Recovery Policy is required to be, modified or restructured to extend the maturity thereof or reduce the amount (other than by reason of the repayment thereof) or extend the time for payment of principal thereof, in each case as a result of the Obligor's material financial underperformance, distress or default. Such Loan shall cease to be a Restructured Loan when such Loan has been performing for at least 1 year consecutive since the date the most recent modification was made and is no longer required to be so modified or restructured in accordance with the Credit and Recovery Policy. In case of restructured term loan accounts, the tenor of the loan will be considered on merits of each case. Requests for restructuring the existing loans may be considered strictly on merits mainly for commercial advances.

The Bank measures and monitors various credit risk metrics on a periodical basis as defined in the Credit Policy and Credit Risk Management policy. The same are reported to the respective senior management, credit & risk committees for their directions and course correction, if any. Some of the important matrices are defined as under:

- **The exposure breakdown as per the residual /modelled maturity is as under;**

The exposure cap based on the residual maturity of standard advances above 3 years has been fixed in Credit Risk Management Policy and same is monitored on a regular basis to avoid the concentration risk. As of 31st December 2021, 19.42% of standard advances are having maturity above 3 years.

- **The exposure breakdown as per the geographical areas is as under;**

					Amount in AED "000"
Concentration by location	**Loans and advances**	**Due from banks, Head Office and other branches**	**Investment securities**	**Total**	**Concentration 31.12.2021**
United Arab Emirates	10,851,947	135,000	1,080,321	12,067,268	63.03%
Other Middle East Countries	493,589	1,257,687	-	1,751,276	9.15%
India	1,343,275	183,650	-	1,526,925	7.98%
Europe	-	-	-	0	0.00%
USA	242,876	330,570	-	573,446	3.00%
Others	2,015,318	22,516	-	2,037,834	10.64%
Total	**14,947,005**	**1,929,423**	**1,080,321**	**19,144,864**	**100.00%**

- **The exposure breakdown as per the Sector is as under;**

					(Amount in AED "000")
Concentration by Sector	**Loans and advances**	**Due from banks, Head Office and other branches**	**Investment securities**	**Total**	**Concentration 31.12.2021**
Mining and quarrying	1,032,493	-	-	1,032,493	5.75%
Manufacturing	3,465,333	-	-	3,465,333	19.30%
Electricity, gas and water	270,905	-	-	270,905	1.51%
Real estate	1,295,649	-	-	1,295,649	7.22%
Trade	2,338,448	-	-	2,338,448	13.02%
Transport and communication	132,546	-	-	132,546	0.74%
Banks and financial institutions	677,263	1,929,423	-	2,606,686	14.52%
Government	808,978	-	1,080,321	1,889,299	10.52%
Others	4,925,390	-	-	4,925,390	27.43%
Total	**14,947,005**	**1,929,423**	**1,080,321**	**17,956,749**	**100%**

Ageing analysis of accounting past-due exposures:

(Amount in AED "000")

Portfolio Segment	Up to 30 Days	31 to 60 Days	61 to 90 Days	Total
CORPORATE	15,706	123,304	0	139,010
HNI	282,421	20,446	0	302,867
INDIVIDUALS	0	5,096	816	5,912
SME	0	3,081	25,031	28,112
Total	298,127	151,927	25,847	475,901

Breakdown of restructured exposures between impaired and not impaired exposures:

(Amount in AED "000")

Restructure Segment	Exposure	Interest Suspense	Provision Held		
			General Provision	Specific Provision	Provision Coverage
Impaired	546,838.00	85,929.00		306,490.00	66.50%
Non-Impaired	65,090.00	-	9,072.44		13.94%
Total	**611,928.00**	**85,929.00**	**9,072.44**	**306,490.00**	**59.99%**

2.8.5 Qualitative information on the mitigation of credit risk (CRC)

This section describes qualitative information on the mitigation of credit risk.

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 associate companies. Bank monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors 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.

2.8.6 Credit risk mitigation techniques - overview (CR3)

This section describes the CRM techniques used to reduce and the secured exposures used for risk-weights calculation including a narrative commentary on any significant changes over the reporting period and key drivers of such changes.

(Amount in AED "000")

		Exposures unsecured: carrying amount	Exposures secured by collateral	Exposures secured by collateral of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1	Loans	3,475,608	6,685,330	5,802,154	1,678,526	1,678,526	0	0
2	Debt securities	149,378	0	0	0	0	0	0
3	**Total**	**3,624,985**	**6,685,330**	**5,802,154**	**1,678,526**	**1,678,526**	**0**	**0**
4	Of which defaulted	117,662	383,651	369,043	0	0	0	0

2.8.7 External credit ratings under the standardized approach for credit risk (CRD)

This section also includes a description of the portfolios concerned and the aggregate total RWAs these portfolios represent.

The standardized approach measures credit risk either pursuant to fixed risk weights, which are predefined by the regulator, or through the application of external ratings. For the purpose of ascertain the risk weights for borrower rated externally, the Bank considered the credit rating given by the approved Credit Rating agencies as prescribed by the Central Bank of UAE (i.e., Moody's, Fitch, S&P and Capital Intelligence).

The Bank's exposure to such portfolio is very limited and most of the exposures belongs to the foreign sovereigns and Banks which are externally rated by the said rating agencies. The borrowers which do not have external rating are categorized under the Unrated category and applicable risk weights of Central Bank of UAE are applied.

2.8.8 Standardized approach - credit risk exposure and CRM effects (CR4)

This section describes the effect of CRM (comprehensive and simple approach) on standardized approach capital requirements' calculations. RWA density provides a synthetic metric on riskiness of each portfolio.

(Amount in AED "000")

		Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	Asset classes	**On-balance sheet amount**	**Off-balance sheet amount**	**On-balance sheet amount**	**Off-balance sheet amount**	**RWA**	**RWA density**
1	Sovereigns and their central banks	2,840,884	36,730	2,877,614	-	555,541	19%
2	Public Sector Entities	183,650	-	183,650	-	91,825	50%
3	Multilateral development banks	-	-	-	-	-	0%
4	Banks	3,693,241	2,660,710	6,353,951	-	2,370,177	37%
5	Securities firms	-	-	-	-	-	0%
6	Corporates	6,800,266	1,492,308	8,292,574	1,252,388	5,878,745	71%
7	Regulatory retail portfolios	749,925	845,655	1,595,580	497,671	35,386	2%
8	Secured by residential property	743,383	3,903	747,286	-	298,057	40%
9	Secured by commercial real estate	411,585	16,035	427,620	-	418,261	98%
10	Equity Investment in Funds (EIF)	-	-	-	-	-	0%
11	Past-due loans	4,739,439	49,928	552,227	57,375	539,804	11%
12	Higher-risk categories	-	-	-	-	-	0%
13	Other assets	486,203	-	486,203	-	667,573	137%
14	**Total**	**20,648,576**	**5,105,269**	**21,516,705**	**1,807,434**	**10,855,369**	**42.15%**

2.8.9 Standardized approach - exposures by asset classes and risk weights (CR5)

This section describes the breakdown of credit risk exposures under the standardized approach by asset class and risk weight (corresponding to the riskiness attributed to the exposure according to standardized approach).

(Amount in AED "000")

	Asset Class / Risk Weight	0%	20%	35%	50%	75%	100%	150%	Others	Total credit exposures amount (post CCF and post-CRM)
1	Sovereigns and their central banks	2,031,906	-	-	550,950	-	294,758	-	-	2,848,230
2	Public Sector Entities	-	-	-	183,650	-	367,959	-	-	183,650
3	Multilateral development banks	-	-	-	-	-	-	-	-	0
4	Banks	-	2,983,741	-	3,174,356	-	195,854	-	-	6,334,744
5	Securities firms	-	-	-	-	-	-	-	-	0
6	Corporates	-	-	-	66,067	1,792,855	6,069,774	-	-	6,071,265
7	Regulatory retail portfolios	-	-	-	-	1,596,455	-	-	-	47,182
8	Secured by residential property	-	-	684,485	-	-	57,845	-	-	744,163
9	Secured by commercial real estate	-	-	-	-	-	427,620	-	-	418,261
10	Equity Investment in Funds (EIF)	-	-	-	-	-	-	-	-	0
11	Past-due loans	-	-	-	-	-	396,288	95,677	-	491,965
12	Higher-risk categories	-	-	-	-	-	-	-	-	0
13	Other assets	140,153	-	-	-	-	131,701	-	214,349	486,203
14	**Total**	**2,172,059**	**2,983,741**	**684,485**	**3,975,023**	**3,389,310**	**7,941,799**	**95,677**	**214,349**	**17,625,664**

2.9. Counterparty credit risk (CCR)

2.9.1 Qualitative disclosure related to CCR (CCRA)

This section covers the main characteristics of counterparty credit risk management (e.g., operating limits, use of guarantees and other CRM techniques, impacts of own credit rating downgrading) including the risk management objectives and policies related to counterparty credit risk.

Under the credit risk standardized approach the exposure at default (EAD) is calculated as the product of the Potential Future Exposure (PFE) and Replacement Cost of exposure by multiplier 'Alpha' (α) (1.40%). The scaling factor alpha is applied in order to correct for amongst others correlations between parties, concentration risk and to account for the level of volatility/correlation that might coincide with a downturn.

2.9.2 Analysis of CCR by approach (CCR1)

This section describes about the regulatory exposures, RWA and parameters used for RWA calculations for all exposures subject to the counterparty credit risk framework (excluding CVA charges of exposures cleared through a CCP) including a narrative commentary to explain any significant changes over the reporting period and the key drivers of such changes.

(Amount in AED "000")

		Replacement cost	**Potential future exposure**	**EEPE**	**Alpha used for computing regulatory EAD**	**EAD post-CRM**	**RWA**
1	SA-CCR (for derivatives)	4,462	1,857,735		1.4	2,607,076	676,211
2	Internal Model Method (for derivatives and SFTs)			0	0	0	0
3	Simple Approach for credit risk mitigation (for SFTs)					0	0
4	Comprehensive Approach for credit risk mitigation (for SFTs)					0	0
5	VaR for SFTs					0	0
6	**Total**						**676,211**

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

This section portrays a narrative commentary on the Standardized approach - CCR exposures by regulatory portfolio and risk weights including a description of the exposures in the portfolios concerned and the aggregate total of RWAs amount from such exposures.

(Amount in AED "000")

	Regulatory Portfolio / Risk Weight	0%	20%	50%	75%	100%	150%	Others	Total credit exposure
1	Sovereigns								0
2	Public Sector Entities (PSEs)								0
3	Multilateral development banks (MDBs)								0
4	Banks		2,099,646	502,298					2,601,944
5	Securities firms								0
6	Corporates					5,133			5,133
7	Regulatory retail portfolios								0
8	Secured by residential property								0
9	Secured by commercial real estate								0
10	Equity Investment in Funds (EIF)								0
11	Past-due loans								0
12	Higher-risk categories								0
13	Other assets								0
14	**Total**	**0**	**2,099,646**	**502,298**	**0**	**5,133**	**0**	**0**	**2,607,076**

2.9.4 Composition of collateral for CCR exposure (CCR5)

This section describes the breakdown of all types of collateral posted or received by the bank to support or reduce the counterparty credit risk exposures related to derivative transactions or to SFTs, whether or not the transactions are cleared through a CCP and whether or not the collateral is posted to a CCP.

(Amount in AED "000")

	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash - domestic currency	0	0	0	0	0	0
Cash - other currencies	0	0	0	0	0	0
Domestic sovereign debt	0	0	0	0	0	0
Government agency debt	0	0	0	0	0	0
Corporate bonds	0	0	0	0	0	0
Equity securities	0	0	0	0	0	0
Other collateral	0	0	0	0	0	0
Total	**0**	**0**	**0**	**0**	**0**	**0**

2.9.5 Credit derivatives exposures (CCR6)

This section illustrates the extent of bank's exposures to credit derivatives transactions broken down between derivatives bought or sold including any narrative commentary to explain any significant changes over the reporting period and the key drivers of such changes.

(Amount in AED "000")

		Protection bought	Protection sold
Notional			
	Single-name credit default swaps	0	0
	Index credit default swaps	0	0
	Total return swaps	0	0
	Credit options	0	0
	Other credit derivatives	0	0
Total notional		0	**0**
Fair values		0	0
	Positive fair value (asset)	0	0
	Negative fair value (liability)	0	0

2.9.6 Exposures to central counterparties (CCR8)

This section provides a comprehensive picture of the bank's exposures to central counterparties. In particular, it includes all types of exposures (due to operations, margins, contributions to default funds) and related capital requirements including any narrative commentary to explain any significant changes over the reporting period and the key drivers of such changes (i.e., Changes in RWA amounts over the reporting period for each of the key drivers should be based on bank's reasonable estimation of the figure).

(Amount in AED "000")

		EAD (post-CRM)	RWA
1	**Exposures to QCCPs (total)**		
2	Exposures for trades at QCCPs (excluding initial margin and default fund contribution); of which:	0	0
3	(i) OTC derivatives	0	0
4	(ii) Exchange-traded derivatives	0	0
5	(iii) Securities financing transactions	0	0
6	(iv) Netting sets where cross-product netting has been approved	0	0
7	Segregated initial margin	0	
8	Non-segregated initial margin	0	0
9	Pre-funded default fund contributions	0	0
10	Unfunded default fund contributions	0	0
11	**Exposures to non-QCCPs (total)**		0
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contribution); of which:		
13	(i) OTC derivatives	2,607,076	676,211
14	(ii) Exchange-traded derivatives	0	0
15	(iii) Securities financing transactions	0	0
16	(iv) Netting sets where cross-product netting has been approved	0	0
17	Segregated initial margin	0	
18	Non-segregated initial margin	0	0
19	Pre-funded default fund contributions	0	0
20	Unfunded default fund contributions	0	0

2.10. Securitization (SECA)

This section provides a qualitative information on bank's strategy and risk management with respect to its securitization activities.

2.10.1 Securitization exposures in the banking book (SEC1)

This section presents bank's securitization exposures in the banking book

(Amount in AED "000")

<table>
<tr><th></th><th></th><th colspan="4">Bank acts as originator</th><th colspan="4">Bank acts as sponsor</th><th colspan="4">Bank acts as investor</th></tr>
<tr><th></th><th></th><th>Traditional</th><th>Of which simple, transparent and comparable (STC)</th><th>Synthetic</th><th>Sub-total</th><th>Traditional</th><th>Of which STC</th><th>Synthetic</th><th>Sub-total</th><th>Traditional</th><th>Of which STC</th><th>Synthetic</th><th>Sub-total</th></tr>
<tr><td>1</td><td>Retail (total) - of which</td><td colspan="12" rowspan="11">NIL</td></tr>
<tr><td>2</td><td>residential mortgage</td></tr>
<tr><td>3</td><td>credit card</td></tr>
<tr><td>4</td><td>other retail exposures</td></tr>
<tr><td>5</td><td>re-securitization</td></tr>
<tr><td>6</td><td>Wholesale (total) - of which</td></tr>
<tr><td>7</td><td>loans to corporates</td></tr>
<tr><td>8</td><td>commercial mortgages</td></tr>
<tr><td>9</td><td>lease and receivables</td></tr>
<tr><td>10</td><td>other wholesale</td></tr>
<tr><td>11</td><td>re-securitization</td></tr>
</table>

2.10.2 Securitization exposures in the trading book (SEC2)

This section portrays the securitization exposures in the trading book. In this, securitization exposures include securitization exposures even where criteria for recognition of risk transference are not met.

(Amount in AED “000”)

		Bank acts as originator				Bank acts as sponsor				Bank acts as investor			
		Traditional	**Of which simple, transparent and comparable (STC)**	**Synthetic**	**Sub-total**	**Traditional**	**Of which STC**	**Synthetic**	**Sub-total**	**Traditional**	**Of which STC**	**Synthetic**	**Sub-total**
1	**Retail (total) - of which**	NIL											
2	residential mortgage												
3	credit card												
4	other retail exposures												
5	re-securitization												
6	**Wholesale (total) - of which**												
7	loans to corporates												
8	commercial mortgages												
9	lease and receivables												
10	other wholesale												
11	re-securitization												

2.10.3 Securitization exposures in the banking book and associated regulatory capital requirements - bank acting as originator or as sponsor (SEC3)

This section presents bank’s securitization exposures in the banking book when the bank acts as originator or sponsor and the associated capital requirements.

(Amount in AED "000")

<table>
<tr><th></th><th></th><th colspan="5">Exposure values (by RW bands)</th><th colspan="4">Exposure values (by regulatory approach)</th><th colspan="4">RWA (by regulatory approach)</th><th colspan="4">Capital charge after cap</th></tr>
<tr><th></th><th></th><th>≤20% RW</th><th>>20% to 50% RW</th><th>>50% to 100% RW</th><th>>100% to <952% RW</th><th>952% RW</th><th>SEC-IRBA</th><th>SEC-ERBA and SEC-IAA</th><th>SEC-SA</th><th>952%</th><th>SEC-IRBA</th><th>SEC-ERBA and SEC-IAA</th><th>SEC-SA</th><th>952%</th><th>SEC-IRBA</th><th>SEC-ERBA and SEC-IAA</th><th>SEC-SA</th><th>952%</th></tr>
<tr><td>1</td><td>Total exposures</td><td colspan="17" rowspan="13">NIL</td></tr>
<tr><td>2</td><td>Traditional securitization</td></tr>
<tr><td>3</td><td>Of which securitization</td></tr>
<tr><td>4</td><td>Of which retail underlying</td></tr>
<tr><td>5</td><td>Of which STC</td></tr>
<tr><td>6</td><td>Of which wholesale</td></tr>
<tr><td>7</td><td>Of which STC</td></tr>
<tr><td>8</td><td>Of which re-securitization</td></tr>
<tr><td>9</td><td>Synthetic securitization</td></tr>
<tr><td>10</td><td>Of which securitization</td></tr>
<tr><td>11</td><td>Of which retail underlying</td></tr>
<tr><td>12</td><td>Of which wholesale</td></tr>
<tr><td>13</td><td>Of which re-securitization</td></tr>
</table>

2.10.4 Securitization exposures in the trading book and associated capital requirements - bank acting as investor (SEC4)

This section presents bank's securitization exposures in the banking book when the bank acts as originator or sponsor and the associated capital requirements including a narrative commentary to explain any significant changes over the reporting period and the key drivers of such changes.

(Amount in AED "000")

		Exposure values (by RW bands)					**Exposure values (by regulatory approach)**				**RWA (by regulatory approach)**				**Capital charge after cap**			
		≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <952% RW	952% RW	SEC-IRBA	SEC-ERBA and SEC-IAA	SEC-SA	952%	SEC-IRBA	SEC-ERBA and SEC-IAA	SEC-SA	952%	SEC-IRBA	SEC-ERBA and SEC-IAA	SEC-SA	952%
1	**Total exposures**	NIL																
2	Traditional securitization																	
3	Of which securitization																	
4	Of which retail underlying																	
5	Of which STC																	
6	Of which wholesale																	
7	Of which STC																	
8	Of which re-securitization																	
9	Synthetic securitization																	
10	Of which securitization																	
11	Of which retail underlying																	
12	Of which wholesale																	
13	Of which re-securitization																	

2.11. Market Risk (MRA)

Bank describes its risk management objectives and policies for market risk according to the framework as follows:

2.11.1 General Qualitative disclosure requirements related to market risk

Bank has a Board approved Market Risk Management Policy which seeks, in line with Central Bank's regulation no. 164/2018 dated 29th August 2018 on 'Market Risk', containing a comprehensive market risk identification, measurement, monitoring, management and reporting framework that allows market risks are tracked, managed and overseen on a timely and effective manner. The policy covers limits, triggers and risk management techniques across various instruments involving the Bank's trading portfolio. The policy also seeks to create processes to actively mitigate market risks and optimize resources primarily to protect the Bank against any downside risk element. Under the Market Risk Management Policy framework, the market risk is managed in such a way that the risk taken is within the risk appetite of the Bank. The policy is also reviewed on a yearly basis considering regulatory guidelines, future business projections and the best market practices with regard to market risk management.

Currently, Bank doesn't engage in commodity business. The Bank also does not hold any trading positions in debt instruments. The Bank is having minimal currency gap positions and therefore, foreign currency risk is the component of market risk capital requirements.

UAE Asset Liability Management Committee (UAE-ALCO) manages the Market Risk of the Territory including Asset Liability Management (ALM). Market Risk Management Team at UAE regularly monitors the following.

- Marking -to-market of trading book
- Value at Risk (VaR) on the trading portfolio against the respective limits as defined in the policy.
- Perform Stress Test/ Back Test of the Market Risk Portfolio
- Monitors the Stop Loss limits/ Dealer wise limits for various trading portfolios-Bonds, Forex and Derivatives etc.
- Tracking modified duration of trading portfolio
- Tracking compliance with PV01 limits of interest rate sensitive instruments in the trading portfolio
- Monitoring dealer-wise limits/ deal size/ stop-loss limits
- Monitors various forex limits.
- Compute the Market Risk Capital charge for the trading book

Risk Management function is independent of the business/ treasury function and the Chief Risk Officer at UAE has a direct line of reporting to the Head of Risk Management/ Chief Risk Officer at Head Office. The Risk Management Team at UAE is well qualified and experienced and regularly upgrades the knowledge by undergoing regular trainings.

2.11.2 Market risk under the standardized approach (MR1)

This section provides the components of the capital requirement under the Standardized Approach for market risk including a narrative commentary to explain any significant changes in the reporting period and the key drivers of such changes.

(Amount in AED "000")

		RWA
1	General Interest rate risk (General and Specific)	0
2	Equity risk (General and Specific)	0
3	Foreign exchange risk	9,170
4	Commodity risk	0
5	Options	**0**
6	Simplified approach	0
7	Delta-plus method	0
8		
9	Securitization	0
10	**Total**	**9,170**

2.12. Interest rate risk in the banking book (IRRBB)

This section provides a description of the risk management objectives and policies concerning IRRBB and comprises of the following qualitative and quantitative aspects.

Interest rate Risk Management in Banking Book and its purposes for risk control and measurement
Interest rate risk in Banking Book is the current and prospective risk to the Bank's Net Interest Income and the Economic Value of Equity arising from adverse movement of internal and external factors. Internal factors include the composition of the Bank's assets and liabilities, quality, maturity and re-pricing period of deposits and advances. External factors cover general economic conditions. The changes in interest rates affect the Bank in a larger way. The immediate impact of changes in interest rates is on the Bank's earnings by changing its Net Interest Income (NII). A long-term impact of changing interest rates is on bank's Economic Value of Equity or Net Worth as the economic value of the Bank's assets, liabilities and off-balance sheet positions get affected due to variation in market interest rates. The interest rate risk when viewed from these two perspectives is known as 'Earnings Perspective' and 'Economic Value Perspective' respectively. **Purpose of its management and measurement** ▪ To achieve the target NII/NIM in the short run and enhance the economic value of equity in the long run. ▪ Monitor the Interest Rate Risk with the application of various techniques like GAP Analysis and Duration Analysis. ▪ Understand where interest rate risk originates across the Bank's products, i.e., identify and evaluate interest rate risk sources; ▪ Select appropriate parameters that accurately and reliably measure the impact of interest rate risk on the Bank's net interest income and net equity value; and ▪ Proactively monitor and control interest rate exposures within predetermined limits. **Types of Interest Rate Risk in Banking Book:** **Interest Risk in banking Book are of 4 types as under.** ▪ Gap or Mismatch Risk ▪ Yield Curve Risk ▪ Basis Risk ▪ Embedded Option Risk

Bank's overall IRRBB management, Periodicity of the calculation & mitigation strategies:

Interest rate risk is an inherent part of the banking business and can be an important source of profits and shareholder value, but mismanaging interest rate risk poses a significant threat to bank's earnings and capital, as changes in interest rates can dramatically change the net present value of bank's assets and liabilities. The Bank uses the following tools to measure, monitor and manage the interest rate risk.

- Traditional Gap Analysis (TGA)
- NII/ NIM Targets
- Earning at Risk (EaR)
- Duration Gap Analysis (DGA).

Traditional Gap Analysis (TGA): The interest rate sensitivity gap is measured as the difference between Rate Sensitive Assets (RSAs) and Rate Sensitive Liabilities (RSLs), including off-balance sheet positions. The Statement of Interest Rate Sensitivity [IRS] is generated by grouping rate sensitive liabilities and rate sensitive assets and off-balance sheet positions into time buckets according to residual maturity/ next re-pricing period whichever is earlier. IRS positions are apprised on a monthly basis to UAE-ALCO.

NII/ NIM Targets: Subject to the compliance with all the regulations in respect of asset-liability management, including those on liquidity management, annual targets for NII/ NIM are set at the beginning of each financial year, consistent with business projections, and reflecting the prevailing conditions in the interest rate market and the internal forecasts on the yield curve, among other factors. For the purpose of achieving NII/ NIM targets, use of suitable financial instruments like the interest rate derivatives may be resorted to.

Earning 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. Earning at Risk (EaR) is calculated from parallel shift in yield curve using the following method where EaR for 1% change in interest rates is computed, in respect of all currencies shall not exceed

- 10% of the Net Interest Income (NII) as of previous financial year end.
- 10% of the Net Interest Income (NII) as of trailing 12 months.

The EaR is presented to the UAE-ALCO periodically.

Duration Gap Analysis (DGA): Economic value perspective focuses on how the Economic value of the Bank's assets, liabilities, and off-balance-sheet instruments change with movements in interest rates. The growing complexity of banking products and investments increases the need to consider the economic perspective of interest rate risk. Economic value perspective computation is apprised to UAE-ALCO periodically.

"If for an interest rate shock of 200 bps, the economic value of capital declines by more than 20% of the Net Worth, the bank needs to provide additional capital over and above the regulatory capital. If the event occurs, the Bank reduces the exposure to interest rate risk in Banking book within a period of 3 months or provide additional capital to the tune of amount over and above the 20% decline in value."

Interest rate shock and stress scenarios:

Stress Testing is an integral part of the ICAAP and are carried out to demonstrate that Bank's capital resources are sufficient to cover its risks. As per Capital Adequacy Regulations of CBUAE (November 2021), rigorous forward-looking stress testing are performed by the Bank that identifies possible events or changes in market conditions that could adversely affect the bank. As outlined in the above Policy, Bank uses various Interest rate shocks under Baseline, Moderate and Adverse stress scenarios.

Hedging w.r.t. IRRBB:

Bank uses various hedging techniques for the purpose of controlling and managing interest rate risk positions through derivatives viz. Forward Rate Agreements (FRAs), Currency and Interest Rate Swaps, Interest Rate Options and Futures. Since the above hedging instruments may also result in taking risk positions, Bank ensures that such instruments are properly analyzed, understood and satisfy the specific hedging requirement in a cost-effective manner.

Computation of ΔEVE and ΔNII:

Bank follows the following computation table for arriving the ΔEVE and ΔNII

Particulars
Equity
Tier-I
Tier-II
RSA
RSL
MDA (Weighted Modified Duration of Assets) (in %)
MDL (Weighted Modified Duration of Liabilities) (in %)

MDG (In %)
Δ E (Change in the value of Equity)
For a 100 BPS change, MVE will fall by (In %)
Base Line Scenario: For a 50 BPS change, MVE will fall by (In amount)
Moderate Scenario: For a 100 BPS change, MVE will fall by (In amount)
Severe Stress Scenario: For a 200 BPS change, MVE will fall by (In amount)

Risk Appetite Check:

The impact of a Severe Stress Scenario of 200-bps rate move is quantified and the results are reported to the respective committees and senior management on a periodically basis. As per regulatory requirement, Bank has sufficiency of capital where economic value decline is less than 20% of the sum of Tier 1 and Tier 2 capital as a result of a standardized interest rate shock (200 basis points) or its equivalent. Thus, there is no significant fall in the economic value for the Bank for a shock of 200 bps.

Quantitative aspects:

- Average repricing maturity assigned to NMDs: 3-6 months
- Longest repricing maturity assigned to NMDs: 1 year

2.12.1 Quantitative information on IRRBB (IRRBB1)

This section provides information on the bank's changes in economic value of equity and net interest income under the prescribed interest rate shock scenarios including a commentary on the significance of the reported values and an explanation of any material changes since the previous reporting period.

(Amount in AED "000")

In reporting currency (AED)	**ΔEVE**		**ΔNII**	
Period	**31.12.2021**	**30.09.2021**	**31.12.2021**	**30.09.2021**
Parallel up	116,016	140,935	53066	3,048
Parallel down	(116,016)	(140,935)	(53066)	(3,048)
Period	**31.12.2021**		**30.09.2021**	
Tier 1 capital	2,125,381		2,074,621	

2.13. Operational Risk (OR1)

This section describes the main characteristics and elements of bank's operational risk management framework including the following.

Bank's policies, frameworks and guidelines for the management of operational risk.

Bank has put in place a Board/ Board empowered Committee approved Operational Risk Management Policy. The purpose of this policy is to establish explicit and consistent standards for Operational Risk Management in the Bank that will result in systematic and proactive Identification, Assessment, Measurement, Mitigation and Monitoring of Operational Risks and reporting of Operational Risk events.

The Operational Risk Management Policy is applicable to all branches / offices of the Bank of Baroda UAE operations. The Bank has separate verticals for management of operational risks related to Information Security, Compliance, Fraud prevention, Business Continuity Planning and Disaster Recovery Planning (BCP/DRP) and related risks in outsourcing of financial services. Management of Operational Risk includes its Identification, Assessment, Measurement, Control, Mitigation, Analysis, Monitoring and Reporting, which requires Bank to have a robust and comprehensive Operational Risk Management Framework (ORMF). The ORMF comprises of following:

- Policy which Objectives, Principle, Benefits, Definition, Guidelines on Operational Risk Management.
- Organization & Governance Structure on Operational Risk Management
- Resources required for managing Operational Risk including skilled Manpower deployment, Training, Awareness Program, etc.
- Systems used by the Bank in Identifying, Measuring, Monitoring, Controlling and Mitigating Operational Risk.

Operational Risk Culture is the set of shared attitudes, values, goals, and practices that characterize how the Bank considers risks in its day-to-day operations. The key to create an Operational Risk culture is the goal of the risk management that should be aligned with the institution's business goals. Strong risk culture manages emerging risks and opportunities in a rapidly changing environment while a weak risk culture increases the vulnerability of the Bank to Risk Occurrences, Near Misses," and Forgone Opportunities. The Board of Directors and Senior Management are responsible for creating an awareness of Operational Risks and establishing a culture within the Bank that emphasizes and demonstrates to all the levels of personnel the importance of Operational Risk Management.

The Bank expresses its acceptable level of Operational Risk through "Risk Appetite" Statement. Risk Appetite sets at both business unit and Bank wide levels by way of establishing tolerance and risk limits.

- Key Risk Indicators (KRI) has been made a part of Comprehensive Risk Appetite Framework of the Bank. KRIs are monitored vis-a-vis their respective thresholds as per the Risk Appetite statement approved by the Board. The Bank continuously strives to reduce Operational Risk to an acceptable level in terms of expected loss and regulatory requirements.
- Bank carries out RCSA of its products, process, systems, services, functions on a regular basis (i.e., whenever there is a launch of a new product/ change in existing process)
- The Bank's Operational Risk (OR) Profile is an aggregate description of the Operational Risk assessment which provides a summary description of the Operational Risk exposure of the Bank vis-à-vis their acceptable levels and thus provides a picture of the effectiveness of the Operational Risk Management across the Bank. OR profile of the Bank is assessed taking into consideration of the following factors.
    - Internal Loss Database
    - Risk and Control Self-Assessment (RCSA)
    - Key Risk Indicators (KRIs)

The Bank's strategy towards Operational Risk Management focuses on the following:

- Emphasis on minimizing the losses to an acceptable level as per Risk Appetite of the Bank.
- Provide for Operational Risk Capital which is sensitive to the Bank's Risk Profile
- Use of results of Operational Risk Management tools (RCSA, KRI, Loss Data, etc.) in day-to-day business operations and decision-making process
- Analyze the impact of failures in technology/ systems and develop mitigants to minimize the impact.
- Develop plans for external shocks that will adversely impact the continuity in the bank's operations.

Bank currently uses Basic Indicator Approach (BIA) under the regulatory prescriptions of CBUAE, for computation of Operational Risk Capital Charge in its UAE operations.

The structure and organization of the operational risk management and control function.

Board of Directors of the Bank is primarily responsible for ensuring effective management of Operational Risks and provides Senior Management with clear guidance and direction. The Board has overall responsibility in respect of Operational Risk Management Framework, including the UAE operations and its continued appropriateness. Board has delegated its responsibilities to Risk Management Committee of the Board.

To have a sound Operational Risk Governance Structure and manage Operational Risk, the Bank has adopted Three Lines of Defense Mechanism. Board and Senior Management ensures that Three Lines of Defense Approach is implemented and operated in an appropriate and acceptable manner.

- First line of defense is the operating units and business line functions which are primarily responsible for identifying and managing the risks inherent in the products, services and activities. Further they are responsible for the reporting of losses to Risk Management Department on immediate basis.
- Second line of defense is Risk Management Function, an independent function from business lines, which designs, implements, co-ordinates, reports and facilitates effective Operational Risk Management in the Bank and complements the business line's Operational Risk Management activities
- Third line of defense is Internal Audit which reviews policies and procedures that are appropriate and are implemented effectively. Internal Audit works as an independent function and provides assurance to Board/ Board Committee.

In the UAE, territory specific Operational Risk Management Committee (ORMC) oversees the operational risk aspects.

The operational risk measurement system.

The Bank periodically evaluates the need for systems, solutions, tools and models which can facilitate in the effective implementation of all the components of ORMF, taking into account its size, nature and complexity of its business. Bank uses SAS-EGRC system for effective management of Operational Risk.

The risk mitigation and risk transfer used in the management of operational risk.

For all material Operational Risks that have been identified, the Bank decides the appropriate risk treatment such as acceptance, reduction, avoidance or transfer. An appropriate risk treatment depends upon various factors such as:

- Nature of the risk
- Risk appetite of the Bank
- Business strategy
- Available risk measures with the Bank
- Cost / Benefit
- Regulatory requirements

Commonly used Risk & Control/ Mitigation Measures are:

- Internal Control System/ Environment
- Insurance
- Outsourcing
- Business Continuity Plan/ Disaster Recovery Plan

Risk management awareness is an integral part of the ORM culture across the Bank. Bank devises and implements the risk management training at all levels across the Bank. Senior Management ensures that an appropriate level of Operational Risk management training is available at all levels throughout the Bank. Training that is provided will reflect the role and responsibilities of the individuals for whom it is intended.

2.14. Remuneration Policy (REMA)

This section describes the bank's remuneration policy as well as key features of the remuneration system.

The Bank has a Board Approved remuneration policy as part of the Personnel Policy which clearly outlines the remuneration structure of the staff members. The Risk Management, Compliance and Internal Audit functions are remunerated independently of the business they oversee. All staff members including the Senior Management & Material Risk Takers follow the Code of Conduct Policy of the Bank. The Bank's remuneration policy is equally applicable to all Employees of the Bank including the Chief Executive, Senior Management and all staff across functions.

As per the Corporate Governance framework, the Senior Management and Material Risk Takers are defined.

Senior Management is defined as the Executive Management of the UAE Branch responsible and accountable to the Board/ Zonal Committee for the sound and prudent day- to- day management of the UAE Branch, generally including but not limited to, the Chief Executive Officer, Deputy Chief Executive Officer, Chief Risk Officer, Chief Financial Officer, Chief Compliance Officer and the Head-Internal Audit function.

Material Risk Takers are those Staff whose work is deemed to have a significant impact on the overall risk profile of the UAE Branch. the identified Material Risk Takers of the Bank as per the Policy are as under:

- Branch Heads
- Credit Appraising Officers at the Branches
- Heads of business and control functions
- Credit Officers at the Administrative Office
- Traders/ Dealers of Treasury.

Remuneration details of CEO & Senior Management are reported separately and are not consolidated with other staff classified as Material Risk Takers.

The remuneration arrangements have been designed to promote sound and effective risk management. The Bank has put in place a robust performance management process and systems by which objective link between performance and rewards have been established.

The compensation offered to most of the employees is mainly fixed in nature. Variable compensation is paid to very few sales staff.

2.14.1 Remuneration awarded during the financial year (REM1)

This section provides quantitative information on remuneration for the financial year 2021 including a narrative commentary to explain any significant movements over the reporting period and the key drivers of such movements.

(Count in Numbers and amount in AED "000")

	Remuneration Amount		Senior Management	Other Material Risk-takers
1	Fixed Remuneration	Number of employees	6	66
2		Total fixed remuneration (3 + 5 + 7)	1,595	8,557
3		Of which: cash-based (Account Transfer)	1,595	8,557
4		Of which: deferred		
5		Of which: shares or other share-linked instruments		
6		Of which: deferred		
7		Of which: other forms		
8		Of which: deferred		
9	Variable Remuneration	Number of employees		
10		Total variable remuneration (11 + 13 + 15)		
11		Of which: cash-based (Account Transfer)		
12		Of which: deferred		
13		Of which: shares or other share-linked instruments		
14		Of which: deferred		
15		Of which: other forms		
16		Of which: deferred		
17	**Total Remuneration (2+10)**		**1,595**	**8,557**

2.14.2 Special Payment (REM2)

This section provides a quantitative information on remuneration on special payments for the financial year 2021.

(Count in Numbers and amount in AED "000")

Special Payments	Guaranteed Bonuses		Sign on Awards		Severance Payments	
	Number of employees	Total amount	Number of employees	Total amount	Number of employees	Total amount
Senior Management	0	0	0	0	0	0
Other material risk-takers	0	0	0	0	0	0

2.14.3 Deferred remuneration (REM3)

This section provides a quantitative information on any deferred remuneration for the financial year 2021.

(Amount in AED "000")

Deferred and retained remuneration	Total amount of outstanding deferred remuneration	Of which: Total amount of outstanding deferred and retained remuneration exposed to ex post explicit and/or implicit adjustment	Total amount of amendment during the year due to ex post explicit adjustments	Total amount of amendment during the year due to ex post implicit adjustments	Total amount of deferred remuneration paid out in the financial year
Senior Management	0	0	0	0	0
Cash					
Shares					
Cash-linked instruments					
Other					
Other material risk-takers	0	0	0	0	0
Cash					
Shares					
Cash-linked instruments					
Other					
Total	**0**	**0**	**0**	**0**	**0**