PILLAR 3 REPORT FOR PERIOD ENDING 31 DECEMBER 2019

بنك أبوظبي الأول
FAB
First Abu Dhabi Bank

1. Introduction

This document presents the Pillar 3 disclosures of FAB ("the Group") on a consolidated basis as at 31 December 2019. The purpose of Pillar 3 disclosures is to allow market participants to assess key pieces of information on the firm's capital, risk exposures and risk assessment process.

The Group is regulated by the Central Bank of UAE (CBUAE) and follows the Pillar 3 disclosure requirements as stated under the CBUAE guidelines, issued in November 2009, on the implementation of Basel II accord. CBUAE also initiated Basel III regulatory reporting in 2017 with new capital standards for UAE Banks.

The Pillar 3 disclosures are to be read in conjunction with the Audited Financial Statements as of 31 December 2019.

2. Regulatory Framework

The Group assesses its capital adequacy based on the regulations published in Feb 2017 by the CBUAE vide notice 60/2017. The framework is structured around the following three Pillars:

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

2.1 Pillar 1 – Minimum Capital Requirement

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

During 2011, Basel Committee on Banking Supervision (BCBS) officially announced the final set of revised regulatory capital rules known as "Basel III", which are being phased in globally. Subsequent to Basel III consultation paper issued by CBUAE In 2016, new capital adequacy regulations were issued by CBUAE on 02 March 2017. The new capital regulations became effective from 1st February 2017

CBUAE has put in regulatory thresholds for Common Equity Tier 1, Tier 1 and overall regulatory Capital.

1. CET1 must be at least 7.0% of risk weighted assets (RWA);
2. Tier 1 Capital must be at least 8.5% of RWA;
3. Total Capital, calculated as the sum of Tier 1 Capital and Tier 2 Capital, must be at least 10.5% of RWA.

On top of this minimum capital requirement CBUAE has also mandated the Banks to keep additional buffers.

1. In addition to the minimum CET1 capital of 7.0% of RWA, banks must maintain a capital conservation buffer (CCB) of 2.5% of RWAs in the form of CET1 capital

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

3. Banks classified as domestically systemically important banks will be required to hold additional capital buffers the level for which may vary as per the size of the Bank and would be decided by CBUAE. The requirement for FAB for D-SIB buffer is 1.5% of RWA in the form of CET1.

These requirements are summarized in the table below:

Capital Element	Requirement
Minimum Common Equity Tier 1 Ratio	7.0%
Minimum Tier 1 Capital Ratio	8.5%
Minimum Capital Adequacy Ratio	10.5%
Capital Conservation Buffer	2.5%
Domestic Systemically Important Banks Buffer (FAB)	1.5%
Countercyclical buffer (0% - 2.5%)	0%

CBUAE has also released revised Capital standards for Basel III capital instruments. Capital instruments that no longer qualify as non-common equity Tier 1 or Tier 2 capital will be phased out over 10 years starting from January 2018.

The capital ratios for the Group as of 31 Dec 2019are given below:

Common Equity Tier 1 Ratio	13.53%
Tier 1 Capital Ratio	15.74%
Capital Adequacy Ratio	16.90%

All of these are well above the CBUAE minimum.

a) Credit Risk

The Group uses the standardized approach to calculate RWA for credit risk. It uses risk weights to convert exposures into RWA as per the CBUAE guidelines for Basel II which can range between 0% for certain sovereign exposures to 952% for certain categories (akin to deduction). Where applicable, mainly for unfunded, exposures are adjusted for credit conversion factor (CCF) in accordance with the CBUAE guidelines.

Credit Risk Capital = Net Exposure x CCF x Risk Weight x capital requirement

For non-retail exposures the risk weights are driven by credit ratings published by external credit agencies approved by the CBUAE.

b) Market Risk

The Group uses the standardized approach to calculate RWA for market risk as per the CBUAE guidelines. In calculating RWA for market risk, the Group distinguishes between general and specific risk and between holdings in the trading book and holdings outside the trading book. The risk is quantified for positions for Interest rate risk, Foreign exchange risk, Equity investments risk, Commodities exposure risk and Options risk.

c) Operational Risk

The Group applies the standardized approach for calculating capital requirement for operational risk. The calculation is based on average operating income for the past 3 years and classification of the operating income into 8 Basel classification lines - Corporate Finance, Trading and Sales, Payment & Settlement, Commercial Banking, Agency Services, Retail Brokerage, Retail Banking and Asset Management. Capital requirement is calculated for each of the business lines as per their respective multipliers as per BIS which range from 12% to 18%. The RWA for operational risk are calculated by dividing the capital requirement by CBUAE capital requirement multiplier.

2.2 Pillar 2 – ICAAP and Supervisory Review Process

The Group performs annual ICAAP exercise with comprehensive risk assessment and stress testing and the results are submitted to the CBUAE for supervisory review process. Key highlights of the ICAAP are listed below.

- Define risk appetite of the Group
- Undertake projection of key financials, risk profile, and capital position
- Assess and quantify, where material, the risks not fully covered under Pillar 1 (e.g. concentration risk) or not covered under Pillar 1 (e.g. liquidity risk , IRRBB)
- Conduct a stress test to assess the robustness and vulnerability of Group's business model to a change in business environment

The ICAAP exercise is led by the Risk Management Group in coordination with Finance, Business and Strategy teams. This is independently reviewed by the Internal Audit team of the Bank.

2.3 Pillar 3 – Market Discipline

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

2.4 Differences between Financial Statements and Basel II Reporting of Credit Risk Exposures

Credit risk exposures reported under Basel III differ in respect of the following vis-à-vis financial statements:

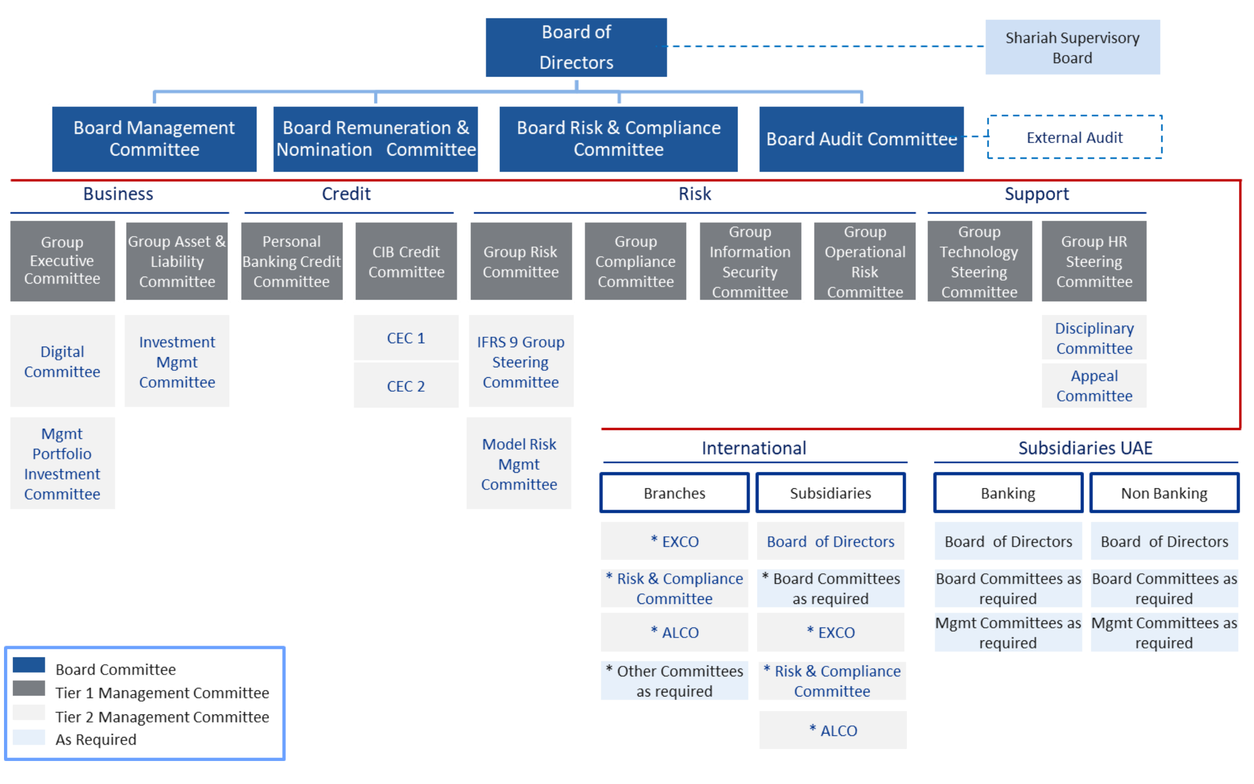
- As per CBUAE Basel framework, off balance sheet exposures are converted, by applying a credit conversion factor (CCF), into equivalent credit exposures

- Deferred Tax Assets, CVA, Intangible assets & Goodwill are deducted from Capital and not taken under credit risk assets
- Commercial subsidiaries are completely deconsolidated and only the investments at cost in those entities are taken for risk weight purposes; reserves and retained earnings in these companies and deducted from the group capital. Any intra group loans to such entities are treated as third party loans for risk weighting purposes
- Under the comprehensive credit risk mitigation approach under the standardized approach, eligible collaterals are considered subject to regulatory haircuts to estimate and report net exposure
- General provisions are not netted off against loans but used as Tier 2 capital up to 1.25% of Credit RWA
- Acceptances reported under other assets in financial statements are taken under off balance sheet exposures with 100% CCF for capital requirements calculations purpose.
- Private equity exposures reported under FVPL category for financial reporting are treated under banking book exposures for capital calculations purpose since they don't meet the Basel criteria for trading book exposures.

3. Group Risk Governance

The FAB Board is the principal decision-making forum for the Bank. Its responsibilities are set out in the Board Charter and include approving the strategy, annual budget and organization structure; setting its risk appetite and risk management strategy; monitoring financial performance; establishing the corporate governance framework; and approving the company's corporate values. Setting the tone at the top is a critical part of the Board's role. Defining the values and, along with senior management, leading by example, are ways of ensuring that the organization will Grow Stronger through a shared set of values that cascade throughout the organization and is embodied in daily interactions between employees. This will facilitate the constant drive to enhance customer service across all business lines. The Board is also responsible for providing oversight and effective challenge to senior management across a range of matters including its execution of the agreed strategy and for Board and executive management succession planning. The Board formally meets at least four times a year.

The role of the CEO and the executive management team is to execute the agreed business strategy within the agreed risk appetite. It is also the responsibility of the executive team to develop a mechanism by which FAB's vision, values and behaviors are successfully shared, communicated and embedded in the business. Much of this is achieved through the work of the Executive Committee and other senior Management Committees. The executive management team is also responsible for timely and accurate reporting to the Board and Board Committees and for the escalation of appropriate information or items. The following exhibit is a diagrammatic representation of the Board and Committee Structure within FAB Group, including its international operations.



3.1 Board Committees

a) The Board Management Committee (BMC)

The BMC approves and oversees execution of the FAB Group's business plan per the strategy approved by the Board and oversees and reviews material aspects of the business of the FAB Group. The Committee meets quarterly or more frequently as deemed necessary. The BMC includes 5 Board Members including the GCEO. The guiding principles and detailed roles & responsibilities are covered in the committee charter.

b) The Board Audit Committee (BAC)

The BAC ensures oversight of the effectiveness of the internal control systems and the quality and integrity of financial statements and financial reporting. In addition, it reviews, approves and oversees the internal and external audit programs and ensures coordination between internal and external auditors. The Group Chief Audit Officer ("GCAO") provides reports to the Committee on internal controls and the Head of Compliance reports direct to the BAC on compliance related matters such as fraud and whistleblowing. The Committee meets quarterly or more frequently as deemed necessary. The BAC includes 4 Board Members including the GCEO. GCAO is a permanent attendee. The guiding principles and detailed roles & responsibilities are covered in the committee charter.

c) The Board Remuneration and Nomination Committee (REMCO)

The REMCO recommends and oversees the appointment and termination of Group Board Directors and succession planning for the Group Executive Committee members. This includes an assessment of the skills, knowledge and expertise needed to ensure they are positioned to discharge their responsibilities in the interests of the shareholders and FAB Group. The Committee also reviews and recommends to the Board FAB's reward policy framework, approves and oversees reward design and ensures it is appropriate and consistent with the FAB Group's culture, values, business performance and risk strategy. The Committee meets at least twice a year or more frequently as deemed necessary. The REMCO includes 4 Board Members including the Chairman of the board & GCEO. GCHRO is a permanent attendee. The guiding principles and detailed roles & responsibilities are covered in the committee charter.

d) The Board Risk and Compliance Committee (BRCC)

The BRCC provides oversight and advice to the Group Board in relation to current and potential future risk and compliance exposures of the FAB Group. It also considers and helps direct future risk strategy, including determination of risk appetite and tolerance as well as promote a risk and compliance awareness culture among the Group. The Committee meets quarterly or more frequently as deemed necessary. The bank's risk management function has a direct reporting line to the BRCC through the Group Chief Risk Officer. Compliance has a direct reporting line on compliance related matters through the Head of Compliance. The BRCC includes 4 Board Members including the GCEO. GCRO is a permanent attendee. The guiding principles and detailed roles & responsibilities are covered in the committee charter.

3.2 Management Committees

a) Group Executive Committee (Group EXCO)

The Group EXCO is FAB Group's most senior management level committee and it operates under a delegated authority from the FAB Board. It is responsible for identifying matters required or appropriate for escalation to the Group Board or Board Committees. The Group EXCO also supports the GCEO to determine and implement the Bank's strategy as approved by the FAB Board.

The key responsibilities of the Committee include decisions on the Bank's strategy, annual budgets, capital management, risk management and FAB's more material policies and procedures. The Group EXCO may delegate certain authorities and powers to management committees and individuals, but the Group EXCO reserves the authority to deal with strategy, annual budget and structure; financial reporting and controls; capital management; risk and internal control; contracts; corporate governance matters; executive remuneration and human resources policies, and group policies generally; general meeting of shareholders and communication and any other matters in its discretion. The Corporate Governance function supports the Group EXCO as Committee Secretary, including administrative support, collation and distribution of materials, minute taking and governance advice. The composition, guiding principles and detailed roles & responsibilities of the Group EXCO are covered in the Group EXCO Charter.

b) Group Risk Committee (GRC)

GRC operates under a delegated authority from the Group Executive Committee (Group EXCO). GRC oversees the Group-wide risk strategy and exposures to enable integrated risk management in an effective manner. The primary objective of GRC is to define, develop and periodically monitors the Group's risk appetite along with its related methodology, parameters, targets and tolerances taking into account the Bank's strategy and business planning. GRC reports relevant matters to the Group EXCO and as appropriate the BRCC, advising and informing them as required on the Group's risk appetite and framework. The composition, guiding principles and detailed roles & responsibilities of GRC are covered in the GRC Charter.

c) Compliance Committee (CC)

CC assists the BRCC in fulfilling its objective of overseeing the Bank's regulatory responsibilities as well as ensuring the Bank's compliance with the applicable laws and regulations issued by various regulatory authorities across the Group. The Committee also oversees that the relevant policies and procedures, including, but not limited to the Group Code of Ethics are complied with across the Group. The composition, guiding principles and detailed roles & responsibilities of CC are covered in the CC Charter

d) Corporate and Investment Banking Credit Committee (CIBCC)

CIBCC assists in the development and implementation of the Bank's Corporate & Investment Banking business credit and investment strategy and the related policies and procedures. It oversees the credit and lending strategies and objectives of the FAB Group. The composition, guiding principles and detailed roles & responsibilities of CIBCC are covered in the CIBCC Charter.

e) Personal Banking Credit Committee (PBCC)

PBCC ensures a holistic overview of the business strategies across the personal banking businesses of the FAB Group. It ensures a seamless coordination across these businesses to meet customer requirements within the framework of the FAB Group strategy. Its purpose is to oversee the credit and lending strategies and objectives of the FAB Group. The composition, guiding principles and detailed roles & responsibilities of PBCC are covered in the PBCC Charter.

f) Group Asset & Liability Committee (G-ALCO)

G-ALCO is the driving force and key decision maker behind the structure and quality of the balance sheet. It is directly accountable to the BRCC for ensuring that the risks within the Group's asset and liability position are prudently managed by way of strong bank policies and procedures and an appropriate risk framework. The G-ALCO must be constantly aware of and actively manage these risks and their potential impact on the Bank's business and strategic objectives. The composition, guiding principles and detailed roles & responsibilities of G-ALCO are covered in the G-ALCO Charter.

g) HR Steering Committee (HRSC)

HRSC assists the Group EXCO and the REMCO to implement strategic and operational HR initiatives to deliver the Group's long term shareholder value. It provides a forum to discuss and approve HR initiatives and policies to ensure that the needs of the organization from an employee's perspective are considered and changes, as necessary, are approved or are submitted for approval to the relevant governance body. The Committee will be the formal sponsor of all material HR initiatives across the Bank in line with the Bank's Employee Value Proposition ("EVP"). The composition, guiding principles and detailed roles & responsibilities of HRSC are covered in the HRSC charter.

h) Group Technology Steering Committee (GTSC)

GTSC assists in fulfilling Group EXCO's corporate governance and oversight responsibilities of all technology and information systems across the FAB Group and supports the work of the BRCC in its oversight of the Group IT governance framework. The GTSC will make recommendations to Group EXCO regarding significant technology investments in support of the Group's strategy. The GTSC ensures alignment of business strategies with technology priorities and acts to protect and enhance the shareholders' investment in technology. The composition, guiding principles and detailed roles and responsibilities of GTSC are covered in the GTSC charter.

i) Group Operational Risk Committee (GORC)

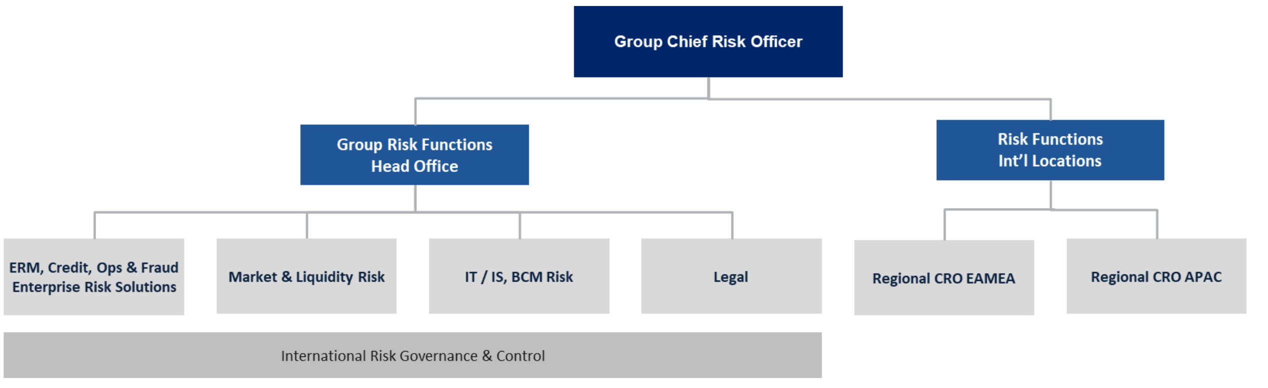
GORC operates under a delegated authority from the Group EXCO. GORC assists Group EXCO in fulfilling its objective of overseeing the Bank's operational & fraud risk management related business continuity responsibilities. It ensures that appropriate framework is in place for Operational risk management, Fraud Risk Management & Business Continuity Management including review & approval of such frameworks. The GORC reports relevant matters to the Group EXCO, and as appropriate to the BRCC, advising and informing them as required on the Group's Operational & Fraud Risk matters and business continuity framework. The composition, guiding principles and detailed roles & responsibilities of the GORC are covered in the GORC charter.

j) Information Security Committee (InfoSec Committee)

InfoSec Committee operates under a delegated authority from the Group EXCO. InfoSec Committee assists the Group EXCO in overseeing, reviewing and taking decisions on the implementation of FAB's security controls to ensure that information assets of the Bank are adequately protected. It also serves as an independent and objective governance forum which ensures the adequacy and effectiveness of the Bank's information security framework. The InfoSec Committee reports relevant matters to the Group EXCO, and as appropriate to the BRCC, advising and informing them as required on the Group's security controls framework. The composition, guiding principles and detailed roles & responsibilities of the Info Sec Committee are covered in the Info Sec Committee charter.

3.3 Group Risk

FAB has a centralized risk management function – Group Risk Management which is led by the GCRO. The function comprises of Enterprise Risk Management Unit, Credit Risk Management Unit, Operational Risk Management Unit, Fraud Risk Management Unit, Enterprise Risk Solutions, Market & Liquidity Risk Management Unit, Information Security & Business Continuity Management and Group Legal & Corporate Governance. It is the nerve center for collection of data, analysis of risk drivers, interpretation of outcome and its wide dissemination to relevant committees for risk management. Following diagram provides Group Risk Organization Structure at FAB.



4. Risk Appetite

Risk Appetite of a bank is the single most important factor in determination of risk tolerance and setting risk target and risk limits across various dimensions and risk types. It reflects an organization's risk management philosophy and in turn influences its culture and operating style. Risk Appetite, if properly articulated, understood and implemented proves to be the cornerstone of an organization's ERM framework. The risk appetite framework for FAB has been developed using the top down approach.

The entire risk appetite framework has been designed & implemented through three tiered mechanism. This methodology has been approved by the Executive Committee and the BRCC. As per this methodology FAB has adopted a three-tiered structure for the Risk Appetite Framework. The brief description of the three-tiered structure is given hereunder:

1. **Tier 1 – Group level:** This level pertains to the risk appetite at the FAB level which includes business groups, support groups and material subsidiaries. A comprehensive set of risk & performance metrics have been provided; these have been classified as primary metrics, and monitoring metrics. In addition, there are some qualitative and zero tolerance metrics articulated at FAB level.
2. **Tier 2 – Business and Support groups:** The group level risk appetite is cascaded down to the individual business groups (Corporate & Investment Banking, Personal Banking Group, Group Treasury), support groups (GCOO Group, IT and Information Security, Group HR (GHR) and material subsidiaries (Real Estate, Securities and Islamic). Support functions will be incorporated at later stage.
3. **Tier 2.5 – Business Sub unit:** Risk appetite would further be cascaded down one level (referred to as Tier 2.5) to International Locations, business sub units or sub segments. For example, in the context of PBG, Tier 2.5 may encapsulate the different customer segments and products. Cascading down to Tier 2.5 is done for the purpose of monitoring and managing risks at a more granular level and better performance assessment within business units. International Locations are not cascaded down to the individual business group, business sub-units or sub segments.
4. **Tier 3 – Embedding and implementation of risk appetite:** In order to implement the RAF, the above-mentioned risk appetite metrics are going to be embedded in respective policies and procedures, KPIs and balance scorecards and reporting which is referred to as Tier 3 of the RAF of FAB Group. This is extremely important to ensure that the risk appetite is implemented by the business units as a "first line of defense" in the overall risk governance framework of the Group. The implementation of Risk Appetite would be manifested in the Target Market ("TM") and Risk Acceptance Criteria ("RAC"), which are central to the portfolio planning activity at the Group.

Specific dimensions that are considered to implement the target risk taking approach include Capital Adequacy, Financial Performance and Efficiency, Liquidity and Funding, Credit asset quality, Risk Concentration, Operational Efficiency, Market risk exposures, and human resources. Specific tolerances are defined as targets and actual vs. target levels are monitored on a periodic basis. The target levels are reflective of the prudent risk management practices, regulatory requirements and market realities in different jurisdictions in which FAB is operating.

5. Capital Management

The Group is governed by CBUAE guidelines on regulatory capital requirements on a consolidated basis, including all its subsidiaries and overseas branches. In addition to capital management at Group level, the overseas branches and subsidiaries are also supervised by their local regulators for operations carried out by those specific entities.

Name of the Report

1. Information on Subsidiaries & Significant investments

	Country of Incorporation	% Ownership	Description	Accounting Treatment
Subsidiaries				
First Abu Dhabi Bank USA N.V.	Curacao	100%	Banking	Full Consolidation
FAB Securities LLC	United Arab Emirates	100%	Brokerage	Full Consolidation
Abu Dhabi National Leasing LLC	United Arab Emirates	100%	Leasing	Full Consolidation
Abu Dhabi National Properties Pvt. JSC	United Arab Emirates	100%	Property Management	Full Consolidation
FAB Private Bank (Suisse) SA	Switzerland	100%	Banking	Full Consolidation
First Abu Dhabi Islamic Finance PJSC	United Arab Emirates	100%	Islamic Finance	Full Consolidation
Abu Dhabi Securities Brokerage Egypt	Egypt	96%	Brokerage	Full Consolidation
National Bank of Abu Dhabi Malaysia Berhad	Malaysia	100%	Banking	Full Consolidation
NBAD Employee Share Options Limited	United Arab Emirates	100%	Shares and Securities	Full Consolidation
SAS 10 Magellan	France	100%	Leasing	Full Consolidation
National Bank of Abu Dhabi Representações Ltda	Brazil	100%	Representative office	Full Consolidation
FAB Global Markets (Cayman) Limited	Cayman Islands	100%	Financial Institution	Full Consolidation
Nawat Management Services - One Man Company LLC	United Arab Emirates	100%	Services	Full Consolidation
Mismak Properties Co. LLC (Mismak)	United Arab Emirates	100%	Real estate investments	Full Consolidation
Moora Properties Co. LLC (Subsidiary of Mismak)	United Arab Emirates	67%	Real estate investments	Full Consolidation
First Merchant International LLC (FMI)	United Arab Emirates	100%	Real estate investments	Full Consolidation
FAB Employment Services LLC (Subsidiary of FMI)	United Arab Emirates	100%	Resourcing services	Full Consolidation
FAB Resourcing Services LLC (Subsidiary of FMI)	United Arab Emirates	100%	Resourcing services	Full Consolidation
FAB Sukuk Company Limited	Cayman Islands	100%	Special purpose vehicle	Full Consolidation
First Gulf Libyan Bank	Libya	50%	Banking services	Full Consolidation
FGB Global Markets Cayman Limited	Cayman Islands	100%	Financial Institution	Full Consolidation
FAB Properties LLC	United Arab Emirates	100%	Management and brokerage of real estate properties	Full Consolidation
Aseel Finance PJSC	United Arab Emirates	100%	Islamic finance	Full Consolidation
Dubai First PJSC	United Arab Emirates	100%	Credit card finance	Full Consolidation
First Gulf Information Technology LLC	United Arab Emirates	100%	IT Services	Full Consolidation
FAB Investment KSA (single Shareholder LLC)	Kingdom of Saudi Arabia	100%	Financial Institution	Full Consolidation
Significant Investments				
Midmak Properties LLC	United Arab Emirates	16%	Real Estate Management / Investments	Investment
Mercury Payments Services LLC	United Arab Emirates	30%	Investments and Payment Service Schemes	Investment
Emirates Digital Wallet LLC	United Arab Emirates	23%	Financial Institution	Investment

2. Consolidated Capital Structure

Details		AED 000
Capital Base	**Summary Note and References**	**Amount**
1. Common Equity Tier 1 (CET1) Capital		
1.1 Share Capital	Note 25 of Financial statements	10,920,000
1.2 Share premium account	Consolidated statement of changes in equity	53,434,461
1.3 Eligible Reserves	Group Reserves less reserves for deconsolidated commercial subsidiaries*	11,365,179
1.4 Retained Earnings / (-) Loss	Group Retained Earnings less proposed dividend and less retained earnings for deconsolidated commercial subsidiaries*	10,388,364
1.5 Eligible amount of minority interest	Eligible minority interest amount**	330,417
1.6 Capital shortfall if any		-
CET1 capital Before the regulatory adjustments and threshold deduction		**86,438,421**
1.7 Less: Regulatory deductions	Goodwill, intangible assets, Treasury shares, DVA & DTA	20,822,874
1.8 Less: Threshold deductions		-
Total CET1 capital after the regulatory adjustments and threshold deduction		**65,615,547**
2. Additional Tier 1 (AT1) Capital		
2.1 Eligible AT1 capital (After grandfathering)	Note 26 of Financial statements	10,754,750
2.2 Other AT1 Capital e.g. (Share premium, minority interest)		
Total AT1 capital		**10,754,750**
3. Tier 2 (T2) Capital		
3.1 Tier 2 Instruments e.g. subordinated loan (After grandfathering and/or amortization)	Note 23 of Financial statements (80% grandfathering)	305,044
3.2 Other Tier 2 capital (including General Provisions, etc.)	Note 25 (v) - Capped at 1.25% of CRWA	5,292,741
Total T2 Capital		**5,597,785**
Total Regulatory Capital		**81,968,082**

* Commercial subsidiaries - FMI, ADNP, Mismak, FGP are deconsolidated for regulatory capital calculation purpose

** Minority interest is taken only upto the regulatory capital adequacy requirements, remaining amount is deducted from Group capital

3 Capital Adequacy

AED 000

a) Quantitative Disclosures			
Capital Requirement			
	RWA	Capital Charge*	Capital Ratio%
1. Credit Risk - Standardized Approach	**423,419,312**	**44,459,028**	
2. Market Risk - Standardized Approach	**25,737,601**	**2,702,448**	
3. Operation Risk	**35,913,142**	**3,770,880**	
a. Basic Indicator Approach			
b. Standardised Approach/ASA	35,913,142	3,770,880	
c. Advanced Measurement Approach			
Total Capital requirements	**485,070,055**	**50,932,356**	
Capital Ratio			
a. CET1 ratio only for top consolidated Group			13.5%
b. Tier 1 ratio only for top consolidated			15.7%
c. Total for Top consolidated Group			16.9%

* Base capital requirement as per CBUAE guidelines is 7% for CET1, 8.5% for Tier 1 and 10.5% for total capital adequacy ratio
In addition CBUAE mandates a requirement of 2.5% of capital conservation buffer and 1.5% of D-SIB buffer (for FAB) to be fulfilled with CET1

4(a) Qualitative Disclosures - Risk Management

Definition of past due and impaired (for accounting purposes)

The Group considers a financial asset to be in default when:
- The borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held);
- For retail, a facility or any material credit obligation to the Group is more than 90 days past due;

The Bank follows the UAE Central Bank circular 28/2010 on regulations regarding classification of loans and their provisions for the definition of "impaired loans

Description of approaches followed for specific and general allowances and statistical methods

Specific

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 should 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

Under IFRS9, equivalent of CBUAE General Provision is Stage 1 and Stage 2 ECL, which is measured based on the extent of credit deterioration since origination as described below:

Stage 1 – Where there has not been a significant increase in credit risk (SICR) since initial recognition of a financial instrument, an amount equal to 12 months expected credit loss is recorded. The expected credit loss is computed using a probability of default occurring over the next 12 months. For those instruments with a remaining maturity of less than 12 months, a probability of default corresponding to remaining term to maturity is used.

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

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

Discussion of Bank’s credit risk management policy

Credit risk identification and assessment at FAB Group is carried out through a comprehensive mechanism comprising three levels of defense. The first level of defense lies with the business units and is responsible for maintaining a sound credit quality of assets in line with the approved business strategy and credit risk appetite. The second level of defense is with the Group Credit Unit that assesses the risk on a customer & facility level and ensures proper documentation of customer, facility and security documents along with Group Risk management unit that assesses credit risk on a portfolio basis and maintains credit risk policies and credit risk rating models up to date. Internal Audit acts as a third level of defense with regular reviews of credit analysis and the risk functions to check the compliance with policies and procedures of the Group. The unit also reviews the policy documents on a regular basis. For further details on the Bank's risk management framework please refer to Note 5 in the consolidated financial statements

Partial adoption of Foundation IRB / Advanced IRB		
Approach	**Description of exposures**	**Plans and timing of migration to implement fully higher approach**
Standardized Approach	As per Basel II / Basel III categorization	FAB is already on Standardized approach.
Foundation IRB	As per Basel II categorization	In addition to the RWA calculations as per the Standardized approach of Basel, the Bank also has internal rating models which have been harmonized from the internal rating models of the legacy Banks. These credit risk models cover across its Corporate & Investment Banking (CIB) and Personal Banking and Wealth (PB) portfolios. As part of Model Risk Management (MRM) Policy, The Bank also has the annual model validation process in place. This includes qualitative and quantitate validation of models. In the CIB portfolio, the Bank has harmonized ORR / PD models covering industry specific Corporate models, Specialized Lending, FI model and High Networth Individual. Corporate rating models have been redeveloped and validated. Validation is planned for Specialized Lending, FI model and High Networth Individual models. Detailed documentation pertaining to model development, validation, user-testing and governance is being collected to aid the IRB application process. In the PB portfolio, the Bank is redeveloping the product specific scorecard and rating models; these include scorecards for Credit cards, Personal Loans, Auto Loans, Residential Mortgage and rating models for SME Loans. PB models are being redeveloped and will be independently validated as per MRM Policy
Advanced IRB	Planned as per Basel II categorization	The Banks is using generic models for LGD and EAD for the lending portfolios. These models would be developed for FAB and validated and use tested before the Bank shifts to AIRB.

4(b) Gross Credit Exposure by Currency

All numbers in AED 000s

Currency	Loans	Debt Securities	Other Exposures	Total Funded	Commitments		OTC Derivatives			Other Off Balance Sheet exposures		Total Non Funded (Credit Risk exposure)	Total
					without ccf	with ccf	Notional Amount	Positive Fair Value	Credit Risk Exposure	without ccf	with ccf		
Foreign Currency	215,613,466	131,719,759	183,612,051	530,945,276	27,631,967	7,653,871	2,065,298,309	15,069,221	33,148,056.24	115,207,871	51,985,549	92,787,476	623,732,752
AED	206,116,863	247,534	45,761,974	252,126,371	11,810,059	2,827,676	76,592,908	848,100	2,110,195.74	52,714,231	24,278,773	29,216,645	281,343,017
Provisions & IIS	(13,827,301)	-	-	(13,827,301)	-	-	-	-	-	-	-		(13,827,301)
Total	**407,903,028**	**131,967,293**	**229,374,026**	**769,244,346**	**39,442,026**	**10,481,547**	**2,141,891,217**	**15,917,321**	**35,258,252**	**167,922,102**	**76,264,322**	**122,004,121**	**891,248,467**

4(c) Gross Credit Exposure by Geographical Distribution

All numbers in AED 000s

Geographical Region	Loans	Debt Securities	Other Exposures	Total Funded	Commitments		OTC Derivatives			Other Off Balance Sheet Exposures		Total Non Funded (Credit Risk Exposure)	Total
					without ccf	with ccf	Notional Amount	Positive Fair Value	Credit Risk exposure	without ccf	with ccf		
United Arab Emirates	286,108,909	40,565,973	62,225,867	388,900,749	24,763,624	5,477,298	434,160,548	3,424,369	7,639,575	116,513,529	49,110,367	62,227,241	451,127,990
GCC excluding UAE	26,959,340	22,429,008	24,705,087	74,093,435	2,955,164	944,613	119,892,298	1,515,986	2,726,264	6,021,404	2,807,508	6,478,385	80,571,820
Arab League (excluding GCC)	8,384,818	5,083,380	9,076,102	22,544,300	136,879	51,964	8,485,799	73,866	138,570	1,470,510	865,468	1,056,002	23,600,302
Asia	28,419,159	23,198,733	4,950,580	56,568,472	2,396,190	1,014,069	75,007,134	1,592,137	2,952,050	9,885,439	4,353,691	8,319,810	64,888,282
Africa	3,859,338	4,096,758	303,164	8,259,260	9,489	1,898	4,708,750	45,122	123,708	2,330,370	1,087,028	1,212,634	9,471,894
North America	8,809,851	12,626,882	11,881,249	33,317,982	3,057,299	611,460	5,127,513	31,037	68,821	11,576,306	6,991,374	7,671,655	40,989,637
South America	18,034,173	244,251	377,954	18,656,378			5,659,737	106,342	170,759	523,499	293,205	463,964	19,120,342
Caribbean	416,016	-	99,555	515,571	329,964	121,071	-	-	-	-	-	121,071	636,642
Europe	38,920,838	22,712,082	115,468,004	177,100,924	5,753,526	2,239,229	1,483,741,780	9,094,121	21,357,478	19,210,556	10,563,758	34,160,465	211,261,389
Australia	-	1,010,225	18,581	1,028,805	39,892	19,946	5,107,658	34,340	81,026	14,066	6,868	107,839	1,136,645
Others	1,817,887	-	267,883	2,085,770			-	-	-	376,422	185,055	185,055	2,270,825
Provisions & IIS	(13,827,301)	-	-	(13,827,301)			-	-	-	-	-		(13,827,301)
Total	**407,903,028**	**131,967,293**	**229,374,026**	**769,244,346**	**39,442,026**	**10,481,547**	**2,141,891,217**	**15,917,321**	**35,258,252**	**167,922,102**	**76,264,322**	**122,004,121**	**891,248,467**

4 (d) Gross Credit Exposure by Industry Segment

All numbers in AED 000s

Industry Segment	Loans	Debt Securities	Other exposures	Total Funded	Commitments		OTC Derivatives			Other Off Balance Sheet exposures		Total Non Funded (Credit Risk exposure)	Total
					without ccf	with ccf	Notional Amount	Positive Fair Value	Credit Risk exposure	without ccf	with ccf		
Agriculture, Fishing & Related activities	667,898	-	215,879	883,778	-	-	93,990	1,307	2,247	234,715	87,323	89,570	973,348
Crude Oil, Gas, Mining & Quarrying	23,332,523	10,202,392	437,545	33,972,460	4,749,840	1,015,416	7,562,376	571,495	691,690	4,590,665	2,009,829	3,716,936	37,689,396
Manufacturing	23,859,479	1,449,425	743,825	26,052,729	3,451,075	1,146,400	27,724,162	671,779	1,236,256	17,605,938	9,781,158	12,163,814	38,216,543
Electricity & Water	12,613,863	4,492,434	103,642	17,209,939	2,017,843	451,234	10,054,242	613,172	745,381	4,452,670	3,404,053	4,600,668	21,810,606
Real Estate & Construction	91,495,706	2,638,591	629,401	94,763,698	13,729,408	3,471,349	25,126,181	332,793	557,993	43,752,414	22,981,288	27,010,630	121,774,328
Trade	25,288,459	117,296	3,224,622	28,630,376	1,330,860	376,967	9,336,008	873,616	1,000,784	15,539,071	6,931,124	8,308,875	36,939,251
Transport, Storage & Communication	25,534,949	5,340,998	675,233	31,551,180	2,706,854	1,205,470	19,131,750	435,058	785,267	4,369,050	2,873,041	4,863,777	36,414,957
Financial Services	58,624,686	41,243,926	52,009,505	151,878,117	3,429,740	866,938	2,020,867,258	12,056,207	29,168,383	21,241,120	11,280,257	41,315,578	193,193,695
Other Services	21,063,352	359,994	990,851	22,414,197	4,881,620	1,295,150	17,359,597	233,512	886,912	13,456,887	7,937,756	10,119,818	32,534,016
Government	66,387,415	66,122,238	168,235,282	300,744,934	3,033,116	606,623	4,440,433	127,204	181,538	41,931,586	8,682,182	9,470,343	310,215,278
Retail / Consumer Banking	72,634,429	-	908,606	73,543,035	111,670	46,000	195,220	1,179	1,800	41,498	20,903	68,702	73,611,737
All Others	227,569	-	1,199,635	1,427,204	-	-	-	-	-	706,488	275,409	275,409	1,702,613
Provisions & IIS	(13,827,301)	-	-	(13,827,301)	-	-	-	-	-	-	-	-	(13,827,301)
Total	**407,903,028**	**131,967,293**	**229,374,026**	**769,244,346**	**39,442,026**	**10,481,547**	**2,141,891,217**	**15,917,322**	**35,258,252**	**167,922,102**	**76,264,322**	**122,004,121**	**891,248,467**

4(e) Gross Credit Exposure by Residual Contract Maturity

All numbers in AED 000s

Residual Maturity	Loans	Debt Securities	Other exposures	Total Funded	Commitments		OTCDerivatives			Other Off Balance Sheet Exposures		Total Non Funded (Credit Risk exposure)	Total
					without ccf	with ccf	Notional Amount	Positive Fair Value	Credit Risk exposure	without ccf	with ccf		
Less than 3 months	115,406,291	17,065,458	200,181,970	332,653,719	8,634,423	1,554,956	553,791,944	1,577,301	3,938,062	77,220,091	37,755,269	43,248,287	**375,902,005**
3 months to one year	40,796,737	16,564,380	29,189,849	86,550,965	21,590,701	4,318,140	508,542,571	1,716,629	3,563,589	20,842,492	11,847,560	19,729,289	**106,280,254**
One to five years	148,169,263	50,594,398	1,969	198,765,629	5,373,474	2,686,737	736,489,698	5,934,540	14,435,527	43,171,926	15,629,180	32,751,444	**231,517,073**
Over five years	117,358,038	47,743,058	239	165,101,335	3,843,427	1,921,714	343,067,004	6,688,851	13,321,074	26,687,593	11,032,313	26,275,101	**191,376,435**
Provisions & IIS	(13,827,301)	-	-	(13,827,301)	-	-	-	-	-	-	-	-	**(13,827,301)**
Grand Total	**407,903,028**	**131,967,293**	**229,374,026**	**769,244,346**	**39,442,026**	**10,481,547**	**2,141,891,217**	**15,917,321**	**35,258,251**	**167,922,102**	**76,264,322**	**122,004,121**	**891,248,467**

4(f) Impaired Loans by Industry Segment

All numbers in AED 000s

Industry Segment	Overdue / Impaired Assets			ECL			Adjustments	
	Overdue	Stage 3	Total Funded	IIS	Stage 3	Stage 1 & 2	Writeoffs	Write Backs
Agriculture, Fishing & Related activities	6,342	2,323	8,666	264	1,394	5,519	-	-
Crude Oil, Gas, Mining & Quarrying	-	-	-	-	-	-	-	-
Manufacturing	481,902	779,180	1,261,082	77,606	387,905	150,541	91,648	-
Electricity & Water	230,440	323,536	553,975	42,027	178,158	565,951	78,095	-
Real Estate & Construction	4,246,403	7,411,572	11,657,975	1,530,246	2,235,295	2,032,931	365,431	-
Trade	642,816	1,549,640	2,192,456	178,660	841,681	127,388	266,456	-
Transport, Storage & Communication	434,394	196,945	631,339	17,266	109,776	47,697	41,218	-
Financial Services	18,634	404,645	423,278	26,664	191,913	188,510	37,287	-
Other Services	551,729	516,246	1,067,975	115,740	249,201	188,231	171,992	-
Government (including Public Sector)	-	8,353	8,353	8	8,374	14,568	-	-
Retail / Consumer Banking	3,347,845	5,126,047	8,473,891	809,208	1,834,240	1,655,492	1,931,135	-
All Others	304	10,667	10,971	1,469	6,008	7,371	8,127	-
Total	9,960,807	16,329,153	26,289,960	2,799,157	6,043,944	4,984,199	2,991,389	-

To mitigate credit risk emanated from impaired loans Bank holds various type of collateral in the form of lien over deposits, cash margins, equities, bank guarantees, machinery & equipment, mortgaged properties, motor vehiclles, shipping vessels, aircrafts, etc. As of year end 2019, 40% impaired loans (AED 5.4B) have a collateral coverage of 50% and above while the remaining 60% of impaired loans (AED 8.0B) are covered by a collateral coverage of up to 50%.

4(g) Impaired Loans by Geographical Distribution

All numbers in AED 000s

Geographical Region	Overdue / Impaired Assets				ECL		Adjustments	
	Overdue	Stage 3	Total Funded	IIS	Stage 3	Stage 1 & 2	Writeoffs	Write Backs
United Arab Emirates	8,337,175	15,042,707	23,379,882	2,668,438	5,340,200	4,092,235	2,551,875	
GCC excluding UAE	83,754	746,751	830,505	78,172	458,120	199,434	278,534	
Arab League (excluding GCC)	109,739	171,119	280,858	47,182	31,944	155,702	43,006	
Asia	1,219,672	229,550	1,449,222	3,368	144,391	475,673	117,973	
Africa	173,795	9	173,804	-	7	30,565	-	
North America	12	4,507	4,519	657	521	3,691	-	
South America	-	404	404	-	298	10,446	-	
Caribbean	-	-	-	-	-	-	-	
Europe	36,652	134,103	170,755	1,341	68,462	15,049	-	
Australia	8	3	11	-	2	1,404	-	-
Total	9,960,807	16,329,153	26,289,960	2,799,157	6,043,944	4,984,199	2,991,389	-

4(h) Reconciliation of changes in Provisions for Impaired Loans

All numbers in AED 000s

	Description	
	Opening Balance of Provisions for Impaired Loans	11,883,248
Add:	Charge for the year	
	• Corporate, Retail Specific provisions	2,266,593
	• Corporate, Retail and International Division General provisions	(524,161)
	• Impact of Accounting Policy alignment	0
Less:	Write-off of provisions for impaired loans	(2,597,537)
Less:	Recovery of loan loss provisions	
Less:	Recovery of loans previously written-off	0
Less:	Notional Interest on Impaired Loans & Advances	
Less:	Write-back of provisions for loans	
	Adjustments of loan loss provisions (acquired in business combination)	
	Closing Balance of Provisions for Impaired Loans	11,028,143

4(i) Basel Portfolio as per Standardized Approach

All numbers in AED 000s

Asset Classes	On Balance Sheet			Off Balance Sheet	Exposure Before Crm After Ccf*	Credit Risk Mitigation (Crm)			RISK WEIGHTED ASSETS
	Gross Outstanding	Interest In Suspense And Specific Provisions	Net Outstanding	Net Exposure After Credit Conversion Factors (Ccf)		Crm	Exposure After Crm And Ccf	Reduction In Rwa Through Guarantees Held As Crm	
Claims On Sovereigns	294,984,205	137,262	294,846,943	9,859,726	304,706,668	4,356,912	300,349,757	-	15,283,702
Claims On Non-Central Government Public Sector Entities (Pses)	5,173,373	-	5,173,373	2,386,484	7,559,856	32,153	7,527,703	-	-
Claims On Multi Lateral Development Banks	2,848,422	-	2,848,422	8,005	2,856,427	4,343	2,852,084	-	874,932
Claims On Banks	134,301,359	-	134,301,359	39,215,161	173,516,519	88,878,069	84,638,450	-	45,547,884
Claims On Securities Firms	980,186	-	980,186	17,826	998,012	25,515	972,498	-	972,498
Claims On Corporates	208,140,809	181,437	207,959,372	76,019,753	283,979,125	16,341,229	267,637,896	9,166,906	220,944,506
Claims Included In The Regulatory Retail Portfolio	50,111,149	-	50,111,149	1,387,326	51,498,475	2,964,956	48,533,519	464,722	40,133,614
Claims Secured By Residential Property	15,266,864	-	15,266,864	0	15,266,864	368,634	14,898,230	-	8,547,457
Claims Secured By Commercial Real Estate	73,129,176	-	73,129,176	-	73,129,176	3,009,842	70,119,334	575,346	69,543,988
Past Due Loans	16,329,154	8,526,807	7,802,347	0	7,802,347	573,909	7,228,438	-	7,757,225
Higher-Risk Categories	1,591,085	-	1,591,085	794,001	2,385,085	-	2,385,085	-	3,577,628
Other Assets	29,203,144	-	29,203,144	-	29,203,144	-	29,203,144	-	9,125,445
Claims On Securitised Assets	4,209,012	-	4,209,012	-	4,209,012	-	4,209,012	-	1,110,433
Credit Derivatives (Banks Selling Protection)			-	-	-	-	-	-	-
Total Claims	836,267,935	8,845,506	827,422,430	129,688,281	957,110,710	116,555,562	840,555,149	10,206,973	423,419,311

CRM includes collateral in the form of cash, equities, financial securities and netting agreements with counterparties. Bank & sovereign guarantees provide risk mitigation through risk substitution.

5 Basel Portfolio as per Standardized Approach (Rated / Unrated)

All numbers in AED 000s

Asset Class	ON BALANCE SHEET				OFF BALANCE SHEET			EXPOSURE BEFORE CRM			CRM	EXPOSURE AFTER CRM			Reduction in RWA through Guarantees held as CRM	RWA		
	GROSS	NET			NET EXPOSURE AFTER CREDIT CONVERSION FACTORS (CCF)													
	Total	Rated	Unrated	Total	Rated	Unrated	Total	Rated	Unrated	Total	Total	Rated	Unrated	Total	Total	Rated	Unrated	Total
CLAIMS ON SOVEREIGNS	294,984,205	269,857,874	24,989,068	294,846,943	9,859,726	0	9,859,726	279,717,600	24,989,068.11	304,706,668	4,356,912	279,717,600	20,632,156	300,349,757	0	10,430,475	4,853,227	15,283,702
CLAIMS ON NON-CENTRAL GOVERNMENT PUBLIC SECTOR ENTITIES (PSEs)	5,173,373	1,384,405	3,788,968	5,173,373	2,386,484	0	2,386,484	3,770,889	3,788,968	7,559,856	32,153	3,770,889	3,756,814	7,527,703	0	0	0	0
CLAIMS ON MULTI LATERAL DEVELOPMENT BANKS	2,848,422	1,801,669	1,046,753	2,848,422	8,005	0	8,005	1,809,674	1,046,753	2,856,427	4,343	1,809,674	1,042,410	2,852,084	0	874,932	0	874,932
CLAIMS ON BANKS	134,301,359	99,749,548	34,551,811	134,301,359	31,396,304	7,818,857	39,215,161	131,145,851	42,370,668	173,516,519	88,878,069	42,267,782	42,370,668	84,638,450	0	35,262,710	10,285,174	45,547,884
CLAIMS ON SECURITIES FIRMS	980,186	0	980,186	980,186	0	17,826	17,826	0	998,012	998,012	25,515	0	972,498	972,498	0	0	972,498	972,498
CLAIMS ON CORPORATES	208,140,809	50,268,865	157,690,507	207,959,372	13,855,403	62,164,350	76,019,753	64,124,268	219,854,857	283,979,125	16,341,229	64,124,268	203,513,628	267,637,896	9,166,906	26,531,573	194,412,933	220,944,506
CLAIMS INCLUDED IN THE REGULATORY RETAIL PORTFOLIO	50,111,149	0	50,111,149	50,111,149	0	1,387,326	1,387,326	0	51,498,475	51,498,475	2,964,956	0	48,533,519	48,533,519	464,722	0	40,133,614	40,133,614
CLAIMS SECURED BY RESIDENTIAL PROPERTY	15,266,864	0	15,266,864	15,266,864	0	0	0	0	15,266,864	15,266,864	368,634	0	14,898,230	14,898,230	0	0	8,547,457	8,547,457
CLAIMS SECURED BY COMMERCIAL REAL ESTATE	73,129,176	0	73,129,176	73,129,176	0	0	0	0	73,129,176	73,129,176	3,009,842	0	70,119,334	70,119,334	575,346	0	69,543,988	69,543,988
PAST DUE LOANS	16,329,154	0	7,802,347	7,802,347	0	0	0	0	7,802,347	7,802,347	573,909	0	7,228,438	7,228,438	0	0	7,757,225	7,757,225
HIGHER-RISK CATEGORIES	1,591,085	0	1,591,085	1,591,085	0	794,001	794,001	0	2,385,085	2,385,085	0	0	2,385,085	2,385,085	0	0	3,577,628	3,577,628
OTHER ASSETS	29,203,144	13,427,050	15,776,093	29,203,144	0	0	0	13,427,050	15,776,093	29,203,144	0	13,427,050	15,776,093	29,203,144	0	163,304	8,962,142	9,125,445
CLAIMS ON SECURITISED ASSETS	4,209,012	4,209,012	0	4,209,012	0	0	0	4,209,012	0	4,209,012	0	4,209,012	0	4,209,012	0	1,110,433	0	1,110,433
CREDIT DERIVATIVES (Banks Selling protection)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Grand Total	**836,267,935**	**440,698,424**	**386,724,006**	**827,422,430**	**57,505,921**	**72,182,359**	**129,688,281**	**498,204,345**	**458,906,365**	**957,110,710**	**116,555,562**	**409,326,276**	**431,228,873**	**840,555,149**	**10,206,973**	**74,373,427**	**349,045,884**	**423,419,311**

6 Credit Risk Mitigation - Disclosures for Standardized Approach

All numbers in AED 000s

Quantitative Disclosures		Exposures	Risk Weighted Assets
	Gross Exposure prior to Credit Risk Mitigation	957,110,710	
Less:	Exposure covered by on-balance sheet netting	33,448,212	
Less:	Exposures covered by Eligible Financial Collateral	83,107,350	
Less:	Exposures covered by Guarantees	10,445,181	238,208
Less:	Exposures covered by Credit Derivatives	-	
	Net Exposures after Credit Risk Mitigation	830,348,175	423,419,311

7 Counterparty Credit Risk Exposure

All numbers in AED 000s

Asset Class	FX and Gold			IRS			Equities			Precious Metal except Gold			Commodities			TRS			CDS		
	Gross	MTM	Gross Credit Exposure	Gross	MTM	Gross Credit Exposure	Gross	MTM	Gross Credit Exposure	Gross	MTM	Gross Credit Exposure	Gross	MTM	Gross Credit Exposure	Gross	MTM	Gross Credit Exposure	Gross	MTM	Gross Credit Exposure
Claims on Sovereigns	1,393,995	127,208	72,724	-	-	-	2,517	-	151	-	-	-	-	-	-	-	-	-	-	-	-
Claims on Public Sector Entities	-	-	-	3,082,389	88,670	39,711	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Claims on Multilateral development banks	123,754	-	1,238	550,950	3,515	2,755	791	-	47	-	-	-	-	-	-	-	-	-	-	-	-
Claims on Banks	469,655,418	2,767,510	9,121,826	1,533,877,587	8,640,170	7,336,027	75,134	-	4,508	-	-	-	1,914,295	122,921	197,355	1,080,918	3,621	108,092	7,246,094	41,843	724,609
Claims on Securities Firms	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Claims on Corporate	44,100,463	595,950	1,243,200	66,136,544	1,961,956	539,559	50,066	11,668	3,004	-	-	-	1,192,206	993,378	128,087	75,477	-	7,548	-	-	-
Regulatory & Other Retail Exposure	83,285	771	833	939,194	7,231	2,251	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Residential Retail Exposure	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Commercial Real Estate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Past Due Assets	-	-	-	-	-	-	-		-	-	-	-	-	-	-	-	-	-	-	-	-
High Risk Category	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Claims on Securitised Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Credit Derivatives (Banks selling protection)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grand Total	**515,356,915**	**3,491,439**	**10,439,821**	**1,604,586,664**	**10,701,542**	**7,920,302**	**128,508**	**11,668**	**7,710**	**-**	**-**	**-**	**3,106,501**	**1,116,299**	**325,442**	**1,156,395**	**3,621**	**115,640**	**7,246,094**	**41,843**	**724,609**

8 Market Risk - Capital Requirements under Standardized Approach

All numbers in AED 000s

Market Risk	Amount
Interest rate risk	1,958,190
Equity position risk	38,025
Foreign exchange risk	377,803
Commodity risk	9,823
Options Risk	318,607
Total Capital Requirement	**2,702,448**

9 Equity Position in the Banking Book

All numbers in AED 000s

As at 31 December 2019, the bank's total equity investment portfolio amounted to AED 2,148 M, 25.4% of which represents quoted investments. For details of the accounting policies and valuation methodology, please refer to Note 3 to the consolidated financial statements under 'Significant Accounting Policies'. Details of cost, market and fair value are reported in Note 5 to the consolidated financial statements under "Investments".

Disclaimer: Reporting under section b) is limited to positions accounted as 'Fair Value Through OCI', with the exception of 'Collective Investment Schemes' which is accounted in the current year as 'Fair Value Through PL"

b) Quantitative Disclosures

1. QUANTITATIVE DETAILS OF EQUITY POSITION:

Type	**Current Year**		**Previous Year**	
	Publicly Traded	**Privately Held**	**Publicly Traded**	**Privately Held**
Equities	525,041	136,084	325,796	146,834
Collective investment schemes	20,609	1,465,978	14,257	1,813,065
Any other investment				
Total	**545,651**	**1,602,062**	**340,053**	**1,959,899**

2. REALISED, UNREALISED AND LATENT REVALUATION GAINS (LOSES) DURING THE YEAR:

Gains (Losses)	**Amount**
Realised gains (losses) from sales and liquidations	381,159
*Unrealised gains (losses) recognised in the balance sheet but not through profit and loss account	1,804,001
**Latent revaluation gains (losses) for investment recorded at cost but not recognised in balance sheet or profit and loss account	
Total	**2,185,160**

3. ITEMS IN (2) ABOVE INCLUDED IN TIER 1/TIER 2 CAPITAL:

Tier Capital	**Amount**
Amount included in Tier I capital	1,192,959.02
Amount included in Tier II capital	-
Total	**1,192,959**

4. CAPITAL REQUIREMENTS BY EQUITY GROUPINGS:

Grouping	**Amount**
Strategic investments	11,211
Available for sale	90,698
Held for trading	580,576
Total capital requirement	**682,485**

10 Interest Rate Risk in the Banking Book

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Bank is exposed to interest rate risk as a result of mismatches or gaps in the amounts of interest rate sensitive assets and interest rate sensitive liabilities and off balance sheet instruments that mature or reprice in a given period. Interest rate risks in the Bank are managed under a framework comprising Risk Governance and Risk Appetite. The Risk Governance includes the ALM policy (approved by the Board) within the ambit of ERM policy framework. The Bank uses a combination of duration gap analysis and scenario analysis pertaining to impact of changes in interest rates on Net Interest Income and Value of Equity to manage these risks which are reviewed and monitored by ALCO. Interest rate risk is also assessed by measuring the impact of defined movements in interest yield curves on the Bank's net interest income. The following impact on the net interest income and regulatory capital is for the year in case of an immediate and permanent movement in interest yield curves.

All numbers in AED 000s

Shift in Yield Curves	Net Interest Income	Regulatory Capital
+200 basis point	2,136,144	(3,093,540)
- 200 basis point	(2,136,144)	3,093,540

The above interest rate sensitivities are illustrative only and adopt simplified scenarios. The sensitivities do not incorporate actions that could be taken by management to mitigate the effect of interest rate movements.