

**Gulf International Bank B.S.C.
ABU DHABI BRANCH**

Basel III Pillar 3

**RISK MANAGEMENT AND
CAPITAL ADEQUACY**

For the quarter ended 30th June 2022

GIB

Risk management and capital adequacy report

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1. Overview of risk management, key prudential metrics and RWA

1.1 - Key metrics

		Jun-22	Mar-22	Dec-21	Sep-21	Jun-21
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1)	574,991	565,695	560,742	528,116	532,963
1a	Fully loaded ECL accounting model	22,141	21,196	22,222	18,339	20,108
2	Tier 1	574,991	565,695	560,742	528,116	532,963
2a	Fully loaded ECL accounting model Tier 1	569,702	554,953	550,000	517,698	523,390
3	Total capital	597,132	586,891	582,964	546,455	553,071
3a	Fully loaded ECL accounting model total capital	591,843	576,149	572,222	536,037	543,498
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	1,827,271	1,751,417	1,833,177	1,506,822	1,722,466
	Risk-based capital ratios as a percentage of RWA					
5	Common Equity Tier 1 ratio (%)	31.5%	32.3%	30.6%	35.0%	30.9%
5a	Fully loaded ECL accounting model CET1 (%)	31.2%	31.7%	30.0%	34.4%	30.4%
6	Tier 1 ratio (%)	31.5%	32.3%	30.6%	35.0%	30.9%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	31.2%	31.7%	30.0%	34.4%	30.4%
7	Total capital ratio (%)	32.7%	33.5%	31.8%	36.3%	32.1%
7a	Fully loaded ECL accounting model total capital ratio (%)	32.4%	32.9%	31.2%	35.6%	31.6%
	Additional CET1 buffer requirements as a percentage of RWA					
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.5%	2.5%	2.5%	2.5%	2.5%
9	Countercyclical buffer requirement (%)	0%	0%	0%	0%	0%
10	Bank D-SIB additional requirements (%)	0%	0%	0%	0%	0%
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9+ row 10)	3%	3%	3%	3%	3%
12	CET1 available after meeting the bank's minimum capital requirements (%)	22.2%	23.0%	21.3%	25.8%	21.7%
	Leverage Ratio					
13	Total leverage ratio measure	2,096,882	2,163,596	2,368,827	2,331,749	2,068,522
14	Leverage ratio (%) (row 2/row 13)	27.4%	26.1%	23.7%	22.6%	25.8%
14a	Fully loaded ECL accounting model leverage ratio (%) (row 2A/row 13)	27.2%	25.6%	23.2%	22.2%	25.3%
14b	Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	27.4%	26.1%	23.7%	22.6%	25.8%
	ELAR					
21	Total HQLA	294,049	313,446	278,782	314,789	362,281
22	Total liabilities	1,289,086	1,375,024	1,511,375	1,496,280	1,217,727
23	Eligible Liquid Assets Ratio (ELAR) (%)	22.8%	22.8%	18.4%	21.0%	29.8%
	ASRR					
24	Total available stable funding	1,675,420	1,725,060	1,818,949	1,752,122	1,503,236
25	Total Advances	1,350,684	1,478,735	1,502,302	1,430,794	1,353,516
26	Advances to Stable Resources Ratio (%)	80.6%	85.7%	82.6%	81.7%	90.0%

1. Overview of risk management, key prudential metrics and RWA

1.2 - Overview of RWA

	RWA		Minimum capital requirements
	Jun-22	Mar-22	Jun-22
1 Credit risk (excluding counterparty credit risk)	1,763,901	1,688,278	185,210
2 Of which: standardised approach (SA)	1,763,901	1,688,278	185,210
3			
4			
5			
6 Counterparty credit risk (CCR)	7,392	7,392	776
7 Of which: standardised approach for counterparty credit risk	7,392	7,392	776
8			
9			
10			
11			
12 Equity investments in funds - look-through approach	-	-	-
13 Equity investments in funds - mandate-based approach	-	-	-
14 Equity investments in funds - fall-back approach	-	-	-
15 Settlement risk	-	-	-
16 Securitisation exposures in the banking book	-	-	-
17			
18 Of which: securitisation external ratings-based approach (SEC-ERBA)	-	-	-
19 Of which: securitisation standardised approach (SEC-SA)	-	-	-
20 Market risk	867	635	91
21 Of which: standardised approach (SA)	867	635	91
22			
23 Operational risk	55,111	55,111	5,787
24			
25			
26 Total (1+6+10+11+12+13+14+15+16+20+23)	1,827,271	1,751,417	191,863

2- Composition of capital

2.1- Composition of regulatory capital

	Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
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	550,000
2	Retained earnings	
3	Accumulated other comprehensive income (and other reserves)	24,991
4	<i>Directly issued capital subject to phase-out from CET1 (only applicable to non-joint stock companies)</i>	
5	Common share capital issued by third parties (amount allowed in group CET1)	
6	Common Equity Tier 1 capital before regulatory deductions	574,991
Common Equity Tier 1 capital regulatory adjustments		
7	Prudent valuation adjustments	-
8	Goodwill (net of related tax liability)	-
9	Other intangibles including mortgage servicing rights (net of related tax liability)	-
10	Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of related tax liability)	-
11	Cash flow hedge reserve	-
12	Securitisation gain on sale	-
13	Gains and losses due to changes in own credit risk on fair valued liabilities	-
14	Defined benefit pension fund net assets	-
15	Investments in own shares (if not already subtracted from paid-in capital on reported balance sheet)	-
16	Reciprocal cross-holdings in CET1, AT1, Tier 2	-
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)	-
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)	-
19	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-
20	Amount exceeding 15% threshold	-
21	Of which: significant investments in the common stock of financials	-
22	Of which: deferred tax assets arising from temporary differences	-
23	CBUAE specific regulatory adjustments	-
24	Total regulatory adjustments to Common Equity Tier 1	-
25	Common Equity Tier 1 capital (CET1)	574,991
Additional Tier 1 capital: instruments		
26	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	-
27	Of which: classified as equity under applicable accounting standards	-
28	Of which: classified as liabilities under applicable accounting standards	-
29	<i>Directly issued capital instruments subject to phase-out from additional Tier 1</i>	-
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)	-
31	Of which: instruments issued by subsidiaries subject to phase-out	-
32	Additional Tier 1 capital before regulatory adjustments	-
Additional Tier 1 capital: regulatory adjustments		
33	Investments in own additional Tier 1 instruments	
34	Investments in capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation	
35	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation	
36	CBUAE specific regulatory adjustments	
37	Total regulatory adjustments to additional Tier 1 capital	
38	Additional Tier 1 capital (AT1)	
39	Tier 1 capital (T1= CET1 + AT1)	

2- Composition of capital

2.1- Composition of regulatory capital

	Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Tier 2 capital: instruments and provisions		
40	Directly issued qualifying Tier 2 instruments plus related stock surplus	
41	<i>Directly issued capital instruments subject to phase-out from Tier 2</i>	
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)	
43	<i>Of which: instruments issued by subsidiaries subject to phase-out</i>	
44	Provisions	22,141
45	Tier 2 capital before regulatory adjustments	22,141
Tier 2 capital: regulatory adjustments		
46	Investments in own Tier 2 instruments	-
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)	-
48	Significant investments in the capital, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-
49	CBUAE specific regulatory adjustments	-
50	Total regulatory adjustments to Tier 2 capital	-
51	Tier 2 capital (T2)	22,141
52	Total regulatory capital (TC = T1 + T2)	597,132
53	Total risk-weighted assets	1,827,271
Capital ratios and buffers		
54	Common Equity Tier 1 (as a percentage of risk-weighted assets)	31.47%
55	Tier 1 (as a percentage of risk-weighted assets)	31.47%
56	Total capital (as a percentage of risk-weighted assets)	32.68%
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)	-
58	<i>Of which: capital conservation buffer requirement</i>	-
59	<i>Of which: bank-specific countercyclical buffer requirement</i>	-
60	<i>Of which: higher loss absorbency requirement (e.g. DSIB)</i>	-
61	Common Equity Tier 1 (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirement.	22.18%
The CBUAE Minimum Capital Requirement		
62	Common Equity Tier 1 minimum ratio	7.00%
63	Tier 1 minimum ratio	8.50%
64	Total capital minimum ratio	10.50%
Amounts below the thresholds for deduction (before risk weighting)		
66	Significant investments in common stock of financial entities	-
68	Deferred tax assets arising from temporary differences (net of related tax liability)	-
Applicable caps on the inclusion of provisions in Tier 2		
69	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	
70	Cap on inclusion of provisions in Tier 2 under standardised approach	22,141
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
73	<i>Current cap on CET1 instruments subject to phase-out arrangements</i>	
74	<i>Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)</i>	
75	<i>Current cap on AT1 instruments subject to phase-out arrangements</i>	
76	<i>Amount excluded from AT1 due to cap (excess after redemptions and maturities)</i>	
77	<i>Current cap on T2 instruments subject to phase-out arrangements</i>	
78	<i>Amount excluded from T2 due to cap (excess after redemptions and maturities)</i>	

2- Composition of capital

2.2- Main features of regulatory capital instruments

	Quantitative / qualitative information
1 Issuer	Gulf International Bank B.S.C.
2 Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	NA
3 Governing law(s) of the instrument	United Arab Emirates
Regulatory treatment	
4 Transitional arrangement rules (i.e. grandfathering)	Tier 1
5 Post-transitional arrangement rules (i.e. grandfathering)	Tier 1
6 Eligible at solo/group/group and solo	Solo
7 Instrument type (types to be specified by each jurisdiction)	Common equity
8 Amount recognised in regulatory capital (currency in millions, as of most recent reporting date)	
9 Nominal amount of instrument	550,000
9a Issue price	NA
9b Redemption price	NA
10 Accounting classification	Shareholders' equity
11 Original date of issuance	NA
12 Perpetual or dated	Perpetual
13 Original maturity date	NA
14 Issuer call subject to prior supervisory approval	No
15 Optional call date, contingent call dates and redemption amount	NA
16 Subsequent call dates, if applicable	NA
Coupons / dividends	NA
17 Fixed or floating dividend/coupon	NA
18 Coupon rate and any related index	NA
19 Existence of a dividend stopper	NA
20a Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
20b Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21 Existence of step-up or other incentive to redeem	NA
22 Non-cumulative or cumulative	NA
23 Convertible or non-convertible	NA
24 Writedown feature	NA
25 If writedown, writedown trigger(s)	NA
26 If writedown, full or partial	NA
27 If writedown, permanent or temporary	NA
28 If temporary write-own, description of writeup mechanism	NA
28a Type of subordination	NA
29 Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned).	NA
30 Non-compliant transitioned features	NA
31 If yes, specify non-compliant features	NA

3- Leverage ratio

3.1- Leverage ratio common disclosure

	Jun-22	Mar-22	
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	1,828,714	1,902,146
2	Gross-up for derivatives collateral provided where deducted from balance sheet assets pursuant to the operative accounting framework	-	-
3	(Deductions of receivable assets for cash variation margin provided in derivatives transactions)	-	-
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	-	-
5	(Specific and general provisions associated with on-balance sheet exposures that are deducted from Tier 1 capital)	-	-
6	(Asset amounts deducted in determining Tier 1 capital)	-	-
7	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)	1,828,714	1,902,146
Derivative exposures			
8	Replacement cost associated with <i>all</i> derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	1,945	304
9	Add-on amounts for PFE associated with <i>all</i> derivatives transactions	19,650	16,488
10	(Exempted CCP leg of client-cleared trade exposures)	-	-
11	Adjusted effective notional amount of written credit derivatives	-	-
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
13	Total derivative exposures (sum of rows 8 to 12)	30,233	23,509
Securities financing transactions			
14	Gross SFT <i>assets</i> (with no recognition of netting), after adjusting for sale accounting transactions	-	-
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
16	CCR exposure for SFT assets	-	-
17	Agent transaction exposures	-	-
18	Total securities financing transaction exposures (sum of rows 14 to 17)	-	-
Other off-balance sheet exposures			
19	Off-balance sheet exposure at gross notional amount	453,780	387,417
20	(Adjustments for conversion to credit equivalent amounts)	215,845	149,476
21	(Specific and general provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital)	-	-
22	Off-balance sheet items (sum of rows 19 to 21)	237,935	237,941
Capital and total exposures			
23	Tier 1 capital	574,991	558,297
24	Total exposures (sum of rows 7, 13, 18 and 22)	2,096,882	2,163,596
Leverage ratio			
25	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)	27.42%	25.80%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	27.42%	25.80%
26	CBUAE minimum leverage ratio requirement	3.0%	3.0%
27	Applicable leverage buffers	-	-

4- Liquidity

4.1- Eligible Liquid Assets Ratio

1	High Quality Liquid Assets	Nominal amount	Eligible Liquid Asset
1.1	Physical cash in hand at the bank + balances with the CBUAE	294,049	
1.2	UAE Federal Government Bonds and Sukuks		
	Sub Total (1.1 to 1.2)	294,049	294,049
1.3	UAE local governments publicly traded debt securities	-	
1.4	UAE Public sector publicly traded debt securities	-	
	Sub total (1.3 to 1.4)	-	-
1.5	Foreign Sovereign debt instruments or instruments issued by their respective central banks	-	-
1.6	Total	294,049	294,049
2	Total liabilities		1,289,086
3	Eligible Liquid Assets Ratio (ELAR)		22.81%

4- Liquidity

4.2- Advances to Stable Resource Ratio

		Items	Amount
1		Computation of Advances	
	1.1	Net Lending (gross loans - specific and collective provisions + interest in suspense)	1,330,524
	1.2	Lending to non-banking financial institutions	-
	1.3	Net Financial Guarantees & Stand-by LC (issued - received)	20,160
	1.4	Interbank Placements	-
	1.5	Total Advances	1,350,684
2		Calculation of Net Stable Ressources	
	2.1	Total capital + general provisions	596,422
		Deduct:	
	2.1.1	Goodwill and other intangible assets	-
	2.1.2	Fixed Assets	1,585
	2.1.3	Funds allocated to branches abroad	-
	2.1.5	Unquoted Investments	-
	2.1.6	Investment in subsidiaries, associates and affiliates	-
	2.1.7	Total deduction	1,585
	2.2	Net Free Capital Funds	594,837
	2.3	Other stable resources:	
	2.3.1	Funds from the head office	-
	2.3.2	Interbank deposits with remaining life of more than 6 months	346,162
	2.3.3	Refinancing of Housing Loans	-
	2.3.4	Borrowing from non-Banking Financial Institutions	-
	2.3.5	Customer Deposits	643,096
	2.3.6	Capital market funding/ term borrowings maturing after 6 months from reporting date	91,325
	2.3.7	Total other stable resources	1,080,583
	2.4	Total Stable Resources (2.2+2.3.7)	1,675,420
3		Advances TO STABLE RESOURCES RATIO (1.6/ 2.4*100)	80.62

5- Credit risk

5.1- Credit quality of assets

		Gross carrying values of		Allowances/Impairments	Of which ECL accounting provisions for credit losses		Net values (a+b-c)
		Defaulted exposures	Non-defaulted exposures		Allocated in regulatory category of Specific	Allocated in regulatory category of General	
1	Loans	111,579	1,318,560	116,565	99,615	16,950	1,313,574
2	Debt securities	-	-	-	-	-	-
3	Off-balance sheet exposures	-	453,780	1,075	-	1,075	452,705
4	Total	111,579	1,772,340	117,640	99,615	18,025	1,766,279

5- Credit risk

5.2- Changes in stock of defaulted loans and debt securities

		Jun-22
1	Defaulted loans and debt securities at the end of the previous reporting period	111,579
2	Loans and debt securities that have defaulted since the last reporting period	-
3	Returned to non-default status	-
4	Amounts written off	-
5	Other changes	-
6	Defaulted loans and debt securities at the end of the reporting period (1+2-3-4±5)	111,579

5- Credit risk

5.3- Standardised approach - credit risk exposure and Credit Risk Mitigation (CRM) effects

	Asset classes	a	b	c	d	e	f
		Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
		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	294,049	-	294,049	-	-	0%
2	Public Sector Entities	38,227	-	38,227	-	35,474	93%
3	Multilateral development banks	-	-	-	-	-	-
4	Banks	164,597	186,308	164,595	37,262	70,183	35%
5	Securities firms	-	-	-	-	-	-
6	Corporates	1,318,560	267,472	1,408,256	88,888	1,475,841	99%
7	Regulatory retail portfolios	-	-	-	-	-	-
8	Secured by residential property	-	-	-	-	-	-
9	Secured by commercial real estate	-	-	-	-	-	-
10	Equity Investment in Funds (EIF)	-	-	-	-	-	-
11	Past-due loans	111,579	-	10,739	-	12,077	112%
12	Higher-risk categories	-	-	-	-	-	-
13	Other assets	59,186	-	59,186	-	58,804	99%
14	Total	1,986,198	453,780	1,975,052	126,150	1,652,378	-

5- Credit risk

5.4- Standardised approach - exposures by asset classes and risk weights

	Risk weight	0%	20%	35%	50%	75%	100%	150%	Others	Total credit exposures amount (post CCF and post-CRM)
Asset classes										
1	Sovereigns and their central banks	294,049								294,049
2	Public Sector Entities						38,227			38,227
3	Multilateral development banks									-
4	Banks		164,595				37,264			201,859
5	Securities firms									-
6	Corporates						1,497,144			1,497,144
7	Regulatory retail portfolios									-
8	Secured by residential property									-
9	Secured by commercial real estate									-
10	Equity Investment in Funds (EIF)									-
11	Past-due loans						10,738			10,738
12	Higher-risk categories									-
13	Other assets						59,186			59,186
14	Total	294,049	164,595	-	-	-	1,642,558	-	-	2,101,202

6- Market risk

6.1- Market risk under the standardised approach (SA)

		Jun-22
		RWA
1	General Interest rate risk (General and Specific)	-
2	Equity risk (General and Specific)	-
3	Foreign exchange risk	867
4	Commodity risk	0
	Options	
5	Simplified approach	-
6	Delta-plus method	-
7		
8	Securitisation	-
9	Total	867