

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

Basel III Pillar 3

**RISK MANAGEMENT AND
CAPITAL ADEQUACY**

For the quarter ended 30 June 2023



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-23	Mar-23	Dec-22	Sep-22	Jun-22
Available capital (amounts)						
1	Common Equity Tier 1 (CET1)	582,044	565,019	553,881	580,969	574,991
1a	Fully loaded ECL accounting model	578,077	561,052	549,914	575,680	569,702
2	Tier 1	582,044	565,019	553,881	580,969	574,991
2a	Fully loaded ECL accounting model Tier 1	578,077	561,052	549,914	575,680	569,702
3	Total capital	612,535	596,354	583,204	603,440	597,132
3a	Fully loaded ECL accounting model total capital	608,568	592,387	579,238	598,151	591,843
Risk-weighted assets (amounts)						
4	Total risk-weighted assets (RWA)	2,513,336	2,580,353	2,419,390	1,853,644	1,827,271
Risk-based capital ratios as a percentage of RWA						
5	Common Equity Tier 1 ratio (%)	23.16%	21.90%	22.89%	31.34%	31.47%
5a	Fully loaded ECL accounting model CET1 (%)	23.00%	21.74%	22.73%	31.06%	31.18%
6	Tier 1 ratio (%)	23.16%	21.90%	22.89%	31.34%	31.47%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	23.00%	21.74%	22.73%	31.06%	31.18%
7	Total capital ratio (%)	24.37%	23.11%	24.11%	32.55%	32.68%
7a	Fully loaded ECL accounting model total capital ratio (%)	24.21%	22.96%	23.94%	32.27%	32.39%
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 (%)	-	-	-	-	-
10	Bank D-SIB additional requirements (%)	-	-	-	-	-
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9+ row 10)	2.5%	2.5%	2.5%	2.5%	2.5%
12	CET1 available after meeting the bank's minimum capital requirements (%)	13.87%	12.61%	13.44%	22.06%	22.18%
Leverage Ratio						
13	Total leverage ratio measure	3,571,335	3,664,024	3,877,529	2,076,007	2,096,882
14	Leverage ratio (%) (row 2/row 13)	16.30%	15.42%	14.28%	27.98%	27.42%
14a	Fully loaded ECL accounting model leverage ratio (%) (row 2A/row 13)	16.19%	15.31%	14.18%	27.73%	27.17%
14b	Leverage ratio (%) (excluding the impact of any	16.30%	15.42%	14.28%	27.98%	27.42%
ELAR						
21	Total HQLA	494,952	666,497	720,148	156,984	294,049
22	Total liabilities	2,772,539	2,913,173	3,075,603	1,359,408	1,289,086
23	Eligible Liquid Assets Ratio (ELAR) (%)	17.85%	22.88%	23.41%	11.55%	22.81%
ASRR						
24	Total available stable funding	2,870,968	3,122,940	3,025,127	1,745,740	1,675,420
25	Total Advances	2,111,077	2,194,724	1,915,547	1,471,370	1,350,684
26	Advances to Stable Resources Ratio (%)	73.53%	70.28%	63.32%	84.28%	80.62%

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

1.2 - Overview of RWA

		RWA		Minimum capital requirements
		Jun-23	Mar-23	Jun-23
1	Credit risk (excluding counterparty credit risk)	2,387,719	2,465,206	250,711
2	Of which: standardised approach (SA)	2,387,719	2,465,206	250,711
3				
4				
5				
6	Counterparty credit risk (CCR)	51,595	41,569	5,417
7	Of which: standardised approach for counterparty credit risk	51,595	41,569	5,417
8				
9				
10				
11				
20	Market risk	760	316	80
21	Of which: standardised approach (SA)	760	316	80
22				
23	Operational risk	73,262	73,262	7,692
24				
25				
26	Total (1+6+10+11+12+13+14+15+16+20+23)	2,513,336	2,580,353	263,900

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)	32,130	-
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	582,130	-
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)	86	-
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)	582,044	-
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 <i>Of which: instruments issued by subsidiaries subject to phase-out</i>	-	-
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)	582,044	-

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	30,491
45	Tier 2 capital before regulatory adjustments	30,491
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)	30,491
52	Total regulatory capital (TC = T1 + T2)	612,535
53	Total risk-weighted assets	2,513,336
Capital ratios and buffers		
54	Common Equity Tier 1 (as a percentage of risk-weighted assets)	23.16%
55	Tier 1 (as a percentage of risk-weighted assets)	23.16%
56	Total capital (as a percentage of risk-weighted assets)	24.37%
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.	13.87%
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	30,491
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)	612,535
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-23	Mar-23
On-balance sheet exposures		
1 On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	3,375,320	3,447,602
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)	51,220	86
7 Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)	3,324,100	3,447,516
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)	15,249	1,479
9 Add-on amounts for PFE associated with <i>all</i> derivatives transactions	34,950	21,558
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)	70,279	32,252
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	482,731	471,812
20 (Adjustments for conversion to credit equivalent amounts)	305,775	287,556
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)	176,956	184,257
Capital and total exposures		
23 Tier 1 capital	582,044	565,019
24 Total exposures (sum of rows 7, 13, 18 and 22)	3,571,335	3,664,024
Leverage ratio		
25 Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)	16.19%	15.31%
25a Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	16.30%	15.42%
26 CBUAE minimum leverage ratio requirement	3.00%	3.00%
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	494,952	
1.2	UAE Federal Government Bonds and Sukuks		
	Sub Total (1.1 to 1.2)	494,952	494,952
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	494,952	494,952
2	Total liabilities		2,772,539
3	Eligible Liquid Assets Ratio (ELAR)		17.85%

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)	1,649,097
	1.2	Lending to non-banking financial institutions	437,490
	1.3	Net Financial Guarantees & Stand-by LC (issued - received)	24,490
	1.4	Interbank Placements	-
	1.5	Total Advances	2,111,077
2		Calculation of Net Stable Resources	
	2.1	Total capital + general provisions	614,337
		Deduct:	
	2.1.1	Goodwill and other intangible assets	-
	2.1.2	Fixed Assets	1,339
	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	1,339
	2.2	Net Free Capital Funds	612,998
	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	-
	2.3.3	Refinancing of Housing Loans	-
	2.3.4	Borrowing from non-Banking Financial Institutions	38,357
	2.3.5	Customer Deposits	1,285,169
	2.3.6	Capital market funding/ term borrowings maturing after 6 months from reporting date	934,444
	2.3.7	Total other stable resources	2,257,970
	2.4	Total Stable Resources (2.2+2.3.7)	2,870,968
3		Advances TO STABLE RESOURCES RATIO (1.6/ 2.4*100)	73.53

5- Credit risk

5.1- Credit quality of assets

		Gross carrying values of		Allowances/Impairments (c)	Of which ECL accounting provisions for credit losses		Net values (a+b-c)
		Defaulted exposures (a)	Non-defaulted exposures (b)		Allocated in regulatory category of Specific	Allocated in regulatory category of General	
1	Loans	3,704	2,086,587	18,462	3,704	14,758	2,071,829
2	Debt securities	-	-	-	-	-	-
3	Off-balance sheet exposures	-	482,731	3,749	3,333	416	478,982
4	Total	3,704	2,569,318	22,211	7,037	15,174	2,550,811

5- Credit risk

5.2- Changes in stock of defaulted loans and debt securities

		Jun-23
1	Defaulted loans and debt securities at the end of the previous reporting period	3,704
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)	3,704

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	494,952	-	494,952	-	-	0%
2	Public Sector Entities	43,607	228	43,607	228	41,327	94%
3	Multilateral development banks	-	-	-	-	-	-
4	Banks	662,018	207,106	662,018	59,207	178,758	25%
5	Securities firms	-	-	-	-	-	-
6	Corporates	2,086,587	241,871	2,086,587	139,982	2,095,913	94%
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	3,704	-	-	-	-	-
12	Higher-risk categories	-	-	-	-	-	-
13	Other assets	103,461	-	103,461	-	103,309	100%
14	Total	3,394,329	449,205	3,390,625	199,416	2,419,306	-

5- Credit risk

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

Asset classes	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	494,952	-	-	-	-	-	-	-	494,952
2	Public Sector Entities	-	-	-	-	-	43,835	-	-	43,835
3	Multilateral development banks	-	-	-	-	-	-	-	-	-
4	Banks	-	667,828	-	16,409	-	36,988	-	-	721,225
5	Securities firms	-	-	-	-	-	-	-	-	-
6	Corporates	-	-	-	-	-	2,226,569	-	-	2,226,569
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	-	-	-	-	-	-	-	-	-
12	Higher-risk categories	-	-	-	-	-	-	-	-	-
13	Other assets	-	-	-	-	-	103,461	-	-	103,461
14	Total	494,952	667,828	-	16,409	-	2,410,852	-	-	3,590,041

6- Market risk

6.1- Market risk under the standardised approach (SA)

		Jun-23
		RWA
1	General Interest rate risk (General and Specific)	-
2	Equity risk (General and Specific)	-
3	Foreign exchange risk	760
4	Commodity risk	-
	Options	
5	Simplified approach	-
6	Delta-plus method	-
7		
8	Securitisation	-
9	Total	760