Pillar 3 Disclosures

31 December 2023

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1. Executive summary

QIB (UK) plc (the ‘Bank’) is a wholly owned subsidiary of Qatar Islamic Bank S.A.Q.

It was incorporated with the intention of developing and offering Shari’a compliant financial products and services in the UK.

The Bank received authorisation from the Financial Services Authority (‘FSA’) on 29 January 2008, after which date it commenced operations as a Shari’a compliant bank. The Bank is authorised by the Prudential Regulation Authority (‘PRA’) and regulated by the Financial Conduct Authority (‘FCA’) and the PRA.

This document sets out the Bank’s 2023 Pillar 3 disclosures, in accordance with the rules laid out under CRR Part Eight and subsequent guidelines.

2. Background

2.1 Introduction

The European Union (‘EU’) Capital Requirements Directive (‘CRD’) came into effect on 1 January 2007, introducing consistent capital adequacy standards to govern the level of capital banks must hold to protect their depositors and shareholders. The EU implemented the Basel III proposals on 1 January 2014 through the Capital Requirements Regulation (‘CRR’) and CRD (together referred to as ‘CRD IV’). This is enforced in the UK by the PRA and FCA.

The rules include disclosure requirements known as ‘Pillar 3’ which apply to banks, building societies and investment banks. These disclosures require institutions to disclose key information regarding risk exposures, risk management processes, corporate governance and remuneration.

The Basel Committee on Banking Supervision introduced the Basel framework with the primary goal of promoting the safety and soundness of the financial system. The framework consists of the following three pillars:

Pillar 1: defines the minimum capital requirements that banks are required to hold for credit, market and operational risk.

Pillar 2: adds the Bank’s own estimate of additional capital that the Bank needs to cover specific risks not covered by the capital resources calculated under Pillar 1.

This additional capital requirement is calculated as part of the Bank’s Internal Capital Adequacy Assessment Process (‘ICAAP’), before being reviewed and validated by the regulator. It is used to determine the total minimum capital resources that the Bank must maintain, expressed as the Total Capital Requirement (‘TCR’). The Bank is fully compliant with its TCR and consistently runs a surplus.

Pillar 3: improves market discipline by requiring banks to publish information on their principal risks, capital structure and risk management.

2.2 Scope of application

As of 31 December 2023, the Bank had no active subsidiaries or joint ventures. All banking activities are reflected in the Bank’s balance sheet.

The Bank does not prepare group accounts as it is a wholly owned subsidiary of Qatar Islamic Bank S.A.Q, a company incorporated in Qatar. The Bank functions, and is regulated independently of Qatar Islamic Bank S.A.Q., which is itself regulated by the Qatar Central Bank.

The Bank is included in the consolidated accounts of Qatar Islamic Bank S.A.Q.

2.3 Basis of preparation

The Bank meets the criteria for being a ‘other non-listed’ institution as introduced in the CRR II and incorporated into the PRA Rulebook under Article 433(c).

The Bank’s policy is to comply with all requirements of the derogation for being a ‘other non-listed’ institution as per article 433c of the PRA Rulebook, these disclosures have therefore been prepared applying the concept of derogation as per article 433(c)(2).
All figures in tables are in thousands of pounds, unless stated otherwise.

This Pillar 3 disclosure document is based on the Bank’s Annual Report and Accounts for the year ended 31 December 2023 which can be found at: QIB Annual Report 2023.

The Annual Report has been prepared under the historical cost convention, except for the investment property and derivative financial instruments which are held at fair value through profit and loss.

Row numbers in the below tables relate to the Prudential Regulation Authority (PRA) prescribed references within the standardised templates; where rows contain a nil value, these have been excluded in some circumstances for the purposes of enhancing the readability and understandability of these disclosures.

2.4 Frequency and means of disclosure

Pillar 3 disclosures are prepared annually to 31 December and are published on the Bank’s website at the same time as the Annual Report and Accounts in accordance with Article 433 of the CRR.

2.5 Regulation changes

In January 2018, the EBA published guidelines on transitional arrangements for mitigating the impact of the introduction of IFRS 9 on Own Funds.

7 June 2019, the CRR and Capital Requirements Directive (CRD) amendments were published in the Official Journal of the European Union on including amendments due in June 2021.

16 November 2020, Her Majesty's Treasury, the PRA, and the Financial Conduct Authority (FCA) confirm a date of 1 January 2022 for implementing those Basel III reforms which make up the UK equivalent to the outstanding elements of the EU’s 2nd CRR.

March 2020, the Group of Central Bank Governors and Heads of Supervision (GHOS) announce a delay in the implementation of the Basel 3.1 standards to 1 January 2023.

30 November 2022, PRA publishes CP 16/22 Implementation of the Basel 3.1 standards in which it proposes that the implementation date would be 1 January 2025.

27 September 2023, PRA announces a delay of six months to the implementation of the Basel 3.1 standards. The revised implementation date is 1 July 2025.

12 December 2023, PRA publishes PS17/23 Implementation of the Basel 3.1 standards near-final part 1, which provides feedback to responses to, and contains near final policy material of, the following areas of consultation paper (CP) 16/22: Market Risk, Credit valuation adjustment (CVA) and counterparty credit risk, Operational risk, Interactions with the PRA’s Pillar 2 framework and Currency redenomination.

Near-final policies on the remaining elements from CP16/22: credit risk, the output floor, and reporting and disclosure requirements are slated for publication in Q2 2024.

Throughout this document, the original and amended regulation (CRR and CRR2) and directive (CRD IV and CRD V) are collectively referred to as CRR and CRD.

Following the UK's withdrawal from the EU and the ending of the transition period, any reference to EU regulations and directives (including regulatory and implementing technical standards) should be read as a reference to the UK's version of such regulation or directive, as onshored into UK law under the European Union (Withdrawal) Act 2018, as amended by Statutory Instruments, PRA Rulebook (CRR) Instrument 2021 and PRA Rulebook: CRR Leverage Instrument 2021.

In December 2021 the Bank of England's Financial Policy Committee (FPC) noted that vulnerabilities that can amplify economic shocks had returned to pre-pandemic levels and announced its intention to set the UK Countercyclical Buffer ("CCyB") rate to 2% in 2022 Q2. In the July 2022 Financial Stability Report, the FPC noted that, while the global and UK economic outlook had deteriorated significantly since December 2021, the domestic vulnerabilities that can amplify economic shocks had remained broadly at the same level and confirmed that the UK CCyB will be set at 2% with effect from 5 July 2023. This following the previously announced increase in CCyB to 1% coming with effect from 13 December 2022.

2.6 Verfication

The disclosures presented within this document are subject to the same level of internal verification as that applicable to the management report included in the institutions' financial statement disclosures.

Where appropriate the Pillar 3 disclosures are reconciled to and conform with the externally audited information in the Annual Financial Statements.

The information is prepared and checked by line 1 with oversight and challenge by lines 2 and 3 as appropriate.

The Pillar 3 Disclosures document is reviewed by the Audit & Risk Committee for onward recommendation and approved by the Board alongside the Annual Report and Accounts.

These disclosures have been reviewed and approved by the Board on dd mmm yyyy.

3. Annex I: Disclosure of key metric and overview of risk weighted exposure amounts

3.1 Template UK KM1 - Key metrics template

In application of point a of article 447 CRR, the table below provides an overview of the Bank’s prudential regulatory metrics:

		a	b
		31/12/2023	31/12/2022
	Available own funds (amounts)		
1	Common Equity Tier 1 (CET1) capital	98,878	86,739
2	Tier 1 capital	98,878	86,739
3	Total capital	112,578	96,585
	Risk-weighted exposure amounts		
4	Total risk-weighted exposure amount	543,184	499,121
	Capital ratios (as a percentage of risk-weighted exposure amount)		
5	Common Equity Tier 1 ratio (%)	18.20%	17.38%
6	Tier 1 ratio (%)	18.20%	17.38%
7	Total capital ratio (%)	20.73%	19.35%
	Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)		
UK 7a	Additional CET1 SREP requirements (%)	1.86%	1.86%
UK 7b	Additional AT1 SREP requirements (%)	N/A	N/A
UK 7c	Additional T2 SREP requirements (%)	0.83%	0.83%
UK 7d	Total SREP own funds requirements (%)	11.30%	11.30%
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)		
8	Capital conservation buffer (%)	2.50%	2.50%
UK 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	N/A	N/A
9	Institution specific countercyclical capital buffer (%)	0.98%	1.00%
UK 9a	Systemic risk buffer (%)	N/A	N/A
10	Global Systemically Important Institution buffer (%)	N/A	N/A
UK 10a	Other Systemically Important Institution buffer	N/A	N/A
11	Combined buffer requirement (%)	3.48%	3.50%
UK 11a	Overall capital requirements (%)	14.78%	14.80%
12	CET1 available after meeting the total SREP own funds requirements (%)	6.90%	6.08%
	Leverage ratio		
13	Total exposure measure excluding claims on central banks	1,028,395	1,012,682
14	Leverage ratio excluding claims on central banks (%)	9.61%	8.57%
	Liquidity Coverage Ratio		
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	158,061	143,649

UK 16a	Cash outflows - Total weighted value	54,805	46,483
UK 16b	Cash inflows - Total weighted value	43,597	58,766
16	Total net cash outflows (adjusted value)	13,701	11,621
17	Liquidity coverage ratio (%)	1153.62%	1236.14%
	Net Stable Funding Ratio		
18	Total available stable funding	770,756	728,399
19	Total required stable funding	590,277	563,857
20	NSFR ratio (%)	130.56%	129.18%

Rows 14a-14e have been removed as only LREQ firms are required to disclose this information

3.2 Template UK OV1 - Overview of risk weighted exposure amounts

In application of point d of article 438 CRR, the table below provides an overview of the Bank's risk weighted exposure amounts:

		Risk weighted exposure amounts (RWEAs)		Total own funds requirements
		a	b	c
		31/12/2023	31/12/2022	T
1	Credit risk (excluding CCR)	500,902	465,681	40,072
2	Of which the standardised approach	500,902	465,681	40,072
3	Of which the foundation IRB (FIRB) approach			
4	Of which slotting approach			
UK 4a	Of which equities under the simple riskweighted approach			
5	Of which the advanced IRB (AIRB) approach			
6	Counterparty credit risk - CCR	1,390	1,852	111
7	Of which the standardised approach	773	988	62
8	Of which internal model method (IMM)			
UK 8a	Of which exposures to a CCP			
UK 8b	Of which credit valuation adjustment - CVA	617	864	49
9	Of which other CCR			
10	*Empty set in the UK*			
11	*Empty set in the UK*			
12	*Empty set in the UK*			
13	*Empty set in the UK*			
14	*Empty set in the UK*			
15	Settlement risk			
16	Securitisation exposures in the non-trading book (after the cap)			
17	Of which SEC-IRBA approach			
18	Of which SEC-ERBA (including IAA)			
19	Of which SEC-SA approach			
UK 19a	Of which 1250%/ deduction			
20	Position, foreign exchange and commodities risks (Market risk)	122	44	10
21	Of which the standardised approach	122	44	10
22	Of which IMA			
UK 22a	Large exposures			
23	Operational risk	40,771	31,545	3,262
UK 23a	Of which basic indicator approach	40,771	31,545	3,262
UK 23b	Of which standardised approach			
UK 23c	Of which advanced measurement approach			
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)			
25	*Empty set in the UK*			

26	*Empty set in the UK*			
27	*Empty set in the UK*			
28	*Empty set in the UK*			
29	**Total**	**543,184**	**499,121**	**43,455**

3.3 Template UK OVC - ICAAP information

In application of point c of article 438 CRR, the information below provides the result of the Bank's internal capital adequacy assessment process:

The Bank is subject to the PRA's Supervisory Review and Evaluation Process on a regular basis and this is next expected in 2024. Subsequent to the most recent SREP, the bank was set a Total Capital Requirement of 11.3% of which 6.36% must be met with CET1 capital.

4. Annex III: Disclosure of risk management objectives and policies

4.1 Template UK OVA - Risk management approach

a. In application of point f of article 435(1) CRR, disclosure of concise risk statement approved by the management body:

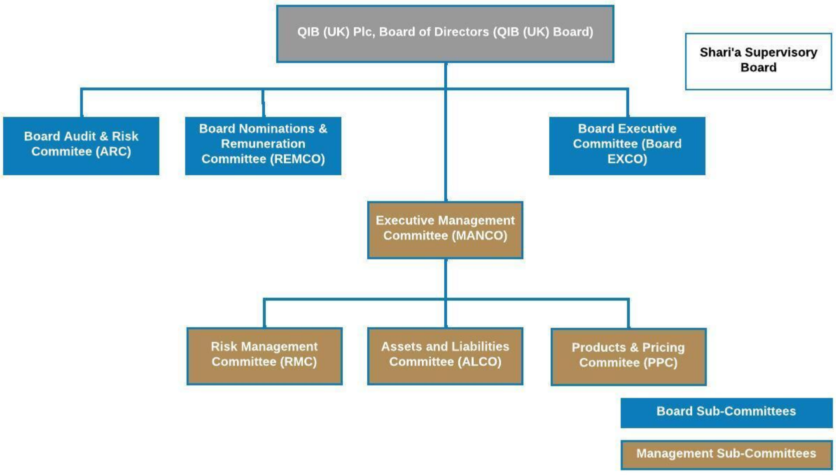
Effective risk management is a core objective for the Bank to ensure that it continually maintains sufficient capital and liquidity through effective controls. The Bank seeks to act ethically and reputably, taking into account the interests of all its stakeholders which include clients, staff, regulators and shareholders.

The Bank's risk and control framework is designed to ensure that:

- **risks are identified, assessed, controlled, monitored and reported;**
- **the Bank's risk appetite is defined and Risk policies aligned;**
- **processes, systems and controls are in place to monitor and mitigate risk; and**
- **the Bank continuously reviews the risk environment to ensure that it identifies future risks and remains compliant with changes in legislation.**

The Board has responsibility for the overall governance and risk management of the Bank. There are a number of board and management level committees which have delegated authority for specific aspects of the Bank's Risk Management Framework ('RMF'). The key roles and responsibilities of these committees are set out in this section.

All key committees are governed by formal terms of reference which are reviewed and updated on a regular basis. Minutes are prepared for all key committee meetings. The alignment of responsibilities across committees for aspects of the RMF is an important component of the Bank's risk governance arrangements. The diagram below sets out the Bank's overall committee structure:


QIB (UK) Plc, Board of Directors (QIB (UK) Board)
Shari'a Supervisory Board
Board Audit & Risk Commitee (ARC)
Board Nominations & Remuneration Committee (REMCO)
Board Executive Committee (Board EXCO)
Executive Management Committee (MANCO)
Risk Management Committee (RMC)
Assets and Liabilities Committee (ALCO)
Products & Pricing Commitee (PPC)
Board Sub-Committees
Management Sub-Committees

Due to the nature of its business, the Bank faces the following principal risks:

- Business risk: any risk to the Bank arising from changes in its business, including the risk that the firm may not be able to carry out its business plan and its desired strategy.
- Capital Adequacy: risk that the Bank breaches capital adequacy requirements.
- Credit risk: loss arising from a counterparty failing to meet their financial obligations to the Bank.
- Liquidity risk: risk that the Bank is unable to meet its financial obligations as they fall due, or can do so only at an uneconomic price.
- Market risk: risk of losses arising from adverse changes in the value of positions arising from movements in market prices across commodity, credit, equity, foreign exchange and profit rate risk factors.
- Operational risk: financial loss and/or reputational damage resulting from inadequate or failed internal processes, people and systems or from external events.
- Conduct risk: risk of failure to deliver fair customer outcomes, the remediation of customer detriment or a failure to preserve market integrity.
- Financial Crime: any kind of criminal conduct relating to money or to financial services or markets, including any offence involving fraud or dishonesty, misconduct in, or misuse of information relating to, a financial market, handling the proceeds of crime or the financing of terrorism.
- Climate Change Risk: the risk that the banks business model adversely impacts or is impacted by climate change. The risk is measured against the drive to be net zero and the financial risk both physical and transitional.

The credit quality of the Bank's exposures is reviewed and managed by the Bank's Risk Management department, RMC, Board ExCo (for larger exposures) and ARC.

Credit quality is assessed using techniques that use information from the major External Credit Assessment Institutions ('ECAI'), together with specific financial data, to determine internal risk ratings which are on a rating scale of 1-10 (with 1 being the highest). ECAI ratings are used for the exposures to Banks and Sukuk investments (financial assets at amortised cost). For Murabaha financings, the Bank uses its internal rating methodology. The internal ratings are mapped to the ECAI and regulators' credit risk ratings.

The Bank has detailed in its Credit & Investment Policy and IFRS 9 Policy and procedures, the relevant guidance on how to monitor impairment events that could lead to losses in its asset portfolio. Furthermore, the Bank's financial statements provide details of the Bank's IFRS 9 staging methodology and definitions.

The Bank writes off a balance (and any related allowances for impairment) when it is considered uncollectable. This would be determined by considering information such as significant changes in the obligor's financial position and an assessment of collateral levels.

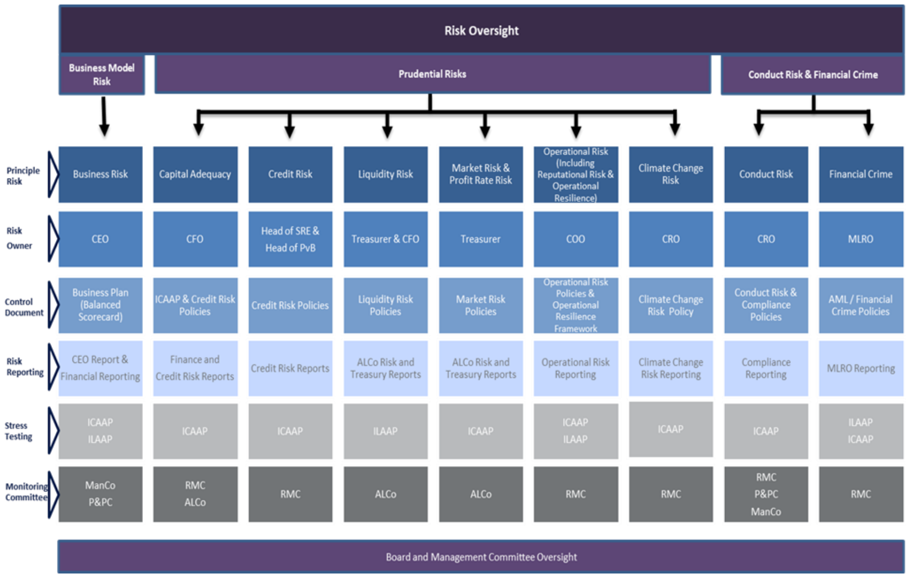
b. In application of point e of article 435(1) CRR, a declaration approved by the management body on the adequacy of the risk management arrangements:

The Board is responsible for reviewing the effectiveness of the Bank's risk management arrangements and systems of financial and internal control. These are designed to identify, assess, monitor, report and where possible mitigate risks.

The Board considers that it has in place adequate systems and controls with regard to the Bank's profile and strategy, and an appropriate array of assurance mechanisms, properly resourced and skilled, to avoid or minimise loss.

c. In application of point a of article 435(1) CRR, strategies and processes to manage risks for each separate category of risk:

The Bank maintains a robust and appropriate Risk Management Framework ('RMF') in order to identify, manage and monitor the risks the Bank is exposed to ensuring alignment with the Board approved Risk Appetite Statement. The RMF and chart below outlines the key risks for the Bank and governance structure essential to manage and monitor each risk type. Each principal risk will have a detailed documented policy and be overseen by a robust governance process.



Risk Oversight

	Business Model Risk	Prudential Risks						Conduct Risk & Financial Crime	
Principle Risk	Business Risk	Capital Adequacy	Credit Risk	Liquidity Risk	Market Risk & Profit Rate Risk	Operational Risk (Including Reputational Risk & Operational Resilience)	Climate Change Risk	Conduct Risk	Financial Crime
Risk Owner	CEO	CFO	Head of SRE & Head of PvB	Treasurer & CFO	Treasurer	COO	CRO	CRO	MLRO
Control Document	Business Plan (Balanced Scorecard)	ICAAP & Credit Risk Policies	Credit Risk Policies	Liquidity Risk Policies	Market Risk Policies	Operational Risk Policies & Operational Resilience Framework	Climate Change Risk Policy	Conduct Risk & Compliance Policies	AML / Financial Crime Policies
Risk Reporting	CEO Report & Financial Reporting	Finance and Credit Risk Reports	Credit Risk Reports	ALCo Risk and Treasury Reports	ALCo Risk and Treasury Reports	Operational Risk Reporting	Climate Change Risk Reporting	Compliance Reporting	MLRO Reporting
Stress Testing	ICAAP ILAAP	ICAAP	ICAAP	ILAAP	ICAAP	ICAAP ILAAP	ICAAP	ICAAP	ILAAP ICAAP
Monitoring Committee	ManCo P&PC	RMC ALCo	RMC	ALCo	ALCo	RMC	RMC	RMC P&PC ManCo	RMC

Board and Management Committee Oversight

To support the RMF, the Bank operates a 'three lines of defence' model:

The first line of defence are the front-line business units and support functions who have prime responsibility for risk. They are responsible for identifying, measuring, controlling and monitoring risk within their areas of accountability. They are required to establish effective control frameworks for their business in compliance with the risk policy hierarchy, and are required to act within the risk appetite parameters set by the Board. They are responsible for the development and review of some policies, with input from the second line. For each material risk they should identify, assess, measure, mitigate, monitor and report.

The second line of defence is the oversight management committees and risk control functions of Risk Management (including the CRO) and Compliance. They act as independent functions providing oversight of, and challenge to, the effectiveness of risk management arrangements and control frameworks in the business i.e. assessing the first line of defence's monitoring of risk management. The second line of defence will ensure appropriate risk policies are in place and are maintained and reviewed accordingly. The Risk function also collates aggregated risk management information for senior management and the Board and provides analysis of data and trends. For each material risk they advise, challenge, control and escalate. Furthermore, they are responsible for establishing a robust risk management and control framework, conducting independent assessments and oversight and challenge to the first line of defence teams and activities.

The third line of defence contains the independent assurance functions, namely Internal Audit. The role of this function is designed to make a valuable and objective assurance assessment on the effectiveness of controls and processes. This helps the Bank accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. For each material risk they review, identify gaps, escalate breaches and recommend enhancements.

The Bank's RMF is designed to ensure that each risk is identified, managed, monitored and overseen through a robust governance structure.

Business risk:
Business Risk can be defined as any risk to the Bank arising from changes in its business, including the risk that the firm may not be able to carry out its business plan and its desired strategy. Financial performance and capital adequacy are key areas that the Bank will monitor, as well as risks arising from a deviation to the proposed business plan.

There are controls throughout the Bank in regards to business risk. The strategy of the Bank is set by the Board and is closely monitored by ManCo and sub-management committees. The board committees also maintain close oversight over business risks within their specific remits, and there is detailed reporting across a range of indicators by both the Finance and the Risk functions to management, and through the committee/governance structure.

Capital Adequacy:
The Bank's strategy is currently one of growth in real estate financing, which carries with it the requirement for capital to increase to meet both internal and regulatory capital requirements. There is the risk that in this process capital may not grow as quickly as is needed, and that actual capital held falls below that which is required based on assets held. This could be the result of a fall in income relative to fixed costs, increased impairments or changes in the macro-economic environment impacting business activity.

The Bank, as part of its ICAAP, has thoroughly assessed the risks of its business, evaluating each identified risk individually to ensure that the Bank maintains adequate capital for its size, nature and complexity of business under normal and stressed situations. Capital adequacy will be assessed and monitored on an ongoing basis, to ensure that the assessment of risks and calculation of capital requirement remain current to the Bank.

The Bank's capital requirements are set and monitored by the PRA. Regulatory capital is analysed in two tiers:

Tier 1 capital, which includes ordinary share capital and retained earnings
Tier 2 capital, which includes qualifying subordinated Wakala deposits

The level of total regulatory capital is monitored against the Individual Capital Guidance. Individual Capital Guidance is comprised of Pillar 1 capital using the Standardised Approach and Pillar 2 as required by the PRA. The Bank has complied with all capital requirements throughout the period.

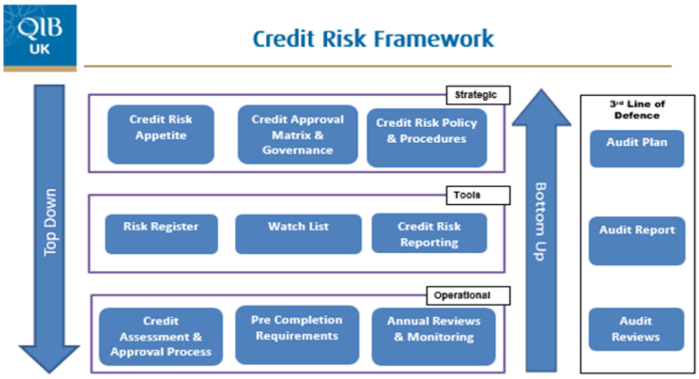
Credit risk:
Credit risk is the risk of financial loss arising from a counterparty failing to meet their financial obligations to the Bank. It arises from the Bank's financing activities and is the most significant risk incurred by the Bank.

The Bank does not trade in financial instruments, other than for liquidity management purposes. It does not sell payment protection insurance policies or act as an insurance intermediary.

The Bank actively manages credit exposure and will act promptly if credit performance deteriorates, or is expected to deteriorate, due to economic or sector-specific weaknesses.

The Bank uses the standardised approach in determining the appropriate level of capital to be held for regulatory purposes.

The following diagram sets out the Bank's credit risk framework:


QIB UK
Credit Risk Framework
Top Down
Strategic
Credit Risk Appetite
Credit Approval Matrix & Governance
Credit Risk Policy & Procedures
Tools
Risk Register
Watch List
Credit Risk Reporting
Operational
Credit Assessment & Approval Process
Pre Completion Requirements
Annual Reviews & Monitoring
Bottom Up
3rd Line of Defence
Audit Plan
Audit Report
Audit Reviews

Credit Risk: Real Estate
The Bank specialises in real estate financing.

The Bank seeks to mitigate credit risk by focusing on finance for prime London investment properties; regulated and unregulated owner-occupier properties for high net-worth individual (HNWI) private banking clients; and wider structured real estate financing for experienced UK based property corporates. The Bank's private banking activities tend to be focused around HNWI clients from the Middle East, with a specific focus on Qatar, noting its parent's strong presence in the jurisdiction.

When underwriting real estate finance facilities, rigorous affordability assessments are undertaken. A stress test is applied to the Bank of England Base Rate (BBR) to allow for a significant increase in the financing cost and the profit service coverage with 125% buffer. Given the recent term increase in BBR the profit service cost of facilities has greatly increased. In this respect the rigour affordability tests carried out prior to underwriting means most of our clients continue to service facilities satisfactorily. There has been an increase in clients having difficulties servicing profit payments, which mainly relates to buy-to-let (BTL) facilities where legacy rents fall well short of the financing profit costs. The Bank is supporting these clients where eit can to ensure good outcomes.

The Bank has conservative policies on security cover, typically extending finance of no more than 65% of the property value. It undertakes a full valuation of all properties which act as security. Valuation reports are produced by an experienced panel of qualified external valuers.

Each proposal is reviewed, subject to an internal credit rating assessment by the relationship team, before being reviewed by an independent credit risk manager and submitted with a recommendation through Risk Committee governance.

Credit Risk: Treasury
Credit risk arises from Treasury assets where the Bank has acquired securities, such as Sukuk, or placed cash deposits with other financial institutions. The credit risk of these assets is low, as the Bank limits its investments to high quality counterparties/issuers. The counterparties tend to be externally rated by External Credit Assessment Institutions (ECAI), and subject to regular assessment with action taken where required.

No assets are held for speculative purposes, nor are any actively traded for profit. Certain liquid assets are held as part of the Bank's liquidity buffer and the Bank will periodically realise a proportion of the assets in its LAB portfolio through repo or outright sale to the market, in order to test its access to the market, the effectiveness of its processes for monetisation, the availability of the assets, and to minimise the risk of negative signalling during a period of actual stress..

Cash-related credit risk is controlled through a policy which limits the maximum exposure to any one entity. These limits are reviewed and approved by the Board after consultation with the Bank's parent, Qatar Islamic Bank S.A.Q, to ensure credit risk to financial institutions is conservatively spread.

As part of its liquidity buffer, the Bank holds a portfolio of high quality Sukuk. These are highly liquid, highly rated and accepted by the regulator as a component of the Bank's statutory core liquidity. As at 31 December 2023, the Bank held a market value of £139.7 million level 1 assets (0% risk weighted) and £4.0 million level 2B assets (50% risk weighted).

Management of Credit Risk:
The Bank manages credit risk by monitoring credit exposures, limiting transactions with specific counterparties, countries or sectors and continually assessing the creditworthiness of all counterparties. It also ensures that credit capacity is diversified across the Bank's business lines, to ensure an appropriate allocation of risk capital and avoid undue concentrations.

The Risk Management department is responsible for the operational management of the Bank's Credit Risk Policy, including:

- reviewing credit and financing proposals, providing clear recommendation to the appropriate committee;
- reviewing and recommending exceptions to delegated limits, where appropriate;
- reviewing, monitoring and taking action, as appropriate, any non-performing credit facilities;
- monitoring ongoing adherence to country and counterparty limits.

The credit limit structure forms part of the Credit & Investment Policy and associated Risk Appetite Statement, which is monitored on a monthly basis through risk reporting to RMC. Within this limit structure, potential exposures and proposals are assessed by either RMC, Board ExCo, ARC or the Board if required. RMC is responsible for the formal assessment of any new exposures. Business lines are required to submit credit approval requests to the Risk Management department using the standardised Bank credit application template. The Credit Risk Manager undertakes an initial credit analysis and will ensure that the credit application is assessed and presented in line with the Bank's Credit & Investment Policy and procedures and that the appropriate credit application template is used and completed accurately. Existing exposures are reviewed by the business area on a regular basis and submitted to RMC for further review and approval. RMC reviews all potential exposures. If the potential exposure falls within its delegated authority, RMC will form its own decision. If not, RMC will review and, if appropriate, recommend the exposure to either ExCo or the Board. An active 'watch list' process is in place and exposures on the watch list are subject to more detailed ongoing review.

Counterparty credit risk
Counterparty credit risk can be defined as the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows. The Bank uses forward foreign exchange contracts with its parent company to hedge exposures on foreign exchange risk. These are measured using the original exposure method.

Climate Change and Nature Decline Risk:

The Banks Risk Management Framework Policy incorporates climate change and nature decline risk as one of the Bank's Principal risks. Given climate change risk poses long term risks, the Bank has started to mitigate now to avoid irreversible impact and significant financial impact.

The Bank has identified 3 key risk areas that need to be managed.

1. Within its core business financing real estate, the Bank is exposed to climate change risks, both physical and transition.
2. There is also a risk that QIB (UK) as a business generates levels of CO2 emissions that do not support the drive to net zero by 2050.
3. Given climate change risk transmits across the traditional risk types, they need to be assessed to identify the impact of climate change risks.

Climate Risks in the Real Estate Finance Portfolio:

The Bank's core business of real estate finance leads to climate change risks to the underlying properties taken as security. There are physical risks that can impact the value of the security including flooding, subsidence, and coastal erosion. In terms of transition risk the changes to energy efficiency policy could impact our customers' ability to refinance, or in the case of investment properties impact their ability to let them and service their financing.

To be able to quantify the financial risks in the real estate finance portfolio, QIB (UK) has been working together with external experts to collect (asset-level) data and to run various scenarios going out to 2080. Landmark Information Services Climate Change Portfolio Assessment service enables mortgage lenders to understand the impact future climate risk may have on existing property security.

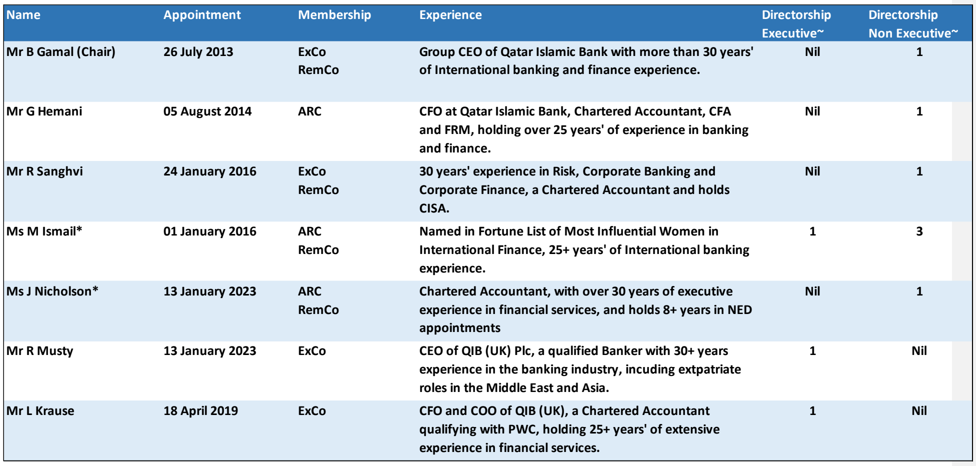
The assessment considers the following perils:

- Flood: wetter winters and more concentrated rainfall events will increase flooding
- Subsidence: drier summers will increase subsidence on shrink/swell clay
- Coastal erosion: increased storm surge and rising sea levels will increase rate of erosion
- Height above sea level: increasing global temperatures will cause sea levels to rise
- Energy efficiency policy change: F and G rated properties maybe required to undergo expensive remediation.

4.2 Template UK OVB - Disclosure on governance arrangement

a. In application of point a of article 435(2) CRR, the number of directorships held by members of the management body:

The Board is comprised of five non-executive directors, two of whom are independent, and two executive directors.



Name	Appointment	Membership	Experience	Directorship Executive~	Directorship Non Executive~
Mr B Gamal (Chair)	26 July 2013	ExCo RemCo	Group CEO of Qatar Islamic Bank with more than 30 years' of International banking and finance experience.	Nil	1
Mr G Hemani	05 August 2014	ARC	CFO at Qatar Islamic Bank, Chartered Accountant, CFA and FRM, holding over 25 years' of experience in banking and finance.	Nil	1
Mr R Sanghvi	24 January 2016	ExCo RemCo	30 years' experience in Risk, Corporate Banking and Corporate Finance, a Chartered Accountant and holds CISA.	Nil	1
Ms M Ismail*	01 January 2016	ARC RemCo	Named in Fortune List of Most Influential Women in International Finance, 25+ years' of International banking experience.	1	3
Ms J Nicholson*	13 January 2023	ARC RemCo	Chartered Accountant, with over 30 years of executive experience in financial services, and holds 8+ years in NED appointments	Nil	1
Mr R Musty	13 January 2023	ExCo	CEO of QIB (UK) Plc, a qualified Banker with 30+ years experience in the banking industry, incuding extpatriate roles in the Middle East and Asia.	1	Nil
Mr L Krause	18 April 2019	ExCo	CFO and COO of QIB (UK), a Chartered Accountant qualifying with PWC, holding 25+ years' of extensive experience in financial services.	1	Nil

ExCo - Board Executive Committee
ARC - Board Audit and Risk Committee
RemCo - Board Nominations and Remunerations Committee

~ excludes group and overseas companies
* Independent Nob-Executive Directors

b. In application of point b of article 435(2) CRR, information regarding the recruitment policy for the selection of members of the management body and their actual knowledge, skills and expertise:

The sole shareholder, Qatar Islamic Bank SAQ, will appoint and remove all directors at its discretion, through the mechanism of a formal Shareholder Resolution. To this end, they will ensure that the members of the Board includes at least three non-executive directors, including the Chair, and at least two independent non-executive directors.

Appointments will be made by ensuring that the Board members have the appropriate balance of skills, experience, independence and knowledge of the company to enable them to discharge their respective duties and responsibilities effectively.

c. In application of point c of article 435(2) CRR, information on the diversity policy with regard of the members of the management body:

The Bank is committed to its diversity on the Board and to the principle of equal opportunity in employment. It is the Bank’s primary responsibility to meet the objective of not discriminating in the course of employment, not to induce or attempt to induce others to practise unlawful discrimination and not to treat anyone less favourably because of a protected characteristic.

The Bank will select and promote on the basis of aptitude, skill and ability whilst meeting the needs of the business.

5. Annex VII: Disclosure of own funds

5.1 Template UK CC1 - Composition of regulatory own funds

In application of point a of article 437 CRR, the table below provides information on the composition of regulatory own funds and reconciliation to such items in the audited financial statements:

(a)	(b)

		Amounts	Reference to UK CC2
	Common Equity Tier 1 (CET1) capital: instruments and reserves		
1	Capital instruments and the related share premium accounts	60,864	
	of which: Allotted, called up and fully paid	60,864	a
	of which: Instrument type 2		
	of which: Instrument type 3		
2	Retained earnings	39,861	b
3	Accumulated other comprehensive income (and other reserves)	-283	c
UK-3a	Funds for general banking risk		
4	Amount of qualifying items referred to in Article 484 (3) CRR and the related share premium accounts subject to phase out from CET1		
5	Minority interests (amount allowed in consolidated CET1)		
UK-5a	Independently reviewed interim profits net of any foreseeable charge or dividend		
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**100,441**	
	Common Equity Tier 1 (CET1) capital: regulatory adjustments		
7	Additional value adjustments (negative amount)		
8	Intangible assets (net of related tax liability) (negative amount)	-23	d
9	Empty set in the UK		
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	-1,500	e
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	0	
12	Negative amounts resulting from the calculation of expected loss amounts		
13	Any increase in equity that results from securitised assets (negative amount)		
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing		
15	Defined-benefit pension fund assets (negative amount)		
16	Direct, indirect and synthetic holdings by an institution of own CET1 instruments (negative amount)		
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		
20	Empty set in the UK		
UK-20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative		
UK-20b	of which: qualifying holdings outside the financial sector (negative amount)		
UK-20c	of which: securitisation positions (negative amount)		

UK-20d	of which: free deliveries (negative amount)		
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)		
22	Amount exceeding the 17,65% threshold (negative amount)		
23	of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities		
24	Empty set in the UK		
25	of which: deferred tax assets arising from temporary differences		
UK-25a	Losses for the current financial year (negative amount)		
UK-25b	Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)		
26	Empty set in the UK		
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)		
27a	Other regulatory adjustments to CET1 capital *(including IFRS 9 transitional adjustments when relevant)*	0	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**-1,523**	
29	**Common Equity Tier 1 (CET1) capital**	**98,918**	
	Additional Tier 1 (AT1) capital: instruments		
30	Capital instruments and the related share premium accounts	0	
31	of which: classified as equity under applicable accounting standards		
32	of which: classified as liabilities under applicable accounting standards		
33	Amount of qualifying items referred to in Article 484 (4) CRR and the related share premium accounts subject to phase out from AT1 as described in Article 486(3) CRR		
UK-33a	Amount of qualifying items referred to in Article 494a(1) CRR subject to phase out from AT1		
UK-33b	Amount of qualifying items referred to in Article 494b(1) CRR subject to phase out from AT1		
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties		
35	of which: instruments issued by subsidiaries subject to phase out		
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**0**	
	Additional Tier 1 (AT1) capital: regulatory adjustments		
37	Direct, indirect and synthetic holdings by an institution of own AT1 instruments (negative amount)		
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)		
41	Empty set in the UK		
42	Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)		

42a	Other regulatory adjustments to AT1 capital		
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**0**	
44	**Additional Tier 1 (AT1) capital**	**0**	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**98,918**	
	Tier 2 (T2) capital: instruments		
46	Capital instruments and the related share premium accounts	13,700	f
47	Amount of qualifying items referred to in Article 484 (5) CRR and the related share premium accounts subject to phase out from T2 as described in Article 486(4) CRR		
UK-47a	Amount of qualifying items referred to in Article 494a (2) CRR subject to phase out from T2		
UK-47b	Amount of qualifying items referred to in Article 494b (2) CRR subject to phase out from T2		
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties		
49	of which: instruments issued by subsidiaries subject to phase out		
50	Credit risk adjustments		
51	**Tier 2 (T2) capital before regulatory adjustments**	**13,700**	
	Tier 2 (T2) capital: regulatory adjustments		
52	Direct, indirect and synthetic holdings by an institution of own T2 instruments and subordinated loans (negative amount)		
53	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		
54	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		
54a	Empty set in the UK		
55	Direct, indirect and synthetic holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)		
56	Empty set in the UK		
UK-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)		
UK-56b	Other regulatory adjustments to T2 capital		
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**0**	
58	**Tier 2 (T2) capital**	**13,700**	
59	**Total capital (TC = T1 + T2)**	**112,618**	
60	**Total Risk exposure amount**	**543,184**	
	Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	18.21%	
62	Tier 1 (as a percentage of total risk exposure amount)	18.21%	
63	Total capital (as a percentage of total risk exposure amount)	20.73%	
64	Institution CET1 overall capital requirement (CET1 requirement in accordance with Article 92 (1) CRR, plus additional CET1 requirement which the institution is required to hold in accordance with point (a) of Article 104(1) CRD, plus combined buffer requirement in accordance with Article 128(6) CRD) expressed as a percentage of risk exposure amount)	9.84%	

65	of which: capital conservation buffer requirement	2.50%	
66	of which: countercyclical buffer requirement	0.98%	
67	of which: systemic risk buffer requirement	0.00%	
UK-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	0	
68	**Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)**	11.85%	
69	[non relevant in UK]		
70	[non relevant in UK]		
71	[non relevant in UK]		
Amounts below the thresholds for deduction (before risk weighting)			
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)		
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)		
74	Empty set in the UK		
75	Deferred tax assets arising from temporary differences (amount below 17,65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)		
Applicable caps on the inclusion of provisions in Tier 2			
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)		
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach		
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)		
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach		
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)			
80	Current cap on CET1 instruments subject to phase out arrangements		
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)		
82	Current cap on AT1 instruments subject to phase out arrangements		
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)		
84	Current cap on T2 instruments subject to phase out arrangements		
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)		

5.2 Template UK CC2 - Reconciliation of regulatory own funds to balance sheet in the audited financial statements

In application of point a of article 437 CRR, the table below provides information on the composition of regulatory own funds and reconciliation to such items in the audited financial statements:

a	c
Balance sheet as in published financial statements*	**Reference to UK CC1**

		As at period end	
Assets - *Breakdown by asset class according to the balance sheet in the published financial statements*			
1	Cash and balances with banks	49,246,616	
0	Financing arrangements	826,875,369	
0	Financial assets at amortised cost	172,313,444	
0	Derivative financial instruments	617,042	
0	Property and equipment	12,674,423	
0	Intangible assets	23,300	d
0	Investment property	6,225,000	
0	Other assets	1,003,932	
0	Deferred tax asset	1,500,052	e
2	**Total assets**	**1,070,479,178**	
Liabilities - *Breakdown by liability class according to the balance sheet in the published financial statements*			
1	Due to banks	103,985,098	
0	Due to customers	827,374,599	
0	Other liabilities	23,695,160	
0	Derivative financial instruments	816,802	
0	Subordinated Wakala	14,166,072	f
2	**Total liabilities**	**970,037,731**	
Shareholders' Equity			
1	Share capital	60,864,221	a
0	Cash flow hedge reserve	(283,405)	c
0	Retained earnings	39,860,631	b
2	**Total shareholders' equity**	**100,441,447**	

* QIB (UK) has the same accounting and regulatory scope of consolidation

6. Annex XIII - Disclosure of liquidity requirements

Commented [DR1]: Alex, please review the following section on Liquidity.

6.1 Template UK LIQA - Liquidity risk management

a. In application of point a of article 451(a)(4) CRR, information regarding the strategies and processes to manage liquidity risk including policies on diversification in the sources and tenor of planned funding

Liquidity risk is defined as the risk that the Bank will not be able to finance its assets and/or meet its liabilities as they fall due, or will only be able to meet them at an uneconomic price. Sources of liquidity risk include unforeseen withdrawal of deposits, restricted access to new funding with appropriate maturity and profit characteristics, inability to liquidate marketable assets in a timely manner with an acceptable risk of capital loss, unpredicted non-payment of financing obligations.
The Bank manages its liquidity profile to ensure that it maintains adequate levels of liquidity resources to meet all regulatory requirements, a prudent funding profile, and that it comprehensively manages and controls liquidity and funding risks to support the daily and budgeted business requirements.

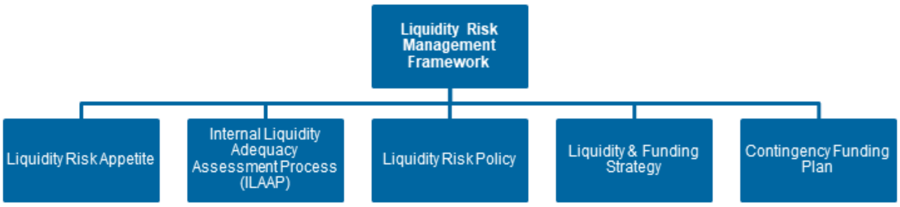
b. Structure and organisation of the liquidity risk management function (authority, statute, other arrangements)

Liquidity risk is primarily managed by Treasury and Finance, with oversight from the Risk department as well as ALCo, RMC and ARC.

The ILAAP requires the Bank to consider all material liquidity risks in detail and documents the Bank's analysis of each key liquidity risk driver, with monitoring metrics set against each key liquidity risk. Through the ILAAP process, the Bank has assessed the level of liquidity necessary to prudently cover systemic and idiosyncratic risks, and appropriate risk measures have been agreed to monitor this on an on-going basis. Liquidity risks are specifically considered by ALCo each month and by ARC and the Board on a quarterly basis.

c. A description of the degree of centralisation of liquidity management and interaction between the group's units

The Bank has a Liquidity Risk Management Framework ('LRMF'), illustrated in the chart below, that is used to communicate the strategy for managing and monitoring liquidity risk within the Bank. This framework enables the Bank to identify, measure, manage and monitor liquidity and funding risk over an appropriate set of time horizons, including intraday, so as to ensure it maintains adequate levels of liquidity buffers and an appropriate funding profile. The Bank seeks to mitigate risk by implementing sound systems and controls, through robust corporate governance arrangements. The LRMF and stress testing programme have required involvement from the executive and senior management representatives in formulating and implementing the strategy, and have been subject to challenge and review at all relevant levels, including the Board. The Bank has also taken into consideration the Principles for Sound Liquidity Management and Supervision dated September 2008, issued by the Basel Committee on Banking Supervision when constructing the Bank's LRMF.


Liquidity Risk Management Framework

Liquidity Risk Appetite

Internal Liquidity Adequacy Assessment Process (ILAAP)

Liquidity Risk Policy

Liquidity & Funding Strategy

Contingency Funding Plan

In order to manage the Bank's liquidity risk, the Bank will:

- maintain adequate liquidity at all times in order to meet obligations as they fall due;
- maintain a portfolio of regulatory and Shari'a compliant high quality, unencumbered assets as a Liquid Asset Buffer (LAB), which can be liquidated at short notice;
- complete an ILAAP proportionate to the nature, scale and complexity of its business at least annually or more frequently if required;
- appropriately manage any mismatch between the tenor of its assets and liabilities;
- build and maintain a diversified deposit base that is within the Bank's risk appetite;
- conduct regular and broad-based stress testing;
- implement liquidity contingency funding plans;
- have adequate systems and controls for monitoring, measuring and managing liquidity on a daily basis;
- ensure sufficient senior management oversight; and
- maintain clear lines of communication with the regulator and to notify them of any breaches of its guidelines as soon as they occur.

d. Scope and nature of liquidity risk reporting and measurement systems.
Key liquidity risk drivers

The Bank's key liquidity risk drivers have been identified as:

Retail funding risk

The Bank's liquidity and funding strategy is to continue to steadily increase the value of retail deposits it holds. The overall level of retail funding risk is tracked through the monthly ALCo management information pack and regulatory reporting submissions. In order to drive a higher level of retail deposits, particularly noting the requirements under the Net Stable Funding Ratio, the Bank has successfully implemented a partnership with two Deposit Aggregators – Raisin and Insignis. Both aggregators provide the ability to generate retail funding through UK based savers. The Bank is able to adjust its products, tenors and rates to attract a desired value of deposits, whilst managing its overall cost of funding. This, in addition to its deposit offering to HNWI through the Private Banking department, has subsequently lead to material improvements in the Bank's stable funding base. This has become a well-established and reliable source of funding for the Bank. Its two Deposit Aggregators have become the main source of outsourcing risk for the Bank and subsequently are subjected to enhanced and regular risk monitoring.

The Bank's retail funding profile includes HNWI current and savings accounts, fixed deposits and retail savings deposits. Retail funding risk would arise from withdrawal requests of funds held in current and savings accounts as well as an increased withdrawal rate from these individuals on maturity.

The Bank maintains very conservative liquidity reserves against retail funding risk and a proportion of the deposits are protected by the Financial Services Compensation Scheme ('FSCS'). As at 31st December 2023, the insured amount provided by the FSCS is £85,000 for each depositor.

Wholesale funding

The Bank does not have any wholesale secured funding facilities. All funding from the wholesale markets are on an unsecured basis. Wholesale funding risk is the risk that funds from wholesale depositors are withdrawn on maturity. Wholesale deposits are deployed to support the Bank's general asset book and to diversify the Bank's source of funding, though Treasury are aware of the risk of withdrawal on maturity, which is reflected in the Bank's daily liquidity monitoring. The Bank benefits from substantial stable funding lines from its parent and wider wholesale entities. These are tracked closely and maturity profiles are spread in order to mitigate risk.

Funding tenor risk

Funding tenor risk arises from vulnerabilities within the term structure due to internal, external or contractual events. Funding tenor risk can arise for the Bank as a result of mismatches in the maturity profile of the Bank's financing book, where the maturity term of assets may differ from that of its funding liabilities. The Bank actively monitors its maturity mismatch by allocating assets/liabilities into individual time bands and setting appropriate monitoring metrics. This is further demonstrated as part of the Bank's liquidity metric monitoring and daily calculation of Liquidity Coverage Ratio positions.

Risk of deterioration in Bank's credit rating

The Bank is unrated and is wholly-owned by its parent, Qatar Islamic Bank S.A.Q., currently rated at investment grade (A) by Fitch, (A-) by S&P and (A1) by Moody's. A decline in the parent's rating would not significantly affect the retail/HNWI element of the Bank's funding base, but could impact the Bank's wholesale funding base. The Bank monitors the parent's rating and would reassure its Treasury counterparties should there be any concerns over a potential downgrade.

Intraday liquidity risk

This is the risk that the Bank fails to manage its intraday liquidity effectively, which could leave it unable to meet a payment or settlement obligation at the time expected, thereby affecting its own liquidity position and that of other parties. The Bank must therefore ensure that it retains sufficient intraday liquidity at all times. The Treasury department actively manage and monitor the Bank's liquidity position to ensure that the Bank is able to meet its payment and settlement obligations on a timely basis. The Bank mitigates this risk by holding a buffer of funds across its nostro accounts and in the Bank of England Alternative Liquidity Facility (ALF) to satisfy large customer withdrawal requests, as well as maintaining unsecured borrowing lines with its counterparties.

The Bank monitors and reviews the behavioural adjustments it applies to its demand money balances – those balances that are instantly withdrawable without notice. There have been instances in the past where the Bank has increased the proportion of funds it holds to facilitate customer withdrawals during times of low market liquidity (i.e. during the COVID 19 pandemic).

Payment systems

The Bank is not a direct part of the UK payments system, but uses its relationships with large UK clearing banks.

Pipeline financing commitments

The Bank maintains liquidity to cover the outstanding pipeline of financing offers.

Liquidity Risk Governance

Risk governance has been enhanced to manage the Bank's liquidity during a changing interest rate environment. In order to monitor and manage liquidity and funding risks, weekly meetings have been established including the Asset and Liability Committee members. This has meant liquidity levels have remained above regulatory requirements and funding has been managed without the need to adopt any of the Bank's contingency funding options.

e. Policies for hedging and mitigating the liquidity risk and strategies and processes for monitoring the continuing effectiveness of hedges and mitigants.

QIB (UK) Liquidity & Funding Strategy
QIB (UK) Liquidity Risk Policy

f. An outline of the bank`s contingency funding plans.

The Contingency Funding Plan (CFP) sets out the Bank's strategy for addressing liquidity shortfalls under stress to ensure it can meet its liabilities as they fall due. The key elements of the CFP include:

Governance – The Bank will form a Crisis and Recovery Committee (CRC), chaired by the CEO and comprised of senior executives. It will identify actions to contain the crisis in light of its nature, severity, and duration.

Invocation of CFP - In case of a Liquidity Crisis or breach of Early Warning Indicators (EWIs), the CEO, CRO, CFO and HoT will consider the severity of the liquidity position judging whether BAU actions would be sufficient to address the position and CRC will be invoked.

Management action plan – Proposed actions with time scales will be constructed, identifying funding providers, risk mitigations, liquidity and capital projections, considering the Bank's funding profile and business model.

Communication - Internal communication ensures relevant employees, in particular front-line staff, are aware of how to manage stakeholders' and customers' expectations. The CRC will be responsible for co-ordinating internal communication. The parties to be informed of a crisis are the Bank's Board members, parent, customers and the regulators. Each has different information requirements and the CRC will ensure they are informed promptly.

The following sets out the options the Bank considers available under the Contingency Funding Plan:
Short-term (BAU)

I. Raising new retail / PVB deposits
II. Withdrawing overnight deposits or early maturity of interbank placements with the Parent company
III. Postponing the approval of new financing deals and additional Treasury placements
IV. Using maturing assets to cover payments
V. Selling marketable securities
VI. Requesting support from Parent
Long-term
I. Sale or sub-participation of the entire or portion of the Real Estate Financing portfolio either to market or our Parent
II. Sale or refinancing of Bank premises
III. Reduction in operating expenses
IV. Seeking support from Group Entities/Ultimate Shareholders/Related Parties
Return to 'business-as-usual' - Once the CRC has completed the proposed action plan, the final report of the incident will be submitted to the Board and in the case of a regulatory breach, this will also be sent to the Regulators.

g. An explanation of how stress testing is used

Stress testing is a key component of the Bank's risk management framework and plays a significant role in alerting the Bank's management to unexpected adverse outcomes arising from a wide range of risks, and provides an indication to the Bank of the financial resources that might be needed to absorb losses should large shocks occur.

The Bank has in place a Stress Testing Policy which sets out the stress testing practices and describes how they relate to the material sources of risk inherent in its strategy. It acts to ensure the Bank meets all regulatory requirements set down in the PRA Rulebook. The following are key areas covered within the policy:

.1. The stress testing methodologies of the Bank ensuring key risks, scenarios and sensitivities that may adversely impact the financial or operational position of the Bank are appropriately considered.

.2. Governance and oversight arrangements in place including policy ownership and individual roles and responsibilities of all the participants of the stress testing and scenario analysis processes.

- Processes for determining, reviewing and approving the appropriate stress tests and management actions, and an overview of the current stress testing practices in place.

- Linkages and inputs for the Bank’s ICAAP, ILAAP and RRP to ensure the adequacy of the Bank’s financial resources (both capital and liquidity) and the potential management actions available to mitigate the effect of any adverse events are appropriately considered.

7. Annex XXIX - Disclosure of use of standardised approach and internal model for market risk

a. In application of point a of article 435(1) CRR, a description of the institution's strategies and processes to manage market risk, including:

An explanation of management’s strategic objectives in undertaking trading activities, as well as the processes implemented to identify, measure, monitor and control the institution’s market risks

Market risk is defined as the risk of losses arising from adverse changes in the value of positions, as a result of movements in market prices across commodity, foreign exchange, debt and rate markets.

The Bank does not have material exposure to market risk or any trading book assets, as it is not the nature of a Shari’a compliant bank to engage in speculative market trading. The Bank therefore does not engage in proprietary trading activities or hold positions in assets or equity which are actively traded. The Bank does however accept market risk to some degree by holding a portfolio of liquid assets (Sukuk) which are used for liquidity buffer purposes. These securities are exposed to market price movements should any of the securities be sold. Daily prices are obtained and market values reported to ensure that the Bank is aware of any material diminution in value.

The Board’s strategic view of market risk is therefore to accept it only on the basis of asset and liability management and for liquidity purposes, and not in pursuit of trading profits.

Market risk is largely related to Treasury’s activities and is managed by the Bank’s Treasury department in line with limits established and monitored by RMC and ALCo. Limits are set by the RMC and approved periodically by the Board.

Foreign exchange risk is managed by Treasury, in line with limits established and monitored by RMC and ALCo, by ensuring open foreign exchange positions are minimised through the use of Shari’a compliant hedging techniques.

Profit rate risk is the risk of loss through un-hedged or mismatched asset and liability positions sensitive to changes in profit rates. Where possible, the Bank seeks to match the profit rate structure of assets with liabilities or deposits, creating a natural hedge. As part of the monthly ALCo meeting, the investment portfolio is regularly tracked for changes relating to mark to market (‘MTM’) and a stress test, to which a 2% parallel upward/downward shift in profit rates is being applied to see the resulting impact. This is then compared against the regulatory capital surplus/shortfall to agree if any hedging of profit rate risk needs to be considered at the committee level. Profit rate risk is managed and monitored by Treasury, with oversight from Finance and Risk and reported to ALCo and the regulator on a periodic basis.

8. Annex XXXI - Disclosure of operational risk

8.1 Template UK ORA - Qualitative information on operational risk

In application of point a of article 435(1) CRR, information regarding the strategies and processes to manage operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The scope of the definition includes legal risk, reputational risk and for QIB (UK) also includes Shari’a compliance risk. It is the responsibility of all staff to manage the operational risk inherent in their roles and responsibilities and overall ownership sits with the Chief Operating Officer (COO). Operational risk is managed within the Bank through a number of processes based on the Three Lines of Defence Model. These include Risk and Control Self-Assessments (RCSAs), risk event monitoring, internal audits and controls testing. All of these processes help the Bank to identify, assess, measure and mitigate risks, whilst ensuring the correct control landscapes are in place and are effective.

To help control and mitigate potential operational risks, the Bank ensures its control environment, including a RCSA process, risk incident report log and operational risk appetite monitoring, is maintained at all times and remains appropriate to support business objectives. When undertaking RCSAs, staff have been required to specifically consider home working risks. This process helps to identify additional risks and ensure the appropriate controls are in place. Ultimately, the Risk Register will cover the operational risks associated with all staff remote working.

The Bank's objective in managing operational risk is to implement an integrated internal control and operating infrastructure that supports process efficiency and customer needs, whilst effectively reducing the risk of error and financial loss in a cost effective manner. The overall operational risk framework is set by the Board and is documented within the Bank's Operational Risk Policy under the guidance of RMC.

The Board retains ultimate responsibility for the oversight of risk management and control in the Bank. This includes setting a clear Risk Appetite Statement and, whilst the Board approves the strategy and policy documents, it delegates part of this responsibility to ARC. At an executive level, risk is managed by the executive management team, reporting to the Bank's CEO.

The Bank's Risk Register provides details on the high and medium priority risks derived from incident reports and RCSA results. The Risk Register has a clear action plan/mitigation steps, owner and timeline to resolve and present through the appropriate governance committee.

The Compliance team ensures that all aspects of regulatory risk impacting the Bank are appropriately reviewed and managed. The Bank does not have a dedicated in-house legal function but uses professional legal firms for all matters requiring legal advice. The Compliance team undertakes tests as part of its annual Compliance Monitoring Plan (CMP). These tests have covered social distancing requirements, email security, treating customers fairly, data protection and clear desk requirements to list a few.

Reports from Internal Audit are reviewed by ARC, which is also responsible for reviewing and approving the annual internal audit plan.

The Bank conducts fire drills so that staff are aware of the procedures to be followed in cases of emergency and has an off-site business continuity planning & disaster recovery facility based in Basildon. This is periodically tested by Bank staff to ensure that they can perform their functional duties away from the Bank's headquarters, should it be required at any given point in time.

In response to the pandemic restrictions, the Bank moved all staff to remote home working. This impacted the inherent operational risks, and therefore required the Bank to implement additional COVID-19 related controls. These additional controls ensured the residual operational risk level remained within the Bank's risk appetite. Since the end of the pandemic restrictions the Bank has reverted on-site working, while allowing staff some flexibility by providing the option to work part of the time from home.

Cyber risk, which is assessed as part of the operational risk framework, is the risk of any financial loss, disruption or damage as a result of cyber-attacks, security breaches, unauthorised access, loss or destruction of data, unavailability of service, computer viruses or other events that could have an adverse security impact. Cyber risk is managed through technology risk management such as penetration test, firewall, fishing-vishing test and business continuity planning, and is considered as part of the Bank's overall operational risk assessment.

The increased use of home working was facilitated by the Bank's resilient IT infrastructure. Prior to the lockdown, a number of staff were able to remote work securely. To extend this to all staff, the purchase of additional firewall and VPN licenses was required. A number of additional controls were undertaken to prevent and manage cyberattacks. Firewalls were upgraded, email security enhanced and staff training brought forward. The headcount in IT/IT Security has also increased from 2 FTE to 3 FTE.

Prior to moving all staff to remote working, the Bank's insurance brokers were informed and updated with regard to policy and procedures changes. Insurance cover was reviewed and additional cover was taken to provide for the additional equipment being used by staff from their homes.

The Banks commitment to Operational resilience, which refers to 'the ability of firms, Financial Market Infrastructures (FMIs) and the sector as a whole to prevent, respond to, recover and learn from operational disruptions' is an ongoing priority. The SMF24 is the responsible individual within the Bank for the resilience of operations.

The Bank's Operational Resilience programme is undergoing further enhancement and when completed will consist of:

1. Defining a framework to achieve operational resilience.
2. Embedding operational resilience in the governance structure.
3. Ensuring effective capacity management.
4. Strengthening the management of own risk.
5. Enhancing resilience capability and agility.
6. Promoting a culture of learning and continuous improvement.

The pandemic tested the Bank’s operational resilience, however it has demonstrated it can remain operational even in the most challenging period as seen at the height of the disruption. Our customers had ongoing access to products and services with very limited disruption. For a brief period during the initial lockdown, the Bank did not offer its Private Banking cash desk service. Cash services were still available at the Bank’s ATM located in the building and other ATMs. In reality, there was very little demand for cash as the majority of the Bank’s clients had returned overseas and the use of cash was discouraged due to the risk of COVID-19 transmission.

9. Annex XXXIII - Disclosure of remuneration policy

Commented [DR2]: Beverley, Please review the following pages for textual content and table data and update where necessary. Thanks

9.1 Template UK REMA - Remuneration policy

a. In application of point a of article 450 CRR, information relating to the bodies that oversee remuneration:

In line with regulatory guidance, remuneration is overseen by the Remuneration Committee (RemCo). This committee has three members –the QIB (UK) Chairman, and two independent non-executive directors. The Firm’s CEO is an invited attendee. The Remuneration Committee meets at least twice a year and otherwise as required.

This committee determines, on behalf of the Board, overall remuneration policy for all staff. The committee reviews employees’ remuneration annually and considers and approves the aggregate bonus pool once a year, with specific individual approval given to Management Committee members’ remuneration. The committee also reviews and provides feedback on executive directors. Within its terms of reference, the committee is obliged to review its own performance, constitution, and terms of reference at least annually to ensure that it is operating at maximum effectiveness and in line with regulatory requirements and recommend any changes it considers necessary to the Board for approval. The committee takes independent external professional advice as appropriate and monitors comparative remuneration packages within the financial sector.

The designation of material risk-takers is made subject to internal criteria set by the Board and regulatory qualitative and quantitative criteria. Board ExCo and the Board are appointed material risk-takers on a continuous basis.

b. In application of point b of article 450 CRR, information about the link between pay of the staff and their performance

The principles behind the Bank’s remuneration policy are those we believe are critical to the business and reflect our values.

These principles are:

- It is fair and equitable, reflecting the Bank’s commitment to diversity and equality of opportunity.

- It makes good commercial sense for our business, being affordable and proportionate, and sustainable over the long term.

- It represents an attractive reward proposition for our people and potential recruits and is benchmarked against appropriate external markets.

This policy and the Bank's general incentive structures focus on promoting 'sound and effective risk management that does not encourage risk taking that exceeds the level of tolerated risk of the firm'. This is achieved by:

- a stringent governance structure for setting goals and communicating these goals to employees;
- alignment with the Bank´s business strategy, values, standards of conduct, key priorities, and long-term goals;
- alignment with the principle of protection of customers and investors, ensuring prevention of conflict of interests;
- ensuring the bonus pool does not undermine the Bank's profitability (and subsequent capital base).

Employees have clear and predetermined objectives which are set in accordance with the Bank´s overall strategy and applicable regulation in individual Balanced Scorecards. (Balanced Scorecards set financial and non-financial targets, the latter being in the areas of risk, compliance, and people.

The Bank's Remuneration Policy, which is reviewed annually, and any changes approved by RemCo, focuses on ensuring sound and effective risk management through:

- a stringent governance structure for setting goals and communicating these to employees;
- making all variable remuneration awards at the discretion of the committee and subject to individual, business unit and overall bank performance, stated risk appetite and ICAAP measures.

The annual review of the remuneration policy determined that it continued to be appropriate and consequently no material changes were required.

c. In application of point c of article 450 CRR, information about the most important design characteristics of the remuneration system:

- The remuneration of material risk-takers and employees in control functions is subject to specific conditions laid down in applicable national legislation, relevant EU rules and guidelines.
- Once a year, subject to the policy of conducting an annual Fitness and Propriety Assessment process, the Board designates employees in control functions and employees who are material risk-takers.
- In accordance with the regulations applicable, the designation of material risk-takers is made subject to internal criteria set by the Board and regulatory qualitative and quantitative criteria. Board ExCo and the Board are appointed material risk-takers on a continuous basis.
- The Bank ensures that control functions are remunerated for delivering their best performance in the specific role and that the variable remuneration does not compromise employees´ objectivity and independence.
- All employees, including senior management and executive directors, receive a fixed remuneration package. The Bank operates a discretionary non-contractual annual bonus, which is not guaranteed and is not a permanent part of salary and may vary from year to year in amount and by any performance related adjustments.

9.2 Template UK REM1 - Remuneration awarded for the financial year

In application of points h (i) and h (ii) of article 450 CRR, the table below provides information on the amounts and forms of remuneration awarded during the financial year:

			a	b	c	d
			MB Supervisory function	MB Management function	Other senior management	Other identified staff
1	Fixed remuneration	Number of identified staff	5	0	8	8
2		Total fixed remuneration	105000	0	1,345,577	1,013,681
3		Of which: cash-based	105000	0	1,345,577	1,013,681
4		(Not applicable in the UK)				
UK-4a		Of which: shares or equivalent ownership interests	N/A	N/A	N/A	N/A
5		Of which: share-linked instruments or equivalent non-cash instruments	N/A	N/A	N/A	N/A
UK-5x		Of which: other instruments	N/A	N/A	N/A	N/A
6		(Not applicable in the UK)				
7		Of which: other forms	N/A	N/A	N/A	N/A
8		(Not applicable in the UK)				
9	Variable remuneration	Number of identified staff	5	0	8	8
10		Total variable remuneration	0	0	691,500	353,059
11		Of which: cash-based	0	0	691,500	353,059
12		Of which: deferred	N/A	N/A	N/A	N/A
UK-13a		Of which: shares or equivalent ownership interests	N/A	N/A	N/A	N/A
UK-14a		Of which: deferred	N/A	N/A	N/A	N/A
UK-13b		Of which: share-linked instruments or equivalent non-cash instruments	N/A	N/A	N/A	N/A
UK-14b		Of which: deferred	N/A	N/A	N/A	N/A
UK-14x		Of which: other instruments	N/A	N/A	N/A	N/A
UK-14y		Of which: deferred	N/A	N/A	N/A	N/A
15		Of which: other forms	N/A	N/A	N/A	N/A
16		Of which: deferred	N/A	N/A	N/A	N/A
17	Total remuneration (2 + 10)					

* All remuneration amounts are in £ sterling unless otherwise stated.

9.3 Template UK REM5 - Information on remuneration of staff whose professional activities have a material impact on institutions’ risk profile (identified staff)

In application of point g of article 450 CRR, the table below provides aggregate quantitative information on remuneration, broken down by business area:

		a	b	c	d	e	f	g	h	i	j
		Management body remuneration			Business areas						-
		MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other	Total
1	Total number of identified staff										21
2	Of which: members of the MB	5	0	5							
3	Of which: other senior management				N.A	2	N.A	5	1	N/A	
4	Of which: other identified staff				N.A	6	N.A	7	1	N/A	
5	Total remuneration of identified staff	105000	0	105000	N.A	1,396,795	N.A	1,780,164	134,055	N/A	
6	Of which: variable remuneration	0	0	0	N.A	379,600	N.A	555,000	44,000	N/A	
7	Of which: fixed remuneration	105000	0	105000	N.A	1,017,195	N.A	1,225,164	90,056	N/A	

* All remuneration amounts are in £ sterling unless otherwise stated.

10. Attestation

Each of the Directors listed below, confirms that to the best of their knowledge that, the disclosures provided according to Disclosure (CRR) Part of the PRA Rulebook (CRR) Instrument 2021 have been prepared in accordance with the internal control processes agreed upon at the management body level.

Approved by QIB (UK) Board and signed by their order.

Signatories: CFO and Audit Committee Chair