ARAB BANK FOR INVESTMENT AND FOREIGN TRADE

(AL MASRAF)

CAPITAL ADEQUACY

PILLAR III DISCLOSURES

30 June 2026

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1. Summary

- This Basel III - Pillar 3 Report for Arab Bank for Investment and Foreign Trade ("Al Masraf" or "the bank") has been prepared in accordance with the public/ market disclosure requirements and guidelines in respect of Pillar 3 of Basel III, as prescribed by the Central Bank of the UAE (CBUAE) and other clarifications received from time to time along with the Pillar 3 Formal Disclosure Policy of the Bank.
- The purpose of this report is to inform market participants of the key components, scope and effectiveness of the Banks' risk measurement processes, risk profile and capital adequacy. This is accomplished by providing consistent and understandable disclosure of the Bank's risk profile in a manner that enhances comparability with other institutions.
- The Bank has adopted the Standardized Approach for Credit Risk, and Market Risk and the Basic Indicator Approach for determining the capital requirements for Operational Risk.
- This Pillar 3 Report provides details on the Bank's risk weighted assets, which form the basis for the calculation of the capital requirement, leverage ratio and liquidity ratios.
- In accordance with the minimum capital requirement calculation methodology as prescribed under Basel III, the Bank's capital adequacy as at 30 June 2026 and a comparison thereof with the figures as of 31 March 2026 and 31 December 2025 is as follows:

Particulars	Jun 2026	Mar 2026	December 2025
Total Capital Adequacy Ratio	20.1%	19.9%	19.9%
Tier 1 Capital Adequacy Ratio	19.0%	18.8%	18.8%
CET 1 Ratio	19.0%	18.8%	18.8%

- Numbers are stated in AED thousands unless stated otherwise.

2. Overview of risk management and Risk Weighted Assets

2.2 KM1 - Key Metrics

		a	b	c	d	e
		30/06/2026	31/03/2026	31/12/2025	30/09/2025	30/06/2025
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1)	4,373,876	4,209,483	4,241,043	4,089,360	4,094,567
1a	Fully loaded ECL accounting model	4,373,876	4,209,483	4,241,043	4,089,360	4,094,567
2	Tier 1	4,373,876	4,209,483	4,241,043	4,089,360	4,094,567
2a	Fully loaded ECL accounting model Tier 1	4,373,876	4,209,483	4,241,043	4,089,360	4,094,567
3	Total capital	4,640,013	4,468,048	4,501,282	4,355,513	4,338,263
3a	Fully loaded ECL accounting model total capital	4,640,013	4,468,048	4,501,282	4,355,513	4,338,263
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	23,051,130	22,437,532	22,572,514	23,026,996	21,146,406
	Risk-based capital ratios as a percentage of RWA					
5	Common Equity Tier 1 ratio (%)	19.0%	18.8%	18.8%	17.8%	19.4%
5a	Fully loaded ECL accounting model CET1 (%)	19.0%	18.8%	18.8%	17.8%	19.4%
6	Tier 1 ratio (%)	19.0%	18.8%	18.8%	17.8%	19.4%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	19.0%	18.8%	18.8%	17.8%	19.4%
7	Total capital ratio (%)	20.1%	19.9%	19.9%	18.9%	20.5%
7a	Fully loaded ECL accounting model total capital ratio (%)	20.1%	19.9%	19.9%	18.9%	20.5%
	Additional CET1 buffer requirements as a percentage of RWA					

8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.5%	2.5%	2.5%	2.5%	2.5%
9	Countercyclical buffer requirement (%)	0.0%	0.0%	0.0%	0.0%	0.0%
10	Bank D-SIB additional requirements (%)	0.0%	0.0%	0.0%	0.0%	0.0%
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 (%)	9.6%	9.4%	9.4%	8.4%	10.0%
	Leverage Ratio					
13	Total leverage ratio measure	33,124,753	32,272,827	32,377,549	31,479,552	30,367,033
14	Leverage ratio (%) (row 2/row 13)	13.2%	13.0%	13.1%	13.0%	13.5%
14a	Fully loaded ECL accounting model leverage ratio (%) (row 2A/row 13)	13.2%	13.0%	13.1%	13.0%	13.5%
14b	Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	13.2%	13.0%	13.1%	13.0%	13.5%
	Liquidity Coverage Ratio					
15	Total HQLA	NA	NA	NA	NA	NA
16	Total net cash outflow	NA	NA	NA	NA	NA
17	LCR ratio (%)	NA	NA	NA	NA	NA
	Net Stable Funding Ratio					
18	Total available stable funding	NA	NA	NA	NA	NA
19	Total required stable funding	NA	NA	NA	NA	NA
20	NSFR ratio (%)	NA	NA	NA	NA	NA
	ELAR					
21	Total HQLA	3,852,400	4,261,346	4,189,980	3,069,878	3,558,449
22	Total liabilities	22,871,282	22,005,430	21,947,495	21,138,777	20,539,774
23	Eligible Liquid Assets Ratio (ELAR) (%)	16.8%	19.4%	19.1%	14.5%	17.3%
	ASRR					
24	Total available stable funding	21,609,628	21,283,959	19,207,082	18,749,688	17,941,871
25	Total Advances	18,516,156	16,686,217	16,852,739	16,086,632	15,047,426
26	Advances to Stable Resources Ratio (%)	85.7%	78.4%	87.7%	85.8%	83.9%

The Risk Weighted Assets increased during the period to AED 23,051 million as at 30 June 2026 as compared to AED 22,438 million as at 31 March 2026 primarily on account of increase in the loans and advances.

The increase in the Regulatory Capital is mainly on account of increase in the profits for the period.

There was a nominal increase in the leverage ratio to 13.2% as at June 2026 from 13.0% as at March 2026 due to the increase in the capital which is offset by increase in leverage exposure on the back of the increased balance sheet size.

The ELAR decreased to 16.8% as at 30 June 2026 as compared to 19.4% as at 31 March 2026 due to decrease in investments in M-Bills of the Central Bank of UAE. The ASRR reached 85.7% as at 30 June 2026 due to the increase in loans and advances.

The ratios were maintained above the minimum limits set by Central Bank of UAE.

2.2 OV1 - Overview of Risk Weighted Assets

		a	b	c
		RWA		Minimum capital requirements
		30/06/2026	31/03/2026	T
1	Credit risk (excluding counterparty credit risk)	21,271,728	20,641,909	2,233,531
2	Of which: standardised approach (SA)	21,271,728	20,641,909	2,233,531
3	Of which: foundation internal ratings-based (F-IRB) approach			
4	Of which: supervisory slotting approach			
5	Of which: advanced internal ratings-based (A-IRB) approach			
6	Counterparty credit risk (CCR)	9,623	21,658	1,010
7	Of which: standardised approach for counterparty credit risk	9,623	21,658	1,010
8	Of which: Internal Model Method (IMM)			
9	Of which: other CCR			
10	Credit valuation adjustment (CVA)	9,623	21,658	1,010
11	Equity positions under the simple risk weight approach			
12	Equity investments in funds - look-through approach			
13	Equity investments in funds - mandate-based approach			
14	Equity investments in funds - fall-back approach			
15	Settlement risk			
16	Securitisation exposures in the banking book			
17	Of which: securitisation internal ratings-based approach (SEC-IRBA)			
18	Of which: securitisation external ratings-based approach (SEC-ERBA)			
19	Of which: securitisation standardised approach (SEC-SA)			
20	Market risk	25,688	30,648	2,697
21	Of which: standardised approach (SA)	25,688	30,648	2,697
22	Of which: internal models approach (IMA)			
23	Operational risk	1,734,467	1,721,659	182,119
24	Amounts below thresholds for deduction (subject to 250% risk weight)			
25	Floor adjustment			
26	**Total (1+6+10+11+12+13+14+15+16+20+23)**	**23,051,129**	**22,437,532**	**2,420,369**

Total Credit risk weighted assets (including CCR and CVA) increased to AED 21,291 million as at 30 June 2026 from AED 20,685 million as at 31 March 2026 due to increase in loans and advances during the period. The counterparty credit risk weighted assets and credit valuation adjustments decreased to AED 19.2 million as at 30 June 2026 from AED 43.3 million as at 31 March 2026 due to decrease in underlying exposure of derivatives.

Market risk weighted assets decreased to AED 25.7 million from AED 30.6 million as at 31 March 2026 on the back of decrease in underlying FX net open exposures.

3. Composition of capital

3.1 CC1 - Composition of regulatory capital

		A	b
		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	2,000,000	Same as (h) from CC2 template
2	Retained earnings	1,084,023	
3	Accumulated other comprehensive income (and other reserves)	1,361,492	
4	*Directly issued capital subject to phase-out from CET1 (only applicable to non-joint stock companies)*	-	
5	Common share capital issued by third parties (amount allowed in group CET1)	-	
6	**Common Equity Tier 1 capital before regulatory deductions**	**4,445,515**	
	Common Equity Tier 1 capital regulatory adjustments		
7	Prudent valuation adjustments		
8	Goodwill (net of related tax liability)		CC2 (a) minus (d)
9	Other intangibles including mortgage servicing rights (net of related tax liability)	(66,619)	CC2 (b) minus (e)
10	Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of related tax liability)	(5,020)	
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**	(71,639)	
25	**Common Equity Tier 1 capital (CET1)**	**4,373,876**	

	Additional Tier 1 capital: instruments		
26	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	-	CC2 (i)
27	OF which: classified as equity under applicable accounting standards	-	
28	Of which: classified as liabilities under applicable accounting standards	-	
29	*Directly issued capital instruments subject to phase-out from additional Tier 1*	-	
30	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in AT1)	-	
31	*Of which: instruments issued by subsidiaries subject to phase-out*	-	
32	Additional Tier 1 capital before regulatory adjustments	-	
	Additional Tier 1 capital: regulatory adjustments		
33	Investments in own additional Tier 1 instruments	-	
34	Investments in capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	
35	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	
36	CBUAE specific regulatory adjustments	-	
37	Total regulatory adjustments to additional Tier 1 capital	-	
38	**Additional Tier 1 capital (AT1)**	-	
39	**Tier 1 capital (T1= CET1 + AT1)**	**4,373,876**	
	Tier 2 capital: instruments and provisions		
40	Directly issued qualifying Tier 2 instruments plus related stock surplus	-	
41	*Directly issued capital instruments subject to phase-out from Tier 2*	-	
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	*Of which: instruments issued by subsidiaries subject to phase-out*	-	
44	Provisions	266,137	
45	**Tier 2 capital before regulatory adjustments**	**266,137**	
	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)**	**266,137**	
52	**Total regulatory capital (TC = T1 + T2)**	**4,640,013**	
53	**Total risk-weighted assets**	**23,051,129**	
	Capital ratios and buffers		
54	**Common Equity Tier 1 (as a percentage of risk-weighted assets)**	19.0%	

55	**Tier 1 (as a percentage of risk-weighted assets)**	19.0%	
56	**Total capital (as a percentage of risk-weighted assets)**	20.1%	
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)**	2.5%	
58	**Of which: capital conservation buffer requirement**	2.5%	
59	**Of which: bank-specific countercyclical buffer requirement**	0.0%	
60	**Of which: higher loss absorbency requirement (e.g. DSIB)**	0.0%	
61	**Common Equity Tier 1 (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirement.**	9.6%	
	The CBUAE Minimum Capital Requirement		
62	Common Equity Tier 1 minimum ratio	7.0%	
63	Tier 1 minimum ratio	8.5%	
64	Total capital minimum ratio	10.5%	
	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)	650,585	
70	Cap on inclusion of provisions in Tier 2 under standardised approach	266,137	
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
73	*Current cap on CET1 instruments subject to phase-out arrangements*		
74	*Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)*		
75	*Current cap on AT1 instruments subject to phase-out arrangements*		
76	*Amount excluded from AT1 due to cap (excess after redemptions and maturities)*		
77	*Current cap on T2 instruments subject to phase-out arrangements*		
78	*Amount excluded from T2 due to cap (excess after redemptions and maturities)*		

The Regulatory Capital increased to AED 4,640 million as of 30 June 2026 from AED 4,501 million as at 31 December 2025 mainly on account of profits during the period.

3.2 CC2 - Reconciliation of regulatory capital to balance sheet

	a	b	c
	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	30/06/2026	30/06/2026	
Assets			
Cash and balances with the Central Bank of UAE	2,481,291	2,483,723	
Due from Banks	862,116	865,760	
Acceptances	153,866	153,866	
Investment securities	5,711,922	5,711,953	
Loans and advances	17,819,982	19,350,862	
Fair value of Derivatives	8,652	-	
Investment properties	146,850	153,850	
Other assets	257,255	257,255	
Deferred Tax Asset	5,020	-	
Intangible assets	66,619	-	
Property and equipment	241,029	241,029	
Total assets	**27,754,602**	**29,218,299**	
Liabilities			
Due to Banks	2,563,053	2,563,053	
Customers' deposits	17,777,060	17,777,060	
Medium term borrowings	1,836,500	1,836,500	
Acceptances	153,866	153,866	
Other liabilities	791,051	791,051	
Total liabilities	**23,121,530**	**23,121,530**	
Shareholders' equity			
Paid-in share capital	2,000,000	2,000,000	
Of which: amount eligible for CET1	2,000,000	2,000,000	(h)
Of which: amount eligible for AT1	-	-	(i)
Statutory reserve	741,436	741,436	
Special reserve	736,846	736,846	
Revaluation reserve	181,523	-	
Fair value reserve	(116,790)	(116,790)	
Cash flow hedge reserve	6,034	-	
Retained earnings	1,084,023	1,084,023	
Total shareholders' equity	**4,633,072**	**4,445,515**	

Stage 1 and Stage 2 provisions are not netted off against the credit exposures but instead included in the Tier 2 capital, capped at 1.25% of the Credit RWA in accordance with the CBUAE Capital Adequacy Standards on Tier Capital Supply para 31.

In line with the Central Bank guidelines, the Bank is deducting intangible assets from capital computation. Total assets at AED 27,755million increased from AED 26,665million as at 31 December 2025 mainly due to increase in Loans and Advances. Total liabilities at AED 23,122 million increased from AED 22,081million as at 31 December 2025 mainly due to issuance of EMTN Bonds of AED 1,836 million.

4. Leverage ratio

4.1 LR1 - Summary comparison of accounting assets vs leverage ratio exposure measure

		30/06/2026
1	Total consolidated assets as per published financial statements	27,754,603
2	Adjustments for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-
3	Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference	-
4	Adjustments for temporary exemption of central bank reserves (if applicable)	-
5	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-
6	Adjustments for regular-way purchases and sales of financial assets subject to trade date accounting	-
7	Adjustments for eligible cash pooling transactions	-
8	Adjustments for derivative financial instruments	35,678
9	Adjustment for securities financing transactions (ie repos and similar secured lending)	-
10	Adjustments for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	5,120,544
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	-
12	Other adjustments	213,928
13	**Leverage ratio exposure measure**	**33,124,753**

The Bank computes the Leverage Ratio on a quarterly basis. Leverage ratio exposure also includes the credit converted amounts for off balance sheet items ie. Letters of Credit, Letters of Guarantee etc.

4.2 LR2 - Leverage ratio common disclosure template

		a	b
		30/06/2026	31/03/2026
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	28,040,170	27,034,442
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)	(71,639)	(79,766)
7	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)**	**27,968,531**	**26,954,676**
Derivative exposures			
8	Replacement cost associated with *all* derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	6,276	32,785
9	Add-on amounts for PFE associated with *all* derivatives transactions	29,401	35,659

10	(Exempted CCP leg of client-cleared trade exposures)	0	-
11	Adjusted effective notional amount of written credit derivatives	0	-
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0	-
13	**Total derivative exposures (sum of rows 8 to 12)**	**35,678**	**68,445**
Securities financing transactions			
14	Gross SFT *assets* (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	10,853,785	11,288,113
20	(Adjustments for conversion to credit equivalent amounts)	(5,733,241)	(6,038,407)
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)**	**5,120,544**	**5,249,706**
Capital and total exposures			
23	**Tier 1 capital**	**4,373,876**	**4,209,483**
24	**Total exposures (sum of rows 7, 13, 18 and 22)**	**33,124,753**	**32,272,827**
Leverage ratio			
25	**Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)**	**13.2%**	**13.0%**
25 a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	13.2%	13.0%
26	CBUAE minimum leverage ratio requirement	3.0%	3.0%
27	**Applicable leverage buffers**	-	-

There was a nominal increase in leverage ratio during the quarter due to increase in capital on the back of profits earned during the period which is offset by increase in leverage ratio exposure mainly on account of increase in loans and advances during the quarter.

5. Liquidity

5.1 ELAR - 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	2,483,723	
1.2	UAE Federal Government Bonds and Sukuks	492,610	
	Sub Total (1.1 to 1.2)	2,976,333	2,976,333
1.3	UAE local governments publicly traded debt securities	583,796	
1.4	UAE Public sector publicly traded debt securities	0	
	Sub total (1.3 to 1.4)	583,796	583,796
1.5	Foreign Sovereign debt instruments or instruments issued by their respective central banks	292,271	292,271
1.6	**Total**	**3,852,400**	**3,852,400**
2	Total liabilities		22,871,282
3	**Eligible Liquid Assets Ratio (ELAR)**		**16.8%**

The ELAR ratio decreased to 16.8% as at 30 June 2026 compared to 19.4% as at March 2026 due to decrease in investment of M-Bills of the Central Bank of UAE and increase in liabilities mainly due to high interbank borrowing and customer deposits.

5.2 ASRR - Advances to Stable Resources Ratio

		Items	Amount
1		**Computation of Advances**	
	1.1	Net Lending (gross loans - specific and collective provisions + interest in suspense)	15,579,011
	1.2	Lending to non-banking financial institutions	59,468
	1.3	Net Financial Guarantees & Stand-by LC (issued - received)	90,349
	1.4	Interbank Placements	2,787,328
	1.5	**Total Advances**	18,516,156
2		**Calculation of Net Stable Ressources**	
	2.1	Total capital + general provisions	5,283,657
		Deduct:	
	2.1.1	Goodwill and other intangible assets	75,692
	2.1.2	Fixed Assets	394,880
	2.1.3	Funds allocated to branches abroad	
	2.1.5	Unquoted Investments	374,185
	2.1.6	Investment in subsidiaries, associates and affiliates	
	2.1.7	**Total deduction**	844,757
	2.2	**Net Free Capital Funds**	4,438,900
	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	27,681
	2.3.5	Customer Deposits	15,306,547
	2.3.6	Capital market funding/ term borrowings maturing after 6 months from reporting date	1,836,500
	2.3.7	**Total other stable resources**	17,170,728
	2.4	**Total Stable Resources (2.2+2.3.7)**	21,609,628
3		**Advances TO STABLE RESOURCES RATIO (1.6/ 2.4*100)**	85.68

The ASRR reached 85.7% as at June 2026 as compared to 78.4% as at March 2026 mainly due to increase in the loans and advances during the quarter.

6. Credit risk

Please refer Note no. 35 in the annual financial statements for the year ended 31 December 2025, for criteria, approach, structure, and organization of credit risk management and reporting of risk exposures, risk mitigation and definition of default.

6.1 CR1 - Credit quality of assets

	a	b	c	d	e	f
	Gross carrying values of		Allowances/ Impairments	Of which ECL accounting provisions for credit losses on SA exposures		Net values (a+b-c)
	Defaulted exposures	Non-defaulted exposures		Allocated in regulatory category of Specific	Allocated in regulatory category of General	
Loans	1,203,582	18,147,280	1,172,510	536,647	635,863	18,178,352
Debt securities	-	5,351,585	13,849	-	13,849	5,337,736
Off-balance sheet exposures	332,518	10,556,945	334,410	323,369	11,041	10,555,053
Total	**1,536,100**	**34,055,810**	**1,520,769**	**860,016**	**660,753**	**34,071,141**

The above table includes claims "past due for more than 90 days" and classified exposures. There was an increase in loans and advances during the period and decrease in investments.

6.2 CR2 - Changes in the stock of defaulted loans and debt securities

		30/06/2026
1	**Defaulted loans and debt securities at the end of the previous reporting period**	**1,706,509**
2	Loans and debt securities that have defaulted since the last reporting period	13,446
3	Returned to non-default status	18,537
4	Amounts written off	398,835
5	Other changes	(99,000)
6	**Defaulted loans and debt securities at the end of the reporting period (1+2-3-4±5)**	**1,203,583**

The stock of defaulted exposures has decreased during the 6 months mainly due to write-off of loans and recoveries.

6.3 CR3 - Credit risk mitigation techniques – overview

		a	B	c	d	e	f	g
		Exposures unsecured: carrying amount	Exposures secured by collateral	Exposures secured by collateral of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1	Loans	14,488,723	3,689,629	1,563,497	-	-	-	-
2	Debt securities	5,337,737	-	-	-	-	-	-
3	**Total**	19,826,460	3,689,629	1,563,497	-	-	-	-
4	Of which defaulted	511,458	155,477	3,223	-	-	-	-

The above table includes 90 DPD and classified exposures and shows the value of loans secured by collateral. There was an increase in loans and advances during the period and decrease in portfolio of investment securities compared to Dec 25.

6.4 CR4 - Standardised approach - credit risk exposure and CRM effects

AED in '000

		A	b	c	d	e	f
		Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	Asset classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Sovereigns and their central banks	5,067,594	-	5,067,594	-	448,883	9%
2	Public Sector Entities	3,283,320	41,152	3,283,320	20,576	2,364,990	72%
3	Multilateral development banks	-	-	-	-	-	NA
4	Banks	5,480,826	2,808,913	5,480,826	1,287,480	4,025,938	59%
5	Securities firms	-	-	-	-	-	NA
6	Corporates	10,506,252	7,706,880	10,506,252	2,411,519	10,601,464	82%
7	Regulatory retail portfolios	84,084	-	84,084	-	78,603	93%
8	Secured by residential property	178,136	-	178,136	-	86,972	49%

9	Secured by commercial real estate	2,380,595	-	2,380,595	-	2,305,596	97%
10	Equity Investment in Funds (EIF)	-	-	-	-	-	NA
11	Past-due loans	179,130	332,518	179,130	332,518	592,669	116%
12	Higher-risk categories	-	-	-	-	-	NA
13	Other assets	903,459	-	903,459	-	785,859	87%
14	**Total**	**28,063,396**	**10,889,463**	**28,063,396**	**4,052,092**	**21,290,974**	**66%**

The increase in risk weighted assets is due to the increase in the balance sheet mainly due to increase in loans and advances as compared to December 2025.

6.5 CR5 - Standardised approach - exposures by asset classes and risk weights

		a	b	c	d	e	f	G	h	i
	Risk weight / Asset classes	0%	20%	35%	50%	75%	100%	150%	Others	Total credit exposures amount (post CCF and post-CRM)
1	Sovereigns and their central banks	4,009,142	267,810	-	790,642	-	-	-	-	5,067,594
2	Public Sector Entities	-	581,913	-	946,752	-	1,775,231	-	-	3,303,896
3	Multilateral development banks	-	-	-	-	-	-	-	-	-
4	Banks	-	939,796	-	3,981,061	-	1,847,448	-	-	6,768,306
5	Securities firms	-	-	-	-	-	-	-	-	-
6	Corporates	1,643,382	229,471	-	999,738	-	9,810,528	55,532	179,120	12,917,771
7	Regulatory retail portfolios	62	-	-	-	21,675	62,347	-	-	84,084
8	Secured by residential property	-	-	134,344	-	15,360	28,432	-	-	178,136
9	Secured by commercial real estate	1,033	92,457	-	-	-	2,287,105	-	-	2,380,595
10	Equity Investment in Funds (EIF)	-	-	-	-	-	-	-	-	-
11	Past-due loans	3,223	-	-	-	-	339,937	168,488	-	511,648
12	Higher-risk categories	-	-	-	-	-	-	-	-	-
13	Other assets	120,009	-	-	-	-	778,633	4,817	-	903,459
14	**Total**	**5,776,851**	**2,111,447**	**134,344**	**6,718,193**	**37,035**	**16,929,661**	**228,837**	**179,120**	**32,115,488**

There was an increase in total exposure during the period mainly due to the increase in the loans and advances.

7. Counterparty Credit risk

7.1 CCR1 – Analysis of counterparty credit risk (CCR) by approach

		Replacement cost	Potential future exposure	EEPE	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
1	SA-CCR (for derivatives)	4,483	21,001	-	1.4	35,678	9,623
2	Internal Model Method (for derivatives and SFTs)	-	-	-	-	-	-
3	Simple Approach for credit risk mitigation (for SFTs)	-	-	-	-	-	-
4	Comprehensive Approach for credit risk mitigation (for SFTs)	-	-	-	-	-	-
5	VaR for SFTs	-	-	-	-	-	-
6	**Total**						**9,623**

The Risk weighted assets decreased to AED 9.6 million as at 30 June 2026 from AED 23.5 million as at 31 December 2025 due to decrease in the underlying exposure of Interest Rate Swaps.

7.2 CCR2 – Credit valuation adjustment (CVA) capital charge

		EAD post-CRM	RWA
1	All portfolios subject to the Standardised CVA capital charge*	-	-
2	All portfolios subject to the Simple alternative CVA capital charge	35,678	9,623

The Risk weighted assets decreased to AED 9.6 million as at 30 June 2026 from AED 23.5 million as at 31 December 2025 due to decrease in the underlying exposure of Interest Rate Swaps.

7.3 CCR3 – Standardised approach - CCR exposures by regulatory portfolio and risk weights

Risk Weight / Regulatory Potfolio	0%	20%	50%	75%	100%	150%	Others	Total credit exposure
Sovereigns	-	-	-	-	-	-	-	-
Public Sector Entities (PSEs)	-	-	-	-	-	-	-	-
Multilateral development banks (MDBs)	-	-	-	-	-	-	-	-
Banks	-	27,387	8,291	-	-	-	-	35,678
Securities firms	-	-	-	-	-	-	-	-
Corporates	-	-	-	-	-	-	-	-
Regulatory retail portfolios	-	-	-	-	-	-	-	-
Secured by residential property	-	-	-	-	-	-	-	-
Secured by commercial real estate	-	-	-	-	-	-	-	-
Equity Investment in Funds (EIF)	-	-	-	-	-	-	-	-
Past-due loans	-	-	-	-	-	-	-	-
Higher-risk categories	-	-	-	-	-	-	-	-

Other assets	-	-	-	-	-	-	-	-
Total	**-**	**27,387**	**8,291**	**-**	**-**	**-**	**-**	**35,678**

The exposure decreased to AED 35.7 million as at 30 June 2026 from AED 78.3 million as at 31 December 2025 due to decrease in the underlying exposure of Interest Rate Swaps.

7.4 CCR5 – Composition of collateral for CCR exposure

	a	B	c	D	e	f
	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash - domestic currency						
Cash - other currencies		8,889				
Domestic sovereign debt						
Government agency debt						
Corporate bonds						
Equity securities						
Other collateral						
Total						

The collateral received decreased to AED 8.9 million as at June 26 from AED 25.5 million as at Dec 25 due to unfavourable MTM movement in derivatives mainly in Interest rate Swaps.

7.5 CCR8 – Exposures to central counterparties

		EAD (post-CRM)	RWA
1	**Exposures to QCCPs (total)**		**-**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contribution); of which:	-	-
3	(i) OTC derivatives	-	-
4	(ii) Exchange-traded derivatives	-	-
5	(iii) Securities financing transactions	-	-
6	(iv) Netting sets where cross-product netting has been approved	-	-
7	Segregated initial margin	-	
8	Non-segregated initial margin	-	-
9	Pre-funded default fund contributions	-	-
10	Unfunded default fund contributions	-	-
11	**Exposures to non-QCCPs (total**		**9,623**
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contribution); of which:	-	-
13	(i) OTC derivatives	35,678	9,623
14	(ii) Exchange-traded derivatives	-	-
15	(iii) Securities financing transactions	-	-

16	(iv) Netting sets where cross-product netting has been approved	-	-
17	Segregated initial margin	-	
18	Non-segregated initial margin	-	-
19	Pre-funded default fund contributions	-	-
20	Unfunded default fund contributions	-	-

The exposure decreased to AED 35.7 million as at 30 June 2026 from AED 78.3 million as at 31 December 2025 due to decrease in the underlying exposure mainly in Interest Rate Swaps. The Risk weighted assets also decreased to AED 9.6 million as at 30 June 2026 from AED 24.9 million as at 31 December 2025.

8. Market risk

8.1 MR1 - Market risk under the standardised approach

		RWA
1	General Interest rate risk (General and Specific)	-
2	Equity risk (General and Specific)	-
3	Foreign exchange risk	25,688
4	Commodity risk	-
	Options	
5	Simplified approach	-
6	Delta-plus method	-
7	Scenario approach	
8	Securitisation	-
9	**Total**	**25,688**

Market risk weighted assets decreased to AED 25.7 million as at 30 June 2026 compared to AED 30.4 million as of 31 December 2025 on account of decrease in underlying net open positions for FX exposure.