ARAB BANK FOR INVESTMENT AND FOREIGN TRADE

(AL MASRAF)

CAPITAL ADEQUACY

PILLAR III DISCLOSURES

30 June 2024

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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.
- In accordance with the minimum capital requirement calculation methodology as prescribed under Basel III, the Bank's capital adequacy as at 30 June 2024 and a comparison thereof with the figures as of 31 March 2024 and 31 December 2023 is as follows:

Particulars	Jun 2024	Mar 2024	December 2023
Total Capital Adequacy Ratio	20.2%	21.2%	21.6%
Tier 1 Capital Adequacy Ratio	19.0%	20.1%	20.5%
CET 1 Ratio	19.0%	20.1%	20.5%

- 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
		30/06/2024	**31/03/2024**	**31/12/2023**	**30/09/2023**	**30/06/2023**
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1)	3,786,433	3,786,758	3,811,460	3,650,802	3,654,513
1a	Fully loaded ECL accounting model	3,782,258	3,782,026	3,752,107	3,638,127	3,627,366
2	Tier 1	3,786,433	3,786,758	3,811,460	3,650,802	3,654,513
2a	Fully loaded ECL accounting model Tier 1	3,782,258	3,782,026	3,752,107	3,638,127	3,627,366
3	Total capital	4,015,837	4,003,339	4,024,859	3,866,606	3,873,432
3a	Fully loaded ECL accounting model total capital	4,011,662	3,998,607	3,965,506	3,853,931	3,846,285
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	19,878,651	18,845,337	18,603,731	18,719,963	18,926,659
	Risk-based capital ratios as a percentage of RWA					
5	Common Equity Tier 1 ratio (%)	19.0%	20.1%	20.5%	19.5%	19.3%
5a	Fully loaded ECL accounting model CET1 (%)	19.0%	20.1%	20.2%	19.4%	19.2%
6	Tier 1 ratio (%)	19.0%	20.1%	20.5%	19.5%	19.3%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	19.0%	20.1%	20.2%	19.4%	19.2%
7	Total capital ratio (%)	20.2%	21.2%	21.6%	20.7%	20.5%
7a	Fully loaded ECL accounting model total capital ratio (%)	20.2%	21.2%	21.3%	20.6%	20.3%
	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 (%)	9.7%	10.7%	11.1%	10.2%	10.0%
	Leverage Ratio					
13	Total leverage ratio measure	27,358,567	25,497,793	25,409,386	24,199,244	25,025,800
14	Leverage ratio (%) (row 2/row 13)	13.8%	14.9%	15.0%	15.1%	14.6%
14a	Fully loaded ECL accounting model leverage ratio (%) (row 2A/row 13)	13.8%	14.8%	14.8%	15.0%	14.5%
14b	Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	13.8%	14.9%	15.0%	15.1%	14.6%
	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	3,021,080	3,435,758	3,477,798	2,944,596	3,249,571
22	Total liabilities	17,401,598	17,616,928	17,585,777	17,148,385	18,047,404
23	Eligible Liquid Assets Ratio (ELAR) (%)	17.4%	19.5%	19.8%	17.2%	18.0%
	ASRR					
24	Total available stable funding	16,285,182	16,135,557	16,275,925	15,636,645	15,924,069
25	Total Advances	12,713,322	13,155,778	13,627,650	13,233,882	13,565,704
26	Advances to Stable Resources Ratio (%)	78.1%	81.5%	83.7%	84.6%	85.2%

The Risk Weighted Assets increased during the period to AED 19,879 million as at 30 June 2024 as compared to AED 18,845 million as at 31 March 2024 due to the change in the balance sheet mix.

The decrease in the Regulatory Capital is on account of reduction in the IFRS9 transitional amount and increase in the negative MTM on the FVOCI portfolio during the period.

There was a drop in the leverage ratio to 13.8% as at June 2024 from 14.9% as at March 2024 due to the increase in the leverage exposure.

The ELAR was reduced to 17.4% as at 30 June 2024 as compared to 19.5% as at 31 March 2024 due to decrease in balances with Central Bank of UAE. The ASRR improved to 78.1% as at 30 June 2024 from 81.5% as at 31 March 2024 due to the reduction in loans and advances. The ratios were maintained above the minimum limits set by Central Bank of UAE.

The Bank is applying the transitional adjustment for the ECL amount in line with the requirements under Notice No. CBUAE/BSD/N/2020/2016 – “Regulation Regarding Accounting provisions and Capital Requirements – Transitional Arrangements” issued by CBUAE.

2.2 OV1 - Overview of Risk Weighted Assets

		a	b	c
		RWA		Minimum capital requirements
		30/06/2024	31/03/2024	T
1	Credit risk (excluding counterparty credit risk)	18,330,502	17,323,756	1,924,703
2	Of which: standardised approach (SA)	18,330,502	17,323,756	1,924,703
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)	10,907	1,350	1,145
7	Of which: standardised approach for counterparty credit risk	10,907	1,350	1,145
8	Of which: Internal Model Method (IMM)			
9	Of which: other CCR			
10	Credit valuation adjustment (CVA)	10,907	1,350	1,145
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	26,234	18,780	2,755
21	Of which: standardised approach (SA)	26,234	18,780	2,755
22	Of which: internal models approach (IMA)			
23	Operational risk	1,500,101	1,500,101	157,511
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)**	**19,878,651**	**18,845,337**	**2,087,258**

Total Credit risk weighted assets (including CCR and CVA) increased to AED 18,352 million as at 30 June 2024 from AED 17,326 million as at 31 March 2024 due to change in the balance sheet mix during the period. The counterparty credit risk weighted assets and credit valuation adjustments increased to AED 21.8 million as at 30 June 2024 from AED 2.7 million as at 31 March 2024 due to increase in underlying FX exposures.

Market risk weighted assets increased to AED 26.2 million from AED 18.8 million as at 31 March 2024 on the back of increased underlying FX 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	560,313	
3	Accumulated other comprehensive income (and other reserves)	1,269,842	
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**	**3,830,155**	
	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)	(47,897)	CC2 (b) minus (e)
10	Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of related tax liability)	-	
11	Cash flow hedge reserve	-	
12	Securitisation gain on sale	-	
13	Gains and losses due to changes in own credit risk on fair valued liabilities	-	
14	Defined benefit pension fund net assets	-	
15	Investments in own shares (if not already subtracted from paid-in capital on reported balance sheet)	-	
16	Reciprocal cross-holdings in CET1, AT1, Tier 2	-	
17	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
18	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
19	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	
20	Amount exceeding 15% threshold	-	
21	Of which: significant investments in the common stock of financials	-	
22	Of which: deferred tax assets arising from temporary differences	-	
23	CBUAE specific regulatory adjustments	4,175	
24	**Total regulatory adjustments to Common Equity Tier 1**	(43,722)	
25	**Common Equity Tier 1 capital (CET1)**	**3,786,433**	
	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)**	**3,786,433**	
	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	229,404	
45	**Tier 2 capital before regulatory adjustments**	**229,404**	
	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)**	**229,404**	
52	**Total regulatory capital (TC = T1 + T2)**	**4,015,837**	
53	**Total risk-weighted assets**	**19,878,651**	
	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)**	20.2%	

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.**	9.7%	
	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)		
[redacted]			
66	Significant investments in common stock of financial entities		
[redacted]			
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)	500,989	
70	Cap on inclusion of provisions in Tier 2 under standardised approach	229,404	
[redacted]			
	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 dropped to AED 4,015 million from AED 4,024 million as at 31 December 2023 on account of reduction in the IFRS9 transitional amount and increase in the negative MTM on the FVOCI portfolio.

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**
	30/06/2024	**30/06/2024**	
Assets			
Cash and balances with the Central Bank of UAE	2,192,791	2,196,447	
Due from Banks	508,629	510,028	
Acceptances	333,308	333,308	
Investments at fair value through other comprehensive income (FVOCI)	4,828,475	4,828,475	
Investments at fair value through profit or loss (FVTPL)	625,674	625,674	
Investment at amortised cost	216,373	216,373	
Loans and advances	12,162,716	15,318,967	
Investment properties	162,508	257,201	
Other assets	293,706	297,065	
Intangible assets	47,897	-	
Property and equipment	221,381	221,326	
Assets held-for-sale	12,042	12,042	
Total assets	**21,605,500**	**24,816,906**	
Liabilities			
Due to Banks	1,690,586	1,690,586	
Customers' deposits	14,797,635	14,797,635	
Acceptances	333,308	333,308	
Other liabilities	818,146	818,146	
Total liabilities	**17,639,675**	**17,639,675**	
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	688,113	688,113	
Special reserve	683,523	683,523	
Cash flow hedge reserve	(2,503)	-	
Revaluation reserve	138,173	-	
Fair value reserve	(101,794)	(101,794)	
Retained earnings	560,313	560,313	
Total shareholders' equity	**3,965,825**	**3,830,155**	

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 the capital computation. Total assets at AED 21,605 million dropped marginally from AED 21,765 million as at 31 December 2023.

4. Leverage ratio

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

		30/06/2024
1	Total consolidated assets as per published financial statements	21,605,500
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	30,066
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)	5,091,108
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	-
12	Other adjustments	631,893
13	**Leverage ratio exposure measure**	**27,358,567**

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
		30/06/2024	**31/03/2024**
	On-balance sheet exposures		
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	22,285,290	22,419,430
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)	(47,897)	(49,130)
7	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)**	**22,237,393**	**22,370,300**
	Derivative exposures		
8	Replacement cost associated with *all* derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	500	29
9	Add-on amounts for PFE associated with *all* derivatives transactions	29,567	6,719
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)**	**30,066**	**6,748**
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	11,164,346	10,093,097
20	(Adjustments for conversion to credit equivalent amounts)	(6,073,238)	(6,972,352)
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)**	**5,091,108**	**3,120,745**
Capital and total exposures			
23	**Tier 1 capital**	**3,786,433**	**3,786,758**
24	**Total exposures (sum of rows 7, 13, 18 and 22)**	**27,358,567**	**25,497,793**
Leverage ratio			
25	**Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)**	**13.8%**	**14.9%**
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	13.8%	14.9%
26	CBUAE minimum leverage ratio requirement	3.0%	3.0%
27	**Applicable leverage buffers**	-	-

The leverage ratio dropped during the quarter due to increase in the leverage ratio exposure.

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	2,196,447	
1.2	UAE Federal Government Bonds and Sukuks	214,105	
	Sub Total (1.1 to 1.2)	2,410,552	2,410,552
1.3	UAE local governments publicly traded debt securities	642,086	
1.4	UAE Public sector publicly traded debt securities	0	
	Sub total (1.3 to 1.4)	642,086	610,528
1.5	Foreign Sovereign debt instruments or instruments issued by their respective central banks	0	0
1.6	**Total**	**3,052,638**	**3,021,080**
2	Total liabilities		17,401,598
3	**Eligible Liquid Assets Ratio (ELAR)**		**17.4%**

The ELAR ratio reduced to 17.4% as at 30 June 2024 compared to 19.5% as at March 2024 due to decrease in the balances with Central Bank of UAE.

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)	12,126,583
	1.2	Lending to non-banking financial institutions	93,185
	1.3	Net Financial Guarantees & Stand-by LC (issued - received)	175,481
	1.4	Interbank Placements	318,073
	1.5	**Total Advances**	12,713,322
2		**Calculation of Net Stable Ressources**	
	2.1	Total capital + general provisions	4,410,150
		Deduct:	
	2.1.1	Goodwill and other intangible assets	47,897
	2.1.2	Fixed Assets	490,566
	2.1.3	Funds allocated to branches abroad	
	2.1.5	Unquoted Investments	626,018
	2.1.6	Investment in subsidiaries, associates and affiliates	
	2.1.7	**Total deduction**	1,164,481
	2.2	**Net Free Capital Funds**	3,245,669
	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	2,766
	2.3.5	Customer Deposits	13,036,747
	2.3.6	Capital market funding/ term borrowings maturing after 6 months from reporting date	
	2.3.7	**Total other stable resources**	13,039,513
	2.4	**Total Stable Resources (2.2+2.3.7)**	16,285,182
3		**Advances TO STABLE RESOURCES RATIO (1.6/ 2.4*100)**	78.1

The ratio improved to 78.1% as at June 2024 from 81.5% as at March 2024 due to reduction in the loans and advances balances and increase in the customer deposits during the quarter.

6. Credit risk

Please refer Note no. 5 in the annual financial statements for the year ended 31 December 2023, 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	3,884,684	11,434,284	2,452,293	2,007,878	444,415	12,866,675
Debt securities	-	5,040,181	18,707	-	18,707	5,021,474
Off-balance sheet exposures	253,376	10,910,971	265,801	229,339	36,462	10,898,546
Total	**4,138,060**	**27,385,435**	**2,736,801**	**2,237,217**	**499,584**	**28,786,694**

The above table includes 90DPD and classified exposures as reported in the balance sheet. The reduction in loans and advances was due to loan repayments and write-offs during the 6-month period as the Bank continued to selectively book new business. As part of active balance sheet management, the Bank increased its portfolio of investment securities during the 6-month period.

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

		30/06/2024
1	**Defaulted loans and debt securities at the end of the previous reporting period**	**3,783,324**
2	Loans and debt securities that have defaulted since the last reporting period	466,643
3	Returned to non-default status	57,109
4	Amounts written off	338,819
5	Other changes	30,646
6	**Defaulted loans and debt securities at the end of the reporting period (1+2-3-4±5)**	**3,884,685**

The stock of defaulted loans and debt securities increased during the period.

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	10,341,390	2,525,285	1,094,243	-	-	-	-
2	Debt securities	5,021,474	-	-	-	-	-	-
3	**Total**	15,362,863	2,525,285	1,094,243	-	-	-	-
4	Of which defaulted	1,636,520	240,287	20,995	-	-	-	-

The above table includes Stage 3 exposures reported in the loans and advances and shows the value of loans secured by collateral. The reduction in loans and advances was due to loan repayments and write-offs during the 6-month period as the Bank continued to selectively book new business. As part of active balance sheet management, the Bank increased its portfolio of investment securities during the 6-month period.

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	4,075,550	-	4,075,550	-	658,605	16%
2	Public Sector Entities	1,678,159	37,845	1,678,159	22,993	1,254,591	74%
3	Multilateral development banks	-	-	-	-	-	NA
4	Banks	2,112,918	1,843,612	2,112,918	741,547	1,770,888	62%
5	Securities firms	-	-	-	-	-	NA
6	Corporates	7,995,034	9,059,579	7,995,034	2,767,846	8,716,688	81%
7	Regulatory retail portfolios	84,395	-	80,295	-	61,117	76%
8	Secured by residential property	154,047	-	154,047	-	76,633	50%
9	Secured by commercial real estate	3,602,926	-	3,593,628	-	3,561,372	99%
10	Equity Investment in Funds (EIF)	-	-	-	-	-	NA
11	Past-due loans	3,884,685	253,376	1,210,415	24,117	1,219,172	99%
12	Higher-risk categories	-	-	-	-	-	NA
13	Other assets	1,229,192	-	1,134,500	-	1,033,250	91%
14	**Total**	**24,816,906**	**11,194,412**	**22,034,546**	**3,556,503**	**18,352,316**	**72%**

The increase in risk weighted assets is due to the increase in the balance sheet mainly on account of change in the balance sheet mix as compared to December 2023.

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

	Risk weight	a	b	c	d	e	f	g	h	i
	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	3,199,053	272,365	-	-	-	604,132	-	-	4,075,550
2	Public Sector Entities	-	318,242	-	380,724	-	1,002,186	-	-	1,701,152
3	Multilateral development banks	-	-	-	-	-	-	-	-	-
4	Banks	-	477,681	-	1,424,678	-	952,106	-	-	2,854,465
5	Securities firms	-	-	-	-	-	-	-	-	-
6	Corporates	-	42,592	-	732,684	-	9,533,844	56,107	397,653	10,762,880
7	Regulatory retail portfolios	-	-	-	-	22,137	58,158	-	-	80,295
8	Secured by residential property	-	-	117,545	-	4,043	32,459	-	-	154,047
9	Secured by commercial real estate	-	-	-	-	-	3,593,628	-	-	3,593,628
10	Equity Investment in Funds (EIF)	-	-	-	-	-	-	-	-	-
11	Past-due loans	-	-	-	-	-	1,181,452	53,080	-	1,234,532
12	Higher-risk categories	-	-	-	-	-	-	-	-	-
13	Other assets	103,585	-	-	-	-	1,026,245	4,670	-	1,134,500
14	**Total**	**3,302,638**	**1,110,880**	**117,545**	**2,538,086**	**26,180**	**17,984,210**	**113,857**	**397,653**	**25,591,049**

There was an increase in the total exposure during the period mainly due to the change in the balance sheet mix.

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)	357	21,119		1.4	30,066	10,907
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**						10,907

The Risk weighted assets increased to AED 10.9 million as at 30 June 2024 from AED 7.6 million as at 31 December 2023. However, there was a decrease in the outstanding exposure but a change in the risk weighted assets mix.

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	30,066	10,907

The Risk weighted assets increased to AED 10.9 million as at 30 June 2024 from AED 7.6 million as at 31 December 2023. However, there was a decrease in the outstanding exposure but a change in the risk weighted assets mix.

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

Risk weight / Regulatory portfolio	0%	20%	50%	75 %	100 %	150 %	Others	Total credit exposure
Sovereigns	-	-	-	-	-	-	-	-
Public Sector Entities (PSEs)	-	-	-	-	-	-	-	-
Multilateral development banks (MDBs)	-	-	-	-	-	-	-	-
Banks	-	13,755	16,311	-	-	-	-	30,066
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	**-**	**13,755**	**16,311**	**-**	**-**	**-**	**-**	**30,066**

The exposure at AED 30.1 million as at 30 June 2024 was lower than the exposure of AED 35.7 million as at 31 December 2023 due to decrease in the outstanding exposures.

7.4 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**		**10,907**
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contribution); of which:	-	-
13	(i) OTC derivatives	30,066	10,907
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 Risk weighted assets increased to AED 10.9 million as at 30 June 2024 from AED 7.6 million as at 31 December 2023. However, there was a decrease in the outstanding exposure but a change in the risk weighted assets mix.

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	26,243
4	Commodity risk	-
	Options	-
5	Simplified approach	-
6	Delta-plus method	-
7	Scenario approach	-
8	Securitisation	-
9	**Total**	**26,243**

Market risk weighted assets dropped to AED 26.2 million as at 30 June 2024 from AED 31.7 million as at 31 December 2023 on the back of reduced underlying exposures.