



المصرف
AL MASRAF
المصرف العربي للاستثمار والتجارة الخارجية Arab Bank for Investment & Foreign Trade

ARAB BANK FOR INVESTMENT AND FOREIGN TRADE

(AL MASRAF)

CAPITAL ADEQUACY

PILLAR III DISCLOSURES

31 March 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 Bank’s 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 31 March 2024 and a comparison thereof with the figures as of 31 December 2023 and 30 September 2023 is as follows:

Particulars	Mar 2024	December 2023	Sep 2023
Total Capital Adequacy Ratio	21.24%	21.63%	20.65%
Tier 1 Capital Adequacy Ratio	20.09%	20.49%	19.50%
CET 1 Ratio	20.09%	20.49%	19.50%

- As of 31 March 2024, the Banks total Risk Weighted Assets (RWAs) amounted to AED 18,845 million, which comprised of 91.94% Credit Risk; 0.1% Market Risk and 7.96% Operational Risk.
- Numbers are stated in AED thousands unless stated otherwise.

2. Overview of risk management and Risk Weighted Assets

2.1 KM1 - Key Metrics

		a	b	c	d	e
		31/03/2024	31/12/2023	30/09/2023	30/06/2023	31/03/2023
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1)	3,786,758	3,811,460	3,650,802	3,654,513	3,607,139
1a	Fully loaded ECL accounting model	3,782,026	3,752,107	3,638,127	3,627,366	3,562,548
2	Tier 1	3,786,758	3,811,460	3,650,802	3,654,513	3,607,139
2a	Fully loaded ECL accounting model Tier 1	3,782,026	3,752,107	3,638,127	3,627,366	3,562,548
3	Total capital	4,003,339	4,024,859	3,866,606	3,873,432	3,816,113
3a	Fully loaded ECL accounting model total capital	3,998,607	3,965,506	3,853,931	3,846,285	3,771,522
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	18,845,337	18,603,731	18,719,963	18,926,659	18,131,592
	Risk-based capital ratios as a percentage of RWA					
5	Common Equity Tier 1 ratio (%)	20.09%	20.49%	19.50%	19.31%	a19.89%
5a	Fully loaded ECL accounting model CET1 (%)	20.07%	20.17%	19.43%	19.17%	19.65%
6	Tier 1 ratio (%)	20.09%	20.49%	19.50%	19.31%	19.89%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	20.07%	20.17%	19.43%	19.17%	19.65%

7	Total capital ratio (%)	21.24%	21.63%	20.65%	20.47%	21.05%
7a	Fully loaded ECL accounting model total capital ratio (%)	21.22%	21.32%	20.59%	20.32%	20.80%
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 (%)	10.7%	11.1%	10.2%	10.0%	10.5%
Leverage Ratio						
13	Total leverage ratio measure	25,497,793	25,409,386	24,199,244	25,025,800	23,780,212
14	Leverage ratio (%) (row 2/row 13)	14.9%	15.0%	15.1%	14.6%	15.2%
14a	Fully loaded ECL accounting model leverage ratio (%) (row 2A/row 13)	14.8%	14.8%	15.0%	14.5%	15.0%
14b	Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	14.9%	15.0%	15.1%	14.6%	15.2%
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	3,435,758	3,477,798	2,944,596	3,249,571	2,913,842
22	Total liabilities	17,616,928	17,585,777	17,148,385	18,047,404	17,074,706
23	Eligible Liquid Assets Ratio (ELAR) (%)	19.5%	19.8%	17.2%	18.0%	17.1%
ASRR						
24	Total available stable funding	16,135,557	16,275,925	15,636,645	15,924,069	15,801,128
25	Total Advances	13,155,778	13,627,650	13,233,882	13,565,704	13,685,056
26	Advances to Stable Resources Ratio (%)	81.5%	83.7%	84.6%	85.2%	86.6%

The Risk Weighted Assets increased during the period to AED 18,845 million as at 31 March 2024 as compared to AED 18,604 million as at 31 December 2023 due to increase in the total assets and change in the balance sheet mix. Further the CET1 capital reduced due to reduction in the IFRS9 transition amount during the quarter.

There was a marginal drop in the leverage ratio to 14.9% as at March 2024 from 15.0% as at December 2023 mainly due to drop in the Tier 1 capital on account of reduction in IFRS9 transitional adjustment.

The ELAR and ASRR were maintained at 19.5% and 81.5% as at 31 March 2024 as compared to 19.8% and 83.7% as at 31 December 2023 as the Bank actively continued to manage its balance sheet and invested in liquid assets. 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
		31/03/2024	31/12/2023	31/03/2024
1	Credit risk (excluding counterparty credit risk)	17,323,756	17,056,689	1,818,994
2	Of which: standardised approach (SA)	17,323,756	17,056,689	1,818,994
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)	1,350	7,599	142
7	Of which: standardised approach for counterparty credit risk	1,350	7,599	142
8	Of which: Internal Model Method (IMM)	-	-	-
9	Of which: other CCR	-	-	-
10	Credit valuation adjustment (CVA)	1,350	7,599	142
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	18,780	31,743	1,972
21	Of which: standardised approach (SA)	18,780	31,743	1,972
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)	18,845,337	18,603,731	1,978,760

Total Credit risk weighted assets (including CCR and CVA) increased to AED 17,326 million as at 31 March 2024 from AED 17,072 million as at 31 December 2023 due to change in the balance sheet mix and marginal growth in the total assets. The counterparty credit risk weighted assets and credit valuation adjustments decreased to AED 1.3 million as at 31 March 2024 from AED 7.6 million as at 31 December 2023 due to decrease in underlying FX exposures.

There was a drop in Market risk weighted assets during the period as compared to 31 December 2023 on the back of reduced underlying FX open exposures.

3. Leverage ratio

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

		31/03/2024
1	Total consolidated assets as per published financial statements	21,808,241
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	6,748
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)	3,120,745
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	-
12	Other adjustments	562,059
13	Leverage ratio exposure measure	25,497,793

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.

3.2 LR2 - Leverage ratio common disclosure template

		a	b
		31/03/2024	31/12/2023
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	22,419,430	22,381,123
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)	(49,130)	(52,724)
7	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)	22,370,300	22,328,399

Derivative exposures			
8	Replacement cost associated with <i>all</i> derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	29	553
9	Add-on amounts for PFE associated with <i>all</i> derivatives transactions	6,719	35,053
10	(Exempted CCP leg of client-cleared trade exposures)	-	-
11	Adjusted effective notional amount of written credit derivatives	-	-
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
13	Total derivative exposures (sum of rows 8 to 12)	6,748	35,606
Securities financing transactions			
14	Gross SFT <i>assets</i> (with no recognition of netting), after adjusting for sale accounting transactions	-	-
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
16	CCR exposure for SFT assets	-	-
17	Agent transaction exposures	-	-
18	Total securities financing transaction exposures (sum of rows 14 to 17)	-	-
Other off-balance sheet exposures			
19	Off-balance sheet exposure at gross notional amount	10,093,097	9,707,003
20	(Adjustments for conversion to credit equivalent amounts)	(6,972,352)	(6,661,622)
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)	3,120,745	3,045,381
Capital and total exposures			
23	Tier 1 capital	3,786,758	3,811,460
24	Total exposures (sum of rows 7, 13, 18 and 22)	25,497,793	25,409,386
Leverage ratio			
25	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)	14.9%	15.0%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	14.9%	15.0%
26	CBUAE minimum leverage ratio requirement	3.0%	3.0%
27	Applicable leverage buffers	-	-

The leverage ratio marginally dropped during the quarter due to increase in the leverage ratio exposure by AED 88 million and drop in the Tier 1 Capital on account of reduction in IFRS9 transitional adjustment by AED 25 million.

4. Liquidity

4.1 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	2,588,271	
1.2	UAE Federal Government Bonds and Sukuks	198,176	
	Sub Total (1.1 to 1.2)	2,786,447	2,786,447
1.3	UAE local governments publicly traded debt securities	649,311	
1.4	UAE Public sector publicly traded debt securities	0	
	Sub total (1.3 to 1.4)	649,311	649,311
1.5	Foreign Sovereign debt instruments or instruments issued by their respective central banks	0	0
1.6	Total	3,435,758	3,435,758
2	Total liabilities		17,616,928
3	Eligible Liquid Assets Ratio (ELAR)		19.5%

There was a marginal drop in the ELAR ratio from 19.78% as at December 2023 to 19.50% as at March 2024 due to drop in HQLA by AED 42 million and increase in liabilities by AED 31 million..

4.2 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)	12,477,452
1.2	Lending to non-banking financial institutions	76,296
1.3	Net Financial Guarantees & Stand-by LC (issued - received)	178,668
1.4	Interbank Placements	423,362
1.5	Total Advances	13,155,778
2	Calculation of Net Stable Ressources	
2.1	Total capital + general provisions	4,427,478
	Deduct:	
2.1.1	Goodwill and other intangible assets	49,130
2.1.2	Fixed Assets	514,967
2.1.3	Funds allocated to branches abroad	-
2.1.5	Unquoted Investments	533,658
2.1.6	Investment in subsidiaries, associates and affiliates	-
2.1.7	Total deduction	1,097,755
2.2	Net Free Capital Funds	3,329,723

	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	20,346
	2.3.5	Customer Deposits	12,785,488
	2.3.6	Capital market funding/ term borrowings maturing after 6 months from reporting date	-
	2.3.7	Total other stable resources	12,805,834
	2.4	Total Stable Resources (2.2+2.3.7)	16,135,557
3		Advances TO STABLE RESOURCES RATIO (1.6/ 2.4*100)	81.5%

The ratio improved from 83.7% as at December 2023 to 81.5% as at March 2024 due to reduction in the total advances by AED 472 million and drop in total stable resources by AED 140 million.