



**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**

**30<sup>th</sup> September 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 30<sup>th</sup> September 2024 and a comparison thereof with the figures as of 30<sup>th</sup> June 2024 and 31<sup>st</sup> December 2023 is as follows:

Particulars	September 2024	June 2024	December 2023
<b>Total Capital Adequacy Ratio</b>	21.82%	20.20%	21.63%
<b>Tier 1 Capital Adequacy Ratio</b>	20.67%	19.05%	20.49%
<b>CET 1 Ratio</b>	20.67%	19.05%	20.49%

- As of 30<sup>th</sup> September 2024, the Banks total Risk Weighted Assets (RWAs) amounted to AED 19,302 million, which comprised of 92.07% Credit Risk; 0.15% Market Risk and 7.77% 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
		30/09/2024	30/06/2024	31/03/2024	31/12/2023	30/09/2023
	<b>Available capital (amounts)</b>					
1	Common Equity Tier 1 (CET1)	3,988,977	3,786,433	3,786,758	3,811,460	3,650,802
1a	Fully loaded ECL accounting model	3,954,361	3,782,258	3,782,026	3,752,107	3,638,127
2	Tier 1	3,988,977	3,786,433	3,786,758	3,811,460	3,650,802
2a	Fully loaded ECL accounting model Tier 1	3,954,361	3,782,258	3,782,026	3,752,107	3,638,127
3	Total capital	4,211,130	4,015,837	4,003,339	4,024,859	3,866,606
3a	Fully loaded ECL accounting model total capital	4,176,514	4,011,662	3,998,607	3,965,506	3,853,931
	<b>Risk-weighted assets (amounts)</b>					
4	Total risk-weighted assets (RWA)	19,302,173	19,878,651	18,845,337	18,603,731	18,719,963
	<b>Risk-based capital ratios as a percentage of RWA</b>					
5	Common Equity Tier 1 ratio (%)	20.67%	19.05%	20.09%	20.49%	19.50%
5a	Fully loaded ECL accounting model CET1 (%)	20.49%	19.03%	20.07%	20.17%	19.43%
6	Tier 1 ratio (%)	20.67%	19.05%	20.09%	20.49%	19.50%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	20.49%	19.03%	20.07%	20.17%	19.43%
7	Total capital ratio (%)	21.82%	20.20%	21.24%	21.63%	20.65%

7a	Fully loaded ECL accounting model total capital ratio (%)	21.64%	20.18%	21.22%	21.32%	20.59%
<b>Additional CET1 buffer requirements as a percentage of RWA</b>						
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 (%)	11.3%	9.7%	10.7%	11.1%	10.2%
<b>Leverage Ratio</b>						
13	Total leverage ratio measure	27,573,110	27,358,567	25,497,793	25,409,386	24,199,244
14	Leverage ratio (%) (row 2/row 13)	14.5%	13.8%	14.9%	15.0%	15.1%
14a	Fully loaded ECL accounting model leverage ratio (%) (row 2A/row 13)	14.3%	13.8%	14.8%	14.8%	15.0%
14b	Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	14.5%	13.8%	14.9%	15.0%	15.1%
<b>Liquidity Coverage Ratio</b>						
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
<b>Net Stable Funding Ratio</b>						
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
<b>ELAR</b>						
21	Total HQLA	3,421,906	3,021,080	3,435,758	3,477,798	2,944,596
22	Total liabilities	18,033,531	17,401,598	17,616,928	17,585,777	17,148,385
23	Eligible Liquid Assets Ratio (ELAR) (%)	19.0%	17.4%	19.5%	19.8%	17.2%
<b>ASRR</b>						
24	Total available stable funding	17,219,817	16,285,182	16,135,557	16,275,925	15,636,645
25	Total Advances	13,202,942	12,713,322	13,155,778	13,627,650	13,233,882
26	Advances to Stable Resources Ratio (%)	76.7%	78.1%	81.5%	83.7%	84.6%

The Risk Weighted Assets decreased during the period to AED 19,302 million as at 30 September 2024 as compared to AED 19,879 million as at 30 June 2024. There was a decrease in the risk weighted assets despite an increase in the balance sheet size due to change in the balance sheet mix. The Tier 1 capital increased due to increase in quarterly profits and reduction in the negative MTM on the FVOCI portfolio.

There was an increase in the leverage ratio to 14.5% as at September 2024 from 13.8% as at June 2024 mainly due to increase in the Tier 1 capital on account of quarterly profits and reduction in the negative MTM on the FVOCI portfolio.

The ELAR and ASRR improved to 19.0% and 76.7% as at 30 September 2024 as compared to 17.4% and 78.1% as at 30 June 2024 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
		30/09/2024	30/06/2024	30/09/2024
1	Credit risk (excluding counterparty credit risk)	17,737,859	18,330,502	1,862,475
2	Of which: standardised approach (SA)	17,737,859	18,330,502	1,862,475
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)	17,171	10,907	1,803
7	Of which: standardised approach for counterparty credit risk	17,171	10,907	1,803
8	Of which: Internal Model Method (IMM)	-	-	-
9	Of which: other CCR	-	-	-
10	Credit valuation adjustment (CVA)	17,171	10,907	1,803
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	29,871	26,234	3,136
21	Of which: standardised approach (SA)	29,871	26,234	3,136
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	<b>Total (1+6+10+11+12+13+14+15+16+20+23)</b>	<b>19,302,173</b>	<b>19,878,651</b>	<b>2,026,728</b>

Total Credit risk weighted assets (including CCR and CVA) decreased to AED 17,772 million as at 30 September 2024 from AED 18,352 million as at 30 June 2024 due to change in the balance sheet mix. The counterparty credit risk weighted assets and credit valuation adjustments increased to AED 17.1 million as at 30 September 2024 from AED 10.9 million as at 30 June 2024 due to increase in underlying FX exposures.

There was a marginal increase in Market risk weighted assets during the period as compared to 30 June 2024 on the back of increased underlying FX open exposures.

### 3. Leverage ratio

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

		30/09/2024
1	Total consolidated assets as per published financial statements	22,441,859
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	56,238
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)	4,592,622
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	-
12	Other adjustments	482,391
13	<b>Leverage ratio exposure measure</b>	<b>27,573,110</b>

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
		30/09/2024	30/06/2024
<b>On-balance sheet exposures</b>			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	22,973,657	22,285,290
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)	(49,407)	(47897)
7	<b>Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)</b>	<b>22,924,250</b>	<b>22,237,393</b>
<b>Derivative exposures</b>			

8	Replacement cost associated with <i>all</i> derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	1,861	500
9	Add-on amounts for PFE associated with <i>all</i> derivatives transactions	54,377	29,567
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	<b>Total derivative exposures (sum of rows 8 to 12)</b>	<b>56,238</b>	<b>30,066</b>
<b>Securities financing transactions</b>			
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	<b>Total securities financing transaction exposures (sum of rows 14 to 17)</b>	<b>-</b>	<b>-</b>
<b>Other off-balance sheet exposures</b>			
19	Off-balance sheet exposure at gross notional amount	10,231,771	11,164,346
20	(Adjustments for conversion to credit equivalent amounts)	(5,639,149)	6,073,238)
21	(Specific and general provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital)	-	-
22	<b>Off-balance sheet items (sum of rows 19 to 21)</b>	<b>4,592,622</b>	<b>5,091,108</b>
<b>Capital and total exposures</b>			
23	<b>Tier 1 capital</b>	<b>3,988,977</b>	<b>3,786,433</b>
24	<b>Total exposures (sum of rows 7, 13, 18 and 22)</b>	<b>27,573,110</b>	<b>27,358,567</b>
<b>Leverage ratio</b>			
25	<b>Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)</b>	<b>14.5%</b>	<b>13.8%</b>
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	14.5%	13.8%
26	CBUAE minimum leverage ratio requirement	3.0%	3.0%
27	<b>Applicable leverage buffers</b>	<b>-</b>	<b>-</b>

The leverage ratio increased during the quarter due to increase in the Tier 1 Capital on account of quarterly profits and reduction in the negative MTM on the FVOCI portfolio. The increase in the on-balance sheet exposure of AED 687 million during the quarter was offset by the reduction in the off-balance sheet items by AED 499 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	2,139,163	
1.2	UAE Federal Government Bonds and Sukuks	612,805	
	Sub Total (1.1 to 1.2)	2,751,968	2,751,968
1.3	UAE local governments publicly traded debt securities	669,938	
1.4	UAE Public sector publicly traded debt securities	0	
	Sub total (1.3 to 1.4)	669,938	669,938
1.5	Foreign Sovereign debt instruments or instruments issued by their respective central banks	0	0
<b>1.6</b>	<b>Total</b>	<b>3,421,906</b>	<b>3,421,906</b>
<b>2</b>	<b>Total liabilities</b>		<b>18,033,531</b>
<b>3</b>	<b>Eligible Liquid Assets Ratio (ELAR)</b>		<b>19.0%</b>

There was an increase in the ELAR ratio from 17.4% as at June 2024 to 19.0% as at September 2024 due to increase in HQLA by AED 401 million.

### 4.2 ASRR - Advances to Stable Resources Ratio

		Items	Amount
<b>1</b>		<b>Computation of Advances</b>	
	1.1	Net Lending (gross loans - specific and collective provisions + interest in suspense)	12,202,449
	1.2	Lending to non-banking financial institutions	77,807
	1.3	Net Financial Guarantees & Stand-by LC (issued - received)	129,156
	1.4	Interbank Placements	793,530
	<b>1.5</b>	<b>Total Advances</b>	<b>13,202,942</b>
<b>2</b>		<b>Calculation of Net Stable Resources</b>	
	2.1	Total capital + general provisions	4,722,770
		<b>Deduct:</b>	
	2.1.1	Goodwill and other intangible assets	49,407
	2.1.2	Fixed Assets	414,481
	2.1.3	Funds allocated to branches abroad	-
	2.1.5	Unquoted Investments	642,084
	2.1.6	Investment in subsidiaries, associates and affiliates	-
	<b>2.1.7</b>	<b>Total deduction</b>	<b>1,105,972</b>
	<b>2.2</b>	<b>Net Free Capital Funds</b>	<b>3,616,798</b>
	<b>2.3</b>	<b>Other stable resources:</b>	
	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	2,768
	2.3.5	Customer Deposits	13,600,251
	2.3.6	Capital market funding/ term borrowings maturing after 6 months from reporting date	-
	<b>2.3.7</b>	<b>Total other stable resources</b>	<b>13,603,019</b>
	<b>2.4</b>	<b>Total Stable Resources (2.2+2.3.7)</b>	<b>17,219,817</b>
<b>3</b>		<b>Advances TO STABLE RESOURCES RATIO (1.6/ 2.4*100)</b>	<b>76.7%</b>

The ratio improved from 78.1% as at June 2024 to 76.7% as at September 2024 due to increase in the total stable resources by AED 935 million compared to increase in total advances by AED 490 million.