

Al Khaliji France S.A. – UAE operations

Basel III Pillar 3 Disclosures For the half-year ended 30 June 2023

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1. Introduction and overview

Legal status and activities

Al Khaliji France S.A, UAE operations (the “Bank” or “AKF UAE”) is a branch of a foreign French registered bank with its Head Office in Paris, France (the “Head Office”). It commenced its operations in the United Arab Emirates in 1973 as a retail bank and currently has two branches, one each in the Emirate of Dubai and Abu Dhabi.

Masraf Al Rayan and Al Khalij Commercial Bank, the latter being 100% shareholder of Al Khaliji France S.A Paris, have completed a merger on 1 December 2021.

The Bank’s regional office in Dubai is responsible for managing the operations of the United Arab Emirates Operations. The regional office’s registered address is P.O. Box 4207, Dubai, United Arab Emirates.

The principal activities of the Bank include accepting deposits, investments in bonds, granting loans and advances and providing other banking services to customers in the United Arab Emirates.

Purpose and basis of preparation

The Bank is regulated by Central Bank of United Arab Emirates (“CBUAE”) and follows the Pillar 3 disclosure requirement guidelines issued by the CBUAE.

In February 2017, new Basel III capital regulations issued by CBUAE came into effect for all Banks in the UAE.

This document presents Pillar 3 disclosures which complements the Basel III minimum capital requirements and the supervisory review process of the Bank. These disclosures have been prepared in line with the disclosure templates introduced by the CBUAE guidelines on disclosure requirements (vide Notice No. CBUAE/BSN/N/2020/4980, Notice No. CBUAE/BSN/N/2021/5508, Notice No. CBUAE/BSN/N/2022/1887, Notice No. CBUAE/BSN/N/2022/5280) published in 12 November 2020, 30 November 2021, 09 May 2022 and 30 December 2022 respectively.

These disclosures are being done on the financial figures of AKF UAE operations only.

Applicability of Pillar 3 disclosure templates

Below is the list of the CBUAE prescribed Pillar 3 disclosure templates which are applicable for semi-annual publication and comparison to the disclosure included in this document.

Topic	Table	Information overview	Status
Overview of risk management and RWA	KM1	Key metrics	Included
	OV1	Overview of Risk Weighted Assets	Included
Composition of capital	CC1	Composition of regulatory capital	Included
	CC2	Reconciliation of regulatory capital to balance sheet	Not applicable
	CCA	Main features of regulatory capital instruments	Not applicable
Macro prudential Supervisory measures	CCyB1	Geographical distribution of credit exposures used in the countercyclical buffer	Not applicable
Leverage Ratio	LR2	Leverage ratio common disclosure template	Included
Liquidity	LIQ1	Liquidity Coverage Ratio	Not applicable
	LIQ2	Net Stable Funding Ratio	Not applicable
	ELAR	Eligible Liquid Assets Ratio	Included
	ASRR	Advances to Stable Resources Ratio	Included
Credit risk	CR1	Credit quality of assets	Included
	CR2	Changes in the stock of defaulted loans and debt securities	Included
	CR4	Credit Risk exposure & Credit Risk Mitigation (CRM) effects	Included
	CR5	Exposures by asset classes and risk weights	Included
Market risk	MR1	Market risk under the standardized approach	Included

For not applicable status, related templates have not been disclosed as part of the disclosure report.

2. Overview of risk management and RWA

2.1 Key metrics (KM1)

An overview of the bank's prudential regulatory metrics.

Sn.	Description	(a) 30-Jun-23	(b) 31-Mar-23	(c) 31-Dec-22	(d) 30-Sep-22	(e) 30-Jun-22
	Available capital (amounts)	AED'000	AED'000	AED'000	AED'000	AED'000
1	Common Equity Tier 1 (CET1)	499,928	500,482	501,370	546,170	545,788
1a	Fully loaded ECL (Excepted Credit Losses) accounting model	499,928	500,482	501,370	546,170	545,788
2	Tier 1	499,928	500,482	501,370	546,170	545,788
2a	Fully loaded ECL accounting model Tier 1	499,928	500,482	501,370	546,170	545,788
3	Total capital	507,585	508,399	508,287	553,285	552,879
3a	Fully loaded ECL accounting model total capital	507,585	508,399	508,287	553,285	552,879
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA- for details refer to table 3- OV1)	704,359	725,510	647,812	677,917	675,760
	Risk-based capital ratios as a percentage of RWA					
5	Common Equity Tier 1 ratio (%)	70.98%	68.98%	77.39%	80.57%	80.77%
5a	Fully loaded ECL accounting model CET1 (%)	70.98%	68.98%	77.39%	80.57%	80.77%
6	Tier 1 ratio (%)	70.98%	68.98%	77.39%	80.57%	80.77%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	70.98%	68.98%	77.39%	80.57%	80.77%
7	Total capital ratio (%)	72.06%	70.07%	78.46%	81.62%	81.82%
7a	Fully loaded ECL accounting model total capital ratio (%)	72.06%	70.07%	78.46%	81.62%	81.82%
	Additional CET1 buffer requirements as a percentage of RWA					
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.50%	2.50%	2.50%	2.50%	2.50%
9	Countercyclical buffer requirement (%)	0.00%	0.00%	0.00%	0.00%	0.00%
10	Bank D-SIB additional requirements (%)	0.00%	0.00%	0.00%	0.00%	0.00%
11	Total of bank CET1 specific buffer requirements (%) (rows 8 + 9 + 10)	2.50%	2.50%	2.50%	2.50%	2.50%
12	CET1 available after meeting the bank's minimum capital requirements (%)	61.56%	59.57%	67.96%	71.12%	71.32%
	Leverage Ratio					
13	Total leverage ratio measure	1,372,232	1,468,310	1,449,110	1,502,947	1,542,010
14	Leverage ratio (%) (row 2/row 13)	36.43%	34.09%	34.60%	36.34%	35.39%
14a	Fully loaded ECL accounting model leverage ratio (%) (row 2A/row 13)	36.43%	34.09%	34.60%	36.34%	35.39%
14b	Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	36.43%	34.09%	34.60%	36.34%	35.39%

2. Overview of risk management and RWA

2.1 Key metrics (KM1) (continued)

An overview of the bank's prudential regulatory metrics.

Sn.	Description	(a) 30-Jun-23 AED'000	(b) 31-Mar-23 AED'000	(c) 31-Dec-22 AED'000	(d) 30-Sep-22 AED'000	(e) 30-Jun-22 AED'000
Liquidity Coverage Ratio¹						
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 Ratio¹						
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	552,636	516,289	510,703	644,846	689,545
22	Total liabilities	699,858	822,021	820,973	791,901	813,502
23	Eligible Liquid Assets Ratio (ELAR) (%)	78.96%	62.81%	62.21%	81.43%	84.76%
ASRR						
24	Total available stable funding	1,123,227	1,212,690	1,128,309	1,228,144	1,254,551
25	Total Advances	457,118	455,907	421,400	394,707	431,496
26	Advances to Stable Resources Ratio (%)	40.70%	37.59%	37.35%	32.14%	34.39%

¹ LCR and NSFR are not applicable (NA) for the Bank as per CB UAE regulations, instead the Bank in replacement is disclosing ELAR & ASRR;

The capital ratio as of 30 Jun 23 is well-buffered and above the total capital required under ICAAP of 19.4% yet increased (as compared to Mar 23) due to movement in bank's asset items at different risk weight %;

The Bank has started to report leverage ratio requirements from 31 Dec 21 and remains comfortably above the minimum 3%;

Liquidity ratios (ELAR and ASRR) remain well-buffered and trend comfortably against the minimum requirements of 10% and 100% respectively.

2. Overview of risk management and RWA

2.2 Overview of Risk Weighted Assets (OV1)

Provide an overview of total RWA forming the denominator of the risk-based capital requirements. Further breakdowns of RWA are presented in subsequent parts.

Sn.	Description	(a)	(b)	(c)
		RWA	RWA	Minimum capital requirements
		30-Jun-23	31-Mar-23	30-Jun-23
		AED'000	AED'000	AED'000
1	Credit risk (excluding counterparty credit risk)	612,590	633,322	64,322
2	Of which: standardised approach (SA)	612,590	633,322	64,322
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)	-	-	-
7	Of which: standardised approach for counterparty credit risk	-	-	-
8	Of which: Internal Model Method (IMM)	-	-	-
9	Of which: other CCR	-	-	-
10	Credit valuation adjustment (CVA)	-	-	-
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: securitization 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	992	1,411	104
21	Of which: standardised approach (SA)	992	1,411	104
22	Of which: internal models approach (IMA)	-	-	-
23	Operational risk	90,778	90,778	9,532
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)	704,359	725,510	73,958

The Credit Risk weighted assets (CRWA) of the Bank witnessed a decrease during Q2'23 on the back of decrease in commercial assets;

Market Risk Weighted assets (MRWA) decreased during Q2'23 due to a decrease in Net Open position;

Operational Risk Weighted Assets (ORWA) continue to be a function of annual revenue as per Standardized Approach.

4. Composition of Capital

Provide a description of the main features of the bank's regulatory capital instruments

Capital management

The Bank's lead regulator, Central Bank of U.A.E., sets and monitors regulatory capital requirements.

The Bank's objectives when managing capital are:

- To safeguard the Bank's ability to continue as a going concern and to increase returns for shareholders; and
- To comply with regulatory capital requirements set by Central Bank of U.A.E.

In implementing current capital requirements, the Bank calculates its capital adequacy ratio in accordance with the guidelines issued by the Central Bank of U.A.E. that essentially prescribe that this is a ratio of capital to risk weighted assets.

Regulatory capital

The Central Bank of U.A.E. sets and monitors capital requirements for the Branches as a whole. Effective from 2018, the capital is computed using the Basel III framework of the Basel Committee on Banking Supervision ('Basel Committee'), after applying the amendments advised by the Central Bank of U.A.E., within national discretion. The Basel III framework, is structured around three 'pillars': minimum capital requirements, supervisory review process and market discipline.

Total regulatory capital will consist of the sum of the following items:

1. Tier 1 capital, composed of:
 - a) Common Equity Tier 1 ("CET1"):
 - i) Common shares issued by a bank which are eligible for inclusion in CET1 (or the equivalent for non-joint stock companies);
 - ii) Share premium resulting from the issue of instruments included in CET1;
 - iii) Retained earnings;
 - iv) Legal reserves;
 - v) Statutory reserves;
 - vi) Accumulated other comprehensive income and other disclosed reserves;
 - vii) Regulatory adjustments applied in the calculation of CET1 such as the deduction of goodwill, intangibles and deferred tax assets, etc.
 - b) Additional Tier 1 ("AT1"):
 - i) Instruments issued by a bank which are eligible for inclusion in AT1 and are not included in CET1 (e.g. perpetual equity instruments, not included in CET1);
 - ii) Stock surplus, or share premium, resulting from the issue of instruments included in AT1;
 - iii) Instruments issued by consolidated subsidiaries of the bank and held by third parties which are eligible for inclusion in AT1 and are not included in CET1;
 - iv) Regulatory adjustments applied in the calculation of AT1.

4. Composition of Capital (*continued*)

Provide a description of the main features of the bank's regulatory capital instruments

2. Tier 2 capital, composed of:
 - i) Banks using the standardized approach for credit risk: general provisions or general loan loss reserves, up to maximum of 1.25% of credit RWA;
 - ii) Instruments issued by the bank that meet the criteria for inclusion in Tier 2 capital, and are not included in Tier 1 capital;
 - iii) Share premium resulting from the issue of instruments included in Tier 2 capital;
 - iv) Instruments which are eligible for inclusion of Tier 2 where the treatment of instruments issued out of consolidated subsidiaries of the bank and the regulatory deductions applied in the calculation of Tier 2 capital are addressed in the Tier Capital Instrument Standard;
 - v) Instruments issued by consolidated subsidiaries of the bank and held by third parties that meet the criteria for inclusion in Tier 2 capital, and are not included in Tier 1 capital;
 - vi) Regulatory adjustments applied in the calculation of Tier 2.

4. Composition of Capital

4.1 Composition of Regulatory Capital (CC1)

This provides a breakdown of the constituent elements of the bank's capital.

Sn.	Description	(a)	(b)	(c) CC2 Reference
		30-Jun-23 AED'000	31-Dec-22 AED'000	
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	375,000	375,000	Same as (h) from CC2 template
2.	Retained earnings	66,663	68,684	
3.	Accumulated other comprehensive income (and other reserves)	59,864	58,013	
4.	<i>Directly issued capital subject to phase-out from CET1 (only applicable to non-joint stock companies)</i>	-	-	
5.	Common share capital issued by third parties (amount allowed in group CET1)	-	-	
6.	Common Equity Tier 1 capital before regulatory deductions	501,527	501,697	
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)	(1,599)	(327)	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	-	-	

4. Composition of Capital

4.1 Composition of Regulatory Capital (CC1) (continued)

This provides a breakdown of the constituent elements of the bank's capital.

Sn.	Description	(a)	(b)	(c)
		30-Jun-23	31-Dec-22	CC2
		AED'000	AED'000	Reference
22.	Of which: deferred tax assets arising from temporary differences	-	-	
23.	CBUAE specific regulatory adjustments	-	-	
24.	Total regulatory adjustments to Common Equity Tier 1	(1,599)	(327)	
25.	Common Equity Tier 1 capital (CET1)	499,928	501,370	
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)	499,928	501,370	
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)	-	-	

4. Composition of Capital

4.1 Composition of Regulatory Capital (CC1) (continued)

This provides a breakdown of the constituent elements of the bank's capital.

Sn.	Description	(a)	(b)	(c)
		30-Jun-23	31-Dec-22	CC2
		AED'000	AED'000	Reference
43.	<i>Of which: instruments issued by subsidiaries subject to phase-out</i>	-	-	
44.	Provisions	7,657	6,917	
45.	Tier 2 capital before regulatory adjustments	7,657	6,917	
	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)	7,657	6,917	
52.	Total regulatory capital (TC = T1 + T2)	507,585	508,287	
53.	Total risk-weighted assets	704,359	647,812	
	Capital ratios and buffers			
54.	Common Equity Tier 1 (as a percentage of risk-weighted assets)	70.98%	77.39%	
55.	Tier 1 (as a percentage of risk-weighted assets)	70.98%	77.39%	
56.	Total capital (as a percentage of risk-weighted assets)	72.06%	78.46%	
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)	2.50%	2.50%	
58.	<i>Of which: capital conservation buffer requirement</i>	2.50%	2.50%	
59.	<i>Of which: bank-specific countercyclical buffer requirement</i>	0.00%	0.00%	
60.	<i>Of which: higher loss absorbency requirement (e.g. DSIB)</i>	0.00%	0.00%	
61.	Common Equity Tier 1 (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirement.	61.56%	67.96%	
62.	Common Equity Tier 1 minimum ratio	7.00%	7.00%	
63.	Tier 1 minimum ratio	8.50%	8.50%	
64.	Total capital minimum ratio	10.50%	10.50%	

4. Composition of Capital

4.1 Composition of Regulatory Capital (CC1) (continued)

This provides a breakdown of the constituent elements of the bank's capital.

Sn.	Description	(a)	(b)	(c)
		30-Jun-23	31-Dec-22	CC2
		AED'000	AED'000	Reference
	Amounts below the thresholds for deduction (before risk weighting)			
65.	Non-significant investments in the capital and other TLAC liabilities of other financial entities	-	-	
66.	Significant investments in common stock of financial entities	-	-	
67.	Mortgage servicing rights (net of related tax liability)			
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)	20,310	20,273	
70.	Cap on inclusion of provisions in Tier 2 under standardised approach	7,657	6,917	
71.	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-	-
72.	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-	-
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)			
73.	<i>Current cap on CET1 instruments subject to phase-out arrangements</i>	-	-	
74.	<i>Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)</i>	-	-	
75.	<i>Current cap on AT1 instruments subject to phase-out arrangements</i>	-	-	
76.	<i>Amount excluded from AT1 due to cap (excess after redemptions and maturities)</i>	-	-	
77.	<i>Current cap on T2 instruments subject to phase-out arrangements</i>	-	-	
78.	<i>Amount excluded from T2 due to cap (excess after redemptions and maturities)</i>	-	-	

5. Leverage Ratio (LR2)

To provide a detailed breakdown of the components of the leverage ratio denominator, as well as information on the actual leverage ratio, minimum requirements and buffers.

Sn.	Description	(a) 30-Jun-23	(b) 31-Mar-23
On-balance sheet exposures		AED'000	AED'000
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	1,232,580	1,334,829
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)	(1,599)	(989)
7	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)	1,230,981	1,333,840
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)	-	-
9	Add-on amounts for PFE associated with <i>all</i> derivatives transactions	635	732
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)	635	732
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	237,036	221,053
20	(Adjustments for conversion to credit equivalent amounts)	(96,420)	(87,315)
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)	140,616	133,738

5. Leverage Ratio (LR2) (continued)

To provide a detailed breakdown of the components of the leverage ratio denominator, as well as information on the actual leverage ratio, minimum requirements and buffers.

Sn.	Description	(a) 30-Jun-23	(b) 31-Mar-23
		AED'000	AED'000
	Capital and total exposures		
23	Tier 1 capital	499,928	500,482
24	Total exposures (sum of rows 7, 13, 18 and 22)	1,372,232	1,468,310
	Leverage ratio		
25	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)	36.43%	34.09%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	36.43%	34.09%
26	CBUAE minimum leverage ratio requirement	3.00%	3.00%
27	Applicable leverage buffers	0.00%	0.00%

6. Liquidity

6.1 Eligible Liquid Assets Ratio (ELAR)

Breakdown of bank's available high-quality liquid assets (HQLA) according to the CBUAE Liquidity Regulations.

Sn.	Description	30-Jun-23	30-Jun-23	31-Mar-23	31-Mar-23
1	High Quality Liquid Assets	Nominal amount	Eligible Liquid Asset	Nominal amount	Eligible Liquid Asset
		AED'000	AED'000	AED'000	AED'000
1.1	Physical cash in hand at the bank + balances with the CBUAE	552,636		516,289	
1.2	UAE Federal Government Bonds and Sukuks	-		-	
	Sub Total (1.1 to 1.2)	552,636	552,636	516,289	516,289
1.3	UAE local governments publicly traded debt securities	-		-	
1.4	UAE Public sector publicly traded debt securities	-		-	
	Subtotal (1.3 to 1.4)	-	-	-	-
1.5	Foreign Sovereign debt instruments or instruments issued by their respective central banks	-	-	-	-
1.6	Total	552,636	552,636	516,289	516,289
2	Total liabilities		699,858		822,021
3	Eligible Liquid Assets Ratio (ELAR)		78.96%		62.81%

ELAR of the Bank continues to operate at levels comfortably above the 10% minimum requirement as currently prescribed by the CBUAE.

6. Liquidity

6.2 Advances to Stable Resources Ratio (ASRR)

Breakdown of the bank's advances to Stables Resource ratio as per the Liquidity regulations.

Sn.	Description	30-Jun-23	31-Mar-23
		Amount	Amount
1	Computation of Advances	AED'000	AED'000
1.1	Net Lending (gross loans - specific and collective provisions + interest in suspense)	306,471	347,533
1.2	Lending to non-banking financial institutions	23,285	-
1.3	Net Financial Guarantees & Stand-by LC (issued - received)	-	-
1.4	Interbank Placements	127,362	108,374
1.5	Total Advances	457,118	455,907
2	Calculation of Net Stable Resources		
2.1	Total capital + general provisions	552,703	534,230
	Deduct:		
2.1.1	Goodwill and other intangible assets	1,599	989
2.1.2	Fixed Assets	2,241	2,283
2.1.3	Funds allocated to branches abroad	-	-
2.1.5	Unquoted Investments	-	-
2.1.6	Investment in subsidiaries, associates and affiliates	-	-
2.1.7	Total deduction	3,840	3,272
2.2	Net Free Capital Funds	548,863	530,958
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	16,393	16,351
2.3.5	Customer Deposits	557,971	665,381
2.3.6	Capital market funding/ term borrowings maturing after 6 months from reporting date	-	-
2.3.7	Total other stable resources	574,364	681,732
2.4	Total Stable Resources (2.2+2.3.7)	1,123,227	1,212,690
3	Advances TO STABLE RESOURCES RATIO (1.6/ 2.4*100)	40.70	37.59

ASRR of the Bank continues to operate at levels comfortably below the 100% ceiling as currently prescribed by CBUAE.

7. Credit Risk

7.1 Credit quality of assets (CR1)

The table provides a comprehensive picture of the credit quality of a bank's (on- and off-balance sheet) assets.

							AED'000
		a	b	c	d	e	f
Sn.	Description	Gross carrying values		Allowances/ Impairments	Of which ECL accounting provisions for credit losses		Net values (a+b-c)
	30-Jun-23	Defaulted exposures	Non-Defaulted exposures		Allocated in regulatory category of Specific	Allocated in regulatory category of General	
1.	Loans	33,642	329,756	48,239	24,508	14,597	315,159
2.	Debt securities	223	125,421	866	223	643	124,778
3.	Off-balance sheet exposures	2,149	235,522	2,775	1,477	1,298	234,896
4.	Total	36,014	690,699	51,880	26,208	16,538	674,833

							AED'000
		a	b	c	d	e	f
Sn.	Description	Gross carrying values		Allowances/ Impairments	Of which ECL accounting provisions for credit losses		Net values (a+b-c)
	31-Dec-22	Defaulted exposures	Non-Defaulted exposures		Allocated in regulatory category of Specific	Allocated in regulatory category of General	
1.	Loans	35,947	313,627	50,022	28,754	14,075	299,552
2.	Debt securities	-	125,235	158	-	158	125,077
3.	Off-balance sheet exposures	2,149	217,930	1,834	1,477	357	218,245
4.	Total	38,096	656,792	52,014	30,231	14,590	642,874

Notes:

1. For defaulted exposures: comprises balances of impaired and past due loans for more than 90 days;
2. For off-balance exposures: comprises balances of customers acceptances, letters of credit and guarantees for banks and customers, derivatives and irrevocable commitments;
3. For allowances/impairments: comprises balances of interests in suspense, specific and general provisions.

7. Credit Risk

7.2 Changes in the stock of defaulted loans and debt securities (CR2)

The table identifies the changes in a bank's stock of defaulted exposures, the flows between non-defaulted and defaulted exposure categories and reductions in the stock of defaulted exposures due to write-offs.

Sn.	Description	30-Jun-23
		AED'000
1.	Defaulted loans and debt securities at the end of the previous reporting period	35,947
2.	Loans and debt securities that have defaulted since the last reporting period	-
3.	Returned to non-default status	-
4.	Amounts written off	-
5.	Other changes	(2,082)
6.	Defaulted loans and debt securities at the end of the reporting period (1+2-3-4±5)	33,865

Sn.	Description	31-Dec-22
		AED'000
1.	Defaulted loans and debt securities at the end of the previous reporting period	39,748
2.	Loans and debt securities that have defaulted since the last reporting period	10,510
3.	Returned to non-default status	-
4.	Amounts written off	(15,526)
5.	Other changes	1,215
6.	Defaulted loans and debt securities at the end of the reporting period (1+2-3-4±5)	35,947

7. Credit Risk

7.3 Credit Risk exposure and Credit Risk Mitigation (CRM) effects (CR4)

This table illustrates the effect of CRM on capital requirements' calculations. RWA density provides a synthetic metric on riskiness of each portfolio.

Sn.	30-Jun-23	(a)	(b)	(c)	(d)	(e)	(f)
		AED'000	AED'000	AED'000	AED'000	AED'000	%
	Asset classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
		Exposures before CCF and CRM		Exposures post CCF and CRM		RWA and RWA density	
1.	Sovereigns and their central banks	599,060	-	598,837	-	54,542	9.11%
2.	Public Sector Entities	70,879	-	70,879	-	35,440	50.00%
3.	Multilateral development banks	-	-	-	-	-	0.00%
4.	Banks	230,081	3,735	230,081	3,735	140,615	60.14%
5.	Securities firms	-	-	-	-	-	0.00%
6.	Corporates	257,229	190,114	257,229	108,108	296,353	81.12%
7.	Regulatory retail portfolios	5,888	41,674	5,888	27,260	6,485	19.56%
8.	Secured by residential property	10,830	-	10,830	-	9,370	86.52%
9.	Secured by commercial real estate	55,809	-	55,809	-	54,809	98.21%
10.	Equity Investment in Funds (EIF)	-	-	-	-	-	0.00%
11.	Past-due loans	33,642	2,148	-	2,148	1,476	68.72%
12.	Higher-risk categories	-	-	-	-	-	0.00%
13.	Other assets	21,737	-	21,737	-	13,182	60.64%
14.	Total	1,285,155	237,671	1,251,290	141,251	612,272	43.97%

Sn.	31-Dec-22	(a)	(b)	(c)	(d)	(e)	(f)
		AED'000	AED'000	AED'000	AED'000	AED'000	%
	Asset classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
		Exposures before CCF and CRM		Exposures post CCF and CRM		RWA and RWA density	
1.	Sovereigns and their central banks	559,157	-	559,157	-	54,478	9.74%
2.	Public Sector Entities	70,757	-	70,757	-	35,379	50.00%
3.	Multilateral development banks	-	-	-	-	-	0.00%
4.	Banks	377,922	3,929	377,922	3,929	163,781	42.89%
5.	Securities firms	-	-	-	-	-	0.00%
6.	Corporates	215,564	173,051	215,564	98,039	214,353	68.35%
7.	Regulatory retail portfolios	5,814	40,950	5,814	24,164	9,483	31.63%
8.	Secured by residential property	12,701	-	12,701	-	10,537	82.96%
9.	Secured by commercial real estate	79,548	-	79,548	-	51,271	64.45%
10.	Equity Investment in Funds (EIF)	-	-	-	-	-	0.00%
11.	Past-due loans	35,947	2,149	-	2,149	1,477	68.73%
12.	Higher-risk categories	-	-	-	-	-	0.00%
13.	Other assets	18,246	-	18,246	-	12,222	66.98%
14.	Total	1,375,656	220,079	1,339,709	128,280	552,980	37.67%

7. Credit Risk

7.4 Exposures by asset classes and risk weights (CR5)

This table presents the breakdown of credit risk exposures under the standardised approach by asset class and risk weight (corresponding to the riskiness attributed to the exposure according to standardised approach).

Sn.	30-Jun-23 Risk weight Asset classes	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	AED'000
		0%	20%	35%	50%	75%	85%	100%	150%	Others	Total credit exposures amount (post CCF & CRM)
1.	Sovereigns and their central banks	544,295	-	-	-	-	-	54,542	-	-	598,837
2.	Public Sector Entities	-	-	-	70,879	-	-	-	-	-	70,879
3.	Multilateral development banks	-	-	-	-	-	-	-	-	-	-
4.	Banks	-	102,641	-	22,176	-	-	108,999	-	-	233,816
5.	Securities firms	-	-	-	-	-	-	-	-	-	-
6.	Corporates	49,381	-	-	-	-	130,687	185,269	-	-	365,337
7.	Regulatory retail portfolios	26,590	-	-	-	290	-	6,268	-	-	33,148
8.	Secured by residential property	-	-	2,246	-	-	-	8,584	-	-	10,830
9.	Secured by commercial real estate	1,000	-	-	-	-	-	54,809	-	-	55,809
10.	Equity Investment in Funds (EIF)	-	-	-	-	-	-	-	-	-	-
11.	Past-due loans	672	-	-	-	-	-	1,476	-	-	2,148
12.	Higher-risk categories	-	-	-	-	-	-	-	-	-	-
13.	Other assets	8,341	267	-	-	-	-	13,129	-	-	21,737
14.	Total	630,279	102,908	2,246	93,055	290	130,687	433,076	-	-	1,392,541

7. Credit Risk

7.4 Exposures by asset classes and risk weights (CR5) (continued)

This table presents the breakdown of credit risk exposures under the standardised approach by asset class and risk weight (corresponding to the riskiness attributed to the exposure according to standardised approach).

Sn.	31-Dec-22	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	AED'000
		0%	20%	35%	50%	75%	85%	100%	150%	Others	Total credit exposures amount (post CCF & CRM)
	Risk weight										
	Asset classes										
1.	Sovereigns and their central banks	504,679	-	-	-	-	-	54,478	-	-	559,157
2.	Public Sector Entities	-	-	-	70,757	-	-	-	-	-	70,757
3.	Multilateral development banks	-	-	-	-	-	-	-	-	-	-
4.	Banks	-	270,103	-	3,975	-	-	107,773	-	-	381,851
5.	Securities firms	-	-	-	-	-	-	-	-	-	-
6.	Corporates	60,738	-	-	57,000	-	66,745	129,120	-	-	313,603
7.	Regulatory retail portfolios	20,411	-	-	-	334	-	9,233	-	-	29,978
8.	Secured by residential property	-	-	3,329	-	-	-	9,372	-	-	12,701
9.	Secured by commercial real estate	1,000	-	-	54,555	-	-	23,993	-	-	79,548
10.	Equity Investment in Funds (EIF)	-	-	-	-	-	-	-	-	-	-
11.	Past-due loans	672	-	-	-	-	-	1,477	-	-	2,149
12.	Higher-risk categories	-	-	-	-	-	-	-	-	-	-
13.	Other assets	6,024	-	-	-	-	-	12,222	-	-	18,246
14.	Total	593,524	270,103	3,329	186,287	334	66,745	347,667	-	-	1,467,989

8. Market Risk

8.1 Market risk under the standardised approach (MR1)

This table provides the components of the capital requirement under the standardised approach for market risk.

Sn.	Description	(a)	(b)
		30-Jun-23	31-Dec-22
		AED'000	AED'000
		RWA	RWA
1.	General Interest rate risk (General and Specific)	-	-
2.	Equity risk (General and Specific)	-	-
3.	Foreign exchange risk	992	3,640
4.	Commodity risk	-	-
	Options		
5.	Simplified approach	-	-
6.	Delta-plus method	-	-
7.	Scenario approach	-	-
8.	Securitisation	-	-
9.	Total	992	3,640

9. Acronyms

Sn.	Abbreviations	Description
1.	AKF	Al Khaliji France S.A. (Head office in France and its Branches in the UAE)
2.	ALCCO	Asset, Liability and Capital Committee
3.	ASRR	Advances to Stable Resources Ratio
4.	AT1	Additional Tier 1
5.	BBB	Bankers Blanket Bond
6.	BCBS	Basel Committee on Banking Supervision
7.	BCM	Business Continuity Management
8.	BIA	Business Indicator Approach
9.	CB UAE	Central Bank of U.A.E.
10.	CCF	Credit Conversion Factor
11.	CCP	Central Counterparty
12.	CCR	Counterparty Credit Risk
13.	CET1	Common Equity Tier 1
14.	CIC	Credit and Investment Committee
15.	CRM	Credit Risk Mitigation
16.	CSA	Control Self-Assessment
17.	D&O	Directors & Officers
18.	D-SIB	Domestic Systemically Important Banks
19.	EAD	Exposure At Default
20.	ECL	Expected Credit Losses
21.	ELAR	Eligible Liquid Asset Ratio
22.	EVE	Economic Value of Equity
23.	FVOCI	Fair Value through Other Comprehensive Income
24.	GALCCO	Group Asset, Liability and Capital Committee
25.	GCRC	Group Compliance & Risk Committee
26.	GDP	Gross Domestic Product
27.	GORM	Group Operational Risk Manager
28.	GRC	Group Risk Committee
29.	Group	Masraf Al Rayan Doha (MAR Doha or Qatar)
30.	HNWI	High Net-Worth Individuals
31.	H.O	Al Khaliji France Paris (AKF Paris or France)
32.	HQLA	High Quality Liquid Assets
33.	ICAAP	Internal Capital Adequacy Assessment Process
34.	IFRS	International Financial Reporting Standards
35.	KCI	Key Control Indicators
36.	KPI	Key Performance Indicators
37.	KRI	Key Risk Indicators
38.	LC	Letter of Credit
39.	LCR	Liquidity Coverage Ratio
40.	LGD	Loss Given Default
41.	LR	Leverage Ratio
42.	MRA	Moody's Risk Advisor
43.	MVE	Market Value of Equity
44.	NPL	Non-Performing Loans
45.	NSFR	Net Stable Funding Ratio
46.	OLD	Operational Loss Database

9. Acronyms (*continued*)

Sn.	Abbreviations	Description
47.	OLEM	O ther L oans E specially M entioned
48.	ORM	O perational R isk M anagement
49.	PD	P robability of D efault
50.	PFE	P otential F uture E xposure
51.	PI	P rofessional I ndemnity
52.	RCSA	R isk and C ontrol S elf- A ssessment
53.	RSA	R ate S ensitive A ssets
54.	RSL	R ate S ensitive L iabilitys
55.	RWA	R isk W eighted A ssets
56.	SA	S tandardized A pproach
57.	SFT	S ecurities F inancing T ransactions
58.	SICR	S ignificant I ncrease in C redit R isk

10. Glossary

1. Capital conservation buffer

A capital buffer prescribed by BCBS and CBUAE under Basel III and designed to ensure banks build up capital buffers outside periods of stress which can be drawn down as losses are incurred. Should the bank's CET1 capital fall within the capital conservation buffer range, capital distributions will be constrained by the regulators.

2. Countercyclical capital buffer (CCyB)

The countercyclical capital buffer is part of a set of macro prudential instruments, designed to help counter pro-cyclicality in the financial system. CCyB as defined in the Basel III standard provides for an additional capital requirement of up to 2.5 per cent of risk-weighted assets.

3. Counterparty credit risk (CCR)

The risk that a counterparty defaults before satisfying its obligations under a derivative, a securities financing transaction (SFT) or a similar contract.

4. Credit Conversion Factor (CCF)

As prescribed by CBUAE, an estimate of the amount the Group expects a customer to have drawn further on a facility limit at the point of default.

5. Credit risk adjustment (CRA)

This includes impairment allowances or provisions balances, and changes in ECL.

6. Credit risk mitigation (CRM)

Credit risk mitigation is a process to mitigate potential credit losses from any given account, customer or portfolio by using a range of tools such as collateral, netting agreements, credit insurance, credit derivatives and guarantees.

7. Domestic systemically important banks (D-SIB)

Domestic systemically important banks are deemed systemically relevant for the domestic financial system in which they operate. The CBUAE and the BCBS have developed a framework for identifying and dealing with D-SIBs. The Central Bank of the UAE annually assesses national banks at their consolidated group level and foreign banks at their UAE branch level; to designate banks whose failure could escalate to systemic risk for the UAE banking sector and eventually impact the economy.

8. Economic Value of Equity (EVE)

The economic value of equity (EVE) is a cash flow calculation that takes the present value of all asset cash flows and subtracts the present value of all liability cash flows. Unlike earnings at risk and value at risk (VAR), a bank uses the economic value of equity to manage its assets and liabilities. This is a long-term economic measure used to assess the degree of interest rate risk exposure—as opposed to net-interest income (NII), which reflects short-term interest rate risk.

10. Glossary (*continued*)

9. Fully Loaded ECL

Means Bank's regulatory capital compared with a situation where the transitional arrangement for IFRS 9 had not been applied. CBUAE introduced transitional arrangements as per circular no. 04/2020 "Regulation Regarding Accounting Provisions and Capital Requirements - Transitional Arrangements".

10. Internal Capital Adequacy Assessment Process (ICAAP)

A requirement under Pillar 2 of the Basel framework to undertake a comprehensive assessment of their risks and to determine the appropriate amounts of capital to be held against these risks.

11. Key Control Indicators (KCI's)

Key Control Indicators or KCIs also referred to as Control Effectiveness Indicators are metrics that provide information on the extent to which a given control is meeting its intended objectives in terms of loss prevention, reduction, etc.

12. Key Performance Indicators (KPIs)

Key Performance Indicators refer to a set of quantifiable measurements used to gauge a Bank's overall long-term performance. KPIs specifically help determine a Bank's strategic, financial, and operational achievements, especially compared to those of other businesses within the same sector.

13. Key Risk Indicators (KRIs)

Key Risk Indicators are used by financial firms to measure their exposure to a given risk at a particular time. By comparing an appropriate set of key risk indicators with internal limits and thresholds, banks can determine whether their operational risk exposures are within their risk appetite.

14. Leverage ratio

A ratio introduced under Basel III/CRD that compares Tier 1 capital to total exposures, including certain exposures held off-balance sheet as adjusted by stipulated credit conversion factors. Intended to be a simple, non-risk based backstop measure.

15. Liquidity Coverage Ratio (LCR)

The ratio of the stock of high quality liquid assets to expected net cash outflows over the following 30 days. High quality liquid assets should be unencumbered, liquid in markets during a time of stress and, ideally, be central bank eligible.

16. Net stable funding ratio (NSFR)

The ratio of available stable funding (ASF) to required stable funding (RSF) over a one-year time horizon, assuming a stressed scenario. It is a longer-term liquidity measure designed to restrain the amount of wholesale borrowing and encourage stable funding over a one year time horizon.

17. Securities Financing Transactions (SFT)

Securities Financing Transactions are secured (i.e. collateralized) transactions that involve the temporary exchange of cash against securities, or securities against other securities, e.g. stock lending or stock borrowing or the lending or borrowing of other financial instruments, a repurchase or reverse repurchase transaction, or a buy-sell back or sell-buy back transaction.

10. Glossary (continued)

18. Standardized Approach (SA)

In relation to credit risk, a method for calculating credit risk capital requirements using External Credit Assessment Institutions (ECAI) ratings and supervisory risk-weights. In relation to operational risk, a method of calculating the operational risk capital requirement by the application of a supervisory defined percentage charge to the gross income of eight specified business lines.