

Al Khaliji France S.A. – UAE operations

Basel III Pillar 3 Disclosures For the quarter ended 31 March 2024

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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 (MAR), Qatar is 100% shareholder of Al Khaliji France S.A. Paris.

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/2020/4980, Notice No. CBUAE/BSN/2021/5508, Notice No. CBUAE/BSN/2022/1887, Notice No. CBUAE/BSN/2022/5280) published in 12 November 2020, 30 November 2021, 09 May 2022 and 30 December 2022 respectively.

These disclosures are being prepared as per the new templates and explanatory notes on Pillar 3 disclosure requirements revised by CBUAE on 21 December 2023.

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 quarterly 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
Liquidity	ELAR	Eligible Liquid Assets Ratio	Included
	ASRR	Advances to Stable Resources Ratio	Included

2. Overview of risk management, key prudential metrics and RWA

2.1 Key metrics (KM1)

An overview of the bank's prudential regulatory metrics.

Sn.	Description	(a) 31-Mar-24	(b) 31-Dec-23	(c) 30-Sep-23	(d) 30-Jun-23	(e) 31-Mar-23
		AED'000	AED'000	AED'000	AED'000	AED'000
	Aggregate Capital Funds					
1	Paid up capital	375,000	375,000	375,000	375,000	375,000
2	Share Premium	-	-	-	-	-
3	Reserves, excluding revaluation reserve	59,311	59,311	59,311	59,311	59,310
4	Retained earnings/ (-) Loss	115,816	115,816	66,663	66,663	66,663
4a	Accumulated retained earnings / (-)	115,816	66,663	66,663	66,663	66,663
4b	Audited / Reviewed Current year profit / (-) current financial year loss	-	49,153	-	-	-
4c	Proposed Dividend	-	-	-	-	-
	Less:					
5	Goodwill	-	-	-	-	-
6	Total Assets excluding cash collaterals and sovereign guarantees	1,281,152	1,294,048	1,260,912	1,174,048	1,268,420
6a	Total Assets	1,386,895	1,398,384	1,364,167	1,287,068	1,393,559
6b	Cash collaterals (legally enforceable)	105,743	104,336	103,255	113,020	125,139
6c	Sovereign Guarantees (legally enforceable)	-	-	-	-	-
	ELAR					
7	Total HQLA	498,071	451,704	636,897	552,636	516,289
8	Total liabilities	756,223	780,306	759,064	699,858	822,021
9	Eligible Liquid Assets Ratio (ELAR) (%)	65.86%	57.89%	83.91%	78.96%	62.81%
	ASRR					
10	Total available stable funding	1,188,485	1,125,987	1,180,316	1,123,227	1,212,690
11	Total Advances	494,779	508,726	440,511	457,118	455,907
12	Advances to Stable Resources Ratio (%)	41.63%	45.18%	37.32%	40.70%	37.59%

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

3. Liquidity

3.1 Eligible Liquid Assets Ratio (ELAR)

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

Sn.	Description	31-Mar-24	31-Mar-24	31-Dec-23	31-Dec-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	498,071		451,704	
1.2	UAE Federal Government Bonds and Sukuks	-		-	
	Sub Total (1.1 to 1.2)	498,071	498,071	451,704	451,704
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	498,071	498,071	451,704	451,704
2	Total liabilities		756,223		780,306
3	Eligible Liquid Assets Ratio (ELAR)		65.86%		57.89%

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

3. Liquidity

3.2 Advances to Stable Resources Ratio (ASRR)

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

Sn.	Items	31-Mar-24	31-Dec-23
		Amount	Amount
1	Computation of Advances	AED'000	AED'000
1.1	Net Lending (gross loans - specific and collective provisions + interest in suspense)	386,561	388,719
1.2	Lending to non-banking financial institutions	53,287	46,811
1.3	Net Financial Guarantees & Stand-by LC (issued - received)	-	-
1.4	Interbank Placements	54,931	73,196
1.5	Total Advances	494,779	508,726
2	Calculation of Net Stable Resources		
2.1	Total capital + general provisions	584,768	571,479
	Deduct:		
2.1.1	Goodwill and other intangible assets	1,788	1,785
2.1.2	Fixed Assets	1,797	1,950
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	3,585	3,735
2.2	Net Free Capital Funds	581,183	567,744
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	16,110	15,748
2.3.5	Customer Deposits	591,192	542,495
2.3.6	Capital market funding/ term borrowings maturing after 6 months from reporting date	-	-
2.3.7	Total other stable resources	607,302	558,243
2.4	Total Stable Resources (2.2+2.3.7)	1,188,485	1,125,987
3	Advances TO STABLE RESOURCES RATIO (1.6/ 2.4*100)	41.63	45.18

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

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

Sn.	Abbreviations	Description
49.	OLEM	Other Loans Especially Mentioned
50.	ORM	Operational Risk Management
51.	PD	Probability of Default
52.	PFE	Potential Future Exposure
53.	PI	Professional Indemnity
54.	RCSA	Risk and Control Self-Assessment
55.	RSA	Rate Sensitive Assets
56.	RSL	Rate Sensitive Liabilities
57.	RWA	Risk Weighted Assets
58.	SA	Standardized Approach
59.	SFT	Securities Financing Transactions
60.	SICR	Significant Increase in Credit Risk

5. 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.

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.

5. Glossary (*continued*)

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.

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.