

# **Al Khaliji France S.A. – UAE operations**

## **Basel III Pillar 3 Disclosures For the half-year ended 30 June 2024**

## Table of contents

<b>1.</b>	<b>Introduction and overview</b>	<b>3-4</b>
<b>2.</b>	<b>Overview of risk management and RWA</b>	<b>5</b>
	<i>2.1 Key metrics (KM1)</i>	<i>5</i>
<b>3.</b>	<b>Composition of capital</b>	<b>6-8</b>
	<i>3.1 Composition of regulatory capital (CC1)</i>	<i>6</i>
	<i>3.2 Reconciliation of regulatory capital to balance sheet (CC2)</i>	<i>7-8</i>
<b>4.</b>	<b>Liquidity</b>	<b>9-10</b>
	<i>4.1 Eligible Liquid Asset Ratio (ELAR)</i>	<i>9</i>
	<i>4.2 Advances to Stable Resource Ratio (ASRR)</i>	<i>10</i>
<b>5.</b>	<b>Credit risk</b>	<b>11-12</b>
	<i>5.1 Credit quality of assets (CR1)</i>	<i>11</i>
	<i>5.2 Changes in the stock of defaulted loans and debt securities (CR2)</i>	<i>12</i>
<b>6.</b>	<b>Acronyms</b>	<b>13-14</b>
<b>7.</b>	<b>Glossary</b>	<b>15-16</b>

## 1. Introduction and overview

### Legal status and activities

Al Khaliji France S.A., UAE operations (the “Bank” or “AKF UAE”) is 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.

Al Khaliji France S.A. is wholly owned subsidiary of Masraf Al Rayan (MAR), Qatar.

MAR is an Islamic bank incorporated in Qatar on January 4, 2006 and licensed by the Qatar Central Bank. MAR shares are listed on the Qatar Stock Exchange.

The Bank’s regional office in Dubai is responsible for managing the UAE 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 half-yearly publication and comparison to the disclosure included in this document:

Topic	Table	Information overview	Status
<b>Overview of risk management and RWA</b>	KM1	Key metrics	Included
<b>Composition of capital</b>	CC1	Composition of regulatory capital	Included
	CC2	Reconciliation of regulatory capital to balance sheet	Included
<b>Liquidity</b>	ELAR	Eligible Liquid Assets Ratio	Included
	ASRR	Advances to Stable Resources Ratio	Included
<b>Credit risk</b>	CR1	Credit quality of assets	Included
	CR2	Changes in the stock of defaulted loans and debt securities	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) 30-Jun-24	(b) 31-Mar-24	(c) 31-Dec-23	(d) 30-Sep-23	(e) 30-Jun-23
		AED'000	AED'000	AED'000	AED'000	AED'000
	<b>Aggregate Capital Funds</b>					
1	Paid up capital	375,000	375,000	375,000	375,000	375,000
2	Share Premium	-	-	-	-	-
3	Reserves, excluding revaluation reserve	64,226	59,311	59,311	59,311	59,311
<b>4</b>	<b>Retained earnings/ (-) Loss</b>	<b>110,901</b>	<b>115,816</b>	<b>115,816</b>	<b>66,663</b>	<b>66,663</b>
4a	Accumulated retained earnings / (-)	110,901	115,816	66,663	66,663	66,663
4b	Audited / Reviewed Current year profit / (-) current financial year loss	-	-	49,153	-	-
4c	Proposed Dividend	-	-	-	-	-
	<b>Less:</b>					
5	Goodwill	-	-	-	-	-
<b>6</b>	<b>Total Assets excluding cash collaterals and sovereign guarantees</b>	<b>1,252,178</b>	<b>1,281,152</b>	<b>1,294,048</b>	<b>1,260,912</b>	<b>1,174,048</b>
6a	Total Assets	1,343,617	1,386,895	1,398,384	1,364,167	1,287,068
6b	Cash collaterals (legally enforceable)	91,439	105,743	104,336	103,255	113,020
6c	Sovereign Guarantees (legally enforceable)	-	-	-	-	-
	<b>ELAR</b>					
7	Total HQLA	513,654	498,071	451,704	636,897	552,636
8	Total liabilities	700,907	756,223	780,306	759,064	699,858
<b>9</b>	<b>Eligible Liquid Assets Ratio (ELAR) (%)</b>	<b>73.28%</b>	<b>65.86%</b>	<b>57.89%</b>	<b>83.91%</b>	<b>78.96%</b>
	<b>ASRR</b>					
10	Total available stable funding	1,151,501	1,188,485	1,125,987	1,180,316	1,123,227
11	Total Advances	476,918	494,779	508,726	440,511	457,118
<b>12</b>	<b>Advances to Stable Resources Ratio (%)</b>	<b>41.42%</b>	<b>41.63%</b>	<b>45.18%</b>	<b>37.32%</b>	<b>40.70%</b>

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

### 3. Composition of Capital

#### 3.1 Composition of Regulatory Capital (CC1)

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

Sn.	Description	(a)	(b)	(c) Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
		30-Jun-24	31-Dec-23	
		AED'000	AED'000	
<b>1.</b>	<b>Aggregate Capital Funds</b>	<b>550,127</b>	550,127	
1.1	Paid up capital	375,000	375,000	
1.2	Share Premium	-	-	
1.3	Reserves, excluding revaluation reserve	64,226	59,311	
<b>1.4</b>	<b>Retained earnings/ (-) Loss</b>	<b>110,901</b>	115,816	
1.4.1	Accumulated retained earnings / (-)	110,901	66,663	
1.4.2	Audited / Reviewed Current year profit / (-) current financial year loss	-	49,153	
1.4.3	Proposed Dividend	-	-	
	<b>Less:</b>			
1.5	Good will	-	-	
<b>2.</b>	<b>Total Assets excluding cash collaterals and sovereign guarantees</b>	<b>1,252,178</b>	1,294,048	
2.1	Total Assets	1,343,617	1,398,384	
2.2	Cash collaterals (legally enforceable)	91,439	104,336	
2.3	Sovereign Guarantees (legally enforceable)	-	-	
<b>3.</b>	<b>Aggregate capital fund (%)</b>	<b>44%</b>	43%	

### 3. Composition of Capital

#### 3.2 Reconciliation of Regulatory Capital to Balance Sheet (CC2)

This table enables users to identify the differences between the scope of accounting and regulatory consolidation, and to show the link between the bank's balance sheet in its published financial statements and the numbers that are used in the composition of capital disclosure template set out in Template CC1.

Description	(a)	(b)	(c)
	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	30-Jun-24 AED'000	30-Jun-24 AED'000	
<b>Assets</b>			
Cash and balances at central banks	458,641	448,404	Note 1
Items in the course of collection from other banks	-	-	
Trading portfolio assets	-	-	
Financial assets designated at fair value	149,734	164,559	Note 2
Derivative financial instruments	-	-	
Loans and advances to banks	157,124	159,606	Note 2
Loans and advances to customers	421,722	472,796	Note 2
Reverse repurchase agreements and other similar secured lending	-	-	
Available for sale financial investments (Includes FVOCI)	71,981	71,981	
Current and deferred tax assets	-	-	
Prepayments, accrued income and other assets	12,828	22,876	Note1
Investments in associates and joint ventures	-	-	
Goodwill and other intangible assets	1,649	1,649	
Of which: goodwill	-	-	(a)
Of which: intangibles (excluding MSRs)	1,649	1,649	(b)
Of which: MSRs	-	-	(c)
Property, plant and equipment	1,557	1,557	
<b>Total assets</b>	<b>1,275,236</b>	<b>1,343,428</b>	
<b>Liabilities</b>			
Deposits from banks	22,171	22,171	
Items in the course of collection due to other banks	-	-	
Customer accounts	654,890	654,890	
Repurchase agreements and other similar secured borrowing	-	-	
Trading portfolio liabilities	-	-	
Financial liabilities designated at fair value	-	-	
Derivative financial instruments	-	-	
Debt securities in issue	-	-	
Accruals, deferred income and other liabilities	10,112	9,923	Note 1
Current and deferred tax liabilities	6,075	6,075	
Of which: DTLs related to goodwill	-	-	
Of which: DTLs related to intangible assets (excluding MSRs)	-	-	
Of which: DTLs related to MSRs	-	-	
Subordinated liabilities	-	-	

Description	(a)	(b)	(c)
	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	30-Jun-24	30-Jun-24	
	AED'000	AED'000	
Provisions	2,829	32,520	Note 2
Retirement benefit liabilities	7,659	7,659	
<b>Total liabilities</b>	<b>703,736</b>	<b>733,238</b>	
<b>Shareholders' equity</b>			
Paid-in share capital	375,000	375,000	
Retained earnings	132,010	132,010	Note 3
Accumulated other comprehensive income	64,490	64,490	
<b>Total shareholders' equity</b>	<b>571,500</b>	<b>571,500</b>	

Notes:

1. Difference in balances arises from deducting customer acceptances from other assets and liabilities, incorporating cash in hand into other assets under regulatory scope;
2. Difference in balances under regulatory scope for financial assets designated at fair value and Loans and advances to banks/customers are gross of provisions (specific and general) and interest in suspense;
3. Retained earnings under regulatory and balance sheet includes the year-to-date unaudited profit.



## 4. Liquidity

### 4.1 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	30-Jun-24	30-Jun-24	31-Mar-24	31-Mar-24
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	458,641		498,071	
1.2	UAE Federal Government Bonds and Sukuks	-		-	
	Sub Total (1.1 to 1.2)	458,641	458,641	498,071	498,071
1.3	UAE local governments publicly traded debt securities	18,383		-	
1.4	UAE Public sector publicly traded debt securities	-		-	
	Subtotal (1.3 to 1.4)	18,383	18,383	-	-
1.5	Foreign Sovereign debt instruments or instruments issued by their respective central banks	36,630	36,630	-	-
1.6	<b>Total</b>	<b>513,654</b>	<b>513,654</b>	498,071	498,071
2	Total liabilities		700,907		756,223
3	<b>Eligible Liquid Assets Ratio (ELAR)</b>		<b>73.28%</b>		65.86%

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

## 4. Liquidity

### 4.2 Advances to Stable Resources Ratio (ASRR)

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

Sn.	Items	30-Jun-24	31-Mar-24
		Amount	Amount
<b>1</b>	<b>Computation of Advances</b>	<b>AED'000</b>	<b>AED'000</b>
1.1	Net Lending (gross loans - specific and collective provisions + interest in suspense)	385,188	386,561
1.2	Lending to non-banking financial institutions	55,087	53,287
1.3	Net Financial Guarantees & Stand-by LC (issued - received)	-	-
1.4	Interbank Placements	36,643	54,931
<b>1.5</b>	<b>Total Advances</b>	<b>476,918</b>	<b>494,779</b>
<b>2</b>	<b>Calculation of Net Stable Resources</b>		
2.1	Total capital + general provisions	595,365	584,768
	<b>Deduct:</b>		
2.1.1	Goodwill and other intangible assets	1,649	1,788
2.1.2	Fixed Assets	1,557	1,797
2.1.3	Funds allocated to branches abroad	-	-
2.1.5	Unquoted Investments	-	-
2.1.6	Investment in subsidiaries, associates and affiliates	-	-
<b>2.1.7</b>	<b>Total deduction</b>	<b>3,206</b>	<b>3,585</b>
<b>2.2</b>	<b>Net Free Capital Funds</b>	<b>592,159</b>	<b>581,183</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	16,503	16,110
2.3.5	Customer Deposits	542,839	591,192
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>559,342</b>	<b>607,302</b>
<b>2.4</b>	<b>Total Stable Resources (2.2+2.3.7)</b>	<b>1,151,501</b>	<b>1,188,485</b>
<b>3</b>	<b>Advances TO STABLE RESOURCES RATIO (1.6/ 2.4*100)</b>	<b>41.42</b>	<b>41.63</b>

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

## 5. Credit Risk

### 5.1 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-24	Defaulted exposures	Non-Defaulted exposures		Allocated in regulatory category of Specific	Allocated in regulatory category of General	
1.	Loans	142,921	329,874	51,074	19,480	18,554	421,721
2.	Debt securities	-	236,540	14,825	-	14,825	221,715
3.	Off-balance sheet exposures	2,559	152,764	2,829	-	2,829	152,494
4.	<b>Total</b>	<b>145,480</b>	<b>719,178</b>	<b>68,728</b>	<b>19,480</b>	<b>36,208</b>	<b>795,930</b>

							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-23	Defaulted exposures	Non-Defaulted exposures		Allocated in regulatory category of Specific	Allocated in regulatory category of General	
1.	Loans	31,318	435,530	47,941	20,363	16,623	418,907
2.	Debt securities	223	143,830	15,280	223	15,057	128,773
3.	Off-balance sheet exposures	2,652	194,506	2,641	-	2,641	194,517
4.	<b>Total</b>	<b>34,193</b>	<b>773,866</b>	<b>65,862</b>	<b>20,586</b>	<b>34,321</b>	<b>742,197</b>

**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.

## 5. Credit Risk

### 5.2 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-24
		AED'000
1.	<b>Defaulted loans and debt securities at the end of the previous reporting period</b>	<b>31,541</b>
2.	Loans and debt securities that have defaulted since the last reporting period	112,512
3.	Returned to non-default status	(909)
4.	Amounts written off	-
5.	Other changes	(223)
6.	<b>Defaulted loans and debt securities at the end of the reporting period (1+2-3-4±5)</b>	<b>142,921</b>

Sn.	Description	31-Dec-23
		AED'000
1.	Defaulted loans and debt securities at the end of the previous reporting period	33,865
2.	Loans and debt securities that have defaulted since the last reporting period	919
3.	Returned to non-default status	(2,357)
4.	Amounts written off	(68)
5.	Other changes	(818)
6.	Defaulted loans and debt securities at the end of the reporting period (1+2-3-4±5)	31,541

## 6. Acronyms

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

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

## 7. 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.

**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.