

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

## **Basel III Pillar 3 Disclosures For the quarter ended 30 September 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.

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 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) 30-Sep-24	(b) 30-Jun-24	(c) 31-Mar-24	(d) 31-Dec-23	(e) 30-Sep-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	64,226	59,311	59,311	59,311
<b>4</b>	<b>Retained earnings/ (-) Loss</b>	<b>110,901</b>	<b>110,901</b>	<b>115,816</b>	<b>115,816</b>	<b>66,663</b>
4a	Accumulated retained earnings / (-)	110,901	110,901	115,816	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>1,289,255</b>	<b>1,252,178</b>	<b>1,281,152</b>	<b>1,294,048</b>	<b>1,260,912</b>
6a	Total Assets	1,387,650	1,343,617	1,386,895	1,398,384	1,364,167
6b	Cash collaterals (legally enforceable)	98,395	91,439	105,743	104,336	103,255
6c	Sovereign Guarantees (legally enforceable)	-	-	-	-	-
	<b>ELAR</b>					
7	Total HQLA	566,114	513,654	498,071	451,704	636,897
8	Total liabilities	734,386	700,907	756,223	780,306	759,064
<b>9</b>	<b>Eligible Liquid Assets Ratio (ELAR) (%)</b>	<b>77.09%</b>	<b>73.28%</b>	<b>65.86%</b>	<b>57.89%</b>	<b>83.91%</b>
	<b>ASRR</b>					
10	Total available stable funding	1,179,208	1,151,501	1,188,485	1,125,987	1,180,316
11	Total Advances	456,863	476,918	494,779	508,726	440,511
<b>12</b>	<b>Advances to Stable Resources Ratio (%)</b>	<b>38.74%</b>	<b>41.42%</b>	<b>41.63%</b>	<b>45.18%</b>	<b>37.32%</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. 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	30-Sep-24	30-Sep-24	30-Jun-24	30-Jun-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	511,097		458,641	
1.2	UAE Federal Government Bonds and Sukuks	-		-	
	Sub Total (1.1 to 1.2)	511,097	511,097	458,641	458,641
1.3	UAE local governments publicly traded debt securities	18,382		18,383	
1.4	UAE Public sector publicly traded debt securities	-		-	
	Subtotal (1.3 to 1.4)	18,382	18,382	18,383	18,383
1.5	Foreign Sovereign debt instruments or instruments issued by their respective central banks	36,635	36,635	36,630	36,630
1.6	<b>Total</b>	<b>566,114</b>	<b>566,114</b>	513,654	513,654
2	Total liabilities		734,386		700,907
3	<b>Eligible Liquid Assets Ratio (ELAR)</b>		<b>77.09%</b>		73.28%

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	30-Sep-24	30-Jun-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)	378,914	386,561
1.2	Lending to non-banking financial institutions	41,284	53,287
1.3	Net Financial Guarantees & Stand-by LC (issued - received)	-	-
1.4	Interbank Placements	36,665	54,931
<b>1.5</b>	<b>Total Advances</b>	<b>456,863</b>	<b>494,779</b>
<b>2</b>	<b>Calculation of Net Stable Resources</b>		
2.1	Total capital + general provisions	604,492	584,768
	<b>Deduct:</b>		
2.1.1	Goodwill and other intangible assets	1,882	1,788
2.1.2	Fixed Assets	1,416	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>3,298</b>	<b>3,585</b>
<b>2.2</b>	<b>Net Free Capital Funds</b>	<b>601,194</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	16,552	16,110
2.3.5	Customer Deposits	561,462	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>578,014</b>	<b>607,302</b>
<b>2.4</b>	<b>Total Stable Resources (2.2+2.3.7)</b>	<b>1,179,208</b>	<b>1,188,485</b>
<b>3</b>	<b>Advances TO STABLE RESOURCES RATIO (1.6/ 2.4*100)</b>	<b>38.74</b>	<b>41.63</b>

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.	<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>

## 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.

**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.