

Al Khaliji France S.A. – UAE operations

Basel III Pillar 3 Disclosures For the half-year ended 30 June 2022

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1. Introduction and overview

Legal status and activities

Al Khaliji France S.A UAE (the “Bank”) is a 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 Branches. 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 the Central Bank of the 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 and Notice No. CBUAE/BSN/N/2022/1887) published in 12 November 2020, 30 November 2021 and 09 May 2022 respectively.

These disclosures are being done on the financial figures of AKF UAE branches only and excludes the disclosures on Head Office and its branches as well as ultimate parent company and its branches.

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	Included
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 standardised approach	Included

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

2. Key metrics (KM1)

An overview of the bank's prudential regulatory metrics.

Sn.	Description	30-Jun-22	31-Mar-22	31-Dec-21
	Available capital (amounts)	AED'000	AED'000	AED'000
1	Common Equity Tier 1 (CET1)	545,788	545,993	545,635
1a	Fully loaded ECL (Excepted Credit Losses) accounting model	545,788	545,993	545,635
2	Tier 1	545,788	545,993	545,635
2a	Fully loaded ECL accounting model Tier 1	545,788	545,993	545,635
3	Total capital	552,879	553,244	552,382
3a	Fully loaded ECL accounting model total capital	552,879	553,244	552,382
	Risk-weighted assets (amounts)			
4	Total risk-weighted assets (RWA- for details refer to table 3- OV1)	675,760	689,706	647,696
	Risk-based capital ratios as a percentage of RWA			
5	Common Equity Tier 1 ratio (%)	80.77%	79.16%	84.24%
5a	Fully loaded ECL accounting model CET1 (%)	80.77%	79.16%	84.24%
6	Tier 1 ratio (%)	80.77%	79.16%	84.24%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	80.77%	79.16%	84.24%
7	Total capital ratio (%)	81.82%	80.21%	85.28%
7a	Fully loaded ECL accounting model total capital ratio (%)	81.82%	80.21%	85.28%
	Additional CET1 buffer requirements as a percentage of RWA			
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.50%	2.50%	2.50%
9	Countercyclical buffer requirement (%)	0.00%	0.00%	0.00%
10	Bank D-SIB additional requirements (%)	0.00%	0.00%	0.00%
11	Total of bank CET1 specific buffer requirements (%) (rows 8 + 9 + 10)	2.50%	2.50%	2.50%
12	CET1 available after meeting the bank's minimum capital requirements (%)	71.32%	69.71%	74.78%
	Leverage Ratio			
13	Total leverage ratio measure	1,542,010	1,555,742	1,509,131
14	Leverage ratio (%) (row 2/row 13)	35.39%	35.10%	36.16%
14a	Fully loaded ECL accounting model leverage ratio (%) (row 2A/row 13)	35.39%	35.10%	36.16%
14b	Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	35.39%	35.10%	36.16%
	Liquidity Coverage Ratio¹			
15	Total HQLA	NA	NA	NA
16	Total net cash outflow	NA	NA	NA
17	LCR ratio (%)	NA	NA	NA
	Net Stable Funding Ratio¹			
18	Total available stable funding	NA	NA	NA
19	Total required stable funding	NA	NA	NA
20	NSFR ratio (%)	NA	NA	NA
	ELAR			
21	Total HQLA	689,545	681,734	714,817
22	Total liabilities	813,502	820,991	805,024
23	Eligible Liquid Assets Ratio (ELAR) (%)	84.76%	83.04%	88.79%

2. Key metrics (KM1) (continued)

An overview of the bank's prudential regulatory metrics.

Sn.	Description	30-Jun-22	31-Mar-22	31-Dec-21
		AED'000	AED'000	AED'000
ASRR				
24	Total available stable funding	1,254,551	1,255,367	1,228,802
25	Total Advances	431,496	450,651	420,838
26	Advances to Stable Resources Ratio (%)	34.39%	35.90%	34.25%

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 22 is well-buffered and above the total capital required under ICAAP of 16.5% yet increased (as compared to Mar 22) due to movement in bank's asset items at different risk weight %;

The capital ratio as of 31 Dec 21 was restated as change in regulatory RWA%;

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.

3. Overview of Risk Weighted Assets (OV1)

An overview of total RWA forming the denominator of the risk-based capital requirements

Sn.	Description	RWA		Minimum capital requirements
		30-Jun-22	31-Mar-22	30-Jun-22
		AED'000	AED'000	AED'000
1	Credit risk (excluding counterparty credit risk)	567,241	580,119	59,560
2	Of which: standardised approach (SA)	567,241	580,119	59,560
3				
4				
5				
6	Counterparty credit risk (CCR)	-	-	-
7	Of which: standardised approach for counterparty credit risk	-	-	-
8				
9				
10				
11				
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				
18	Of which: securitisation external ratings-based approach (SEC-ERBA)	-	-	-
19	Of which: securitisation standardised approach (SEC-SA)	-	-	-
20	Market risk	714	1,782	75
21	Of which: standardised approach (SA)	714	1,782	75
22				
23	Operational risk	107,805	107,805	11,320
24				
25				
26	Total (1+6+10+11+12+13+14+15+16+20+23)	675,760	689,706	70,955

The Credit Risk weighted assets (CRWA) of the Bank witnessed a decrease during Q2'22 on the back of decrease in commercial assets;

Market Risk Weighted assets (MRWA) decreased during Q2'22 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.

4.1 Composition of Regulatory Capital (CC1)

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

Sn.	Description	30-Jun-22	CC2 Reference
		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	Same as (h) from CC2 template
2.	Retained earnings	113,478	
3.	Accumulated other comprehensive income (and other reserves)	57,522	
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	546,000	
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)	212	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	-	

4.1 Composition of Regulatory Capital (CC1) (continued)

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

Sn.	Description	30-Jun-22	CC2 Reference
		AED'000	
22.	Of which: deferred tax assets arising from temporary differences	-	
23.	CBUAE specific regulatory adjustments	-	
24.	Total regulatory adjustments to Common Equity Tier 1	212	
25.	Common Equity Tier 1 capital (CET1)	545,788	
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)	545,788	
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)	-	

4.1 Composition of Regulatory Capital (CC1) (continued)

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

Sn.	Description	30-Jun-22	CC2 Reference
		AED'000	
43.	<i>Of which: instruments issued by subsidiaries subject to phase-out</i>	-	
44.	Provisions	7,091	
45.	Tier 2 capital before regulatory adjustments	7,091	
	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)	7,091	
52.	Total regulatory capital (TC = T1 + T2)	552,879	
53.	Total risk-weighted assets	675,760	
	Capital ratios and buffers		
54.	Common Equity Tier 1 (as a percentage of risk-weighted assets)	80.77%	
55.	Tier 1 (as a percentage of risk-weighted assets)	80.77%	
56.	Total capital (as a percentage of risk-weighted assets)	81.82%	
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%	
58.	<i>Of which: capital conservation buffer requirement</i>	2.50%	
59.	<i>Of which: bank-specific countercyclical buffer requirement</i>	0.00%	
60.	<i>Of which: higher loss absorbency requirement (e.g. DSIB)</i>	0.00%	
61.	Common Equity Tier 1 (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirement.	71.32%	
62.	Common Equity Tier 1 minimum ratio	7.00%	
63.	Tier 1 minimum ratio	8.50%	
64.	Total capital minimum ratio	10.50%	

4.1 Composition of Regulatory Capital (CC1) (continued)

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

Sn.	Description	30-Jun-22	CC2 Reference
		AED'000	
	Amounts below the thresholds for deduction (before risk weighting)		
		-	
66.	Significant investments in common stock of financial entities	-	
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)	23,107	
70.	Cap on inclusion of provisions in Tier 2 under standardised approach	7,091	
	Capital instruments subject to phase-out arrangements (or 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	30-Jun-22	31-Mar-22
On-balance sheet exposures		AED'000	AED'000
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	1,366,925	1,370,174
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)	(212)	(330)
7	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)	1,366,713	1,369,844
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	1,025	1,122
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)	1,025	1,122
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	256,804	275,555
20	(Adjustments for conversion to credit equivalent amounts)	(82,532)	(90,779)
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)	174,272	184,776

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	30-Jun-22	31-Mar-22
		AED'000	AED'000
	Capital and total exposures		
23	Tier 1 capital	545,788	545,993
24	Total exposures (sum of rows 7, 13, 18 and 22)	1,542,010	1,555,742
	Leverage ratio		
25	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)	35.39%	35.10%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	35.39%	35.10%
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-22	30-Jun-22
1	High Quality Liquid Assets	Nominal amount	Eligible Liquid Asset
		AED'000	AED'000
1.1	Physical cash in hand at the bank + balances with the CBUAE	689,545	
1.2	UAE Federal Government Bonds and Sukuks	-	
	Sub Total (1.1 to 1.2)	689,545	689,545
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	689,545	689,545
2	Total liabilities		813,502
3	Eligible Liquid Assets Ratio (ELAR)		84.76%

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)

Present the breakdown of a bank's advances to Stables Resource ratio as per the Liquidity regulations.

Sn.	Description	30-Jun-22	31-Mar-22
		Amount	Amount
1	Computation of Advances	AED'000	AED'000
1.1	Net Lending (gross loans - specific and collective provisions + interest in suspense)	321,687	359,071
1.2	Lending to non-banking financial institutions	-	-
1.3	Net Financial Guarantees & Stand-by LC (issued - received)	-	-
1.4	Interbank Placements	109,809	91,580
1.5	Total Advances	431,496	450,651
2	Calculation of Net Stable Resources		
2.1	Total capital + general provisions	575,962	573,309
	Deduct:		
2.1.1	Goodwill and other intangible assets	212	330
2.1.2	Fixed Assets	1,630	1,791
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	1,842	2,121
2.2	Net Free Capital Funds	574,120	571,188
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	16,158	15,819
2.3.5	Customer Deposits	664,273	668,360
2.3.6	Capital market funding/ term borrowings maturing after 6 months from reporting date	-	-
2.3.7	Total other stable resources	680,431	684,179
2.4	Total Stable Resources (2.2+2.3.7)	1,254,551	1,255,367
3	Advances TO STABLE RESOURCES RATIO (1.6/ 2.4*100)	34.39	35.90

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-22	Defaulted exposures	Non-Defaulted exposures		Allocated in regulatory category of Specific	Allocated in regulatory category of General	
1.	Loans	49,207	312,364	58,637	31,733	18,753	302,934
2.	Debt securities	2,043	126,003	2,945	2,043	902	125,101
3.	Off-balance sheet exposures	2,149	255,680	3,117	1,476	1,641	254,712
4.	Total	53,399	694,047	64,699	35,252	21,296	682,747

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 and derivatives;
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-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	9,326
3.	Returned to non-default status	-
4.	Amounts written off	-
5.	Other changes	2,176
6.	Defaulted loans and debt securities at the end of the reporting period (1+2-3-4±5)	51,250

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-22 Asset classes	AED'000	AED'000	AED'000	AED'000	AED'000	%
		Exposures before CCF and CRM		Exposures post CCF and CRM		RWA and RWA density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Sovereigns and their central banks	737,573	-	735,530	-	54,413	7.40%
2	Public Sector Entities	71,590	-	71,590	-	35,795	50.00%
3	Multilateral development banks	-	-	-	-	-	0.00%
4	Banks	243,656	4,125	243,656	4,125	153,338	61.88%
5	Securities firms	-	-	-	-	-	0.00%
6	Corporates	204,707	210,018	204,707	143,513	223,386	64.15%
7	Regulatory retail portfolios	9,620	41,537	9,620	25,510	7,326	20.85%
8	Secured by residential property	14,884	-	14,884	-	13,420	90.16%
9	Secured by commercial real estate	83,153	-	83,153	-	54,660	65.73%
10	Equity Investment in Funds (EIF)	-	-	-	-	-	0.00%
11	Past-due loans	49,207	2,149	9,323	2,149	15,463	134.78%
12	Higher-risk categories	-	-	-	-	-	0.00%
13	Other assets	17,357	-	17,357	-	8,929	51.44%
14	Total	1,431,747	257,829	1,389,820	175,297	566,729	36.21%

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.											AED'000	
	30-Jun-22	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	681,117	-	-	-	-	-	54,413	-	-	-	735,530
2.	Public Sector Entities	-	-	-	71,590	-	-	-	-	-	-	71,590
3.	Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-
4.	Banks	-	115,463	-	4,146	-	-	128,172	-	-	-	247,781
5.	Securities firms	-	-	-	-	-	-	-	-	-	-	-
6.	Corporates	86,327	-	-	56,463	-	68,500	136,930	-	-	-	348,220
7.	Regulatory retail portfolios	27,692	-	-	-	450	-	6,988	-	-	-	35,130
8.	Secured by residential property	-	-	2,253	-	-	-	12,631	-	-	-	14,884
9.	Secured by commercial real estate	1,000	-	-	54,986	-	-	27,167	-	-	-	83,153
10.	Equity Investment in Funds (EIF)	-	-	-	-	-	-	-	-	-	-	-
11.	Past-due loans	671	-	-	-	-	-	1,478	9,323	-	-	11,472
12.	Higher-risk categories	-	-	-	-	-	-	-	-	-	-	-
13.	Other assets	8,428	-	-	-	-	-	8,929	-	-	-	17,357
14.	Total	805,235	115,463	2,253	187,185	450	68,500	376,708	9,323	-	-	1,565,117

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	30-Jun-22
		AED'000
1.	General Interest rate risk (General and Specific)	-
2.	Equity risk (General and Specific)	-
3.	Foreign exchange risk	714
4.	Commodity risk	-
	Options	
5.	Simplified approach	-
6.	Delta-plus method	-
7.		-
8.	Securitisation	-
9.	Total	714

9. Acronyms

1.	AKF	Al Khaliji France S.A.
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.	BIA	Business Indicator Approach
7.	CB UAE	Central Bank of U.A.E.
8.	CCF	Credit Conversion Factor
9.	CCP	Central Counterparty
10.	CCR	Counterparty Credit Risk
11.	CET1	Common Equity Tier 1
12.	CIC	Credit and Investment Committee
13.	CRM	Credit Risk Mitigation
14.	D&O	Directors & Officers
15.	D-SIB	Domestic Systemically Important Banks
16.	ECL	Expected Credit Losses
17.	ELAR	Eligible Liquid Asset Ratio
18.	EVE	Economic Value of Equity
19.	GALCCO	Group Asset, Liability and Capital Committee
20.	GCRC	Group Compliance & Risk Committee
21.	GORM	Group Operational Risk Manager
22.	GRC	Group Risk Committee
23.	Group	Masraf Al Rayan Doha (MAR Doha or Qatar)
24.	H.O	Al Khaliji France Paris (AKF Paris or France)
25.	HQLA	High Quality Liquid Assets
26.	ICAAP	Internal Capital Adequacy Assessment Process
27.	KRI	Key Risk Indicators
28.	LC	Letter of Credit
29.	LCR	Liquidity Coverage Ratio
30.	LR	Leverage Ratio
31.	NSFR	Net Stable Funding Ratio
32.	OLD	Operational Loss Database
33.	ORM	Operational Risk Management
34.	PFE	Potential Future Exposure
35.	PI	Professional Indemnity
36.	RSA	Rate Sensitive Assets
37.	RSL	Rate Sensitive Liabilities
38.	RWA	Risk Weighted Assets
39.	SA	Standardised Approach
40.	SFT	Securities Financing Transactions

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. 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".

9. 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.

10. 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.

11. 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.

10. Glossary (continued)

12. Net stable funding ratio (NSFR)

The ratio of available stable funding to stable funding required 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.

13. Securities Financing Transactions (SFT)

Securities Financing Transactions are secured (i.e. collateralised) 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.

14. Standardised 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.