



**Al Ahli Bank of Kuwait (UAE Branches)**  
**Basel III - Pillar III Disclosures**  
**30-September-2023**

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## **1 General Information / ABK Group Structure**

Al Ahli Bank of Kuwait KSCP (the Group) structure consists of parent bank in Kuwait, a wholly owned subsidiary in Kuwait (Ahli Capital Investment Company), a subsidiary bank in Egypt (Al Ahli Bank of Kuwait – Egypt) and operates in UAE through its branches in Dubai, Abu Dhabi and DIFC.

The Group is engaged in commercial banking activities, retail banking, international banking, treasury services, investment activities and advisory services.

The Basel III Pillar III Disclosure herein pertains to the activities of ABK UAE and all numbers are stated in AED thousands unless stated otherwise.

## **2 Pillar III disclosures**

Al Ahli Bank of Kuwait KSCP, UAE (ABK UAE, the Bank, the Branches) Basel Pillar III disclosures have been prepared in accordance with the guidelines prescribed by the Central Bank of the UAE (CBUAE) wherein the UAE banks are required to follow Standardised approaches for Pillar I minimum capital requirement i.e. Capital adequacy ratio to be at 13% or above, conduct Pillar II Supervisory Review and Evaluation Process (SREP) to assess internal Capital adequacy and Pillar III requirements to complement the other two pillars to focus on enhanced transparency of information disclosure, covering risk and capital management.

ABK UAE has adopted these guidelines in its capital adequacy assessment and management of all material risks covered under Pillar I and Pillar II:

- The Bank maintains a capital adequacy ratio at a minimum of 13 per cent.
- The Bank adopts the Standardised Approach for implementing Basel III
- The Bank conducts an Internal Capital assessment for all material risks (Pillar II risks) under the Internal Capital Adequacy Assessment Process (ICAAP). These risks include credit concentration risk, Credit Risk Mitigation CRM risks, operational risk, legal risk, interest rate risk, liquidity risk, strategic risk, reputation risk etc.
- The Bank conducts stress testing of its one year forward business projections under different scenarios and assess the impact on capital adequacy and profitability.
- The Bank provides timely, accurate, relevant and adequate disclosures of qualitative and quantitative information that enable users to assess its activities and risk profile. The following public disclosures are made in line with the requirements of the Central Bank of UAE.

These disclosures provide qualitative and quantitative information on risk management objectives and practices, capital management and capital adequacy to enable users to assess the Bank's activities and risk profile. The following public disclosures are made in line with the requirements of the Central Bank of UAE (standardized approach) and include:

- Risk weighted assets of the ABK UAE - credit risk, market risk and operational risk
- Credit risk profile of gross credit exposure by counterparty classifications and ratings profile basis, gross credit exposure, credit risk mitigation and impaired loans by economic activity, geographical region and maturity

### **3 Capital Structure**

The Central Bank of the UAE sets and monitors capital requirements for the branches of foreign banks.

ABK UAE, calculates its Capital Adequacy Ratio in line with the guidelines issued by the Central Bank of the UAE. The minimum capital adequacy ratio prescribed by the CBUAE was set to be maintained at 13%, at all times of Risk Weighted Assets (RWA), calculated as per the guidelines. Being branches of the Group the capital support remains at all times from the Parent entity.

ABK UAE's regulatory capital comprises of two tiers:

- Tier 1 Capital, which primarily include common Equity Tier 1 CET1 capital comprising of share capital, statutory reserve, other reserves and retained earnings, after deductions for goodwill and intangible assets, if any.
- Tier 2 Capital, which includes general provision of RWA under standardized approach (subject to maximum of 1.25 per cent of total credit risk weighted assets).

### **4 Capital Management**

ABK UAE follows the Group capital management philosophy aimed at maintaining an optimum level of capital to enable it to pursue strategies that build long-term shareholder value, whilst always meeting minimum Pillar I as well as Pillar II capital requirements. The Pillar II capital requirements for ABK-UAE are also assessed similar to the Group's internal estimate of the capital required to cover all the material risks, including those which are not captured under Pillar I capital and these risks include credit concentration risk, interest rate risk in the banking book, liquidity risk, legal risk, residual operational risk, strategic risk and reputation risk.

The Group manages its capital in an integrated manner with the aim of maintaining strong capital ratios and high ratings. This calls for a balanced approach: maintaining capital levels that are sufficient to provide a high return to shareholders; meeting the requirements of regulators, rating agencies and other stakeholders (including deposit holders), while supporting future business growth. The cost of capital and its composition in terms of its quality and stability is also considered.

The Pillar I Capital Adequacy report is prepared by the Financial Control Division at UAE, the Pillar II charges and stress testing is conducted jointly by the Risk Management in UAE with the Group Risk Management in Kuwait. The ICAAP assessment has a strong governance process in place with Financial Control responsible for accuracy of input data and Group Internal Audit responsible for compliance with the Group policies. The Group Risk Management has an independent ICAAP unit responsible for reviewing the Pillar 2 models, consolidating the results and ensuring relevant reconciliation and accuracy of data.

## 5 Overview of risk management and RWA

### 5.1 Table KM1: Key metrics

		a	b	c	d
		Sep-23	Jun-23	Mar-23	Dec-22
	<b>Available capital (amounts)</b>				
1	Common Equity Tier 1 (CET1)	757,984	738,946	758,774	757,404
1a	Fully loaded ECL accounting model	757,984	738,946	758,774	757,404
2	Tier 1	757,984	738,946	758,774	757,404
2a	Fully loaded ECL accounting model Tier 1	757,984	738,946	758,774	757,404
3	Total capital	796,710	768,292	788,055	785,298
3a	Fully loaded ECL accounting model total capital	796,710	768,292	788,055	785,298
	<b>Risk-weighted assets (amounts)</b>				
4	Total risk-weighted assets (RWA)	3,250,014	2,501,152	2,495,969	2,383,614
	<b>Risk-based capital ratios as a percentage of RWA</b>				
5	Common Equity Tier 1 ratio (%)	23.32%	29.54%	30.40%	31.78%
5a	Fully loaded ECL accounting model CET1 (%)	23.32%	29.54%	30.40%	31.78%
6	Tier 1 ratio (%)	23.32%	29.54%	30.40%	31.78%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	23.32%	29.54%	30.40%	31.78%
7	Total capital ratio (%)	24.51%	30.72%	31.57%	32.95%
7a	Fully loaded ECL accounting model total capital ratio (%)	24.51%	30.72%	31.57%	32.95%
	<b>Additional CET1 buffer requirements as a percentage of RWA</b>				
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.50%	2.50%	2.50%	2.50%
9	Countercyclical buffer requirement (%)				
10	Bank D-SIB additional requirements (%)				
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9+ row 10)	2.50%	2.50%	2.50%	2.50%
12	CET1 available after meeting the bank's minimum capital requirements (%)	14.01%	20.22%	21.07%	22.45%
	<b>Leverage Ratio</b>				
13	Total leverage ratio measure	9,021,949	8,297,584	8,455,177	8,850,987
14	Leverage ratio (%) (row 2/row 13)	8.40%	8.91%	8.97%	8.56%
14a	Fully loaded ECL accounting model leverage ratio (%) (row 2A/row 13)	8.40%	8.91%	8.97%	8.56%
14b	Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	8.40%	8.91%	8.97%	8.56%
	<b>Liquidity Coverage Ratio</b>				
15	Total HQLA				
16	Total net cash outflow				
17	LCR ratio (%)				
	<b>Net Stable Funding Ratio</b>				
18	Total available stable funding				

**Pillar III Disclosures under the Capital Adequacy standards (Standardised approach) issued by Central Bank of UAE for the period ended 30<sup>th</sup> September 2023**

19	Total required stable funding				
20	NSFR ratio (%)				
	<b>ELAR</b>				
21	Total HQLA	1,203,576	1,197,813	1,577,982	2,245,803
22	Total liabilities	7,632,962	6,812,317	6,941,643	7,201,006
23	Eligible Liquid Assets Ratio (ELAR) (%)	15.77%	17.58%	22.73%	31.19%
	<b>ASRR</b>				
24	Total available stable funding	5,010,603	4,834,673	5,119,115	4,753,741
25	Total Advances	3,580,067	3,047,341	2,457,840	2,760,224
26	Advances to Stable Resources Ratio (%)	71.45%	63.03%	48.01%	58.06%

**5.2 Table OV1: Overview of RWA**

	a	b	c	d	e	
	RWA				Minimum capital requirements	
	Sep-23	Jun-23	Mar-23	Dec-22	Sep-23	
1	Credit risk (excluding counterparty credit risk)	3,074,864	2,296,449	2,212,911	2,004,873	322,861
2	Of which: standardised approach (SA)	3,074,864	2,296,449	2,212,911	2,004,873	322,861
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)	22,831	51,150	127,182	222,484	2,397
7	Of which: standardised approach for counterparty credit risk	22,831	51,150	127,182	222,484	2,397
8	Of which: Internal Model Method (IMM)					
9	Of which: other CCR					
10	Credit valuation adjustment (CVA)	375	98	2,412	4,180	39
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: securitisation internal ratings-based approach (SEC-IRBA)					
18	Of which: securitisation external ratings-based approach (SEC-ERBA)					
19	Of which: securitisation standardised approach (SEC-SA)					

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20	Market risk	240	1,750	1,759	372	25
21	Of which: standardised approach (SA)	240	1,750	1,759	372	25
22	Of which: internal models approach (IMA)					
23	Operational risk	151,704	151,704	151,704	151,704	15,929
24	Amounts below thresholds for deduction (subject to 250% risk weight)					
25	Floor adjustment					
26	<b>Total (1+6+10+11+12+13+14+15+16+20+23)</b>	<b>3,250,014</b>	<b>2,501,152</b>	<b>2,495,969</b>	<b>2,383,614</b>	<b>341,251</b>

## 6 Leverage ratio

### 6.1 Table LR2: Leverage ratio common disclosure

In AED'000		a	b	c	d
		Sep-23	Jun-23	Mar-23	Dec-22
<b>On-balance sheet exposures</b>					
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	6,209,585	5,811,354	5,985,440	5,951,429
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)				
7	<b>Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)</b>	<b>6,209,585</b>	<b>5,811,354</b>	<b>5,985,440</b>	<b>5,951,429</b>
<b>Derivative exposures</b>					
8	Replacement cost associated with <i>all</i> derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	1,676	8	259	99
9	Add-on amounts for PFE associated with <i>all</i> derivatives transactions	43,987	102,292	254,106	444,868
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	<b>Total derivative exposures (sum of rows 8 to 12)</b>	<b>45,662</b>	<b>102,301</b>	<b>254,365</b>	<b>444,968</b>
<b>Securities financing transactions</b>					
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	<b>Total securities financing transaction exposures (sum of rows 14 to 17)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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Other off-balance sheet exposures					
19	Off-balance sheet exposure at gross notional amount	3,393,990	3,060,695	2,562,732	2,690,165
20	(Adjustments for conversion to credit equivalent amounts)	(627,288)	(676,766)	(347,360)	(235,575)
21	(Specific and general provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital)				
22	<b>Off-balance sheet items (sum of rows 19 to 21)</b>	<b>2,766,702</b>	<b>2,383,929</b>	<b>2,215,372</b>	<b>2,454,590</b>
Capital and total exposures					
23	<b>Tier 1 capital</b>	<b>757,984</b>	<b>738,946</b>	<b>758,774</b>	<b>757,404</b>
24	<b>Total exposures (sum of rows 7, 13, 18 and 22)</b>	<b>9,021,949</b>	<b>8,297,584</b>	<b>8,455,177</b>	<b>8,850,987</b>
Leverage ratio					
25	<b>Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)</b>	<b>8.40%</b>	<b>8.91%</b>	<b>8.97%</b>	<b>8.56%</b>
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)				
26	CBUAE minimum leverage ratio requirement	3%	3%	3%	3%
27	<b>Applicable leverage buffers</b>	<b>5.40%</b>	<b>5.91%</b>	<b>5.97%</b>	<b>5.56%</b>

## 7 Liquidity Risk Management

### 7.1 Table ELAR: Eligible Liquid Assets Ratio

1	High Quality Liquid Assets	Sep-23		Jun-23		Mar-23		Dec-22	
		Nominal amount	Eligible Liquid Asset	Nominal amount	Eligible Liquid Asset	Nominal amount	Eligible Liquid Asset	Nominal amount	Eligible Liquid Asset
1.1	Physical cash in hand at the bank + balances with the CBUAE	1,203,576		1,197,813		1,577,982		2,245,803	
1.2	UAE Federal Government Bonds and Sukuks	0		0		0		0	
	Sub Total (1.1 to 1.2)	1,203,576	1,203,576	1,197,813	1,197,813	1,577,982	1,577,982	2,245,803	2,245,803
1.3	UAE local governments publicly traded debt securities	0		0		0		0	
1.4	UAE Public sector publicly traded debt securities	0		0		0		0	
	Sub total (1.3 to 1.4)	0	0	0	0	0	0	0	0
1.5	Foreign Sovereign debt instruments or instruments issued by their respective central banks	0	0	0	0	0	0	0	0
1.6	<b>Total</b>	<b>1,203,576</b>	<b>1,203,576</b>	<b>1,197,813</b>	<b>1,197,813</b>	<b>1,577,982</b>	<b>1,577,982</b>	<b>2,245,803</b>	<b>2,245,803</b>
2	Total liabilities		7,632,962		6,812,317		6,941,643		7,201,006
3	<b>Eligible Liquid Assets Ratio (ELAR)</b>		<b>15.77%</b>		<b>17.58%</b>		<b>22.73%</b>		<b>31.19%</b>



**Pillar III Disclosures under the Capital Adequacy standards (Standardised approach) issued by Central Bank of UAE for the period ended 30<sup>th</sup> September 2023**

**7.2 Table ASRR: Advances to Stables Resource Ratio**

	Items	Sep-23	Jun-23	Mar-23	Dec-22
<b>1</b>	<b>Computation of Advances</b>	<b>Amount</b>	<b>Amount</b>	<b>Amount</b>	<b>Amount</b>
1.1	Net Lending (gross loans - specific and collective provisions + interest in suspense)	3,438,825	2,805,040	2,200,139	2,382,207
1.2	Lending to non-banking financial institutions	0	0	0	80,080
1.3	Net Financial Guarantees & Stand-by LC (issued - received)	12,704	40,313	626	4,137
1.4	Interbank Placements	128,538	201,988	257,075	293,800
<b>1.5</b>	<b>Total Advances</b>	<b>3,580,067</b>	<b>3,047,341</b>	<b>2,457,840</b>	<b>2,760,224</b>
<b>2</b>	<b>Calculation of Net Stable Ressources</b>				
2.1	Total capital + general provisions	841,289	784,920	813,221	800,003
	<b>Deduct:</b>				
2.1.1	Goodwill and other intangible assets	0	0	0	0
2.1.2	Fixed Assets	23,237	22,387	22,521	22,267
2.1.3	Funds allocated to branches abroad	0	0	0	0
2.1.5	Unquoted Investments	0	0	0	0
2.1.6	Investment in subsidiaries, associates and affiliates	0	0	0	0
<b>2.1.7</b>	<b>Total deduction</b>	<b>23,237</b>	<b>22,387</b>	<b>22,521</b>	<b>22,267</b>
<b>2.2</b>	<b>Net Free Capital Funds</b>	<b>818,052</b>	<b>762,533</b>	<b>790,700</b>	<b>777,736</b>
<b>2.3</b>	<b>Other stable resources:</b>				
2.3.1	Funds from the head office	0	0	0	0
2.3.2	Interbank deposits with remaining life of more than 6 months	0	0	0	0
2.3.3	Refinancing of Housing Loans	0	0	0	0
2.3.4	Borrowing from non-Banking Financial Institutions	5,869	4,469	7,765	150,769
2.3.5	Customer Deposits	4,186,682	4,067,671	4,320,650	3,825,236
2.3.6	Capital market funding/ term borrowings maturing after 6 months from reporting date	0	0	0	0
<b>2.3.7</b>	<b>Total other stable resources</b>	<b>4,192,551</b>	<b>4,072,140</b>	<b>4,328,415</b>	<b>3,976,005</b>
<b>2.4</b>	<b>Total Stable Resources (2.2+2.3.7)</b>	<b>5,010,603</b>	<b>4,834,673</b>	<b>5,119,115</b>	<b>4,753,741</b>
<b>3</b>	<b>Advances TO STABLE RESOURCES RATIO (1.6/ 2.4*100)</b>	<b>71.45%</b>	<b>63.03%</b>	<b>48.01%</b>	<b>58.06%</b>