



Al Ahli Bank of Kuwait (UAE Branches)

Pillar III Disclosures

30-Sep-22

Contents

1. General Information / ABK Group Structure	3
2. Pillar III Disclosure	3
3. Capital Structure	3
4. Capital Management	3
5. Overview of risk management and RWA	4
5.1. Template KM1: Key metrics	4
5.2. Template OV1: Overview of RWA	5
7. Leverage ratio	6
7.1. Template LR2: Leverage ratio common disclosure template	6
8. Liquidity Risk Management	7
8.1. Template ELAR: Eligible Liquid Assets Ratio	7

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

The central bank of UAE had published memo notice CBUAE/BSN/N/2020/4980 in November 2020 and CBUAE/BSN/N/2021/5508 on 30th November 2021 regarding pillar 3 disclosures. These disclosures have been prepared in accordance with the guidelines along with the Board approved disclosure policy of the bank.

2. Pillar III Disclosure

Pillar III complements the minimum requirements and the supervisory review process. Its aim is to encourage market discipline by developing disclosure requirements which allow market participants to assess specified information on the scope of application of Basel III, capital, particular risk exposures and risk assessment processes, and hence the capital adequacy of the institution. Disclosures consist of both qualitative and quantitative information.

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 is set at 13.0%, 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.

5. Overview of risk management and RWA

5.1. Template KM1: Key metrics

		a	a	b	c
		Sep-22	Jun-22	Mar-22	Dec-21
	Available capital (amounts)				
1	Common Equity Tier 1 (CET1)	491,270	483,147	503,589	505,228
1a	Fully loaded ECL accounting model	491,270	483,147	503,589	505,228
2	Tier 1	491,270	483,147	503,589	505,228
2a	Fully loaded ECL accounting model Tier 1	491,270	483,147	503,589	505,228
3	Total capital	516,831	510,646	527,804	531,829
3a	Fully loaded ECL accounting model total capital	516,831	510,646	527,804	531,829
	Risk-weighted assets (amounts)				
4	Total risk-weighted assets (RWA)	2,230,959	2,386,101	2,123,265	2,353,915
	Risk-based capital ratios as a percentage of RWA				
5	Common Equity Tier 1 ratio (%)	22.02%	20.25%	23.72%	21.46%
5a	Fully loaded ECL accounting model CET1 (%)	22.02%	20.25%	23.72%	21.46%
6	Tier 1 ratio (%)	22.02%	20.25%	23.72%	21.46%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	22.02%	20.25%	23.72%	21.46%
7	Total capital ratio (%)	23.17%	21.40%	24.86%	22.59%
7a	Fully loaded ECL accounting model total capital ratio (%)	23.17%	21.40%	24.86%	22.59%
	Additional CET1 buffer requirements as a percentage of RWA				
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 (%)	12.67%	10.90%	14.36%	12.09%
	Leverage Ratio				
13	Total leverage ratio measure	6,385,912	6,088,138	5,967,349	6,699,260
14	Leverage ratio (%) (row 2/row 13)	7.69%	7.94%	8.44%	7.54%
14a	Fully loaded ECL accounting model leverage ratio (%) (row 2A/row 13)	7.69%	7.94%	8.44%	7.54%
14b	Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	7.69%	7.94%	8.44%	7.54%
	Liquidity Coverage Ratio				
15	Total HQLA				
16	Total net cash outflow				
17	LCR ratio (%)				

Pillar III Disclosures under the Capital Adequacy standards (Standardised approach) issued by Central Bank of UAE for the period ended 30th Sep 2022

Net Stable Funding Ratio					
18	Total available stable funding				
19	Total required stable funding				
20	NSFR ratio (%)				
ELAR					
21	Total HQLA	683,085	850,537	785,894	785,412
22	Total liabilities	5,175,278	4,980,297	4,804,541	5,518,844
23	Eligible Liquid Assets Ratio (ELAR) (%)	13.20%	17.08%	16.36%	14.23%
ASRR					
24	Total available stable funding	3,069,193	3,090,481	2,987,814	2,991,665
25	Total Advances	2,701,443	2,877,305	2,626,849	2,640,052
26	Advances to Stable Resources Ratio (%)	88.02%	93.10%	87.92%	88.25%

5.2. Template OV1: Overview of RWA

		a	b	c	d	e
		RWA				Minimum capital requirements
		Sep-22	Jun-22	Mar-22	Dec-21	Sep-22
1	Credit risk (excluding counterparty credit risk)	1,874,101	2,082,220	1,870,515	2,070,001	196,781
2	Of which: standardised approach (SA)	1,874,101	2,082,220	1,870,515	2,070,001	196,781
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)	167,230	117,169	66,656	58,118	17,559
7	Of which: standardised approach for counterparty credit risk	167,230	117,169	66,656	58,118	17,559
8	Of which: Internal Model Method (IMM)					
9	Of which: other CCR					
10	Credit valuation adjustment (CVA)	1,790	294			188
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)					

Pillar III Disclosures under the Capital Adequacy standards (Standardised approach) issued by Central Bank of UAE for the period ended 30th Sep 2022

20	Market risk	366	442	413	1,814	38
21	Of which: standardised approach (SA)	366	442	413	1,814	38
22	Of which: internal models approach (IMA)					
23	Operational risk	185,681	185,681	185,681	223,981	19,497
24	Amounts below thresholds for deduction (subject to 250% risk weight)					
25	Floor adjustment					
26	Total (1+6+10+11+12+13+14+15+16+20+23)	2,229,169	2,385,807	2,123,265	2,353,915	234,063

6. Leverage ratio

6.1. Template LR2: Leverage ratio common disclosure template

In AED'000		a	b	c	d
		Sep-22	Jun-22	Mar-22	Dec-21
On-balance sheet exposures					
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	3,819,202	4,090,467	3,697,850	3,854,032
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	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)	3,819,202	4,090,467	3,697,850	3,854,032
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)	143	120	164	3,560
9	Add-on amounts for PFE associated with <i>all</i> derivatives transactions	334,281	234,217	215,244	263,893
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)	334,424	234,338	215,408	267,453
Securities financing transactions					
14	Gross SFT assets (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				

Pillar III Disclosures under the Capital Adequacy standards (Standardised approach) issued by Central Bank of UAE for the period ended 30th Sep 2022

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	2,673,319	2,366,279	2,586,383	2,954,468
20	(Adjustments for conversion to credit equivalent amounts)	(441,034)	(602,945)	(532,292)	(376,693)
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)	2,232,286	1,763,334	2,054,091	2,577,775
Capital and total exposures					
23	Tier 1 capital	491,270	483,147	503,589	505,228
24	Total exposures (sum of rows 7, 13, 18 and 22)	6,385,912	6,088,138	5,967,349	6,699,260
Leverage ratio					
25	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)	7.69%	7.94%	8.44%	7.54%
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	Applicable leverage buffers	4.69%	4.94%	5.44%	4.54%

7. Liquidity Risk Management

7.1. Template ELAR: Eligible Liquid Assets Ratio

1	High Quality Liquid Assets	Sep-22		Jun-22		Mar-22		Dec-21	
		Nominal amount	Eligible Liquid Asset						
1.1	Physical cash in hand at the bank + balances with the CBUAE	683,085		850,537		785,894		785,412	
1.2	UAE Federal Government Bonds and Sukuks	0		0		0		0	
	Sub Total (1.1 to 1.2)	683,085	683,085	850,537	850,537	785,894	785,894	785,412	785,412
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	Total	683,085	683,085	850,537	850,537	785,894	785,894	785,412	785,412
2	Total liabilities		5,175,278		4,980,297		4,804,541		5,518,844
3	Eligible Liquid Assets Ratio (ELAR)		13.20%		17.08%		16.36%		14.23%

Pillar III Disclosures under the Capital Adequacy standards (Standardised approach) issued by Central Bank of UAE for the period ended 30th Sep 2022

7.2. Template ASRR: Advances to Stables Resource Ratio

The table below provides the breakdown of the Bank's Advances to Stable Resource Ratio (ASRR) as per the UAE CB Liquidity Regulations.

	Items	Sep-22	Jun-22	Mar-22	Dec-21
1	Computation of Advances	Amount	Amount	Amount	Amount
1.1	Net Lending (gross loans - specific and collective provisions + interest in suspense)	2,430,148	2,424,018	2,505,304	2,442,828
1.2	Lending to non-banking financial institutions	86,754	93,427	100,100	106,773
1.3	Net Financial Guarantees & Stand-by LC (issued - received)	-109,259	10,972	14,536	-5,552
1.4	Interbank Placements	293,800	348,888	6,909	96,003
1.5	Total Advances	2,701,443	2,877,305	2,626,849	2,640,052
2	Calculation of Net Stable Resources				
2.1	Total capital + general provisions	530,664	556,003	558,906	560,114
	Deduct:				
2.1.1	Goodwill and other intangible assets	0	0	0	0
2.1.2	Fixed Assets	22,493	22,498	22,886	23,311
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
2.1.7	Total deduction	22,493	22,498	22,886	23,311
2.2	Net Free Capital Funds	508,171	533,505	536,020	536,803
2.3	Other stable resources:				
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	330,721	0	0	0
2.3.3	Refinancing of Housing Loans	0	0	0	0
2.3.4	Borrowing from non-Banking Financial Institutions	580,268	224,259	288,765	134,470
2.3.5	Customer Deposits	1,650,033	2,332,717	2,163,030	2,320,393
2.3.6	Capital market funding/ term borrowings maturing after 6 months from reporting date	0	0	0	0
2.3.7	Total other stable resources	2,561,022	2,556,976	2,451,794	2,454,862
2.4	Total Stable Resources (2.2+2.3.7)	3,069,193	3,090,481	2,987,814	2,991,665
3	Advances TO STABLE RESOURCES RATIO (1.6/ 2.4*100)	88.02%	93.10%	87.92%	88.25%