



Al Ahli Bank of Kuwait (UAE Branches)

Basel III - Pillar III Disclosures

31-March-2025

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1 General Information / ABK Group Structure

The Group structure consists of Al Ahli Bank of Kuwait K.S.C.P. (“the Bank”) and its wholly-owned subsidiary, Ahli Capital Investment Company K.S.C.C (“the Subsidiary”) and Al Ahli Bank of Kuwait - Egypt (together “the Group”) which are engaged in commercial banking activities of corporate banking, retail banking, international banking, treasury services and investment activities and advisory services. The Bank and the Subsidiary are headquartered in Kuwait. The Bank has a significant investment in Credit One Kuwait Holding Company K.S.C., which is classified as an associate and located in Kuwait.

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 13.0%, 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.

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	d
		Mar-25	Dec-24	Sep-24	Jun-24	Mar-24
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1)	813,230	813,891	771,998	758,858	759,071
1a	Fully loaded ECL accounting model	813,230	813,891	771,998	758,858	759,071
2	Tier 1	813,230	813,891	771,998	758,858	759,071
2a	Fully loaded ECL accounting model Tier 1	813,230	813,891	771,998	758,858	759,071
3	Total capital	849,485	853,224	803,480	789,434	805,234
3a	Fully loaded ECL accounting model total capital	849,485	853,224	803,480	789,434	805,234
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	3,134,626	3,380,518	2,699,381	2,626,552	2,751,098
	Risk-based capital ratios as a percentage of RWA					
5	Common Equity Tier 1 ratio (%)	25.94%	24.08%	28.60%	28.89%	27.59%
5a	Fully loaded ECL accounting model CET1 (%)	25.94%	24.08%	28.60%	28.89%	27.59%
6	Tier 1 ratio (%)	25.94%	24.08%	28.60%	28.89%	27.59%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	25.94%	24.08%	28.60%	28.89%	27.59%
7	Total capital ratio (%)	27.10%	25.24%	29.77%	30.06%	29.27%
7a	Fully loaded ECL accounting model total capital ratio (%)	27.10%	25.24%	29.77%	30.06%	29.27%
	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%	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%	2.50%
12	CET1 available after meeting the bank's minimum capital requirements (%)	16.60%	14.74%	19.27%	19.56%	18.26%
	Leverage Ratio					
13	Total leverage ratio measure	10,489,795	10,995,928	9,643,111	10,060,277	10,935,844
14	Leverage ratio (%) (row 2/row 13)	7.8%	7.4%	8.0%	7.5%	6.9%
14 a	Fully loaded ECL accounting model leverage ratio (%) (row 2A/row 13)	7.8%	7.4%	8.0%	7.5%	6.9%
14 b	Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	7.75%	7.40%	8.01%	7.54%	6.94%
	Liquidity Coverage Ratio					
15	Total HQLA					
16	Total net cash outflow					
17	LCR ratio (%)					

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Net Stable Funding Ratio						
18	Total available stable funding					
19	Total required stable funding					
20	NSFR ratio (%)					
ELAR						
21	Total HQLA	2,162,838	1,886,166	1,739,122	2,003,040	1,955,791
22	Total liabilities	8,666,134	9,304,979	8,361,250	8,732,888	9,437,565
23	Eligible Liquid Assets Ratio (ELAR) (%)	24.96%	20.27%	20.80%	22.94%	20.72%
ASRR						
24	Total available stable funding	5,730,455	6,182,439	5,445,584	5,508,058	5,013,641
25	Total Advances	4,284,249	4,994,656	4,116,229	4,065,473	3,132,735
26	Advances to Stable Resources Ratio (%)	74.76%	80.79%	75.59%	73.81%	62.48%

6 Risk Management Framework at ABK UAE

ABK UAE's strategic objectives define the stakeholder's expectations that are managed through comprehensive risk management and capital management to achieve its goal. Risk management is part of ABK UAE's business culture and is integrated in all decision-making processes, by encouraging prudent behaviors at all levels and promoting the bank's risk culture. ABK UAE has a well-defined Risk management structure with clear reporting lines and segregation of duties. ABK UAE has a full time resident Chief Risk Officer (CRO) who reports directly to the Group's Chief Risk Officer(Group CRO) who in turn reports directly to the Board Risk and AML Committee (BRAC)

Key risk management activities relate to Credit Risk, Liquidity Risk & Interest Rate Risk management, Operational risk and ICAAP & Stress Testing

Credit Risk

The Bank has put in place a Credit Risk Framework to manage risk inherent in extending credit as part of its corporate governance practices. This framework facilitates in driving a strong credit culture throughout the Group includes an independent Risk Management, Management and Board level Committees, approval levels under Credit Authority Matrix. Risk Management has tools and systems in terms of credit policies, borrower rating system, financial evaluation methods, monitoring and reporting methods.

For borrower evaluation, the Group maintains a credit scoring method (S&P Credit Rating System) to assess the credit quality. The Group also has set in-house lending limits by credit grade for borrowers and at sector levels to manage concentration risks besides setting limits to meet the regulatory caps laid down both by CBK and CB UAE.

The lending proposals are independently reviewed by Risk Management in UAE and further by Risk Management in H.O. to assess various aspects of the credit risk and rewards. The credit portfolio is continuously monitored for early warning indicators to act pro-actively and also to effectively carry out recoveries on problem accounts. ABK-UAE Operations has effective credit management framework that include:

- Key Stakeholders from UAE attend the weekly Management International Credit Committee meetings along with approving authorities from Head Office.
- Business strategy is focussed on Secured lending, lending to GREs & large established businesses in the region.
- Splitting the portfolio into regular and problem portfolios and management of stressed problem-portfolio by a dedicated team.
- Recovery & Remedial department: A separate unit for focused approach to NPL/High Risk/restructured accounts. Restricted lending to traders especially expat owned business with no tangible assets to support. Owing to market condition / systemic failure, the Bank identified a few high-risk accounts that

were either put on exit, exposure reduced or collateralized. In addition, the bank also brought about improved facility structure on accounts where concerns existed.

- Accounts with early warning signals and those that were genuinely hit by systemic risk, were restructured and were put on exit over a period of time.
- Introduced Corporate Operational Risk Review Unit in 2018 to review the existing and new facilities extended to corporate clients on an on-going basis, thereby, strengthening control framework. Any areas of credit and operational risks are timely escalated and addressed. The Unit provides assurance on key areas such as documentation, approvals, monitoring compliance etc.
- Overall Controls environment has been enhanced; An internal Control Unit has been set-up within Operations function; RCSAs have been established for all functions and monitored periodically
- Legal action: Supported by external legal firms to initiate legal actions. In addition, an in-house legal counsel at UAE also monitors/ follows up legal cases.
- Documentation: Strengthened documentation processes.

CBUAE has issued new Credit Risk Management Regulation & accompanying Standards (Credit Risk Management Standards – Notice No. CBUAE / BIS/ 2024/ 5131 dated 17-Oct-2024) which apply to all financial institutions licensed by CBUAE to provide credit facilities. The Regulation sets out the minimum requirements with regard to the governance and management of credit risk including a standard definition of default, classification of credit facilities, minimum provisioning requirements, credit risk mitigations, haircuts & monitoring / management of problem assets. The Regulation is effective from November 2024 across all banks. In the interim Regulator have advised all banks to assess and submit Gap Analysis in relation to the new Standards; Accordingly , ABK – UAE has submitted a comprehensive Gap Analysis in March 2025, approved by the management committees and the Board Sub- Committee (BRAC).

Liquidity Risk & Interest Rate Risk management

The Group has put in place Liquidity Risk and Interest Rate Risk Frameworks to manage these risks. Internal limits are in place to monitor key indicators for appropriate management, monitoring and action. Monitoring is integrated and liquidity and interest rate risks are regularly reviewed in ALCO as part of management monitoring. Monthly ALCO meetings are conducted at UAE with stake-holders from UAE and Head-Office. Minutes of the meeting are circulated as required and maintained for records. Bank has taken following actions to manage liquidity and interest rate risk that include:

- Monitoring & managing of liquidity gaps & regulatory ratios within CB-UAE limits, monitoring regulatory ratios including LSRR, ELAR, Reserve Requirement and other liquidity ratios under the ALCO framework
- Bank has defined internal ratios and sensitivity limits to effectively monitor Liquidity and Interest rate risk metric.
- Continuous monitoring of deposit concentration and managing top 12 depositors within internal targets and deposit diversification.
- The impact of interest rate changes on NII was presented and discussed in ALCO
- ALCO is updated on the NIM trend month on month and YTD basis.
- Continuous review and monitoring of cost of funds by ALCO
- Bank has completed the IBOR transition and moved to Alternative Reference Rates from Libor. Bank has completed contract review, System review (and changes thereof), awareness sessions with clients, FTP and Risk model transition, internal trainings and internal and external communication.

Operational Risk and Others

Operational Risk Management framework is in place, duly approved by the Board that drives the operational risk management. Critical operational risk gaps that may have financial impact are capitalized under the ICAAP. Operational Risk related issues remain within acceptable levels whilst identification and assessment of incidents is carried out on an on-going basis.

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- **Pillar II Risks & Stress Testing:** For computing the Pillar II risks capital charge and stress losses, ABK UAE has adopted the Group bank-wide Pillar II risks & stress testing methodology. The same is uniformly applied while conducting the ICAAP process.

6.1 Table OV1: Overview of RWA

		a	b	c
		RWA		Minimum capital requirements
		Mar-25	Dec-24	Mar-25
1	Credit risk (excluding counterparty credit risk)	2,776,915	3,034,190	291,576
2	Of which: standardised approach (SA)	2,776,915	3,034,190	291,576
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)	115,327	102,766	12,109
7	Of which: standardised approach for counterparty credit risk	115,327	102,766	12,109
8	Of which: Internal Model Method (IMM)			
9	Of which: other CCR			
10	Credit valuation adjustment (CVA)	8,163	9,688	857
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)			
20	Market risk	2,066	1,719	217
21	Of which: standardised approach (SA)	2,066	1,719	217
22	Of which: internal models approach (IMA)			
23	Operational risk	232,156	232,156	24,376
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)	3,134,626	3,380,518	329,136

7 Leverage ratio

7.1 Table LR2: Leverage ratio common disclosure

In AED'000		a	b	c	d
		Mar-25	Dec-24	Sep-24	Jun-24
On-balance sheet exposures					
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	7,473,441	7,917,015	6,980,935	6,901,295
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)	(4,151)			
7	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)	7,469,290	7,917,015	6,980,935	6,901,295
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)	5,342	2,384	39	134
9	Add-on amounts for PFE associated with <i>all</i> derivatives transactions	334,144	311,321	32,945	119,253
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)	339,486	313,705	32,984	119,388
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	4,049,227	3,665,654	3,287,614	3,545,184
20	(Adjustments for conversion to credit equivalent amounts)	(1,368,208)	(900,446)	(658,422)	(505,590)

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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)	2,681,019	2,765,208	2,629,192	3,039,594
Capital and total exposures					
23	Tier 1 capital	813,230	813,891	771,998	758,858
24	Total exposures (sum of rows 7, 13, 18 and 22)	10,489,795	10,995,928	9,643,111	10,060,277
Leverage ratio					
25	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)	7.75%	7.40%	8.01%	7.54%
25 a	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	4.75%	4.40%	5.01%	4.54%

8 Liquidity Risk Management

8.1 Table ELAR: Eligible Liquid Assets Ratio

1	High Quality Liquid Assets	Mar-25		Dec-24		Sep-24		Jun-24	
		Nominal amount	Eligible Liquid Asset						
1.1	Physical cash in hand at the bank + balances with the CBUAE	1,927,725		1,668,166		1,739,122		2,003,040	
1.2	UAE Federal Government Bonds and Sukuks	0		0		0		0	
	Sub Total (1.1 to 1.2)	1,927,725	1,927,725	1,668,166	1,668,166	1,739,122	1,739,122	2,003,040	2,003,040
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	235,113	235,113	218,000	218,000	0	0	0	0
1.6	Total	2,162,838	2,162,838	1,886,166	1,886,166	1,739,122	1,739,122	2,003,040	2,003,040
2	Total liabilities		8,666,134		9,304,979		8,361,250		8,732,888
3	Eligible Liquid Assets Ratio (ELAR)		24.96%		20.27%		20.80%		22.94%

8.2 Table ASRR: Advances to Stables Resource Ratio

	Items	Mar-25	Dec-24	Sep-24	Jun-24
1	Computation of Advances	Amount	Amount	Amount	Amount
1.1	Net Lending (gross loans - specific and collective provisions + interest in suspense)	4,066,889	4,300,386	4,078,535	4,022,630
1.2	Lending to non-banking financial institutions	0	0	0	0
1.3	Net Financial Guarantees & Stand-by LC (issued - received)	45,077	51,582	37,694	42,843
1.4	Interbank Placements	172,283	642,688	0	0
1.5	Total Advances	4,284,249	4,994,656	4,116,229	4,065,473
2	Calculation of Net Stable Ressources				
2.1	Total capital + general provisions	962,730	948,525	919,316	890,853
	Deduct:				
2.1.1	Goodwill and other intangible assets	4,151	4,141	0	0
2.1.2	Fixed Assets	24,180	24,413	27,707	25,875
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	28,331	28,554	27,707	25,875
2.2	Net Free Capital Funds	934,399	919,971	891,609	864,978
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	0	0	0	0
2.3.3	Refinancing of Housing Loans	0	0	0	0
2.3.4	Borrowing from non-Banking Financial Institutions	9,807	8,673	8,786	8,697
2.3.5	Customer Deposits	4,786,249	5,253,795	4,545,189	4,634,383
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	4,796,056	5,262,468	4,553,975	4,643,080
2.4	Total Stable Resources (2.2+2.3.7)	5,730,455	6,182,439	5,445,584	5,508,058
3	Advances TO STABLE RESOURCES RATIO (1.6/ 2.4*100)	74.76%	80.79%	75.59%	73.81%