



**المصرف**  
**AL MASRAF**  
المصرف العربي للاستثمار والتجارة الخارجية Arab Bank for Investment & Foreign Trade

**ARAB BANK FOR INVESTMENT AND FOREIGN TRADE**  
**(AL MASRAF)**

**CAPITAL ADEQUACY**  
**PILLAR III DISCLOSURES**

**30<sup>th</sup> June 2022**

## Table of Contents

1.	Summary .....	3
2.	Overview of risk management and Risk Weighted Assets.....	3
2.2	KM1 - Key Metrics .....	3
2.2	OV1 - Overview of Risk Weighted Assets.....	5
3.	Composition of capital .....	6
3.1	CC1 - Composition of regulatory capital .....	6
3.2	CC2 - Reconciliation of regulatory capital to balance sheet .....	9
4.	Leverage ratio .....	10
4.1	LR1 - Summary comparison of accounting assets vs leverage ratio exposure measure .....	10
4.2	LR2 - Leverage ratio common disclosure template.....	10
5.	Liquidity .....	12
5.1	ELAR - Eligible Liquid Assets Ratio .....	12
5.2	ASRR - Advances to Stable Resources Ratio.....	12
6.	Credit risk .....	13
6.1	CR1 - Credit quality of assets.....	13
6.2	CR2 - Changes in the stock of defaulted loans and debt securities .....	13
6.3	CR3 - Credit risk mitigation techniques – overview .....	13
6.4	CR4 - Standardised approach - credit risk exposure and CRM effects.....	14
6.5	CR5 - Standardised approach - exposures by asset classes and risk weights .....	15
7.	Market risk .....	16
7.1	MR1 - Market risk under the standardised approach.....	16

## 1. Summary

- This Basel III - Pillar 3 Report for Arab Bank for Investment and Foreign Trade (“Al Masraf” or “the bank”) has been prepared in accordance with the public/ market disclosure requirements and guidelines in respect of Pillar 3 of Basel III, as prescribed by the Central Bank of the UAE (CBUAE) and other clarifications received from time to time along with the Pillar 3 Formal Disclosure Policy of the Bank.
- The purpose of this report is to inform market participants of the key components, scope and effectiveness of the Banks’ risk measurement processes, risk profile and capital adequacy. This is accomplished by providing consistent and understandable disclosure of the Bank’s risk profile in a manner that enhances comparability with other institutions.
- The Bank has adopted the Standardized Approach for Credit Risk, and Market Risk and the Basic Indicator Approach for determining the capital requirements for Operational Risk.
- This Pillar 3 Report provides details on the Bank’s risk weighted assets, which form the basis for the calculation of the capital requirement, leverage ratio and liquidity.
- In accordance with the minimum capital requirement calculation methodology as prescribed under Basel III, the Bank’s capital adequacy as at the reporting dates is as follows:

Particulars	Jun 2022	Mar 2022	Dec 2021
<b>Total Capital Adequacy Ratio</b>	21.01%	20.44%	19.81%
<b>Tier 1 Capital Adequacy Ratio</b>	19.86%	19.29%	18.65%
<b>CET 1 Ratio</b>	19.86%	19.29%	18.65%

- Numbers are stated in AED thousands unless stated otherwise.

## 2. Overview of risk management and Risk Weighted Assets

### 2.2 KM1 - Key Metrics

		30/06/2022	31/03/2022	31/12/2021	30/09/2021	30/06/2021
<b>Available capital (amounts)</b>						
1	Common Equity Tier 1 (CET1)	3,741,479	3,750,515	3,675,074	3,566,554	3,511,450
1a	Fully loaded ECL accounting model	3,579,206	3,617,296	3,587,958	3,502,372	3,495,554
2	Tier 1	3,741,479	3,750,515	3,675,074	3,566,554	3,511,450
2a	Fully loaded ECL accounting model Tier 1	3,579,206	3,617,296	3,587,958	3,502,372	3,479,658
3	Total capital	3,958,051	3,974,340	3,902,406	3,794,897	3,750,623
3a	Fully loaded ECL accounting model total capital	3,795,778	3,841,121	3,815,290	3,730,715	3,734,727
<b>Risk-weighted assets (amounts)</b>						
4	Total risk-weighted assets (RWA)	18,840,274	19,443,604	19,700,623	19,830,963	20,696,464
<b>Risk-based capital ratios as a percentage of RWA</b>						
5	Common Equity Tier 1 ratio (%)	19.9%	19.3%	18.7%	18.0%	17.0%
5a	Fully loaded ECL accounting model CET1 (%)	19.0%	18.6%	18.2%	17.7%	16.9%
6	Tier 1 ratio (%)	19.9%	19.3%	18.7%	18.0%	17.0%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	19.0%	18.6%	18.2%	17.7%	16.8%
7	Total capital ratio (%)	21.0%	20.4%	19.8%	19.1%	18.1%
7a	Fully loaded ECL accounting model total capital ratio (%)	20.1%	19.8%	19.4%	18.8%	18.0%
<b>Additional CET1 buffer requirements as a percentage of RWA</b>						
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.5%	2.5%	2.5%	2.5%	2.5%
9	Countercyclical buffer requirement (%)	0.0%	0.0%	0.0%	0.0%	0.0%

10	Bank D-SIB additional requirements (%)	0.0%	0.0%	0.0%	0.0%	0.0%
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9+ row 10)	2.5%	2.5%	2.5%	2.5%	2.5%
12	CET1 available after meeting the bank's minimum capital requirements (%)	10.5%	9.9%	9.3%	8.6%	7.6%
<b>Leverage Ratio</b>						
13	Total leverage ratio measure	23,756,657	24,525,134	25,715,125	25,888,048	26,527,308
14	Leverage ratio (%) (row 2/row 13)	15.7%	15.3%	14.3%	14.2%	13.4%
14a	Fully loaded ECL accounting model leverage ratio (%) (row 2A/row 13)	15.1%	14.7%	14.0%	13.9%	13.2%
14 b	Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	15.7%	15.3%	14.3%	14.2%	13.4%
<b>Liquidity Coverage Ratio</b>						
15	Total HQLA	NA	NA	NA	NA	NA
16	Total net cash outflow	NA	NA	NA	NA	NA
17	LCR ratio (%)	NA	NA	NA	NA	NA
<b>Net Stable Funding Ratio</b>						
18	Total available stable funding	NA	NA	NA	NA	NA
19	Total required stable funding	NA	NA	NA	NA	NA
20	NSFR ratio (%)	NA	NA	NA	NA	NA
<b>ELAR</b>						
21	Total HQLA	3,014,090	3,418,287	2,963,291	3,054,602	2,664,196
22	Total liabilities	16,779,210	17,511,871	18,583,522	18,447,851	19,105,811
23	Eligible Liquid Assets Ratio (ELAR) (%)	17.96%	19.52%	15.95%	16.56%	13.94%
<b>ASRR</b>						
24	Total available stable funding	15,825,119	17,596,628	18,431,938	18,269,673	19,399,439
25	Total Advances	14,277,286	15,176,152	15,680,935	15,874,783	16,340,615
26	Advances to Stable Resources Ratio (%)	90.22%	86.24%	85.07%	86.89%	84.23%

Risk Weighted Assets reduced to AED 18,840 million as at June 2022 from AED 19,444 million as at March 2022 due to a decrease in the balance sheet and the provisions taken during the period. This also led to a favorable movement in the Leverage ratio. An increase in the HQLA balances during the quarter led to an increase in the Eligible Liquid Asset Ratio with Advances to Stable Resources Ratio being broadly within an acceptable range.

The Bank is applying the transitional adjustment for the ECL amount in line with the requirements under Notice No. CBUAE/BSN/2020/2016 – “Regulation Regarding Accounting provisions and Capital Requirements – Transitional Arrangements” issued by CBUAE.

## 2.2 OV1 - Overview of Risk Weighted Assets

The decrease in overall Risk Weighted Assets is mainly due to the contraction of the balance sheet and the additional provisions taken during the year.

		RWA		Minimum capital requirements
		30/06/2022	31/03/2022	T
1	Credit risk (excluding counterparty credit risk)	17,325,738	17,906,021	1,819,202
2	Of which: standardised approach (SA)	17,325,738	17,906,021	1,819,202
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	24,862	47,909	2,611
21	Of which: standardised approach (SA)	24,862	47,909	2,611
22				
23	Operational risk	1,489,674	1,489,674	156,416
24				
25				
26	<b>Total (1+6+10+11+12+13+14+15+16+20+23)</b>	<b>18,840,274</b>	<b>19,443,604</b>	<b>1,978,229</b>

### 3. Composition of capital

#### 3.1 CC1 - Composition of regulatory capital

		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
<b>Common Equity Tier 1 capital: instruments and reserves</b>			
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	1,500,000	Same as (h) from CC2 template
2	Retained earnings	606,687	
3	Accumulated other comprehensive income (and other reserves)	1,635,186	
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)	-	
<b>6</b>	<b>Common Equity Tier 1 capital before regulatory deductions</b>	<b>3,741,873</b>	
<b>Common Equity Tier 1 capital regulatory adjustments</b>			
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)	-	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)	394	
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	-	

22	Of which: deferred tax assets arising from temporary differences	-	
23	CBUAE specific regulatory adjustments	-	
24	<b>Total regulatory adjustments to Common Equity Tier 1</b>	<b>394</b>	
25	<b>Common Equity Tier 1 capital (CET1)</b>	<b>3,741,479</b>	
<b>Additional Tier 1 capital: instruments</b>			
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	<i>Directly issued capital instruments subject to phase-out from additional Tier 1</i>	-	
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	<i>Of which: instruments issued by subsidiaries subject to phase-out</i>	-	
32	Additional Tier 1 capital before regulatory adjustments	-	
<b>Additional Tier 1 capital: regulatory adjustments</b>			
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	<b>Additional Tier 1 capital (AT1)</b>	<b>-</b>	
39	<b>Tier 1 capital (T1= CET1 + AT1)</b>	<b>3,741,479</b>	
<b>Tier 2 capital: instruments and provisions</b>			
40	Directly issued qualifying Tier 2 instruments plus related stock surplus	-	
41	<i>Directly issued capital instruments subject to phase-out from Tier 2</i>	-	
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)	-	
43	<i>Of which: instruments issued by subsidiaries subject to phase-out</i>	-	
44	Provisions	216,572	
45	<b>Tier 2 capital before regulatory adjustments</b>	<b>216,572</b>	
<b>Tier 2 capital: regulatory adjustments</b>			
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	<b>Total regulatory adjustments to Tier 2 capital</b>	-	
51	<b>Tier 2 capital (T2)</b>	<b>216,572</b>	
52	<b>Total regulatory capital (TC = T1 + T2)</b>	<b>3,958,051</b>	
53	<b>Total risk-weighted assets</b>	<b>18,840,274</b>	
<b>Capital ratios and buffers</b>			
54	<b>Common Equity Tier 1 (as a percentage of risk-weighted assets)</b>	19.86%	
55	<b>Tier 1 (as a percentage of risk-weighted assets)</b>	19.86%	
56	<b>Total capital (as a percentage of risk-weighted assets)</b>	21.01%	
57	<b>Institution specific buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus higher loss absorbency requirement, expressed as a percentage of risk-weighted assets)</b>		
58	<b>Of which: capital conservation buffer requirement</b>		
59	<b>Of which: bank-specific countercyclical buffer requirement</b>		
60	<b>Of which: higher loss absorbency requirement (e.g. DSIB)</b>		
61	<b>Common Equity Tier 1 (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirement.</b>	10.51%	
<b>The CBUAE Minimum Capital Requirement</b>			
62	Common Equity Tier 1 minimum ratio	7.00%	
63	Tier 1 minimum ratio	8.50%	
64	Total capital minimum ratio	10.50%	
<b>Amounts below the thresholds for deduction (before risk weighting)</b>			
66	Significant investments in common stock of financial entities		
68	Deferred tax assets arising from temporary differences (net of related tax liability)		
<b>Applicable caps on the inclusion of provisions in Tier 2</b>			
69	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	681,948	
70	Cap on inclusion of provisions in Tier 2 under standardised approach	216,572	
<b>Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)</b>			



73	Current cap on CET1 instruments subject to phase-out arrangements	NA	
74	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	NA	
75	Current cap on AT1 instruments subject to phase-out arrangements	NA	
76	Amount excluded from AT1 due to cap (excess after redemptions and maturities)	NA	
77	Current cap on T2 instruments subject to phase-out arrangements	NA	
78	Amount excluded from T2 due to cap (excess after redemptions and maturities)	NA	

The increase in Regulatory Capital from December 2021 is on account of the profit for the 6 months and the increase in the IFRS 9 transitional amount.

### 3.2 CC2 - Reconciliation of regulatory capital to balance sheet

	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	As at period-end	As at period-end	
<b>Assets</b>			
Cash and balances with the Central Bank of UAE	1,298,729	1,299,262	
Due from Banks	1,332,964	1,333,983	
Investments at fair value through profit or loss (FVTPL)	17,577	43,946	
Investment at amortised cost	1,127,563	1,128,058	
Loans and advances	13,412,547	16,446,520	
Investments at fair value through other comprehensive income (FVOCI)	2,328,784	2,328,390	
Investment properties	294,818	568,397	
Other assets	584,493	587,172	
Intangible assets	46,430	46,430	
Property and equipment	211,997	211,997	
Asset held-for-sale	11,232	11,232	
<b>Total assets</b>	<b>20,667,134</b>	<b>24,005,387</b>	
<b>Liabilities</b>			
Due to Banks	2,038,842	2,038,842	
Customers' deposits	14,049,831	14,049,831	
Other liabilities	875,959	875,959	
<b>Total liabilities</b>	<b>16,964,632</b>	<b>16,964,632</b>	
<b>Shareholders' equity</b>			
Paid-in share capital	1,500,000	1,500,000	
Of which: amount eligible for CET1	1,500,000	1,500,000	(h)
Of which: amount eligible for AT1	-	-	(i)
Statutory reserve	655,965	655,965	
Special reserve	651,375	651,375	
General reserve	380,000	380,000	
Revaluation reserve	122,902	-	
Fair value reserve	(52,154)	(52,154)	
Retained earnings	444,414	606,687	
<b>Total shareholders' equity</b>	<b>3,702,502</b>	<b>3,741,873</b>	

General / collective provision is netted from Loans and advances, due from banks and Investments in the financial statements but not deducted for the purposes of Basel reporting. Other assets in financials include acceptances where as they are part of off-balance sheet exposure under Basel reporting.

The difference in Capital is due to the capital deductions and the adjustment for IFRS9 transitional adjustment as per the Basel III guidelines.

## 4. Leverage ratio

### 4.1 LR1 - Summary comparison of accounting assets vs leverage ratio exposure measure

		30/06/2022
1	Total consolidated assets as per published financial statements	20,667,134
2	Adjustments for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-
3	Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference	-
4	Adjustments for temporary exemption of central bank reserves (if applicable)	-
5	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-
6	Adjustments for regular-way purchases and sales of financial assets subject to trade date accounting	-
7	Adjustments for eligible cash pooling transactions	-
8	Adjustments for derivative financial instruments	40,191
9	Adjustment for securities financing transactions (ie repos and similar secured lending)	-
10	Adjustments for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	3,049,332
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	-
12	Other adjustments	-
<b>13</b>	<b>Leverage ratio exposure measure</b>	<b>23,756,657</b>

### 4.2 LR2 - Leverage ratio common disclosure template

The leverage ratio exposures as at 30 June 2022 has decreased compared to the exposure as at 31 March 2022 due to decrease in the due from banks and loans and advances balances during the quarter. Derivative and other off-balance sheet exposure are in line with the previous quarter.

		30/06/2022	31/03/2022
<b>On-balance sheet exposures</b>			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	20,667,134	21,455,408
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>20,667,134</b>	<b>21,455,408</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)	28,708	28,799
9	Add-on amounts for PFE associated with <i>all</i> derivatives transactions	11,483	11,520
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>40,191</b>	<b>40,319</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>Other off-balance sheet exposures</b>			
19	Off-balance sheet exposure at gross notional amount	8,594,054	8,587,899
20	(Adjustments for conversion to credit equivalent amounts)	(5,544,722)	(5,558,492)
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>3,049,332</b>	<b>3,029,407</b>
<b>Capital and total exposures</b>			
23	<b>Tier 1 capital</b>	<b>3,741,479</b>	<b>3,750,515</b>
24	<b>Total exposures (sum of rows 7, 13, 18 and 22)</b>	<b>23,756,657</b>	<b>24,525,134</b>
<b>Leverage ratio</b>			
25	<b>Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)</b>	15.7%	15.3%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	15.7%	15.3%
26	CBUAE minimum leverage ratio requirement	3.0%	3.0%
27	<b>Applicable leverage buffers</b>	-	-

## 5. Liquidity

### 5.1 ELAR - Eligible Liquid Assets Ratio

1	High Quality Liquid Assets	Nominal amount	Eligible Liquid Asset
1.1	Physical cash in hand at the bank + balances with the CBUAE	1,299,262	
1.2	UAE Federal Government Bonds and Sukuks	1,111,981	
	Sub Total (1.1 to 1.2)	2,411,243	2,411,243
1.3	UAE local governments publicly traded debt securities	570,803	
1.4	UAE Public sector publicly traded debt securities	32,189	
	Sub Total (1.3 to 1.4)	602,992	602,847
1.5	Foreign Sovereign debt instruments or instruments issued by their respective central banks	0	0
<b>1.6</b>	<b>Total</b>	<b>3,014,235</b>	<b>3,014,090</b>
<b>2</b>	Total liabilities		16,779,210
<b>3</b>	<b>Eligible Liquid Assets Ratio (ELAR)</b>		<b>17.96%</b>

### 5.2 ASRR - Advances to Stable Resources Ratio

	Items	Amount
<b>1</b>	<b>Computation of Advances</b>	
1.1	Net Lending (gross loans - specific and collective provisions + interest in suspense)	13,804,531
1.2	Lending to non-banking financial institutions	222,489
1.3	Net Financial Guarantees & Stand-by LC (issued - received)	250,266
1.4	Interbank Placements	-
<b>1.5</b>	<b>Total Advances</b>	<b>14,277,286</b>
<b>2</b>	<b>Calculation of Net Stable Resources</b>	
2.1	Total capital + general provisions	4,305,609
	<b>Deduct:</b>	
2.1.1	Goodwill and other intangible assets	
2.1.2	Fixed Assets	839,785
2.1.3	Funds allocated to branches abroad	
2.1.5	Unquoted Investments	32,069
2.1.6	Investment in subsidiaries, associates and affiliates	
<b>2.1.7</b>	<b>Total deduction</b>	<b>871,854</b>
<b>2.2</b>	<b>Net Free Capital Funds</b>	<b>3,433,755</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	69,706
2.3.5	Customer Deposits	12,321,658
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>12,391,364</b>
<b>2.4</b>	<b>Total Stable Resources (2.2+2.3.7)</b>	<b>15,825,119</b>
<b>3</b>	<b>Advances TO STABLE RESOURCES RATIO (1.6/ 2.4*100)</b>	<b>90.22</b>

## 6. Credit risk

Please refer Note no. 5 in the annual financial statements for the year ended 31 December 2021, for criteria, approach, structure, and organization of credit risk management and reporting of risk exposures, risk mitigation and definition of default.

### 6.1 CR1 - Credit quality of assets

		Gross carrying values of		Allowances/ Impairments	Of which ECL accounting provisions for credit losses on SA exposures		Net values (a+b-c)
		Defaulted exposures	Non-defaulted exposures		Allocated in regulatory category of Specific	Allocated in regulatory category of General	
1	Loans	3,911,436	12,535,084	2,611,043	2,008,954	602,089	13,835,477
2	Debt securities	43,946	3,334,936	43,548	26,369	17,179	3,335,334
3	Off-balance sheet exposures	132,855	4,722,774	199,701	121,357	78,344	4,655,928
4	<b>Total</b>	<b>4,088,237</b>	<b>20,592,794</b>	<b>2,854,292</b>	<b>2,156,680</b>	<b>697,612</b>	<b>21,826,739</b>

The above table includes Stage 3 exposures reported in the balance sheet. The gross exposure has dropped compared to December 2021 due to reduction in the loans portfolio.

### 6.2 CR2 - Changes in the stock of defaulted loans and debt securities

		30/6/2022
1	<b>Defaulted loans and debt securities at the end of the previous reporting period</b>	<b>3,945,879</b>
2	Loans and debt securities that have defaulted since the last reporting period	312,297
3	Returned to non-default status	334,627
4	Amounts written off	-
5	Other changes	31,833
6	<b>Defaulted loans and debt securities at the end of the reporting period (1+2-3-4±5)</b>	<b>3,955,382</b>

The stock of defaulted loans and debt securities has remained largely unchanged compared to December 2021.

### 6.3 CR3 - Credit risk mitigation techniques – overview

		Exposures unsecured: carrying amount	Exposures secured by collateral	Exposures secured by collateral of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1	Loans	12,360,025	4,086,495	1,496,783	-	-	-	-
2	Debt securities	3,361,805	-	-	-	-	-	-
<b>3</b>	<b>Total</b>	<b>15,721,830</b>	<b>4,086,495</b>	<b>1,496,783</b>	-	-	-	-
4	Of which defaulted	4,027,292	317,964	13,648	-	-	-	-

The exposures have dropped compared to December 2021 due to reduction in the loans and advances portfolio.

### 6.4 CR4 - Standardised approach - credit risk exposure and CRM effects

AED in '000

	Asset classes	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	3,129,315	-	3,129,315	-	224,479	7%
2	Public Sector Entities	459,798	51,027	459,798	29,658	313,636	64%
3	Multilateral development banks	-	-	-	-	-	NA
4	Banks	2,243,419	1,847,872	2,243,419	589,692	1,978,953	70%
5	Securities firms	19,013	-	19,013	-	19,013	100%
6	Corporates	7,831,412	6,545,814	7,803,981	1,866,930	7,277,005	75%
7	Regulatory retail portfolios	91,686	-	91,541	-	82,585	90%
8	Secured by residential property	232,039	-	232,039	-	99,276	43%
9	Secured by commercial real estate	3,982,578	50,072	3,982,578	50,039	3,878,533	96%
10	Equity Investment in Funds (EIF)	-	-	-	-	-	NA
11	Past-due loans	4,345,256	139,460	1,926,961	18,183	2,154,388	111%
12	Higher-risk categories	1,729	-	1,410	-	2,115	150%
13	Other assets	1,669,142	-	1,395,563	-	1,295,755	93%
<b>14</b>	<b>Total</b>	<b>24,005,387</b>	<b>8,634,245</b>	<b>21,285,618</b>	<b>2,554,502</b>	<b>17,325,738</b>	<b>73%</b>

The reduction in risk weighted assets is due to the overall decrease in the balance sheet as compared to December 2021.

## 6.5 CR5 - Standardised approach - exposures by asset classes and risk weights

		a	b	c	d	e	f	g	h	i	j
	Risk weight	0%	20%	35%	50%	75%	85%	100%	150%	Others	Total credit exposures amount (post CCF and post-CRM)
	Asset classes										
1	Sovereigns and their central banks	2,874,994	37,302	-	-	-	-	217,019	-	-	3,129,315
2	Public Sector Entities	-	197,655	-	32,189	-	-	259,612	-	-	489,456
3	Multilateral development banks	-	-	-	-	-	-	-	-	-	-
4	Banks	-	597,891	-	778,364	-	-	1,430,178	-	-	2,833,111
5	Securities firms	-	-	-	-	-	-	19,013	-	-	19,013
6	Corporates	-	-	-	-	-	1,150,294	8,520,617	-	-	9,670,911
7	Regulatory retail portfolios	-	-	-	-	35,825	-	55,716	-	-	91,541
8	Secured by residential property	-	-	203,786	-	-	-	28,253	-	-	232,039
9	Secured by commercial real estate	-	-	-	-	-	-	4,032,617	-	-	4,032,617
10	Equity Investment in Funds (EIF)	-	-	-	-	-	-	-	-	-	-
11	Past-due loans	-	-	-	-	-	-	1,469,683	475,461	-	1,945,144
12	Higher-risk categories	-	-	-	-	-	-	-	1,410	-	1,410
13	Other assets	107,052	-	-	-	-	-	1,274,020	14,491	-	1,395,563
14	<b>Total</b>	<b>2,982,046</b>	<b>832,848</b>	<b>203,786</b>	<b>810,553</b>	<b>35,825</b>	<b>1,150,294</b>	<b>17,306,728</b>	<b>518,040</b>	-	<b>23,840,120</b>

The reduction in the total credit exposures is due to the overall decrease in the balance sheet as compared to December 2021.

## 7. Market risk

### 7.1 MR1 - Market risk under the standardised approach

		<b>RWA</b>
1	General Interest rate risk (General and Specific)	17,577
2	Equity risk (General and Specific)	-
3	Foreign exchange risk	7,285
4	Commodity risk	-
	Options	-
5	Simplified approach	-
6	Delta-plus method	-
7	Scenario approach	-
8	Securitisation	-
<b>9</b>	<b>Total</b>	<b>24,862</b>

The Market Risk weighted assets are in line with December 2021.