

# **Al Khaliji France S.A. – UAE operations**

## **Basel III Pillar 3 Disclosures For the quarter ended 30 September 2022**

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## 1. Introduction and overview

### Legal status and activities

Al Khaliji France S.A, UAE (the “Bank” or “AKF UAE”) 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 Central Bank of 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/2020/4980, Notice No. CBUAE/BSN/2021/5508 and Notice No. CBUAE/BSN/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
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

*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-Sep-22	30-Jun-22	31-Mar-22	31-Dec-21
	<b>Available capital (amounts)</b>	<b>AED'000</b>	<b>AED'000</b>	<b>AED'000</b>	<b>AED'000</b>
<b>1</b>	<b>Common Equity Tier 1 (CET1)</b>	<b>546,170</b>	<b>545,788</b>	<b>545,993</b>	<b>545,635</b>
1a	Fully loaded ECL (Excepted Credit Losses) accounting model	546,170	545,788	545,993	545,635
<b>2</b>	<b>Tier 1</b>	<b>546,170</b>	<b>545,788</b>	<b>545,993</b>	<b>545,635</b>
2a	Fully loaded ECL accounting model Tier 1	546,170	545,788	545,993	545,635
<b>3</b>	<b>Total capital</b>	<b>553,285</b>	<b>552,879</b>	<b>553,244</b>	<b>552,382</b>
3a	Fully loaded ECL accounting model total capital	553,285	552,879	553,244	552,382
	<b>Risk-weighted assets (amounts)</b>				
<b>4</b>	<b>Total risk-weighted assets (RWA- for details refer to table 3- OV1)</b>	<b>677,917</b>	<b>675,760</b>	<b>689,706</b>	<b>647,696</b>
	<b>Risk-based capital ratios as a percentage of RWA</b>				
5	Common Equity Tier 1 ratio (%)	80.57%	80.77%	79.16%	84.24%
5a	Fully loaded ECL accounting model CET1 (%)	80.57%	80.77%	79.16%	84.24%
<b>6</b>	<b>Tier 1 ratio (%)</b>	<b>80.57%</b>	<b>80.77%</b>	<b>79.16%</b>	<b>84.24%</b>
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	80.57%	80.77%	79.16%	84.24%
<b>7</b>	<b>Total capital ratio (%)</b>	<b>81.62%</b>	<b>81.82%</b>	<b>80.21%</b>	<b>85.28%</b>
7a	Fully loaded ECL accounting model total capital ratio (%)	81.62%	81.82%	80.21%	85.28%
	<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 (%)	0.00%	0.00%	0.00%	0.00%
10	Bank D-SIB additional requirements (%)	0.00%	0.00%	0.00%	0.00%
11	Total of bank CET1 specific buffer requirements (%) (rows 8 + 9 + 10)	2.50%	2.50%	2.50%	2.50%
12	CET1 available after meeting the bank's minimum capital requirements (%)	71.12%	71.32%	69.71%	74.78%
	<b>Leverage Ratio</b>				
13	Total leverage ratio measure	1,502,947	1,542,010	1,555,742	1,509,131
<b>14</b>	<b>Leverage ratio (%) (row 2/row 13)</b>	<b>36.34%</b>	<b>35.39%</b>	<b>35.10%</b>	<b>36.16%</b>
14a	Fully loaded ECL accounting model leverage ratio (%) (row 2A/row 13)	36.34%	35.39%	35.10%	36.16%
14b	Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	36.34%	35.39%	35.10%	36.16%

## 2. Key metrics (KM1) (continued)

An overview of the bank's prudential regulatory metrics.

Sn.	Description	30-Sep-22	30-Jun-22	31-Mar-22	31-Dec-21
		AED'000	AED'000	AED'000	AED'000
	<b>Liquidity Coverage Ratio<sup>1</sup></b>				
15	Total HQLA	NA	NA	NA	NA
16	Total net cash outflow	NA	NA	NA	NA
17	LCR ratio (%)	NA	NA	NA	NA
	<b>Net Stable Funding Ratio<sup>1</sup></b>				
18	Total available stable funding	NA	NA	NA	NA
19	Total required stable funding	NA	NA	NA	NA
20	NSFR ratio (%)	NA	NA	NA	NA
	<b>ELAR</b>				
21	Total HQLA	644,846	689,545	681,734	714,817
22	Total liabilities	791,901	813,502	820,991	805,024
<b>23</b>	<b>Eligible Liquid Assets Ratio (ELAR) (%)</b>	<b>81.43%</b>	<b>84.76%</b>	<b>83.04%</b>	<b>88.79%</b>
	<b>ASRR</b>				
24	Total available stable funding	1,228,144	1,254,551	1,255,367	1,228,802
25	Total Advances	394,707	431,496	450,651	420,838
<b>26</b>	<b>Advances to Stable Resources Ratio (%)</b>	<b>32.14%</b>	<b>34.39%</b>	<b>35.90%</b>	<b>34.25%</b>

<sup>1</sup> 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 Sep 22 is well-buffered and above the total capital required under ICAAP of 16.5% yet decreased (as compared to Jun 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% in ELAR and ASRR not to exceed 100%.

### 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-Sep-22	30-Jun-22	30-Sep-22
		AED'000	AED'000	AED'000
1	Credit risk (excluding counterparty credit risk)	569,160	567,241	59,762
2	Of which: standardised approach (SA)	<b>569,160</b>	567,241	<b>59,762</b>
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	952	714	100
21	Of which: standardised approach (SA)	<b>952</b>	714	<b>100</b>
22				
23	Operational risk	<b>107,805</b>	107,805	<b>11,320</b>
24				
25				
26	<b>Total (1+6+10+11+12+13+14+15+16+20+23)</b>	<b>677,917</b>	675,760	<b>71,182</b>

The Credit Risk weighted assets (CRWA) of the Bank witnessed an increase during Q3'22 on the back of increase in commercial assets;

Market Risk Weighted assets (MRWA) increased during Q3'22 due to an increase in Net Open short position;

Operational Risk Weighted Assets (ORWA) continue to be a function of annual revenue as per Standardized Approach.

## 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-Sep-22	30-Jun-22
<b>On-balance sheet exposures</b>		<b>AED'000</b>	<b>AED'000</b>
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	1,352,986	1,366,925
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)	(186)	(212)
7	<b>Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)</b>	<b>1,352,800</b>	<b>1,366,713</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)	-	-
9	Add-on amounts for PFE associated with <i>all</i> derivatives transactions	927	1,025
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>927</b>	<b>1,025</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	227,953	256,804
20	(Adjustments for conversion to credit equivalent amounts)	(78,733)	(82,532)
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>149,220</b>	<b>174,272</b>

## 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-Sep-22	30-Jun-22
		AED'000	AED'000
	<b>Capital and total exposures</b>		
23	Tier 1 capital	546,170	545,788
24	Total exposures (sum of rows 7, 13, 18 and 22)	1,502,947	1,542,010
	<b>Leverage ratio</b>		
25	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)	36.34%	35.39%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	36.34%	35.39%
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-Sep-22	30-Sep-22
<b>1</b>	<b>High Quality Liquid Assets</b>	<b>Nominal amount</b>	<b>Eligible Liquid Asset</b>
		<b>AED'000</b>	<b>AED'000</b>
1.1	Physical cash in hand at the bank + balances with the CBUAE	644,846	
1.2	UAE Federal Government Bonds and Sukuks	-	
	Sub Total (1.1 to 1.2)	644,846	644,846
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	-	-
<b>1.6</b>	<b>Total</b>	<b>644,846</b>	<b>644,846</b>
<b>2</b>	<b>Total liabilities</b>		791,901
<b>3</b>	<b>Eligible Liquid Assets Ratio (ELAR)</b>		<b>81.43%</b>

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-Sep-22	30-Jun-22
		Amount	Amount
<b>1</b>	<b>Computation of Advances</b>	<b>AED'000</b>	<b>AED'000</b>
1.1	Net Lending (gross loans - specific and collective provisions + interest in suspense)	321,997	321,687
1.2	Lending to non-banking financial institutions	-	-
1.3	Net Financial Guarantees & Stand-by LC (issued - received)	-	-
1.4	Interbank Placements	72,710	109,809
<b>1.5</b>	<b>Total Advances</b>	<b>394,707</b>	<b>431,496</b>
<b>2</b>	<b>Calculation of Net Stable Resources</b>		
2.1	Total capital + general provisions	574,035	575,962
	<b>Deduct:</b>		
2.1.1	Goodwill and other intangible assets	186	212
2.1.2	Fixed Assets	1,548	1,630
2.1.3	Funds allocated to branches abroad	-	-
2.1.5	Unquoted Investments	-	-
2.1.6	Investment in subsidiaries, associates and affiliates	-	-
<b>2.1.7</b>	<b>Total deduction</b>	<b>1,734</b>	<b>1,842</b>
<b>2.2</b>	<b>Net Free Capital Funds</b>	<b>572,301</b>	<b>574,120</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	16,134	16,158
2.3.5	Customer Deposits	639,709	664,273
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>655,843</b>	<b>680,431</b>
<b>2.4</b>	<b>Total Stable Resources (2.2+2.3.7)</b>	<b>1,228,144</b>	<b>1,254,551</b>
<b>3</b>	<b>Advances TO STABLE RESOURCES RATIO (1.6/ 2.4*100)</b>	<b>32.14</b>	<b>34.39</b>

ASRR of the Bank continues to operate at levels comfortably below the 100% ceiling as currently prescribed by CBUAE.

## 9. Acronyms

Sn.	Abbreviations	Description
1.	<b>AKF</b>	<b>Al Khaliji France S.A.</b> (Head office in France and its Branches in the UAE)
2.	<b>ALCCO</b>	<b>Asset, Liability and Capital Committee</b>
3.	<b>ASRR</b>	<b>Advances to Stable Resources Ratio</b>
4.	<b>AT1</b>	<b>Additional Tier 1</b>
5.	<b>BBB</b>	<b>Bankers Blanket Bond</b>
6.	<b>BCBS</b>	<b>Basel Committee on Banking Supervision</b>
7.	<b>BCM</b>	<b>Business Continuity Management</b>
8.	<b>BIA</b>	<b>Business Indicator Approach</b>
9.	<b>CB UAE</b>	<b>Central Bank of U.A.E.</b>
10.	<b>CCF</b>	<b>Credit Conversion Factor</b>
11.	<b>CCP</b>	<b>Central Counterparty</b>
12.	<b>CCR</b>	<b>Counterparty Credit Risk</b>
13.	<b>CET1</b>	<b>Common Equity Tier 1</b>
14.	<b>CIC</b>	<b>Credit and Investment Committee</b>
15.	<b>CRM</b>	<b>Credit Risk Mitigation</b>
16.	<b>CSA</b>	<b>Control Self-Assessment</b>
17.	<b>D&amp;O</b>	<b>Directors &amp; Officers</b>
18.	<b>D-SIB</b>	<b>Domestic Systemically Important Banks</b>
19.	<b>EAD</b>	<b>Exposure At Default</b>
20.	<b>ECL</b>	<b>Expected Credit Losses</b>
21.	<b>ELAR</b>	<b>Eligible Liquid Asset Ratio</b>
22.	<b>EVE</b>	<b>Economic Value of Equity</b>
23.	<b>FVOCI</b>	<b>Fair Value through Other Comprehensive Income</b>
24.	<b>GALCCO</b>	<b>Group Asset, Liability and Capital Committee</b>
25.	<b>GCRC</b>	<b>Group Compliance &amp; Risk Committee</b>
26.	<b>GDP</b>	<b>Gross Domestic Product</b>
27.	<b>GORM</b>	<b>Group Operational Risk Manager</b>
28.	<b>GRC</b>	<b>Group Risk Committee</b>
29.	<b>Group</b>	<b>Masraf Al Rayan Doha (MAR Doha or Qatar)</b>
30.	<b>HNWI</b>	<b>High Net-Worth Individuals</b>
31.	<b>H.O</b>	<b>Al Khaliji France Paris (AKF Paris or France)</b>
32.	<b>HQLA</b>	<b>High Quality Liquid Assets</b>
33.	<b>ICAAP</b>	<b>Internal Capital Adequacy Assessment Process</b>
34.	<b>IFRS</b>	<b>International Financial Reporting Standards</b>
35.	<b>KCI</b>	<b>Key Control Indicators</b>
36.	<b>KPI</b>	<b>Key Performance Indicators</b>
37.	<b>KRI</b>	<b>Key Risk Indicators</b>
38.	<b>LC</b>	<b>Letter of Credit</b>
39.	<b>LCR</b>	<b>Liquidity Coverage Ratio</b>
40.	<b>LGD</b>	<b>Loss Given Default</b>
41.	<b>LR</b>	<b>Leverage Ratio</b>
42.	<b>MRA</b>	<b>Moody's Risk Advisor</b>
43.	<b>MVE</b>	<b>Market Value of Equity</b>
44.	<b>NPL</b>	<b>Non-Performing Loans</b>
45.	<b>NSFR</b>	<b>Net Stable Funding Ratio</b>

## 9. Acronyms

Sn.	Abbreviations	Description
46.	<b>OLD</b>	<b>O</b> perational <b>L</b> oss <b>D</b> atabase
47.	<b>OLEM</b>	<b>O</b> ther <b>L</b> oans <b>E</b> specially <b>M</b> entioned
48.	<b>ORM</b>	<b>O</b> perational <b>R</b> isk <b>M</b> anagement
49.	<b>PD</b>	<b>P</b> robability of <b>D</b> efault
50.	<b>PFE</b>	<b>P</b> otential <b>F</b> uture <b>E</b> xposure
51.	<b>PI</b>	<b>P</b> rofessional <b>I</b> ndemnity
52.	<b>RCSA</b>	<b>R</b> isk and <b>C</b> ontrol <b>S</b> elf- <b>A</b> ssessment
53.	<b>RSA</b>	<b>R</b> ate <b>S</b> ensitive <b>A</b> ssets
54.	<b>RSL</b>	<b>R</b> ate <b>S</b> ensitive <b>L</b> iabilitys
55.	<b>RWA</b>	<b>R</b> isk <b>W</b> eighted <b>A</b> ssets
56.	<b>SA</b>	<b>S</b> tandardized <b>A</b> pproach
57.	<b>SFT</b>	<b>S</b> ecurities <b>F</b> inancing <b>T</b> ransactions
58.	<b>SICR</b>	<b>S</b> ignificant <b>I</b> ncrease in <b>C</b> redit <b>R</b> isk

## 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. Economic Value of Equity (EVE)**

The economic value of equity (EVE) is a cash flow calculation that takes the present value of all asset cash flows and subtracts the present value of all liability cash flows. Unlike earnings at risk and value at risk (VAR), a bank uses the economic value of equity to manage its assets and liabilities. This is a long-term economic measure used to assess the degree of interest rate risk exposure—as opposed to net-interest income (NII), which reflects short-term interest rate risk.

## 10. Glossary (continued)

### **9. 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".

### **10. 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.

### **11. Key Control Indicators (KCI's)**

Key Control Indicators or KCIs also referred to as Control Effectiveness Indicators are metrics that provide information on the extent to which a given control is meeting its intended objectives in terms of loss prevention, reduction, etc.

### **12. Key Performance Indicators (KPIs)**

Key Performance Indicators refer to a set of quantifiable measurements used to gauge a Bank's overall long-term performance. KPIs specifically help determine a Bank's strategic, financial, and operational achievements, especially compared to those of other businesses within the same sector.

### **13. Key Risk Indicators (KRIs)**

Key Risk Indicators are used by financial firms to measure their exposure to a given risk at a particular time. By comparing an appropriate set of key risk indicators with internal limits and thresholds, banks can determine whether their operational risk exposures are within their risk appetite.

### **14. 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.

### **15. 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.

### **16. Net stable funding ratio (NSFR)**

The ratio of available stable funding to required stable funding 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.

### **17. Securities Financing Transactions (SFT)**

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

## 10. Glossary (continued)

### **18. Standardized 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.