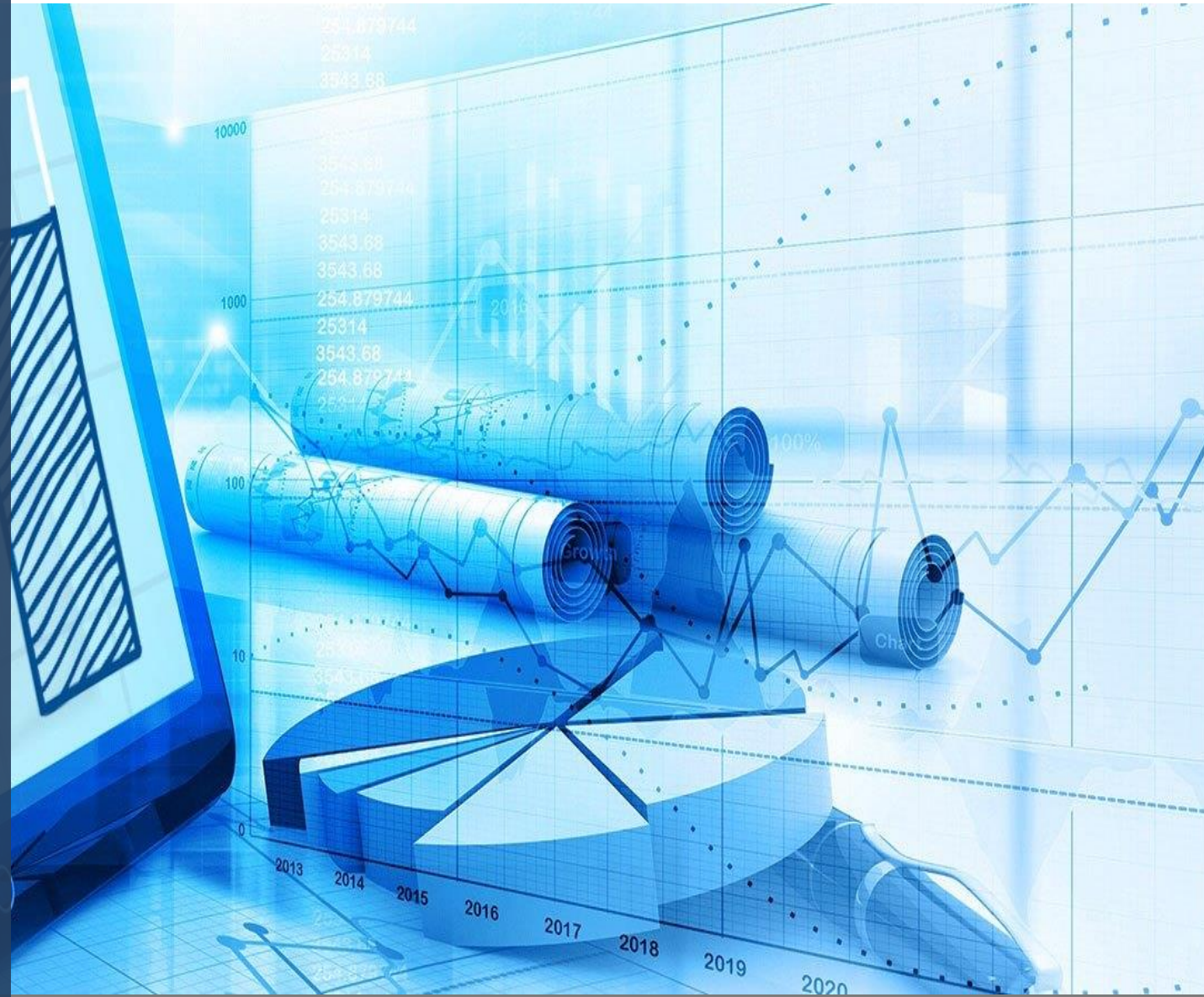




# ARAB BANK PLC

## RISK MANAGEMENT & PILLAR III DISCLOSURES

FOR THE PERIOD ENDED  
30 September 2024



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# **1. Overview, risk management, key prudential metrics and RWA:**

## **OVERVIEW**

### **Introduction**

The aim of the capital adequacy regime is to promote safety and soundness in the financial system. It is structured around three ‘pillars’: Pillar 1 on minimum capital requirements; Pillar 2 on the supervisory review process; and Pillar 3 on market discipline. Pillar 3 requires firms to publish a set of disclosures which allow market participants to assess the organization’s key prudential metrics, risk exposures and risk assessment process. The disclosures contained in this document cover the qualitative and quantitative disclosure requirements of Pillar 3, set out in the Notice No. CBUAE/BSN/2020/4980, and are mainly based on reviewed/audited financial statements as at 30 September 2024 with comparative figures for 30 June 2024, 31 March 2024 and 31 December 2023 where relevant. Some of the comparative figure disclosures have been represented to comply with the latest published standards.

### **Objective**

The objective of this report is to provide information on risk management in the Bank to relevant stakeholders and supervisory bodies. In particular, it describes the Bank’s capital adequacy and liquidity position.

### **Scope**

Arab Bank plc, United Arab Emirates Branches (interchangeably referred to as “AB UAE” or the “Bank”) was incorporated in the United Arab Emirates (“UAE”) as a commercial bank in 1971. The Head Office of the Branches is Arab Bank plc (interchangeably referred to as “HO” or the “Group”), a public shareholding bank, listed on the Amman Stock Exchange.

The Bank operates within the UAE through the following branches:

Abu Dhabi	3 branches
Dubai	3 branches
Sharjah	1 branch
Ras al-Khaimah	1 branch

Arab Bank – UAE Branches follows the pillar 1 of Basel III Standard and guideline to measure and calculate the required capital charges and subsequent Pillar III disclosures. The scope of regulatory consolidation represents the data prepared in Banking Return Forms (BRF) as well as the capital adequacy computation according to the CBUAE regulations and explanatory notes, while the consolidated financial statements represent the figures in the audited financial statements prepared according to applicable International Accounting Standards and related IFRSs. There are differences between the scope of regulatory reporting and audited financial statements, which mainly comprise of netting of provisions and interest in suspense as well as different classifications of asset line items.



## I. Key Metrics

The following table presents the breakdown of the Bank's key regulatory metrics, as measured and defined according to the CBUAE Basel & Liquidity Regulations.

Liquidity ratios (ELAR and ASRR) also remain well-buffered and trend comfortably against the binding requirements of 10% (floor) and 100% (cap) respectively.

	30-Sep-2024	30-Jun-2024	31-Mar-2024	31-Dec-2023	
	AED'000	AED'000	AED'000	AED'000	
<b>Available capital (amounts)</b>					
1	Common Equity Tier 1 (CET1)	2,761,491	2,620,550	2,503,039	2,376,593
1a	Fully loaded ECL accounting model	2,761,491	2,620,550	2,503,039	2,376,593
2	Tier 1	2,761,491	2,620,550	2,503,039	2,376,593
2a	Fully loaded ECL accounting model Tier 1	2,761,491	2,620,550	2,503,039	2,376,593
3	Total capital	2,972,242	2,828,647	2,699,866	2,566,623
3a	Fully loaded ECL accounting model total capital	2,972,242	2,828,647	2,699,866	2,566,623
<b>Risk-weighted assets (amounts)</b>					
4	Total risk-weighted assets (RWA)	18,092,991	17,899,773	16,988,109	16,236,679
<b>Risk-based capital ratios as a percentage of RWA</b>					
5	Common Equity Tier 1 ratio (%)	15.26%	14.64%	14.73%	14.64%
5a	Fully loaded ECL accounting model CET1 (%)	15.26%	14.64%	14.73%	14.64%
6	Tier 1 ratio (%)	15.26%	14.64%	14.73%	14.64%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	15.26%	14.64%	14.73%	14.64%
7	Total capital ratio (%)	16.43%	15.80%	15.89%	15.81%
7a	Fully loaded ECL accounting model total capital ratio (%)	16.43%	15.80%	15.89%	15.81%
<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 (%)	5.93%	5.30%	5.39%	5.31%
<b>Leverage Ratio</b>					
13	Total leverage ratio measure	29,675,214	28,797,295	27,391,140	26,945,807
14	Leverage ratio (%) (row 2/row 13)	9.31%	9.10%	9.14%	8.82%
14a	Fully loaded ECL accounting model leverage ratio (%) (row 2A/row 13)	9.31%	9.10%	9.14%	8.82%
14b	Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	9.31%	9.10%	9.14%	8.82%
<b>Liquidity Coverage Ratio</b>					
15	Total HQLA	-	-	-	-
16	Total net cash outflow	-	-	-	-
17	LCR ratio (%)	0%	0%	0%	0%
<b>Net Stable Funding Ratio</b>					
18	Total available stable funding	-	-	-	-
19	Total required stable funding	-	-	-	-
20	NSFR ratio (%)	0%	0%	0%	0%
<b>ELAR</b>					
21	Total HQLA	8,096,499	7,482,797	6,882,657	6,824,059
22	Total liabilities	19,859,609	19,290,546	18,712,681	18,520,949
23	Eligible Liquid Assets Ratio (ELAR) (%)	40.77%	38.79%	36.78%	36.85%
<b>ASRR</b>					
24	Total available stable funding	18,973,484	18,791,000	18,265,643	17,886,001
25	Total Advances	12,957,411	12,864,259	12,571,876	12,142,546
26	Advances to Stable Resources Ratio (%)	68.29%	68.46%	68.83%	67.89%



## II. Overview of RWA

The below table provides an overview of total RWA forming the denominator of the risk-based capital requirements

<i>AED'000</i>		RWA	RWA	Minimum capital requirements	Minimum capital requirements
		30-Sep-2024	30-Jun-2024	30-Sep-2024	30-Jun-2024
1	Credit risk (excluding counterparty credit risk)	16,804,424	16,580,340	1,764,465	1,740,936
2	Of which: standardised approach (SA)	16,804,424	16,580,340	1,764,465	1,740,936
3					
4					
5					
6	Counterparty credit risk (CCR)	55,637	67,422	5,842	7,079
7	Of which: standardised approach for counterparty credit risk	55,637	67,422	5,842	7,079
8	Of which: Internal Model Method (IMM)	-	-	-	-
9	Of which: other CCR	-	-	-	-
10	Credit valuation adjustment (CVA)	-	-	-	-
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					
18	Of which: securitisation external ratings-based approach (SEC-ERBA)	-	-	-	-
19	Of which: securitisation standardised approach (SEC-SA)	-	-	-	-
20	Market risk	43,103	62,183	4,526	6,529
21	Of which: standardised approach (SA)	43,103	62,183	4,526	6,529
22					
23	Operational risk	1,189,828	1,189,828	124,932	124,932
24					
25					
26	<b>Total (1+6+10+11+12+13+14+15+16+20+23)</b>	<b>18,092,992</b>	<b>17,899,773</b>	<b>1,899,764</b>	<b>1,879,476</b>



## 2. Leverage Ratio

### 2.1 Summary comparison of accounting assets vs leverage ratio exposure

		30-Sep-2024	30-Jun-2024	31-Mar-2024	31-Dec-2023
		AED'000	AED'000	AED'000	AED'000
1	Total consolidated assets as per interim reviewed financial statements	<b>22,687,340</b>	22,006,796	21,279,676	20,989,970
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	<b>57,282</b>	70,515	42,627	46,133
9	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	-	-	-	-
10	Adjustments for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	<b>6,835,758</b>	6,654,055	6,016,050	5,888,686
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	-	-	-	-
12	Other adjustments	<b>94,834</b>	65,929	52,787	21,017
<b>13</b>	<b>Leverage ratio exposure measure</b>	<b>29,675,214</b>	28,797,295	27,391,140	26,945,806

Arab Bank UAE's leverage ratio remains comfortably above the 3% minimum requirement at 9.31% for Q3'24 (9.10% as of Q2'24).



## 2.2 Leverage ratio common disclosure template

		30-Sep-2024	30-Jun-2024	31-Mar-2024	31-Dec-2023
		AED'000	AED'000	AED'000	AED'000
<b>On-balance sheet exposures</b>					
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	22,785,896	22,083,461	21,354,128	21,038,933
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)	(3,722)	(10,737)	(21,665)	(27,945)
7	<b>Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)</b>	<b>22,782,174</b>	<b>22,072,724</b>	<b>21,332,463</b>	<b>21,010,988</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)	13,182	28,279	6,303	7,249
9	Add-on amounts for PFE associated with <i>all</i> derivatives transactions	44,100	42,236	36,324	38,884
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>57,282</b>	<b>70,515</b>	<b>42,627</b>	<b>46,133</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>
<b>Other off-balance sheet exposures</b>					
19	Off-balance sheet exposure at gross notional amount	13,760,079	12,803,751	12,187,121	11,365,248
20	(Adjustments for conversion to credit equivalent amounts)	(6,924,321)	(6,149,695)	(6,171,071)	(5,476,563)
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>6,835,758</b>	<b>6,654,056</b>	<b>6,016,050</b>	<b>5,888,685</b>
<b>Capital and total exposures</b>					
23	<b>Tier 1 capital</b>	<b>2,761,491</b>	<b>2,620,550</b>	<b>2,503,039</b>	<b>2,376,593</b>
24	<b>Total exposures (sum of rows 7, 13, 18 and 22)</b>	<b>29,675,214</b>	<b>28,797,295</b>	<b>27,391,140</b>	<b>26,945,806</b>
<b>Leverage ratio</b>					
25	<b>Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)</b>	<b>9.31%</b>	<b>9.10%</b>	<b>9.14%</b>	<b>8.82%</b>
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	9.31%	9.10%	9.14%	8.82%
26	CBUAE minimum leverage ratio requirement	3%	3%	3%	3%
27	<b>Applicable leverage buffers</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>



### 3. Liquidity

#### 3.1 Eligible Liquid Assets Ratio

The following table presents the breakdown of the Bank's available high-quality liquid assets (HQLA), as measured and defined according to the CBUAE Liquidity Regulations.

The ratio remains comfortably above the minimum requirement of 10%

30<sup>th</sup> Sep 2024

			AED'000
1	High Quality Liquid Assets	Nominal amount	Eligible Liquid Asset
1.1	Physical cash in hand at the bank + balances with the CBUAE	7,280,379	
1.2	UAE Federal Government Bonds and Sukuks	464,385	
	Sub Total (1.1 to 1.2)	7,744,765	7,744,765
1.3	UAE local governments publicly traded debt securities	-	
1.4	UAE Public sector publicly traded debt securities	-	
	Sub total (1.3 to 1.4)	-	-
1.5	Foreign Sovereign debt instruments or instruments issued by their respective central banks	-	-
1.6	<b>Total</b>	<b>7,744,765</b>	<b>7,744,765</b>
2	Total liabilities		19,593,036
3	<b>Eligible Liquid Assets Ratio (ELAR)</b>		<b>39.53%</b>

The above represents simple average of 3 monthly ELAR returns as submitted to CBUAE in Q3'24.

31<sup>st</sup> Dec 2023

			AED'000
1	High Quality Liquid Assets	Nominal amount	Eligible Liquid Asset
1.1	Physical cash in hand at the bank + balances with the CBUAE	6,193,247	
1.2	UAE Federal Government Bonds and Sukuks	912,856	
	Sub Total (1.1 to 1.2)	7,106,103	7,106,103
1.3	UAE local governments publicly traded debt securities	-	
1.4	UAE Public sector publicly traded debt securities	-	
	Sub total (1.3 to 1.4)	-	-
1.5	Foreign Sovereign debt instruments or instruments issued by their respective central banks	-	-
1.6	<b>Total</b>	<b>7,106,103</b>	<b>7,106,103</b>
2	Total liabilities		18,699,678
3	<b>Eligible Liquid Assets Ratio (ELAR)</b>		<b>38.00%</b>

The above represents simple average of 3 monthly ELAR returns as submitted to CBUAE in Q4'23.





## 3.2 Advances to Stable Resources Ratio

The following table presents the breakdown of the Bank's Advances to Stable Resources Ratio (ASRR), as per the CBUAE Liquidity Regulations. The ratio remains comfortably below the maximum limit of 100%

	Items	30-Sep-2024	30-Jun-2024	31-Mar-2024	31-Dec-2023
<b>1</b>	<b>Computation of Advances</b>	<b>AED'000</b>	<b>AED'000</b>	<b>AED'000</b>	<b>AED'000</b>
1.1	Net Lending (gross loans - specific and collective provisions + interest in suspense)	12,140,046	12,051,103	11,751,428	11,333,866
1.2	Lending to non-banking financial institutions	-	-	-	-
1.3	Net Financial Guarantees & Stand-by LC (issued - received)	817,365	813,156	820,448	808,680
1.4	Interbank Placements	-	-	-	-
<b>1.5</b>	<b>Total Advances</b>	<b>12,957,411</b>	<b>12,864,259</b>	<b>12,571,876</b>	<b>12,142,546</b>
<b>2</b>	<b>Calculation of Net Stable Resources</b>				
2.1	Total capital + general provisions	3,018,721	2,881,494	2,761,387	2,633,068
	<b>Deduct:</b>				
2.1.1	Goodwill and other intangible assets	3,722	4,252	3,730	2,893
2.1.2	Fixed Assets	7,586	6,033	6,305	6,871
2.1.3	Funds allocated to branches abroad	-	-	-	-
2.1.5	Unquoted Investments	3,179	2,879	2,879	2,879
2.1.6	Investment in subsidiaries, associates and affiliates	-	-	-	-
<b>2.1.7</b>	<b>Total deduction</b>	<b>14,487</b>	<b>13,164</b>	<b>12,914</b>	<b>12,643</b>
<b>2.2</b>	<b>Net Free Capital Funds</b>	<b>3,004,234</b>	<b>2,868,330</b>	<b>2,748,473</b>	<b>2,620,425</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	-	-	-	-
2.3.5	Customer Deposits	15,969,250	15,922,670	15,517,170	15,265,576
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>15,969,250</b>	<b>15,922,670</b>	<b>15,517,170</b>	<b>15,265,576</b>
<b>2.4</b>	<b>Total Stable Resources (2.2+2.3.7)</b>	<b>18,973,484</b>	<b>18,791,000</b>	<b>18,265,643</b>	<b>17,886,001</b>
<b>3</b>	<b>Advances TO STABLE RESOURCES RATIO (1.6/ 2.4*100)</b>	<b>68.29</b>	<b>68.46</b>	<b>68.83</b>	<b>67.89</b>