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1. Introduction

This document presents the Pillar III disclosures of Invest Bank P.S.C (“the bank” or “Invest Bank” or “IB”) on a consolidated basis as of 30th June 2024. The purpose of Pillar III disclosures is to allow market participants to assess key pieces of information on the firm's capital, risk exposures and risk assessment process.

The Bank is regulated by the Central Bank of UAE (“CBUAE”) and follows the Pillar III disclosure requirements as stated in the CBUAE guidelines on the implementation of Basel III standards, issued in November 2020 with subsequent updates in December 2022. The Pillar III disclosures provided in this document should be read and analyzed in conjunction with 30th June 2024 published Financial Statements

1.1 Pillar I – Minimum Capital Requirement

Pillar I stipulates the minimum capital requirements to cover risks associated with credit, market, and operations. The bank applies a standardized method to evaluate the risk-weighted assets (RWA) for Credit, and Market Risks while applies basic indicator approach for Operational Risk. This involves using risk weights and parameters defined by the regulators to calculate the capital requirements under Pillar I.

The CBUAE has established the following minimum regulatory capital ratios:

- Common Equity Tier 1 (CET1) must be at least 7.0% of RWA.
- Tier 1 Capital must be at least 8.5% of RWA.
- Total Capital, combining Tier 1 and Tier 2 Capital, must be a minimum of 10.5% of RWA.

In addition to these minimum requirements, the CBUAE mandates the bank to maintain a Capital Conservation Buffer (CCB) of 2.5%. However, the Countercyclical Buffer (CCyB) is currently set at zero.

These requirements are summarized in the table below:

Capital Element	Requirement
Minimum Common Equity Tier 1 Ratio	7.0%
Minimum Tier 1 Capital Ratio	8.5%
Minimum Capital Adequacy Ratio	10.5%
Capital Conservation Buffer	2.5%
Total Capital Ratio requirements	13%

The capital ratios for the Bank as of 30th June 2024 are given below.

Common Equity Tier 1 Ratio	40.03%
Tier 1 Capital Ratio	40.03%
Capital Adequacy Ratio	41.18%

2. Overview of risk management and RWA
2.1 Key metrics

All numbers in AED 000s

		T	T-1	T-2	T-3	T-4
		June 2024	March 2024	December 2023	December 2022	September 2022
Available capital (amounts)						
1	Common Equity Tier 1 (CET1)	1,762,806	1,745,340	1,662,100	116,076	350,146
1a	Fully loaded ECL accounting model	1,762,806	1,745,340	1,662,100	101,076	320,146
2	Tier 1	1,762,806	1,745,340	1,662,100	116,076	350,146
2a	Fully loaded ECL accounting model Tier 1	1,762,806	1,745,340	1,662,100	101,076	320,146
3	Total capital	1,813,705	1,798,610	1,713,440	202,816	433,642
3a	Fully loaded ECL accounting model total capital	1,813,705	1,798,610	1,713,440	187,816	403,642
Risk-weighted assets (amounts)						
4	Total risk-weighted assets (RWA)	4,404,249	4,593,881	4,440,352	7,323,776	7,101,334
Risk-based capital ratios as a percentage of RWA						
5	Common Equity Tier 1 ratio (%)	40.03%	37.99%	37.43%	1.58%	4.93%
5a	Fully loaded ECL accounting model CET1 (%)	40.03%	37.99%	37.43%	1.38%	4.51%
6	Tier 1 ratio (%)	40.03%	37.99%	37.43%	1.58%	4.93%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	40.03%	37.99%	37.43%	1.38%	4.51%
7	Total capital ratio (%)	41.18%	39.15%	38.59%	2.77%	6.11%
7a	Fully loaded ECL accounting model total capital ratio (%)	41.18%	39.15%	38.59%	2.56%	5.68%
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 (%)	0.00%	0.00%	0.00%	0.00%	0.00%
10	Bank D-SIB additional requirements (%)	0.00%	0.00%	0.00%	0.00%	0.00%
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 (%)	30.68%	28.65%	28.09%	-7.73%	-4.82%
Leverage Ratio						
13	Total leverage ratio measure	13,377,922	13,232,673	13,980,511	10,415,999	10,046,098
14	Leverage ratio (%) (row 2/row 13)	13.18%	13.19%	11.89%	1.11%	3.49%

14a	Fully loaded ECL accounting model leverage ratio (%) (row 2A/row 13)	13.18%	13.19%	11.89%	0.97%	3.19%
14b	Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	0.00%	0.00%	0.00%	0.00%	0.00%
ELAR						
15	Total HQLA	2,457,337	2,168,409	1,665,184	933,290	867,880
16	Total liabilities	9,242,094	9,223,720	10,258,653	8,490,637	7,841,854
17	Eligible Liquid Assets Ratio (ELAR) (%)	26.59%	23.51%	16.23%	10.99%	11.07%
ASRR						
18	Total available stable funding	9,008,503	8,508,583	9,398,246	6,476,660	6,543,858
19	Total Advances	5,108,958	5,058,284	4,888,951	5,591,785	5,264,316
20	Advances to Stable Resources Ratio (%)	56.71%	59.45%	52.02%	86.34%	80.45%

2.2 Overview of RWA

All numbers in AED 000s

		RWA		Minimum capital requirements	
		June 2024	March 2024	June 2024	March 2024
1	Credit risk (excluding counterparty credit risk)	4,065,913	4,254,854	426,921	446,760
2	Of which: standardized approach (SA)	4,065,913	4,254,854	426,921	446,760
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)	2,989	3,371	314	354
7	Of which: standardized approach for counterparty credit risk	2,989	3,371	314	354
8	Of which: Internal Model Method (IMM)	-	-	-	-
9	Of which: other CCR	-	-	-	-
10	Credit valuation adjustment (CVA)	2,989	3,371	314	354
11	Equity positions under the simple risk weight approach	-	-	-	-
12	Equity investments in funds - look-through approach	-	-	-	-

1 3	Equity investments in funds - mandate-based approach	-	-	-	-
1 4	Equity investments in funds - fallback approach	-	-	-	-
1 5	Settlement risk	-	-	-	-
1 6	Securitization exposures in the banking book	-	-	-	-
1 7	Of which: securitization internal ratings-based approach (SEC-IRBA)	-	-	-	-
1 8	Of which: securitization external ratings-based approach (SEC-ERBA)	-	-	-	-
1 9	Of which: securitization standardized approach (SEC-SA)	-	-	-	-
2 0	Market risk	56,992	47,536	5,984	4,991
2 1	Of which: standardized approach (SA)	56,992	47,536	5,984	4,991
2 2	Of which: internal models' approach (IMA)	-	-	-	-
2 3	Operational risk	275,366	284,749	28,913	29,899
2 4	Amounts below thresholds for deduction (subject to 250% risk weight)	-	-	-	-
2 5	Floor adjustment	-	-	-	-
2 6	Total (1+6+10+11+12+13+14+15+16+20+23)	4,404,249	4,593,881	462,446	482,358

Base capital requirement as per CBUAE guidelines is 10.5% for total capital adequacy ratio and after including the CCB of 2.5% the requirements increase to 13%

*The requirements under FIRB is lower than SA for calculating CRW

3. Composition of capital

3.1 Composition of regulatory capital

All numbers in AED 000s

		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
	Common Equity Tier 1 capital: instruments and reserves		
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	3,202,493	
2	Retained earnings	(1,413,781)	
3	Accumulated other comprehensive income (and other reserves)	(19,211)	
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)	-	
6	Common Equity Tier 1 capital before regulatory deductions	1,769,501	
	Common Equity Tier 1 capital regulatory adjustments		
7	Prudent valuation adjustments	-	
8	Goodwill (net of related tax liability)	-	
9	Other intangibles including mortgage servicing rights (net of related tax liability)	(6,695)	
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	Securitization 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 crossholdings 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)	-	
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	Total regulatory adjustments to Common Equity Tier 1	(6,695)	
25	Common Equity Tier 1 capital (CET1)	1,762,806	
Additional Tier 1 capital: instruments			
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
26	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	-	
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	-	
Additional Tier 1 capital: regulatory adjustments			
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	Additional Tier 1 capital (AT1)	-	
39	Tier 1 capital (T1= CET1 + AT1)	1,762,806	
Tier 2 capital: instruments and provisions			
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	General Provisions	50,899	
45	Tier 2 capital before regulatory adjustments	50,899	
Tier 2 capital: regulatory adjustments			
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	Total regulatory adjustments to Tier 2 capital	-	
51	Tier 2 capital (T2)	50,899	
52	Total regulatory capital (TC = T1 + T2)	1,813,705	
53	Total risk-weighted assets	4,404,249	
Amounts			
54	Common Equity Tier 1 (as a percentage of risk-weighted assets)	40.03%	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
55	Tier 1 (as a percentage of risk-weighted assets)	40.03%	
56	Total capital (as a percentage of risk-weighted assets)	41.18%	
57	Institution specific buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus higher loss absorbency requirement, expressed as a percentage of risk-weighted assets)	2.5%	
58	Of which: capital conservation buffer requirement	2.5%	
59	Of which: bank-specific countercyclical buffer requirement	0.0%	
60	Of which: higher loss absorbency requirement (e.g., DSIB)	0.0%	
61	Common Equity Tier 1 (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirement.	30.68%	
The CBUAE Minimum Capital Requirement			
62	Common Equity Tier 1 minimum ratio	7.0%	
63	Tier 1 minimum ratio	8.5%	
64	Total capital minimum ratio	10.5%	
Amounts below the thresholds for deduction (before risk weighting)			
65	Non-significant investments in the capital and other TLAC liabilities of other financial entities	-	
66	Significant investments in common stock of financial entities	-	
67	Mortgage servicing rights (net of related tax liability)	-	
68	Deferred tax assets arising from temporary differences (net of related tax liability)	-	
Applicable caps on the inclusion of provisions in Tier 2			
69	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	82,728	
70	Cap on inclusion of provisions in Tier 2 under standardized approach	50,899	
71	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	
72	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)			

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

3.2 Reconciliation of regulatory capital to balance sheet

All numbers in AED 000s

	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	June 2024	June 2024	
Assets			
Cash and deposits with central banks	1,971,241	1,971,241	
Due from banks	438,037	438,037	
Investment securities	1,051,453	1,051,453	
Loans and advances to customers	4,277,877	4,277,877	
Property and Equipment	72,346	72,346	
Other Assets	3,268,075	3,145,314	
Total assets	11,079,029	10,956,268	
Liabilities			
Due to banks	243	243	
Deposits from customers	8,850,506	8,850,506	
Other Liabilities	458,779	336,018	
Total liabilities	9,309,528	9,186,767	
Shareholders' equity			
Paid-in share capital	3,202,493	3,202,493	
Of which: amount eligible for CET1	3,202,493	3,202,493	
Shares at Discount	-	-	
Fair value reserve	(40,876)	(40,876)	
Foreign currency translation reserve	21,665	21,665	
Accumulated losses	(1,413,781)	(1,413,781)	
Total shareholders' equity	1,769,501	1,769,501	
Total liabilities and equity	11,079,029	10,956,268	

The distinction between shareholders' equity and regulatory capital lies in their components. Regulatory capital comprises Common Equity Tier 1 (CET 1), Additional Tier 1 capital, and Tier 2 capital. The bank has tier 2 capital

amounting to AED 51 million, comprised of a general reserve. This reserve represents 1.25% of the total credit risk weight.

For other assets and liabilities under regulatory reporting we considered the amount equal to AED 122,761K pertained to the acceptances as off-Balance sheet with 100% CCF for RW calculation

3.3 Main features of regulatory capital instruments

The bank's capital structure consists solely of common equity as capital instruments, with issued and paid up capital of 263,180,982 thousand shares of AED 0.012168406 each amounting to AED 3,202 Mn

The total shareholder equity is equal to AED 1,769 Mn. which is paid up capital after netting/adding the following items-

- Fair value reserve (AED 40.876 Mn)
- Foreign currency translation reserve AED 21.665 Mn
- Accumulated losses (AED 1,413.78 Mn)

4. Leverage ratio

4.1 Summary comparison of accounting assets vs leverage ratio exposure

All numbers in AED 000s

		Amount
1	Total consolidated assets as per published financial statements	11,079,029
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 securitized 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 recognized 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	3,901
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)	2,086,050
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	-
12	Other adjustments	208,941
13	Leverage ratio exposure measure	13,377,922

4.2 Leverage ratio common disclosure template

All numbers in AED 000s

		a	b
		June 2024	March 2024
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	11,390,847	11,284,478
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 recognized 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)	(6,695)	-
7	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)	11,384,152	11,284,478
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)	433	440
9	Add-on amounts for PFE associated with <i>all</i> derivatives transactions	3,469	3,057
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 10 to 12)+ (calculated as 1.4 x (Row 8+9))	5,462	4,896
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	5,143,577	4,784,313
20	(Adjustments for conversion to credit equivalent amounts)	(3,155,269)	(2,841,014)

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)	1,988,308	1,943,299
Capital and total exposures			
23	Tier 1 capital	1,762,806	1,745,340
24	Total exposures (sum of rows 7, 13, 18 and 22)	13,377,922	13,232,673
Leverage ratio			
25	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)	13.18%	13.19%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	N/A	N/A
26	CBUAE minimum leverage ratio requirement	3.00%	3.00%
27	Applicable leverage buffers		

5. Liquidity

The Bank calculates the Eligible Liquid Assets Ratio (ELAR) and the Advance to Stable Resources Ratio (ASRR). The bank remains well within regulatory thresholds, with an estimated ASRR of 56.71% against a maximum limit of 100%, and an estimated ELAR of 26.59% against a minimum regulatory requirement of 10%, as of June 2024. Ratios for funding and liquidity will be calculated for UAE (excluding foreign branches “Lebanon branch”) in line with regulatory requirement.

5.1 Eligible Liquid Assets Ratio

<i>All numbers in AED 000s</i>			
1	High Quality Liquid Assets	Nominal amount	Eligible Liquid Asset
1.1	Physical cash in hand at the bank + balances with the CBUAE	1,901,117	
1.2	UAE Federal Government Bonds and Sukuks	30,000	
	Sub Total (1.1 to 1.2)	1,931,117	1,931,117
1.3	UAE local governments publicly traded debt securities	699,984	
1.4	UAE Public sector publicly traded debt securities	0	
	Sub Total (1.3 to 1.4)	699,984	526,220
1.5	Foreign Sovereign debt instruments or instruments issued by their respective central banks		
1.6	Total	2,631,101	2,457,337 (a)
2	Total liabilities		9,242,094 (b)
3	Eligible Liquid Assets Ratio (ELAR) 100 * (a)/(b)		26.59

5.2 Advances to Stables Resource Ratio

			<i>All numbers in AED 000</i>
		Items	Amount
1		Computation of Advances	
	1.1	Net Lending (gross loans - specific and collective provisions + interest in suspense)	3,825,902
	1.2	Lending to non-banking financial institutions	586,718
	1.3	Net Financial Guarantees & Stand-by LC (issued - received)	280,753
	1.4	Interbank Placements	416,395
	1.5	Total Advances	5,108,958
2		Calculation of Net Stable Resources	
	2.1	Total capital + general provisions	1,903,434
		Deduct:	
	2.1.1	Goodwill and other intangible assets	6,695
	2.1.2	Fixed Assets	710,496
	2.1.3	Funds allocated to branches abroad	83,124
	2.1.5	Unquoted Investments	0
	2.1.6	Investment in subsidiaries, associates, and affiliates	78,374
	2.1.7	Total deduction	878,599
	2.2	Net Free Capital Funds	1,024,835
	2.3	Other stable resources:	
	2.3.1	Funds from the head office	0
	2.3.2	Interbank deposits with remaining life of more than 6 months	0
	2.3.3	Refinancing of Housing Loans	0
	2.3.4	Borrowing from non-Banking Financial Institutions	446,226
	2.3.5	Customer Deposits (85% calculated for deposits below 6 Months residual maturity)	7,537,442
	2.3.6	Capital market funding/ term borrowings maturing after 6 months from reporting date	0
	2.3.7	Total other stable resources	7,983,668
	2.4	Total Stable Resources (2.2+2.3.7)	9,008,503
3		Advances to Stable Resources Ratio ((1.6/ 2.4) *100)	56.71

6. Credit risk

6.1 Credit quality of assets

All numbers in AED 000s

		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	7,971,408	4,197,335	7,459,769	7,459,769	-	4,708,974
2	Debt securities	-	1,042,630	-	-	-	1,042,630
3	Off-balance sheet exposures	354,442	2,711,735	220,503	220,503	-	2,845,674
4	Total	8,325,850	7,951,700	7,680,272	7,680,272	-	8,597,278

6.2 Changes in stock of defaulted loans and debt securities

All numbers in AED 000s

	Amount	
1	Defaulted loans and debt securities at the end of the previous reporting period	8,130,158
2	Loans and debt securities that have defaulted since the last reporting period	12,651
3	Returned to non-default status	(5,673)
4	Amounts written off	(338,183)
5	Other changes	172,455
6	Defaulted loans and debt securities at the end of the reporting period (1+2-3-4±5)	7,971,408

6.3 Credit risk mitigation techniques

All numbers in AED 000s

		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	3,229,317	978,118	978,118	501,538	501,538	-	-
2	Debt securities	1,042,630	-	-	-	-	-	-
3	Total	4,271,947	978,118	978,118	501,538	501,538	-	-
4	Of which defaulted	13,109	5,005	5,005	501,538	501,538	-	-

Government of Sharjah (GoS) provided a guarantee to the Bank which cover the Bank's exposures as recognized under the agreement as on September 2021 as part of CBUAE approved Capital Solution Plan. In line with capital solution plan, this inward financial guarantee by GoS qualifies as a Credit Risk Mitigants (CRM) under capital regulations. The amount covered under this guarantee will be applied only to net defaulted exposures (AED 501 Mn) which will be paid to the Bank in line with approved guarantee agreement and capital solution plan.

6.4 Standardized approach - credit risk exposure and Credit Risk Mitigation (CRM) effects

All numbers in AED 000s

	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	3,418,773	-	3,348,658	-	120,219	4%
2	Public Sector Entities	423,955	-	423,955	-	405,356	96%
3	Multilateral development banks	36,731	-	36,731	-	18,365	50%
4	Banks	663,167	10,642	663,167	10,634	409,358	61%
5	Securities firms	-	-	-	-	-	0%
6	Corporates	2,704,545	2,618,791	1,779,514	836,185	2,507,350	96%
7	Regulatory retail portfolios	171,889	82,302	132,539	17,376	117,264	78%
8	Secured by residential property*	28,269	-	27,577	-	9,652	35%
9	Secured by commercial real estate*	156,618	-	148,577	-	148,577	100%
10	Equity Investment funds	-	-	-	-	-	-
11	Past-due loans**	519,652	133,939	13,109	4,627	20,307	114%
12	Higher-risk categories**	645,322	-	-	-	-	0%
13	Other assets	2,621,927	-	2,621,927	-	312,454	12%
14	Total	11,390,848	2,845,674	9,195,754	868,822	4,068,902	40%

*Real estate collaterals are not qualified as an eligible CRM under the Basel capital regulations therefore RWA's are not affected by the real estate collateral held by the Bank. The reduction in RWA is owing to cash collateral available

**These categories covered under the government guarantee agreement, which is qualified as acceptable CRM in line with Capital Solution Plan.

6.5 Standardized approach - exposures by asset classes and risk weights

All numbers in AED 000s

Risk weight Asset classes		a	b	c	d	e	f	g	h	i
		0%	20%	35%	50%	75%	100%	150%	*Others	Total credit exposures amount (post CCF and post-CRM)
1	Sovereigns and their central banks	3,228,439	-	-	-	-	120,219	-	-	3,348,658
2	Public Sector Entities	-	-	-	37,197	-	386,757	-	-	423,954
3	Multilateral development banks	-	-	-	36,731	-	-	-	-	36,731
4	Banks	-	4,653	-	528,592	-	133,405	7,151	-	673,801
5	Securities firms	-	-	-	-	-	-	-	-	-
6	Corporates	-	-	-	-	-	1,741,611	25,711	848,377	2,615,699
7	Regulatory retail portfolios	-	-	-	-	134,901	15,014	-	-	149,915
8	Secured by residential property	-	-	27,577	-	-	-	-	-	27,577
9	Secured by commercial real estate	-	-	-	-	-	148,577	-	-	148,577
10	Equity Investment in Funds (EIF)	-	-	-	-	-	-	-	-	-
11	Past-due loans	-	-	-	-	-	12,687	5,048	-	17,735
12	Higher-risk categories	-	-	-	-	-	-	-	-	-
13	Other assets	2,348,668	-	-	-	-	194,870	78,390	-	2,621,928
14	Total	5,577,107	4,653	27,577	602,520	134,901	2,753,140	116,300	848,377	10,064,575

*Corporate SME risk weighted at 85%

** The CRM (cash in foreign currency) with value equal to AED 34 Mn and risk weigh amount to AED 7.2 Mn (as substitution for the related secured exposures) will be part of CRWA

7. Counterparty credit risk

Counterparty credit risk (CCR) is the risk that the bank exposure in a foreign exchange, interest rate, commodity, equity, or credit derivative defaults prior to the maturity date of the contract and that the bank at the time has a claim on the counterparty.

CCR limits are set for individual counterparties, including central clearing counterparties. Individual limits are set on Potential Future Exposure (PFE).

7.1 Analysis of counterparty credit risk (CCR) exposure by approach.

All numbers in AED 000s

		a	b	c	d	e	f
		Replacement cost	Potential future exposure	EEPE	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
1	SA-CCR (for derivatives)	433	3,469		1.4	5,462	2,989
2	Internal Model Method (for derivatives and SFTs)			-	-	-	-
3	Simple Approach for credit risk mitigation (for SFTs)					-	-
4	Comprehensive Approach for credit risk mitigation (for SFTs)					-	-
5	VaR for SFTs					-	-
6	Total						2,989

7.2 Credit valuation adjustment (CVA) capital charge

The bank follows a simple alternative approach, under which a bank with an aggregate notional amount of non-centrally cleared derivatives less than or equal to AED 400 Bn may calculate RWA for CVA by setting it equal to the bank's counterparty credit risk (CCR) RWA.

All numbers in AED 000s

		a	b
		EAD post-CRM	RWA
1	All portfolios subject to the Standardized CVA capital charge	5,462	2,989
2	All portfolios subject to the Simple alternative CVA capital charge	-	-

7.3 Standardized approach - CCR exposures by regulatory portfolio and risk weights

All numbers in AED
000s

Asset classes	Risk weight							
	A	b	c	d	e	f	g	h
	0%	20%	50%	75%	100%	150%	Others	Total credit exposure
Sovereigns	-	-	-	-	-	-	-	-
Public Sector Entities (PSEs)	-	-	-	-	-	-	-	-
Multilateral development banks (MDBs)	-	-	-	-	-	-	-	-
Banks	-	-	4,945	-	-	-	-	4,945
Securities firms	-	-	-	-	-	-	-	-
Corporates	-	-	-	-	517	-	-	517
Regulatory retail portfolios	-	-	-	-	-	-	-	-
Secured by residential property	-	-	-	-	-	-	-	-
Secured by commercial real estate	-	-	-	-	-	-	-	-
Equity Investment in Funds (EIF)	-	-	-	-	-	-	-	-
Past-due loans	-	-	-	-	-	-	-	-
Higher-risk categories	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-
Total	-	-	4,945	-	517	-	-	5,462

8. Market risk

8.1 MR1: Market risk under the standardized approach (SA)

		All numbers in AED 000s	
		RWA June 2024	RWA December 2023
1	General Interest rate risk (General and Specific)	-	-
2	Equity risk (General and Specific)	3,202	3,240
3	Foreign exchange risk	53,790	45,171
4	Commodity risk	-	-
	Options		
5	Simplified approach	-	-
6	Delta-plus method	-	-
7	Scenario approach		
8	Securitization	-	-
9	Total	56,992	48,411