Ahli United Bank B.S.C. (c)

Pillar III Disclosures - Basel III

31 December 2023

Introduction to the Central Bank of Bahrain's Basel III guidelines........ 2

Pillar III quantitative and qualitative disclosures........ 3
1. Capital structure........ 4
Table 1 Capital structure........ 4
2 . Group risk governance structure........ 5
3 . Credit risk management........ 6
Table 2 Gross credit risk exposures 9
Table 3 Risk weighted exposures 9
Table 4 Geographic distribution of gross credit exposures........ 10
Table 5 Sectoral classification of gross credit exposures........ 11
Table 6 Residual contractual maturity of gross credit exposures........ 11
Table 7 Sectoral breakdown of impaired financing receivable and impairment allowances........ 12
Table 8 Geographical distribution of impairment allowances for financing receivables........ 12
Table 9 Movements in impairment allowances for financing receivables........ 12
Table 10 Impaired financing receivables - age analysis........ 13
Table 11 Restructured credit facilities........ 14
Table 12 Counterparty credit risk in derivative transactions........ 14
Table 13 Related party transactions 14
4. Market risk 15
Table 14 Capital requirement for components of market risk........ 16
Table 15 Gain/(loss) on equity instruments........ 18
5. Liquidity risk and funding management 19
6. Operational risk 19
7. Information technology risk 20
8. Strategic risk 20
9. Legal, compliance, regulatory and reputational risks 20
10. Environmental risk 21

Appendix I - Regulatory capital and leverage ratio disclosures - Basel III

INTRODUCTION TO THE CENTRAL BANK OF BAHRAIN'S BASEL III GUIDELINES

The Central Bank of Bahrain (the "CBB") Basel III Guidelines, based upon the Bank for International Settlements (BIS) Revised Framework – 'International Convergence of Capital Measurement and Capital Standards', became applicable from 1 January 2015. Basel III is structured around three 'Pillars': Pillar I - Minimum Capital Requirements; Pillar II – the Supervisory Review and Evaluation Process and the Internal Capital Adequacy Assessment Process (ICAAP); and Pillar III - Market Discipline.

Group Structure

The public disclosures under this section have been prepared in accordance with the CBB rules concerning Public Disclosure Module ("PD Module"), section PD-1: Annual Disclosure Requirements. The disclosures under this section are applicable to Ahli United Bank B.S.C. (c) ("AUB" or "the Bank"), incorporated in the Kingdom of Bahrain. The Bank operates under an Islamic retail banking license issued by the CBB. The Bank and its subsidiaries (as detailed under note 2.3 to the audited consolidated financial statements) are collectively known as the "Group".

AUB is 100% subsidiary of Kuwait Finance House K.S.C.P. ("KFH") as on 31 December 2023. KFH is a public shareholding company incorporated in the State of Kuwait on 23 March 1977 and listed in the Boursa Kuwait and Bahrain Bourse. KFH is regulated and supervised by Central Bank of Kuwait.

Pillar I – Minimum Capital Requirements

Pillar I deals with the basis for the computation of the regulatory capital adequacy ratio. It defines the calculation of Risk Weighted Assets (RWAs) for credit risk, market risk and operational risk, as well as the derivation of the regulatory capital base. The capital adequacy ratio is then calculated as the ratio of the Bank's regulatory capital to its total RWAs. All Bahrain incorporated banks are currently required to maintain a minimum capital adequacy ratio of 12.5%. This includes, mandatory Capital Conservation Buffer (CCB) of 2.5%.

AUB had been designated as a Domestic Systemically Important Banks (DSIB) by the CBB. CBB has mandated in its rule book (DS-1.2.1) that DSIBs must hold additional Common Equity Tier 1 (CET 1) capital buffer of 1.5% of total RWA as calculated for the purpose of capital adequacy. Consequently, AUB is required to maintain minimum total capital adequacy ratio of 14.0%.

The Group ensures that each subsidiary maintains sufficient capital levels for their respective legal and regulatory compliance purposes.

Credit risk

Basel III provides two approaches (Standardised approach and Internal Rating Based approach) to the calculation of credit risk regulatory capital. The Standardised approach, which the Bank has adopted, require banks to use external credit ratings to determine the risk weightings applied to rated counterparties, and groups other counterparties into broad categories and applies standardised risk weightings to these categories.

Market risk

The Bank has adopted the Standardised approach for determining the market risk capital requirement.

Operational risk

Under the Basic Indicator Approach (BIA), which the Bank has adopted for operational risk, the regulatory capital requirement for operational risk is calculated by applying a co-efficient of 15 per cent to the average gross income for the preceding three financial years.

Pillar II – The Supervisory Review and Evaluation Process and Internal Capital Adequacy Assessment Process (ICAAP)

Pillar II involves the process of supervisory review of a financial institution's risk management framework and its capital adequacy.

Accordingly, this involves both the Bank and its regulators taking a view on whether additional capital should be held against risks not covered in Pillar I. Part of the Pillar II process is the ICAAP, which is the Bank's self assessment of risks not captured by Pillar I and based on CBB's guidelines and ICAAP module under the CBB rulebook.

As part of the CBB's Pillar II guidelines, each bank is required to be individually reviewed and assessed by the CBB with the intention of setting individual minimum capital adequacy ratios.

Pillar III – Market Discipline

Pillar III is related to market discipline and requires the Bank to publish detailed qualitative and quantitative information of its risk management and capital adequacy policies and processes to complement the first two pillars and the associated supervisory review process. The disclosures in this report are in addition to the disclosures set out in the audited consolidated financial statements of the Group for the year ended 31 December 2023.

PILLAR III QUANTITATIVE AND QUALITATIVE DISCLOSURES

For the purpose of computing regulatory minimum capital requirements, the Group follows the rules as laid out under the Capital Adequacy (CA) Module of the CBB Rulebook. Accordingly;

a) Except for AUB Kuwait, which is classified as held for sale, all subsidiaries as per note 2.3 to the audited consolidated financial statements are consolidated on a line by line basis in accordance with International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board (IASB), as explained in note 2.2 to the audited consolidated financial statements for the year ended 31 December 2023. Non-controlling interest arising on consolidation is incorporated under respective tiers of capital as per the CBB rules.

b) Investments in associates as reported under note 9 to the audited consolidated financial statements for the year ended 31 December 2023 are treated as "Significant Investment in Financial Entities". These are risk weighted/deducted from capital as per CBB Basel III guidelines;

c) Goodwill and intangibles are deducted from CET1 Capital;

d) Expected credit losses (Stages 1 and 2), net of additional ECL for the year 31 December 2020, which is added to CET1 of the capital as part of CBB's COVID relief measures by virtue of circular OG/226/2020 dated 21 June 2020 and ODG/28/2022 dated 28 June 2022, to the extent of maximum threshold of 1.25% of Credit Risk Weighted Assets are included under Tier 2 Capital.

TABLE - 1 CAPITAL STRUCTURE

	US$ '000		
A. NET AVAILABLE CAPITAL	***CET 1***	***AT 1***	***Tier 2***
NET AVAILABLE CAPITAL	**4,473,047**	**706,837**	**518,837**
TOTAL ELIGIBLE CAPITAL BASE (CET 1 + AT 1 + Tier 2)			**5,698,721**
RISK WEIGHTED EXPOSURES			
Credit Risk Weighted Exposures			30,942,771
Market Risk Weighted Exposures			318,734
Operational Risk Weighted Exposures			1,965,665
TOTAL RISK WEIGHTED EXPOSURES			**33,227,170**
CET 1 including Capital Conservation Buffer (CCB)			13.5%
Tier 1 - Capital Adequacy Ratio (CET 1, AT 1 and CCB)			15.6%
Total - Capital Adequacy Ratio			**17.2%**

By virtue of CBB's circular OG/226/2020 dated 21 June 2020 and ODG/28/2022 dated 28 June 2022, for the purposes of capital adequacy computations and for prudential reporting to the CBB, the Group has added back the modification loss, net of the financial assistance from government and aggregate ECL provision charge for the year ended 31 December 2020 relating to exposures classified as Stage 1 and Stage 2 to the Common Equity Tier (CET1) Capital. Refer to Appendix I for details. The bank is amortizing the modification loss in accordance with central bank regulations.

Refer note 20 of the consolidated financial statements for the year ended 31 December 2023 for further details on capital structure. The change in capital is not expected to have any significant impact on the present or future earnings of the Group. Further, there are no restrictions on the transfer of funds or regulatory capital within the Group.

B. CAPITAL ADEQUACY RATIO

As at 31 December 2023, the capital adequacy ratio of banking subsidiaries under Basel III were:

	Subsidiaries			
	Ahli United Bank K.S.C.P. (AUBK)	***Ahli United Bank (U.K.) PLC (AUBUK)***	***Ahli United Bank (Egypt) S.A.E. (AUBE)***	***Commercial Bank of Iraq P.S.C. (CBIQ)***
Tier 1 - Capital Adequacy Ratio	18.7%	19.4%	13.5%	139.2%
Total - Capital Adequacy Ratio	19.9%	19.4%	14.5%	139.3%

2. GROUP RISK GOVERNANCE STRUCTURE

Risk Governance

The Group's Board of Directors (BOD) seek to optimize the Group's performance by enabling the various Group business units to realize the Group's business strategy and meet agreed business performance targets within the BOD approved Group Risk Framework and Group Credit Risk Appetite Framework covering risk parameters.

The above Group committees are set up as part of the Group's risk governance structure. The terms of reference for these committees are approved by the BOD. Group Audit & Compliance Committee (incorporating the Corporate Governance committee) has oversight over Group's audit, compliance and operational risk.

Risk Management Framework

The overall authority for risk management in the Group is vested in the Board of Directors which has established a Group Board Risk Committee to assist the Board in fulfilling its oversight responsibilities related to present and emerging risks, strategies and risk appetite associated with AUB Group's credit activities, banking operations and investments. The Committee reviews, manages and monitors adherence of AUB group of companies to the risk appetite, policies and procedures and acts as a general forum for the discussions of any risks facing or which could potentially face AUB Group resulting in financial or reputational loss. It also oversees the activities of the Group Management Risk Committee, through the DGCEO – Risk, Legal & Compliance in his capacity as the Chairperson of the Group Management Risk Committee.

The Deputy Group CEO – Risk, Legal & Compliance reports directly to the Group Board Risk Committee (sub-committee of the BOD responsible for risk functions) and administratively to the Group CEO. The Group Risk Management Division comprises a Credit Risk Department (responsible for independent pre-approval analysis of credit / investment proposals as well as risk policy and procedures management), a Liquidity, Market and Operational Risk Department, a Retail Credit Risk & Collection Department, a Remedial Asset Management Department and an Information & Cyber Security Risk Department. Approval authorities are delegated to different functionaries in the hierarchy (on a dual sign-off basis with both business line and risk line signatories) as well as various committees depending on the amount, type of risk and nature of operations or risk.

Internal Audit Department is responsible for the independent review of risk management and the Group's risk control environment. The Group Audit & Compliance Committee considers the adequacy and effectiveness of the Group risk control framework and receives quarterly updates on any control, regulatory and compliance related issues.

3. CREDIT RISK MANAGEMENT

Credit risk is the risk of financial loss if a customer or counterparty fails to meet a financial obligation under a contract. It arises principally from lending, trade finance and treasury activities. Credit risk also arises where assets are held in the form of debt securities, the value of which may fall.

The Group has policies and procedures in place to monitor and manage these risks and the Group Risk Management function provides high-level centralized oversight and management of credit risk. The specific responsibilities of Group Risk Management are to:

- Set credit policy and risk appetite for credit risk exposure to specific market sectors;
- Control exposures to sovereign entities, banks and other financial institutions and set risk ratings for individual exposures. Credit and settlement risk limits to counterparties in these sectors are approved and managed by Group Risk Management, to optimize the use of credit availability and avoid risk concentration;
- Control cross-border exposures, through the centralized setting of country limits with sub-limits by maturity and type of business;
- Manage large credit exposures, ensuring that concentrations of exposure by counterparty, sector or geography remain within internal and regulatory limits in relation to the Group's capital base;
- Maintain the Group's Internal Risk Rating Framework;
- Manage watchlisted and criticized asset portfolios and recommend appropriate level of provisioning and write-offs;
- Maintain the Expected Credit Loss impairment models across the Group entities;
- Recommend Expected Credit Loss provisions to the Group IFRS 9 Working Committee;
- Report to the Group Risk Committee, Board Audit & Compliance Committee and the BOD on all relevant aspects of the Group's credit risk portfolio. Regular reports include detailed analysis of:
    - risk concentrations;
    - corporate and retail portfolio performance;
    - specific higher-risk portfolio segments, e.g. real estate;
    - individual large impaired accounts, and details of impairment allowances; and
    - country limits, cross-border exposures.
- Specialized management and control of all non-performing assets;
- Manage and direct credit risk management systems initiatives; and
- Interface, for credit-related issues, with external parties including the CBB, rating agencies, investment analysts, etc.

All credit proposals are subjected to a thorough comprehensive risk assessment, which examines the customer's financial condition and trading performance, nature of the business, quality of management and market position. In addition, AUB's internal risk rating model scores these quantitative and qualitative factors. The credit approval decision is then made and terms and conditions are set. Exposure limits are based on the aggregate exposure to the counterparty and any connected entities across the AUB Group. All credit exposures are reviewed at least annually.

3. CREDIT RISK MANAGEMENT (continued)

Counterparty Exposure Class

The CBB's capital adequacy framework for the Standardized approach to credit risk sets the following counterparty exposure classes and the risk weightings to be applied to determine the risk weighted assets:

Exposure Class	Risk Weighting Criteria
Sovereign Portfolio	Exposures to governments of GCC (refer table 4 for definition of GCC) member states and their central banks {including International organization and Multilateral Development Banks (MDBs)} are zero % risk weighted. Other sovereign exposures denominated in the relevant domestic currency are also zero % risk weighted. All other sovereign exposures are risk weighted based on their external credit ratings.
Public Sector Entity [PSE] Portfolio	Bahrain PSEs and domestic currency claims on other sovereign PSEs (which are assigned a zero % risk weighting by their own national regulator) are assigned a zero % risk weighting. All other PSEs are risk weighted based on their external credit ratings.
Banks Portfolio	Exposures to banks are risk weighted based on their external credit ratings, with a preferential weighting given to short term exposures (i.e. with an original tenor of 3 months or less).
Investment Company Portfolio	Exposures to investment companies which are supervised by the CBB are treated in the same way as exposures to banks but without the preferential short term exposure weighting.
Corporate Portfolio	Exposures to corporates are risk weighted based on their external credit rating. Unrated corporates are 100% risk weighted and exposure to Connected counter parties exceeding the limits described in the rulebook are 800% risk weighted.
Regulatory Retail Portfolio	Eligible regulatory retail exposures are risk weighted at 75%, except for SMEs which are risk weighted at 25% as per CBB's COVID-19 relief measures.
Residential Property Portfolio	Exposures fully secured by first mortgages on owner occupied residential property are risk weighted between 35%-75% based on applicable regulatory guidance. Residential mortgage exposures granted under the Social Housing Schemes of the Kingdom of Bahrain are 25% risk weighted.
Commercial Property Portfolio	Exposures secured by mortgages on commercial real estate are subject to a minimum 100% risk weighting, except where the borrower has an external rating below BB- in which case the rating risk weighting applies.
Equities and Funds Investment Portfolio	Investments in listed equities carry a 100%-250% risk weighting. Unlisted equities are 150%-250% risk weighted. Investments in funds are risk weighted according to the type of underlying assets using the look through approach.
Impaired Exposures	The unsecured portion of any exposure (other than residential mortgage financing) that is past due for 90 days or more: - 150% risk weighted when expected credit loss (Stage 3) is less than 20% of the outstanding amount; and - 100% risk weighted when expected credit loss (Stage 3) is greater than 20%.
Holdings of Real Estate	All holdings (directly or indirectly) of real estate in the form of real estate companies, subsidiaries or associate companies or other arrangements such as trusts, funds or Real Estate Investment Trusts (REITs) are risk-weighted at 200%. Premises occupied by the Bank are weighted at 100%.
Other Assets	All other assets not classified above are risk weighted at 100%.

3. CREDIT RISK MANAGEMENT (continued)

External Rating Agencies

The Group uses the following external credit assessment institutions (ECAI's): Moody's, Standard & Poors and Fitch. The external rating of each ECAI is mapped to the prescribed internal risk rating that in turn produces standard risk weightings.

Basel III Reporting of Credit Risk Exposures

As a result of the methodologies applied in credit risk exposures presented under Basel III reporting, which differs in many ways from the exposures reported in the consolidated financial statements.

1. As per the CBB Basel III framework, off balance sheet exposures are converted, by applying a Credit Conversion Factor (CCF), into direct credit exposure equivalents.

2. Under the Basel III capital adequacy framework eligible collateral is applied after applying prescribed haircut, to reduce the exposure.

Credit Risk Mitigation

The Group's first priority when disbursing a financing is to establish the borrower's capacity to repay and not rely principally on security / collateral obtained. Where the customer's financial standing is strong, facilities may be granted on an unsecured basis, but when necessary collateral is an essential credit risk mitigation.

Acceptable forms of collateral are defined within the Group risk framework and conservative valuation parameters are also pre-set and regularly reviewed to reflect any changes in market conditions. Security structures and legal covenants are also subject to regular review to ensure that they continue to fulfil their intended purpose and remain in line with the CBB's prescribed minimum requirements set out in their capital adequacy regulations.

The principal collateral types are as follows:

- in the personal sector – cash, mortgages over residential properties and assignments over salary income;
- in the commercial sector – cash, charges over business assets such as premises, inventories, receivables, debt securities and bank guarantees;
- in the commercial real estate sector – charges over the properties being financed; and
- in the financial sector – charges over financial instruments, such as debt securities and equities.

Valuation of Collateral

The type and amount of collateral taken is based upon the credit risk assessment of the borrower. The market or fair value of collateral held is closely monitored and when necessary, top-up requests are made or liquidation is initiated as per the terms of the underlying credit agreements.

Gross Credit Risk Exposures subject to Credit Risk Mitigations (CRM)

The following table details the Group's gross credit risk exposures before the application of eligible Basel III CRM techniques. The CBB's Basel III guidelines detail which types of collateral and which issuers of guarantees are eligible for preferential risk weighting. The guidelines also specify the minimum collateral management processes and collateral documentation requirements necessary to achieve eligibility.

TABLE - 2 GROSS CREDIT RISK EXPOSURES

	US$ '000	
	As at 31 December 2023	***Average monthly balance***
Balances with central banks	1,096,386	995,954
Deposits with central banks	913,049	1,380,268
Deposits with banks	2,202,025	2,398,140
Financing receivable	10,907,398	10,586,656
Non-trading investments	10,078,378	8,637,089
Other assets	834,063	1,016,450
Assets classified as held for sale	13,951,731	14,177,565
TOTAL FUNDED EXPOSURES	**39,983,030**	**39,192,122**
Contingent liabilities	1,936,265	2,015,184
Undrawn financing commitments	156,991	171,161
Contingent liabilities relating to held for sale	1,514,458	1,606,198
TOTAL UNFUNDED EXPOSURES	**3,607,714**	**3,792,543**
TOTAL GROSS CREDIT RISK EXPOSURES	**43,590,744**	**42,984,665**

The gross credit exposures reported above are as per the consolidated balance sheet as at 31 December 2023 as reduced by exposures which do not carry credit risk.

TABLE - 3 RISK WEIGHTED EXPOSURES

	US$ '000			
	Gross exposures	***Secured by eligible CRM***	***Risk weighted exposures after CRM***	***Capital requirement***
Claims on sovereigns and MDBs	8,448,184	-	369,109	51,675
Claims on public sector entities	2,175,631	-	987,900	138,306
Claims on banks	6,675,866	-	2,829,424	396,119
Claims on corporates	22,568,322	1,010,051	21,120,558	2,956,879
Regulatory retail exposures	2,351,799	64,659	1,698,108	237,735
Residential mortgage exposures	1,376,276	-	567,650	79,471
Equity	520,696	-	1,185,567	165,979
Other exposures	1,837,667	-	2,184,455	305,824
TOTAL	**45,954,441**	**1,074,710**	**30,942,771**	**4,331,988**
TOTAL CREDIT RISK CAPITAL REQUIREMENT (STANDARDISED APPROACH)			**30,942,771**	**4,331,988**
TOTAL MARKET RISK CAPITAL REQUIREMENT (STANDARDISED APPROACH)			**318,734**	**44,623**
TOTAL OPERATIONAL RISK CAPITAL REQUIREMENT (BASIC INDICATOR APPROACH)*			**1,965,665**	**275,193**
TOTAL			**33,227,170**	**4,651,804**

*Indicator for operational risk exposure is gross income, adjusted for exceptional items, as per BIA. This approach uses average of adjusted gross income for previous three financial years (US$ 1,048,355 thousands) for operational risk computation.

The gross exposure in the above table represents the on and off balance sheet credit exposures before Credit Risk Mitigations (CRM), determined in accordance with the CBB Pillar III guidelines. The off balance sheet exposures are computed using the relevant credit conversion factors.

Under the CBB Basel III Guidelines, banks may choose between two options when calculating credit risk mitigation capital relief. The simple approach which substitutes the risk weighting of the collateral for the risk weighting of the counterparty or the comprehensive approach whereby the exposure amount is adjusted by the actual value ascribed to the collateral. The Group has selected to use the comprehensive method where collateral is in the form of cash or bonds or equities. The Group uses a range of risk mitigation tools including collateral, guarantees, credit derivatives, netting agreements and financial covenants to reduce credit risk.

TABLE - 3 RISK WEIGHTED EXPOSURES (continued)

Concentration Risk

Refer note 32(a) to the audited consolidated financial statements for the year ended 31 December 2023 for definition and policies in relation to management of concentration risk.

As per the CBB's large exposure regulations, banks incorporated in the Kingdom of Bahrain are required to obtain the CBB's prior approval for any planned exposure to a single counterparty, or group of connected counterparties, exceeding 15 per cent of the regulatory capital base. As at 31 December 2023, the Group had no qualifying single obligor exposures in accordance with CBB guidelines which exceed 15 percent of the Group's regulatory capital base.

Geographic Distribution of Gross Credit Exposures

The geographic distribution of credit exposures is monitored on an ongoing basis by Group Risk Management and reported to the BOD on a quarterly basis.

The following table details the Group's geographic distribution of gross credit exposures as at 31 December 2023.

TABLE - 4 GEOGRAPHIC DISTRIBUTION OF GROSS CREDIT EXPOSURES

	US$ '000							
	GCC countries	*United Kingdom*	*Europe (excluding United Kingdom)*	*Arab Republic of Egypt*	*Asia (excluding GCC countries)*	*Rest of the World*	*Held for Sale*	*Total*
Balances with central banks	185,736	301,628	-	538,641	70,381	-	-	**1,096,386**
Deposits with central banks	597,042	-	-	289,388	26,619	-	-	**913,049**
Deposits with banks	267,441	124,453	715,136	61,087	121,974	911,934	-	**2,202,025**
Financing receivable	5,731,829	1,736,193	369,867	2,443,808	299,841	325,860	-	**10,907,398**
Non-trading investments	5,874,321	271,341	715,608	378,785	1,470,170	1,368,153	-	**10,078,378**
Other assets	188,434	509,695	41,347	44,821	26,528	23,238	-	**834,063**
Assets classified as held for sale	-	-	-	-	-	-	13,951,731	**13,951,731**
Total funded exposures	**12,844,803**	**2,943,310**	**1,841,958**	**3,756,530**	**2,015,513**	**2,629,185**	**13,951,731**	**39,983,030**
Contingent liabilities	931,439	6,225	81,485	596,251	241,214	79,651	-	**1,936,265**
Undrawn financing commitment commitments	- 56,187	94,777	5,020	1,007	-	-	- -	**156,991**
Contingent liabilities relating to held for sale	-	-	-	-	-	-	1,514,458	**1,514,458**
Total unfunded exposures	**987,626**	**101,002**	**86,505**	**597,258**	**241,214**	**79,651**	**1,514,458**	**3,607,714**
TOTAL	**13,832,429**	**3,044,312**	**1,928,463**	**4,353,788**	**2,256,727**	**2,708,836**	**15,466,189**	**43,590,744**
	31.7%	**7.0%**	**4.4%**	**10.0%**	**5.2%**	**6.2%**	**35.4%**	**100.0%**

* GCC countries are countries which are part of the Gulf Co-operation Council comprising the Kingdom of Bahrain, State of Kuwait, Sultanate of Oman, State of Qatar, Kingdom of Saudi Arabia and the United Arab Emirates.

TABLE - 5 SECTORAL CLASSIFICATION OF GROSS CREDIT EXPOSURES

	US$ '000			
	Funded	*Unfunded*	*Total*	*%*
Central banks	2,009,435	-	**2,009,435**	**4.6**
Banks and other financial institutions	4,837,012	101,837	**4,938,849**	**11.3**
Consumer/personal	1,059,850	8,582	**1,068,432**	**2.5**
Residential mortgage	1,356,737	59,140	**1,415,877**	**3.2**
Trading and manufacturing	5,798,325	816,019	**6,614,344**	**15.2**
Real estate	1,492,835	32,497	**1,525,332**	**3.5**
Services	2,872,303	835,428	**3,707,731**	**8.5**
Government/public sector	6,069,696	2,291	**6,071,987**	**13.9**
Others	535,106	237,462	**772,568**	**1.8**
Assets classified as held for sale	13,951,731	1,514,458	**15,466,189**	**35.5**
TOTAL	**39,983,030**	**3,607,714**	**43,590,744**	**100.0**
	91.7%	**8.3%**	**100.0%**	

TABLE - 6 RESIDUAL CONTRACTUAL MATURITY OF GROSS CREDIT EXPOSURES

	US$ '000							
	Up to one month	*Over one month to three months*	*Over three months to one year*	*Over one year to five years*	*Over five to ten years*	*Over ten to twenty years*	*Over twenty years*	*Total*
Balances with central banks	1,096,386	-	-	-	-	-	-	**1,096,386**
Deposits with central	412,536	228,828	271,685	-	-	-	-	**913,049**
Deposits with banks	2,119,388	65,976	983	15,678	-	-	-	**2,202,025**
Financing receivable	930,494	1,151,069	2,494,006	4,643,784	1,156,835	415,172	116,038	**10,907,398**
Non-trading investments	59,456	24,166	410,930	3,945,823	3,541,446	1,027,543	1,069,014	**10,078,378**
Other assets	242,034	42,805	88,338	441,843	15,733	-	3,310	**834,063**
Assets classified as held for sale	-	13,951,731	-	-	-	-	-	**13,951,731**
Total funded exposures	**4,860,294**	**15,464,575**	**3,265,942**	**9,047,128**	**4,714,014**	**1,442,715**	**1,188,362**	**39,983,030**
Contingent liabilities	486,685	424,951	832,791	187,682	4,143	13	-	**1,936,265**
Undrawn financing commitments	32,717	7,784	28,263	76,851	7,284	4,092	-	**156,991**
Contingent liabilities relating to held for sale	-	1,514,458	-	-	-	-	-	**1,514,458**
Total unfunded exposures	**519,402**	**1,947,193**	**861,054**	**264,533**	**11,427**	**4,105**	**-**	**3,607,714**
TOTAL	**5,379,696**	**17,411,768**	**4,126,996**	**9,311,661**	**4,725,441**	**1,446,820**	**1,188,362**	**43,590,744**

Allowances for expected credit loss

Refer note 2.7 (g) of the consolidated financial statements of the Group for the year ended 31 December 2023 for further details on ECL model.

The Group Risk Committee regularly evaluates the adequacy of the established allowances for impaired financing.

TABLE - 7 SECTORAL BREAKDOWN OF IMPAIRED FINANCING RECEIVABLES AND IMPAIRMENT ALLOWANCES

	US$ '000				
	Impaired financing receivables (Stage 3)	*ECL allowances (Stage 3)*	*Net remeasurement of Stage 3 ECL for the year ended 31 December 2023*	*Write-offs during the year ended 31 December 2023*	*ECL allowances (Stage 1 & Stage 2)*
Consumer/personal	40,913	38,686	4,366	10,397	27,859
Trading and manufacturing	50,321	36,224	5,365	21,933	91,567
Real estate	97,790	96,463	-	-	81,600
Residential mortgage	51,919	32,256	4,551	-	1,507
Banks and other financial institutions	-	-	-	-	4,631
Services	31,481	22,019	766	392	118,271
Government/public sector	-	-	-	-	1,497
Others	1,440	291	2,820	27,945	30,222
TOTAL	**273,864**	**225,939**	**17,868**	**60,667**	**357,154**

TABLE - 8 GEOGRAPHICAL DISTRIBUTION OF IMPAIRMENT ALLOWANCES FOR FINANCING RECEIVABLES

	US$ '000						
	GCC countries	*United Kingdom*	*Europe (excluding United Kingdom)*	*Arab Republic of Egypt*	*Asia (excluding GCC countries)*	*Rest of the world*	*Total*
ECL allowances (Stage 1 & 2)	198,739	570	7,115	146,212	1,572	2,946	**357,154**
ECL allowances (Stage 3)	161,951	29,594	-	34,122	272	-	**225,939**
TOTAL	**360,690**	**30,164**	**7,115**	**180,334**	**1,844**	**2,946**	**583,093**

TABLE - 9 MOVEMENTS IN IMPAIRMENT ALLOWANCES FOR FINANCING RECEIVABLES

Refer note 7(f) of the consolidated financial statements for the year ended 31 December 2023 for ECL allowance movements.

Impaired Credit Facilities

As per CBB guidelines, credit facilities are placed on non-accrual status and profit income suspended when either principal or profit is overdue by 90 days or more whereupon unpaid and accrued profit is reversed from income. Profit on non-accrual facilities is included in income only when received. Credit facilities classified as past due are assessed for ECL in accordance with IFRS 9 guidelines. Financial instruments where there is objective evidence of impairment are considered to be credit impaired and the allowance for credit losses captures the life time expected credit losses.

For definition of default, refer to note 2.7(g) to the audited consolidated financial statements for the year ended 31 December 2023.

Refer to notes 7(a) to 7(e) and note 32(c) to the audited consolidated financial statements for the year ended 31 December 2023 for the distribution of the financing receivables portfolio.

Ratings 1 - 4 comprise of credit facilities demonstrating financial condition, risk factors and capacity to repay that are excellent to good and retail borrowers where cash collateral (or equivalent such as pledged investment funds) has been provided.

Ratings 5 - 7 represents satisfactory risk and includes credit facilities that require closer monitoring, and retail accounts which are maintained within generally applicable product parameters.

TABLE - 10 IMPAIRED FINANCING RECEIVABLES - AGE ANALYSIS

i) By Geographical region

	US$ '000			
	Three months to one year	***Over one to three years***	***Over three years***	***Total***
Other GCC Countries	88,355	24,139	73,042	**185,536**
United Kingdom	23,521	12,892	11,604	**48,017**
Arab Republic of Egypt	34,069	5,651	152	**39,872**
Asia (excluding GCC countries)	409	30	-	**439**
TOTAL	**146,354**	**42,712**	**84,798**	**273,864**
	53.4%	**15.6%**	**31.0%**	**100.0%**

TABLE - 10 IMPAIRED FINANCING RECEIVABLES - AGE ANALYSIS (continued)

ii) By Industry sector

	US$ '000			
	Three months to one year	***Over one to three years***	***Over three years***	***Total***
Consumer/personal	27,597	10,504	2,812	**40,913**
Trading and manufacturing	30,296	12,494	7,531	**50,321**
Real estate	47,618	-	50,173	**97,791**
Residential mortgage	25,179	13,082	13,656	**51,917**
Services	15,481	5,464	10,537	**31,482**
Others	183	1,168	89	**1,440**
TOTAL	**146,354**	**42,712**	**84,798**	**273,864**
	53.4%	**15.6%**	**31.0%**	**100.0%**

TABLE - 11 RESTRUCTURED CREDIT FACILITIES

	US$ '000
Balance of any restructured credit facilities as at year end	739,795
Financing receivables restructured during the year	356,611

The above restructurings did not have any significant impact on the present or future earnings and were primarily extensions of the financing tenor.

TABLE - 12 COUNTERPARTY CREDIT RISK IN DERIVATIVE TRANSACTIONS

The Group uses the Current Exposure Method to calculate the exposure for counterparty credit risk for derivative instruments as per CBB Basel III guidelines. The table below represent net credit equivalent exposure after giving effect to master netting agreements.

i) Breakdown of the credit exposure

	US$ '000	
	Notional amount	***Credit Equivalent Exposure***
a) Trading		
Foreign exchange related	5,161,957	44,520
Profit rate related	3,135,211	129,582
Others	17,302	1,248
	8,314,470	**175,350**
b) Hedging		
Foreign exchange related	244	-
Profit rate related	10,858,433	536,095
	10,858,677	**536,095**
	19,173,147	**711,445**

	US$ '000
ii) Amounts of cash collateral	**9,804**

TABLE - 13 RELATED PARTY TRANSACTIONS

Refer note 25 to the audited consolidated financial statements of the Group for the year ended 31 December 2023. Related party transactions are entered with related parties in ordinary course of business at arm's length. Further, as of 31 December 2023, exposures in excess of limits prescribed by Credit Risk Management Module amounted to US$ 9.2 million. This exposures are risk weighted at 800%.

4. MARKET RISK

Market risk is the risk that movements in market risk factors, including foreign exchange rates, profit rates, credit spreads and equity prices will reduce the Group’s income or the value of its portfolios.

Market Risk Management, Measurement and Control Responsibilities

The BOD approves the overall market risk appetite and delegates responsibility for providing oversight on the Bank's market risk exposures and the sub allocation of BOD limits to the Group Asset and Liability Committee (GALCO). Group Risk Management is responsible for the market risk control framework and for monitoring compliance with the GALCO limit framework.

The Group separates market risk exposures into either trading or non-trading portfolios. Trading portfolios include those positions arising from market-making, proprietary position-taking and other marked-to-market positions. Non-trading portfolios include positions that arise from the foreign exchange/profit rate management of the Group’s retail and commercial banking assets and liabilities, and financial assets designated at amortised cost and fair value through other comprehensive income.

Each Group operating entity has an independent market risk function which is responsible for measuring market risk exposures in accordance with the Group Trading Book Policy and the Profit Rate Risk in the Banking Book Policy, and monitoring these exposures against prescribed limits.

Market risk reports covering Trading Book risk exposures and profit and loss are published daily to the Bank’s senior management. A risk presentation covering both Trading and Banking Book is also compiled monthly and discussed at the GALCO.

The measurement techniques used to measure and control market risk include:

- Value at Risk (VaR);
- Stress tests; and
- Sensitivities and position size related metrics.

Daily Value at Risk (VaR)

The Group VaR is an estimate of the potential loss which might arise from unfavourable market movements:

VaR Type	Sample Size	Holding Period	Confidence Interval	Frequency of Calculation
1 Day VaR	260 days	1 day	99%	Daily
10 Day VaR	260 days	10 day	99%	Daily

Daily losses exceeding the VaR figure are likely to occur, on average, once in every 100 business days depending on the confidence interval employed in the VaR calculation (per the above). The Group routinely validates the accuracy of its VaR models by backtesting the actual daily profit and loss results. The actual number of excesses over a given period can be used to gauge how well the models are performing.

4. MARKET RISK (continued)

Although a useful guide to risk, VaR should always be viewed in the context of its limitations. For example:

- the use of historical data as a proxy for estimating future events may not encompass all potential events, particularly those which are extreme in nature;
- the use of a 1-day holding period assumes that all positions can be liquidated or hedged in one day. This may not fully reflect the market risk arising at times of severe illiquidity, when a 1-day holding period may be insufficient to liquidate or hedge all positions fully;
- the use of a confidence level, by definition, does not take into account losses that might occur beyond the applied level of confidence; and
- VaR is calculated on the basis of exposures outstanding at the close of business and therefore does not necessarily reflect intra-day exposures.

The VaR for the Group was as follows:

	US$ '000		
	Average	***Minimum***	***Maximum***
For the year 2023	1,056	344	2,428

TABLE - 14 CAPITAL REQUIREMENTS FOR COMPONENTS OF MARKET RISK

	US$ '000			
	Risk-weighted weighted exposures after CRM	***Capital requirement***	***Maximum value***	***Minimum value***
Profit rate risk	101,349	14,189	22,121	13,364
Equity position risk	16,814	2,354	9,985	2,354
Foreign exchange risk	200,571	28,080	56,574	28,080
TOTAL MARKET RISK CAPITAL REQUIREMENT (STANDARDISED APPROACH)	**318,734**	**44,623**		

4. MARKET RISK (continued)

Profit Rate Risk (non-trading)

Profit rate risk is the risk that the earnings or capital of the Group, or its ability to meet business objectives, will be adversely affected by movements in profit rates. Accepting this risk is a normal part of banking practice and can be an important source of profitability and shareholder value. Changes in profit rates can affect a bank's earnings by changing its net profit income and the level of other profit sensitive income and operating expenses. Changes in profit rates also affect the underlying value of the Group's assets, liabilities and off-balance sheet instruments because the present value of future cash flows and / or the cash flows themselves change when profit rates change. The Bank employs a risk management process that maintains profit rate risk within prudent levels.

The BOD recognises that it has responsibility for understanding the nature and the level of profit rate risk taken by the Bank, and has defined a risk framework pertaining to the management of non-trading profit rate risk and has identified lines of authority and responsibility for managing profit rate risk exposures.

The BOD has delegated the responsibility for the management of profit rate risk to GALCO which is responsible for setting and monitoring the profit rate risk strategy of the Group, for the implementation of the profit rate risk framework and ensuring that the management process is in place to maintain profit rate risk within prudent levels.

GALCO reviews the profit rate risk framework annually and submits recommendations for changes to the Executive Committee and BOD as applicable.

The responsibility for the implementation of the Group's profit rate risk policies resides with the Group Treasurer. An independent review and measurement of all profit exposure present in the banking book is undertaken by the Group Market Risk team and reported to GALCO on a monthly basis.

profit rate re-pricing reports are based on each product's contractual re-pricing characteristics overlaid where appropriate by behavioural adjustments. Behavioural adjustments are derived by an analysis of customer behaviour over time augmented by input from the business units.

The behavioural adjustments are applied mainly for those liabilities with no fixed maturity dates such as current and savings accounts. These adjustments are based on empirical experience, and current account balances are spread over a maximum period of 5 years, while savings accounts are spread over a maximum period of 7 years.

Reports detailing the profit rate risk exposure of the Group are reviewed by GALCO and the BOD on a regular basis.

Refer note 34 to the audited consolidated financial statements for the year ended 31 December 2023 for the re-pricing profiles of the Group's assets and liabilities.

4. MARKET RISK (continued)

profit rate risk sensitivity analysis

The Group's profit rate risk sensitivity is analysed in note 34(ii) to the audited consolidated financial statements for the year ended 31 December 2023.

The impact of a +/- 200bps profit rate shock on assets and liabilities which are carried at fair value and the consequent impact on equity as of 31 December 2023 is as per the following table.

	US$ '000		
	Assets	***Liabilities***	***Equity***
at 200 bps - increase (+)	**(139,667)**	**139,243**	**(424)**
at 200 bps - decrease (-)	**139,667**	**(139,243)**	**424**

Equity Risk

Equity risk is the risk of changes in the fair value of an equity instrument. The Group is exposed to equity risk on non-trading equity positions that are primarily focused on the GCC stock markets. The BOD has set limits on the amount and type of investments that may be made by the Bank. This is monitored on an ongoing basis by the Group Risk Committee with pre approved loss thresholds. The Bank's equity risk appetite is minimal.

Valuation and accounting policies:

a) Equity investments held for strategic reasons - investments in associates

Associated companies are companies in which the Group exerts significant influence but does not control, normally represented by an interest of between 20% and 50% in the voting capital. Investments in associated companies are accounted for using the equity method.

b) Other equity investments

At initial recognition, the Group can make irrevocable election on an instrument by instrument basis to designate an equity instrument as fair value through other comprehensive income (FVTOCI). If an equity investment is designated as FVTOCI, all gains and losses, except for dividend income, are recognised in other comprehensive income and are not subsequently included in the consolidated statement of income.

The fair value of equity instruments that are quoted in an active market is determined by reference to market prices at the close of business on the balance sheet date. For equity investments that are not quoted in an active market, a reasonable estimate of the fair value is determined using net present valuation techniques.

For accounting policies on equity instruments, please refer to note 2.7(c) (iv) of the audited consolidated financial statements for the year ended 31 December 2023.

TABLE - 15 GAIN / (LOSS) ON EQUITY INSTRUMENTS

	US$ '000
Net loss recognised in Tier1 Capital (CET1)	
Net unrealized loss recognised in the balance sheet	13,824
Realized loss recognised in the equity	(55,252)

5. LIQUIDITY RISK AND FUNDING MANAGEMENT

Liquidity risk and funding management of the Group have been explained in note 35 of audited consolidated financial statements for the year ended 31 December 2023.

Maturity Analysis of Assets and Liabilities

A maturity analysis of cash flows payable by the Group under financial liabilities by remaining contractual maturities at the balance sheet date is shown in note 35 to the audited consolidated financial statements for the year ended 31 December 2023.

6. OPERATIONAL RISK

Operational risk is the risk of loss arising from inadequate or failed internal processes, people and systems or from external events, whether intentional, unintentional or natural. This definition includes legal and Shariah non-compliance risk, but excludes strategic and reputational risk. It is an inherent risk faced by all businesses and covers a large number of operational risk events including business interruption and systems failures, internal and external fraud, employment practices and workplace safety, customer and business practices, transaction execution and process management, and damage to physical assets.

The BOD acknowledges that it has ultimate responsibility for operational risk. Oversight rests with the Group Risk Committee, whilst day to day monitoring is carried out by the Group Operational Risk Committee.

The Operational Risk Management framework has been in place for a number of years and is ingrained in the Group's culture and processes. The Group has developed a comprehensive Operational Risk Self Assessment (ORSA) process.

The BOD takes the lead in promoting and encouraging a culture of risk awareness and prevention across all areas of the Group. The Group follows a Group Operational Risk Policy approved by the BOD. The policy, supported by the Group Operational Risk procedure, aims to ensure that operational risk measures are incorporated into all major aspects of the overall management framework.

The Group Operational Risk Committee (the "GORC") is responsible for maintaining an operational risk management framework across the organization. The GORC receives regular reporting on all key operational risk measures. Promptness in resolution of material operational risks identified through Operational Risk Self Assessments and audits are considered as one of the key criteria for performance reviews.

The Group Audit & Compliance Committee assists the BOD in ensuring compliance with all regulatory requirements and consistency with best market practices. The Group Audit & Compliance Committee reviews regular reports on all key operational risk measures.

The Group Operational Risk Policy, supported by the Group Operational Risk procedure requires reporting of all material Operational Risk Incidents / Loss Events within a specified period of the occurrence of the event which is followed by an

The Group Operational Risk Policy requires that internal controls are reviewed and enhanced on an ongoing basis in order to mitigate the residual risks identified through the Operational Risk Self Assessments, analysis of operational loss and near miss events and, internal and external audits. In addition, regular reviews of operating procedures also aim to enhance internal controls. The Group's Human Resources Policy requires that employees are trained regularly so that they are, among others, aware of operational risks and the mitigating controls. The policies require the establishment of appropriate infrastructure and processes for ensuring continuity of business which must be comprehensively and frequently tested for different contingencies.

The BOD approves the Group Information Security Framework and Policy. The policy provides a consistent and strong cybersecurity approach across the Group. Group Information Security Office (GISO) runs several cybersecurity programs covering all cyber risk areas including threat and vulnerability management, risk assessments, cybersecurity awareness, penetration testing, and incident management. GISO also executes several projects to continuously enhance the security control systems and processes, and to make the Group resilient to cyber risks. AUB maintained its ISO 27001, SWIFT Customer Security Program (CSP) and PCI DSS certifications were relevant across the Group.

Group Operational Risk Committee overseas the cybersecurity program through quarterly review of cybersecurity metrics. GISO also provides cybersecurity status reports to the BOD every quarter.

7. INFORMATION TECHNOLOGY RISK

All computer system developments and operations are centrally controlled and common standard business systems are deployed across the Group wherever possible. Information security is defined through a common ‘Group Information Security Framework’ and is executed through various information security processes and controls that support the framework. The Group follows an enterprise wide approach to business continuity to ensure that all identified critical operations, services and systems are recovered in time in the event of a disruption. The Group Business Continuity Management Policy is updated annually and the Disaster Recovery and Business Continuity capabilities are each tested at least once a year and critical systems data are continuously replicated at the disaster recovery site.

The Group has also adopted a Flexible Business Management approach to business continuity and disaster recovery with the aim of continuing to conduct business as usual to the extent possible on a remote basis even under diverse scenarios of unavailability of premises, infrastructure or resources, with scalability for any duration of time.

8. STRATEGIC RISK

The BOD supported by Strategic Development Unit and the Group Finance manages strategic risk on an ongoing basis. The BOD receives regular performance reports with details of strategic / regulatory issues as they arise.

9. LEGAL, COMPLIANCE, REGULATORY AND REPUTATIONAL RISKS

Protecting the Legal, Compliance, Regulatory and Reputational Risks of the Group is of paramount importance. All management and staff are expected to apply highest standards of business conduct and professional ethics at all times.

The Group has a dedicated Legal Department whose role is to identify and provide analysis and advice on legal risk.

The department is governed by the Group Legal Policy approved by the BOD, which facilitates the management and control of operational risks from pending legal actions, by performing the following tasks:

- Advising on applicable legislation and regulation;
- reviewing and / or drafting non- standard contracts and related documentation (including amendments to existing contracts) applicable to the Group;
- periodically reviewing the standard contractual documentation of the Bank;
- advising on matters involving legal risk and drafting formal communication relating to legal claims involving the Group and
- Managing and providing legal advice in respect of any actual or threatened litigation against the Bank, or brought (or proposed to be brought) by the Group against any other party.

There are no material litigations / claims against the Group as at 31 December 2023.

The Group continuously strives to improve the level of Compliance in all its activities. The Group has an independent Compliance function that reports to the Audit and Compliance Committee. The Compliance function acts as a focal point for appropriate coordination and dissemination of regulatory correspondence and rulebook updates, and strives to adopt best practice in Compliance, Governance and Control. Also, the Compliance Department, has the responsibility through its monitoring programs, to regularly assesses the adequacy and effectiveness of the measures and procedures put in place and the actions taken to address any deficiencies in the Bank’s compliance with its obligations; and advises and assists the responsible business areas and personnel for carrying out appropriate regulated activities.

Implementing appropriate systems, processes and controls to combat Anti-Money Laundering (AML) and Terrorist Financing activities form an important activity of the AML Unit within the Compliance function. The Group has deployed a risk based automated transaction monitoring system and implemented relevant procedures and controls to facilitate appropriate monitoring and detection mechanism. The Group also has appropriate AML and Compliance policies and monitoring programs. These policies are reviewed and updated annually and approved by the BOD. The Group’s anti-money laundering measures are regularly audited by the internal auditors who report to the Audit & Compliance Committee of the BOD. Additionally, the Bank’s AML measures are reviewed by independent external auditors every year and their agreed-upon procedures reports are submitted to the CBB. The CBB also performs periodic inspections of the Bank’s compliance with anti-money laundering regulations.

9. LEGAL, COMPLIANCE, REGULATORY AND REPUTATIONAL RISKS (continued)

The BOD approved policies, including Group Reputation Risk policy, Communications Policy, Personal Account Dealing Policy, Key Person Dealing Policy, Compliance Policy, Anti Money Laundering policy, Banking Integrity and Whistle Blowing Policy and Code of Business conduct policy and such other policies prescribe the required standards of ethical behaviour and personal conduct for all staff (including the Bank's Directors), and the BOD exercises an oversight of these risks through various management functions, including Legal, Risk Management, Compliance, Human Resources and Internal Audit Department.

10. ENVIRONMENTAL RISK

The Group recognises the importance of environmental and social issues within its risk framework, and has established a Social and Environmental Management System (SEMS) which details the policy, procedures and workflow that will be followed by the Bank and its subsidiaries / affiliates in respect of environmental risk.

The Group continually endeavours to implement effective social and environmental management practices in all its activities, products and services with a focus on the applicable national laws on environmental, health, safety and social issues.

The Group has adopted the Equator Principles (EP), a globally recognized benchmark for managing social and environmental risks in project finance. EP is an arrangement by financial institutions worldwide to adhere to the environmental, health and safety standards while financing projects.

As such the Group will finance projects only when they are expected to be designed, built, operated and maintained in a manner consistent with the applicable national laws.

The Bank has become a signatory of the United Nations (UN) Principles for Responsible banking and a member of the UN Environment Programme Finance Initiative (UNEP FI). AUB is committed to take leadership role and use of its products, services and relationships to support and contribute to individual needs and society's goal, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

Ahli United Bank B.S.C (c)

Regulatory Capital & Leverage Ratio Disclosures - Basel III

31 Dec 2023

APPENDIX I - REGULATORY CAPITAL DISCLOSURES

PD 1 : Capital Composition Disclosure Template

Basel III Common disclosure template	***US$ '000*** PIR as on 31 Dec 2023	*Reference*
Common Equity Tier 1 capital: instruments and Reserves		
Directly issued qualifying common share capital plus related stock surplus	2,786,983	A1
Retained earnings	485,948	B1+B2+B3+B4
Accumulated other comprehensive income (and other reserves)	1,425,399	C1+C2+C3+C4+ C5 +C6 +C7
Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	306,229	D
Common Equity Tier 1 capital before regulatory adjustments	**5,004,559**	
Common Equity Tier 1 capital: regulatory adjustments		
Goodwill (net of related tax liability)	414,585	E
Other intangibles other than mortgage-servicing rights (net of related tax liability)	116,928	F1+F2
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	G1-G2
Cash-flow hedge reserve	-	C7
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	-	
Total regulatory adjustments to Common equity Tier 1	**531,513**	
Common Equity Tier 1 capital (CET1)	**4,473,046**	
Additional Tier 1 capital: instruments		
Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	400,000	I
Additional Tier 1 instruments (and CET1 instruments not included above) issued by subsidiaries and held by third parties (amount allowed in group AT1)	306,837	J
Additional Tier 1 capital before regulatory adjustments	**706,837**	
Total regulatory adjustments to Additional Tier 1 capital	**-**	
Additional Tier 1 capital (AT1)	**706,837**	
Tier 1 capital (T1 = CET1 + AT1)	**5,179,883**	
Tier 2 capital: instruments and provisions		
Directly issued qualifying Tier 2 instruments plus related stock surplus	-	K
Tier 2 instruments (and CET1 and AT1 instruments not included above) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	92,213	L
Expected Credit Losses & Reserves	426,625	M1+M2
Tier 2 capital before regulatory adjustments	**518,838**	
Total regulatory adjustments to Tier 2 capital	**-**	
Tier 2 capital (T2)	**518,838**	
Total capital (TC = T1 + T2)	**5,698,721**	
Total risk weighted assets	**33,227,170**	
Capital ratios		
Common Equity Tier 1 (as a percentage of risk weighted assets)	13.5%	
Tier 1 (as a percentage of risk weighted assets)	15.6%	
Total capital (as a percentage of risk weighted assets)	**17.2%**	
Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus D-SIB buffer requirement expressed as a percentage of risk weighted assets)	10.5%	
of which: Capital Conservation Buffer requirement	2.5%	
of which: bank specific countercyclical buffer requirement (N/A)	NA	
of which: D-SIB buffer requirement	1.5%	
National minima (if different from Basel 3)		
CBB Common Equity Tier 1 minimum ratio (including buffers)	10.5%	
CBB Tier 1 minimum ratio (including buffers)	12.0%	
CBB total capital minimum ratio (including buffers)	14.0%	
Amounts below the thresholds for deduction (before risk weighting)		
Non-significant investments in the capital of other financial entities	285,006	
Significant investments in the common stock of financial entities	413,875	
Applicable caps on the inclusion of Expected Credit Losses in Tier 2		
Expected Credit Losses (Stages 1 and 2) eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	639,586	N
Cap on inclusion of Expected Credit Losses in Tier 2 under standardized approach	386,785	M2

PD 2 : Reconciliation Of Regulatory Capital

i) Step 1: Disclosure of Balance Sheet under Regulatory scope of Consolidation

There are no differences between the regulatory and accounting consolidation, with both following the consolidation approach as per the IFRS 10 without excluding any entities. As mandated by the Central Bank of Bahrain ("CBB"), financial assets have been grossed up with impairment allowances for expected credit losses (ECL) - Stages 1 and 2, as presented below:

	US$ '000
Balance sheet per published financial statements	**41,899,898**
ECL - Stages 1 and 2	639,586
Balance sheet as in Regulatory Return	**42,539,484**

ii) Step 2: Expansion of the Balance Sheet under Regulatory scope of Consolidation ***US$ '000***

Assets	***Balance as per published financial statements***	***Consolidated PIR data***	***Reference***
Cash and balances with central banks	1,173,479	1,173,479	
Financial assets at fair value through Profit & Loss		9,889	
Deposits with central banks	913,049	913,049	
Deposits with banks	2,202,025	2,202,226	
Financing receivables	10,907,398	11,264,552	
Non-trading investments	10,182,949	10,201,292	
Investment properties	105,037	105,037	
Profit receivable and other assets	15,700,592	15,954,591	
of which deferred tax assets		(0)	G1
Investments in associates	375,313	375,313	
Goodwill and intangible assets	136,180	136,180	
of which Goodwill		414,585	E
of which other intangibles (excluding MSRs)		28,425	F1
Premises and equipment	203,876	203,876	
of which software		88,503	F2
TOTAL ASSETS	**41,899,898**	**42,539,484**	
Liabilities			
Deposits from banks	2,213,524	2,213,524	
Customers' deposits	14,039,595	14,039,595	
Repurchase agreements with banks	4,619,644	4,619,644	
Term Financing	1,096,685	1,096,685	
Sukuk payable	527,725	527,725	
Profit payable and other liabilities	13,343,783	13,343,783	
of which deferred tax liabilities		1,698	G2
TOTAL LIABILITIES	**35,840,956**	**35,840,956**	
Equity			
Paid-in share capital	2,786,983	2,786,983	
of which form part of Common Equity Tier 1		2,786,983	
Ordinary Share Capital		2,786,983	A1
Treasury Shares		-	
Perpetual Tier 1 Capital Securities - AUB Bahrain	400,000	400,000	I
Reserves	1,800,525	1,800,525	
of which form part of Common Equity Tier 1			
Retained earnings/(losses) brought forward		335,286	B1
Porposed Dividend Payable			B2
Net profit for the current period		667,256	C1
Share premium		752,540	C2
Legal reserve		886,815	C3
Others		(37,804)	C4
FX translation adjustment		(837,247)	C5
Cumulative fair value changes on FVOCI investments		(6,161)	C6
Fair value changes of cash flow hedges		-	C7
of which form part of Tier 2			
Fixed assets revaluation reserves		39,840	M1
CBB modification loss (part of CET1)		*53,965*	B3
Perpetual Tier 1 Capital Securities - AUB Kuwait	600,000	1,071,434	
Non - controlling interest	471,434		
of which amount eligible for Common Equity Tier 1		306,229	D
of which amount eligible for Additional Tier 1		306,837	J
of which amount eligible for Tier 2		92,213	L
of which amount ineligible		366,155	
Impairment Allowance for Expected Credit Losses - Stages 1 and 2		639,586	N
of which amount eligible for Tier 2 (maximum 1.25% of RWA)		386,785	M2
of which amount included in CET1 as per CBB		96,697	B4
of which amount ineligible		156,105	
TOTAL EQUITY	**6,058,942**	**6,698,528**	
TOTAL LIABILITIES AND EQUITY	**41,899,898**	**42,539,484**	

PD 3 : Main features of regulatory capital instruments

1	**Issuer**	Ahli United Bank B.S.C (c)	Ahli United Bank B.S.C (c)	Ahli United Bank K.S.C.P.
2	**Unique identifier**	N/A	ISIN: XS1133289832 / Perpetual Tier 1 Capital Securities	ISIN: XS2342243875 / Perpetual Tier 1 Capital Securities
3	**Governing law(s) of the instrument**	Laws of Bahrain	English Law, except for the provisions of subordination which will be governed by the Laws of Bahrain	English Law, except for the provisions of subordination which will be governed by the Laws of Kuwait
4	**Transitional CBB rules**	Not applicable	Not applicable	Not applicable
5	**Post-transitional CBB rules**	Common Equity Tier 1	Additional Tier 1	Additional Tier 1
6	**Eligible at solo/group/group & solo**	Solo and Group	Solo and Group	Group
7	**Instrument type**	Common Equity Shares	Capital Securities	Capital Securities
8	**Amount recognized in regulatory capital**	$2787.0 mn	$400.0 mn	$330.1 mn
9	**Par value of instrument (USD)**	$0.25	$1000 subject to minimum of $200,000	$1000 subject to minimum of $200,000
10	**Accounting classification**	Shareholders' equity	Shareholders' equity	Shareholders' equity
11	**Original date of issuance**	31-May-2000	29-Apr-2015	17-Jun-2021
12	**Perpetual or dated**	Perpetual	Perpetual	Perpetual
13	**Original maturity date**	No Maturity	No Maturity	No Maturity
14	**Issuer call subject to prior supervisory approval**	NA	Yes	Yes
15	**Optional call date, contingent call dates and redemption amount**	NA	Call Option : On every Distribution Payment Date at Par/100%; Tax event at Par/100%; Regulatory Capital Event at 101% (Full or partial)	First Call Option : 17-Jun-2026 at Par/100%; Tax event at Par/100%; Regulatory Capital Event at 100% (Full or partial)
16	**Subsequent call dates, if applicable**	NA	Every Distribution Payment Date	Any day falling in the period commencing on (and including) the First Call Date and ending on (and including) the First Reset Date (17-Dec-2026) or on any profit payment date thereafter
17	**Fixed or floating dividend/coupon**	NA	Fixed	Fixed
18	**Coupon rate and any related index**	NA	5.839%	3.875%
19	**Existence of a dividend stopper**	NA	Yes	Yes
20	**Fully discretionary, partially discretionary or mandatory**	Fully discretionary	Fully discretionary	Fully discretionary
21	**Existence of step up or other incentive to redeem**	No	No	No
22	**Noncumulative or cumulative**	NA	Noncumulative	Noncumulative
23	**Convertible or non-convertible**	NA	Non-convertible	Non-convertible
24	**If convertible, conversion trigger (s)**	NA	NA	NA
25	**If convertible, fully or partially**	NA	NA	NA
26	**If convertible, conversion rate**	NA	NA	NA
27	**If convertible, mandatory or optional conversion**	NA	NA	NA
28	**If convertible, specify instrument type convertible into**	NA	NA	NA
29	**If convertible, specify issuer of instrument it converts into**	NA	NA	NA
30	**Write-down feature**	NA	Yes	Yes
31	**If write-down, write-down trigger(s)**	NA	Notification by regulator of Non viability without (a) write-down ; or (b) a public sector injection of capital (or equivalent support)	Notification by regulator of Non viability without (a) write-down ; or (b) a public sector injection of capital (or equivalent support)
32	**If write-down, full or partial**	NA	Fully / Partially	Fully / Partially
33	**If write-down, permanent or temporary**	NA	Permanent	Permanent
34	**If temporary write-down, description of write-up mechanism**	NA	NA	NA
35	**Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)**	Additional Tier 1 Capital Bonds	All depositors and creditors	All depositors and creditors
36	**Non-compliant transitioned features**	NA	No	No
37	**If yes, specify non-compliant features**	NA	NA	NA

Leverage Ratio

The leverage ratio serves as a supplementary measure to the risk-based capital requirements. The leverage ratio is computed on a consolidated basis and Bahraini bank licensees designated as DSIB must meet a 3.75% leverage ratio minimum requirement at all times.

Leverage Ratio components

	US$ '000
Tier1 Capital [A]	5,179,883
Total Exposure [B]	45,779,817
Leverage Ratio ([A] / [B])	**11.3%**

Ahli United Bank B.S.C.(c)

Liquidity Disclosures - Basel III

31 December 2023

Net Stable Funding Ratio Disclosures - 31 December 2023

In August 2018, the Central Bank of Bahrain issued the regulations on the implementation of the Net Stable Funding Ratio (NSFR) in the Liquidity Module to be applied to banks operating in Bahrain effective from 31 December 2019. The objective of the Net Stable Funding Ratio (NSFR) is to promote the resilience of bank's liquidity risk profiles and to incentivize a more resilient banking sector over a longer time horizon. The NSFR will require banks to maintain a stable funding profile in relation to the composition of their assets and off-balance sheet activities. A sustainable funding structure is intended to reduce the likelihood that disruptions to a bank’s regular sources of funding will erode its liquidity position in a way that would increase the risk of its failure and potentially lead to broader systemic stress. The NSFR limits over-reliance on short-term wholesale funding, encourages better assessment of funding risk across all on-balance sheet and off-balance sheet items, and promotes funding stability. As per CBB Disclosure requirements, consolidated NSFR is to be published on a quarterly basis.

NSFR is defined as the amount of available stable funding relative to the amount of required stable funding. This ratio must be equal to at least 100 percent.

‘Available Stable Funding’ is defined as the portion of capital and liabilities expected to be reliable which is determined by various factor weights according to the nature and maturity of liabilities with liabilities having maturity of 1 year or more receiving 100% weight. ‘Required Stable Funding’ is defined as the portion of on balance sheet and off balance sheet exposures which requires to be funded on an ongoing basis. The amount of such stable funding required is a function of the liquidity characteristics and residual maturities of the various assets held.

AUB maintained comfortable stable funding buffers on 31 December 2023. Available Stable Funding at AUB Group level was USD 26.8 billion against USD 22.2 billion of Required Stable Funding, resulting in a consolidated NSFR of 120.76%. NSFR as on 30 September 2023 was 118.21%.

The main drivers behind the Available Stable Funding are the adequate capital base, sizeable retail deposit base, and funding from non-financial companies and long term funding from institutional clients. The capital base formed around 23.3%, retail deposits (including deposits from small-sized business customers) formed 31.7%, and wholesale funding formed 42.0% of the total Available Stable Funding, after applying the relevant weights.

The Required Stable Funding primarily comprised lending to corporates, retail clients and financial institutions. The stock of High-Quality Liquid Assets (HQLA), which includes cash and reserve balances with the CBB and other central banks, government sukuk issuances in domestic and foreign currencies as well as sukuk issuances by highly-rated companies was USD 11.8 billion. Due to their high quality and liquid characteristic, these assets require no or low amount of stable funding. Accordingly, the HQLA constituted only 9.3% of the Required Stable Funding after applying the relevant weights. Performing financing to both non-financial and financial institutions constituted 67.9% of the total RSF after applying the relevant weights while Non-HQLA investments contributed 11.7% of the total RSF. Other assets and Contingent funding obligations, such as committed credit facilities, guarantees and letters of credit (LCs) constituted the remaining 12.5% of the Required Stable Funding.

The NSFR is supplemented by Liquidity Coverage Ratio (LCR) which measures the Bank's availability of HQLA to support short term liquidity stress situation as defined in the CBB rules. As of 31 December 2023, the Bank's consolidated LCR was 311.45% against a minimum limit of 100%.

Ahli United Bank B.S.C.(c)
Liquidity Disclosures - Basel III
31-December-23

Quantitative information on Net stable Funding Ratio is provided in the table below.

NSFR Common Disclosure Template
As at 31-December-23

No.	Item	Unweighted Values (i.e. before applying relevant factors)				Total weighted value in USD ('000)
		No specified maturity	Less than 6 months	More than 6 months and less than one year	Over one year	
Available Stable Funding (ASF):						
1	Capital					
2	Regulatory Capital	5,711,396			518,837	6,230,233
3	Other Capital Instruments				-	-
4	Retail deposits and deposits from small business customers:					
5	Stable deposits		781,104	83,272	200,372	1,021,529
6	Less stable deposits		6,629,602	1,211,757	407,000	7,464,223
7	Wholesale funding:					
8	Operational deposits		-			1,500
9	Other wholesale funding		19,378,245	2,124,200	3,789,336	11,257,326
10	Other liabilities:					
11	NSFR derivative liabilities	-				-
12	All other liabilities not included in the above categories		323,047	307,624	814,759	814,759
13	**Total ASF (2+3+5+6+8+9+11+12)**					**26,789,570**
Required Stable Funding (RSF):						
14	Total NSFR high-quality liquid assets (HQLA)					2,073,404
15	Deposits held at other financial institutions for operational purposes					
16	Performing financing and securities:					
17	Performing financing to financial institutions secured by Level 1 HQLA					
18	Performing financing to financial institutions secured by non-level 1 HQLA and unsecured performing financing to financial institutions	-	2,829,526	109,082	124,036	603,006
19	Performing financing to non-financial corporate clients, financing to retail and small business customers, and financing to sovereigns, central banks and PSEs, of which:	-	9,698,207	1,418,392	9,621,602	13,638,915
20	- With a risk weight of less than or equal to 35% as per the CBB Capital Adequacy Ratio guidelines				488,728	317,673
21	Performing residential mortgages, of which:					
22	With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio Guidelines				769,086	499,906
23	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities		56,803	140,604	2,859,220	2,588,539
24	Other assets:					
25	Physical traded commodities, including gold					
26	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	31,157				26,483
27	NSFR derivative assets	235,083				235,083
28	NSFR derivative liabilities before deduction of variation margin posted	21,812				21,812
29	All other assets not included in the above categories	2,075,887	-	-	-	2,075,887
30	OBS items	8,429,889	-	-	-	421,494
31	**Total RSF (14+15+17+18+19+22+23+25+26+27+28+29+30)**					**22,184,529**
32	**NSFR (%)**					**120.76%**

Liquidity Disclosures - Basel III (Consolidated)
31-December-2023

LCR Common Disclosure Template

USD '000

		Total Unweighted value	Total weighted value
High-quality liquid assets			
1	Total HQLA		7,238,534
Cash Outflows			
2	**Retail deposits and deposits from small business customers, of which:**		
3	Stable deposits	547,061	16,412
4	Less Stable deposits	4,603,728	588,659
5	**Unsecured wholesale funding, of which:**		
6	Operational deposits (all counterparties) and deposits in network of cooperative banks	-	-
7	Non-operational deposits (all counterparties)	5,729,509	2,291,804
8	Unsecured debt	2,122,837	2,122,837
9	**Secured wholesale funding**		88,001
10	**Additional requirements, of which:**		
11	Outflows related to derivative exposures and other collateral requirements	265,816	265,816
12	Outflows related to loss of funding on debt products	-	-
13	Credit and liquidity facilities	113,806	11,381
14	**Other contractual funding obligations**	250	250
15	**Other contingent funding obligations**	8,055,241	402,762
16	**Total cash outflows (3+4+6+7+8+9+11+12+13+14+15)**		**5,787,922**
Cash Inflows			
17	Secured lending (eg. Reverse repos)	29,281	-
18	Inflows from fully performing exposures	4,912,268	3,403,852
19	Other cash inflows	-	-
20	**Total Cash inflows (17+18+19)**		**3,403,852**

			Total Adjusted Value
21	**Total HQLA**		7,238,534
22	**Total net cash outflows**		2,389,811
23	**Liquidity Coverage Ratio (%)**		**330%**

1. As per CBB Liquidity Module, the LCR of 330% reported above in line 23 is the simple average of daily LCR computed on working days of Q4 2023. Daily average of LCR in Q3 2023 was 313%.

2. The consolidated LCR position as on 31 December 2023 is 311.45% compared to 312.01% on 30 September 2023.