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

Pillar 3 Disclosures - Basel 3

31 December 2024

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 1 - Minimum Capital Requirements; Pillar 2 – the Supervisory Review and Evaluation Process and the Internal Capital Adequacy Assessment Process (ICAAP); and Pillar 3 - 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 2024. KFH is a public shareholding company incorporated in the State of Kuwait on 23 March 1977 and listed on the Boursa Kuwait and Bahrain Bourse. KFH is regulated and supervised by the Central Bank of Kuwait.

Pillar 1 – Minimum Capital Requirements

Pillar 1 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 locally 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 Bank (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 such 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 2 – The Supervisory Review and Evaluation Process and Internal Capital Adequacy Assessment Process (ICAAP)

Pillar 2 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 1. Part of the Pillar 2 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 2 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 3 – Market Discipline

Pillar 3 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 2024.

PILLAR 3 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) All subsidiaries as per note 2.3 to the audited consolidated financial statements are consolidated on a line by line basis in accordance with Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation of Islamic Financial Institutions ("AAOIFI"), as explained in note 2.2 to the audited consolidated financial statements for the year ended 31 December 2024. 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 2024 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; and

d) As part of CBB’s COVID relief measures outlined in circular OG/226/2020 (dated 21 June 2020) and OG/28/2022 (dated 28 June 2022), additional Expected Credit Losses (ECL) Stages 1 and 2 for the year 2020, are added back to CET1 capital. Accordingly, Stage 1 and 2 ECL, net of any additional ECL for the year ending 31 December 2020, are included in Tier 2 capital, up to a maximum threshold of 1.25% of Credit Risk Weighted Assets. The relief is subject to 3 years phaseout and will be phased out completely by December 2025.

TABLE - 1 CAPITAL STRUCTURE

	US$ '000		
A. NET AVAILABLE CAPITAL	***CET1***	***AT1***	***Tier2***
NET AVAILABLE CAPITAL	**3,060,681**	**401,920**	**181,303**
TOTAL ELIGIBLE CAPITAL BASE (CET1 + AT1 + Tier2)			**3,643,904**
RISK WEIGHTED EXPOSURES			
Credit Risk Weighted Exposures			11,287,513
Market Risk Weighted Exposures			329,335
Operational Risk Weighted Exposures			1,578,398
TOTAL RISK WEIGHTED EXPOSURES			**13,195,246**
CET1 and Capital Conservation Buffer (CCB)			23.2%
Tier 1 - Capital Adequacy Ratio (CET1, AT1 and CCB)			26.2%
Total - Capital Adequacy Ratio			**27.6%**

By virtue of CBB's circular OG/226/2020 dated 21 June 2020 and OG/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 amortising the modification loss in accordance with central bank regulations.

B. CAPITAL ADEQUACY RATIO

As at 31 December 2024, the capital adequacy ratio of banking subsidiaries under Basel III, unless mandated otherwise were:

	Subsidiaries		
	Ahli United Bank (U.K.) PLC (AUB UK)*	***Ahli United Bank (Egypt) S.A.E. (AUBE)****	***Commercial Islamic Bank of Iraq P.S.C. (CIBIQ)***
Tier 1 - Capital Adequacy Ratio	19.5%	15.0%	179.0%
Total - Capital Adequacy Ratio	19.5%	16.0%	179.1%

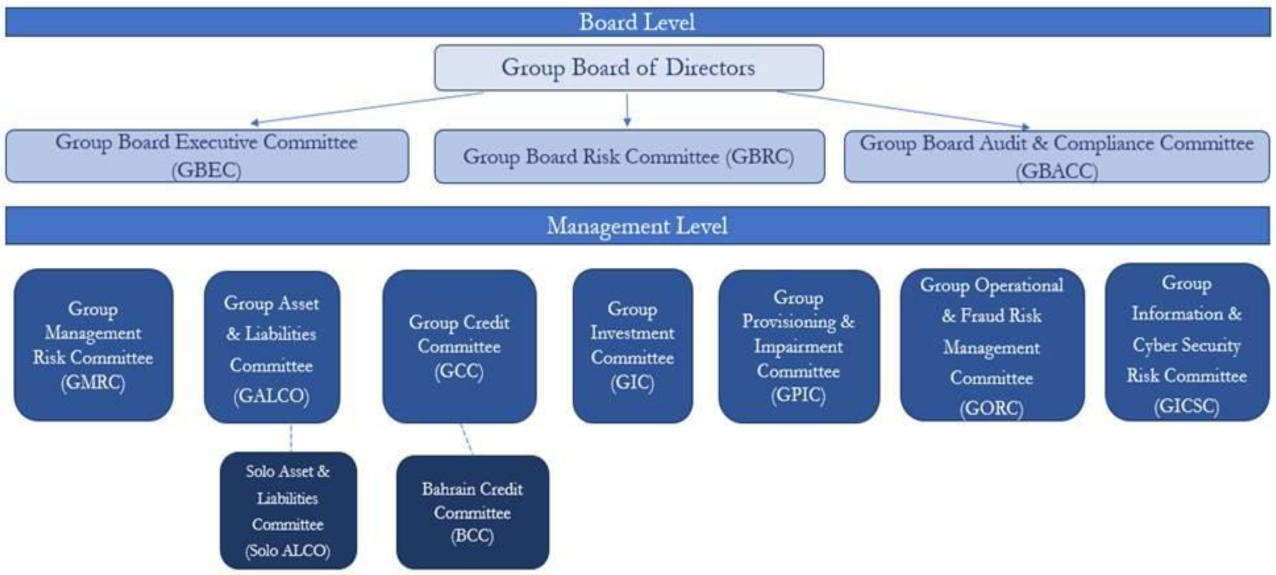
Subsequent to 31 December 2024, AUB UK was renamed to Kuwait Finance House PLC, and AUBE was renamed to Kuwait Finance House Bank – Egypt.

2. GROUP RISK GOVERNANCE STRUCTURE

Risk Management Governance

The Group's Board of Directors (BOD) seeks to optimise the Group's performance by enabling the various Group business units to realise the Group's business strategy and meet agreed business performance targets within the BOD approved Group Enterprise Risk Management Framework and Group Credit Risk Appetite Framework.

AUB Group Risk Governance Structure



The above Group committees are set up as part of the Group's risk management governance structure. The terms of reference for these committees are approved by the BOD. Group Board Risk Committee has oversight over Group's risk management framework and activities.

Risk Management Framework

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

The Deputy Group CEO – Risk & 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 seven departments including:
i) Group Enterprise Risk Management Department,
ii) Group Wholesale Banking Credit Risk Management Department (responsible for independent pre-approval analysis of credit proposals),
iii) Group Investment, Market and Liquidity Risk Management Department,
iv) Group Operational & Fraud Risk Management & Business Continuity Management Department,
v) Retail Credit Risk Management & Collections Department,
vi) Group Wholesale Banking Remedial Management Department, and
vii) Group Information & Cyber Security & Technology Risk Management 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 and type / nature of risk.

Internal Audit Department is responsible for the independent review of risk management and the Group's risk control environment. The Group Board Audit & Compliance Committee (GBACC) considers the adequacy and effectiveness of the Group risk control framework and receives quarterly updates on control, regulatory and compliance related issues.The responsibility for ensuring and adhering to the rules and principles of Shari'a lies with the Bank's management, while the Shari'a Supervisory Board (SSB) responsibility is limited to form an independent Shari'a opinion based on what has been presented and reviewed of the Bank's operations and in preparing their annual report to the Shareholders. The Shari'a Supervisory Board comprises of 4 members.

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 centralised oversight and management of credit risk. The specific responsibilities of Group Risk Management are to:

- Set credit risk management 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 optimise the use of credit availability and avoid risk concentration;

- Control cross-border exposures, through the centralised 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 criticised asset portfolios and recommend appropriate level of provisioning and write-offs;

- Maintain the Expected Credit Loss models across the Group entities;

- Recommend Expected Credit Loss to the Group Provisioning & Impairment Committee;

- Report to the Group Management Risk Committee, Group Board Risk 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.

- Specialised 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 corporate credit exposures are reviewed at least annually.

3. CREDIT RISK MANAGEMENT (continued)

Counterparty Exposure Class

The CBB's capital adequacy framework for the Standardised 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			
	Total		%	%
	As at 31 December 2024	*Average monthly balance*	*Self Financed*	*Jointly Financed*
Balances with central banks	1,098,336	1,057,357	3.2%	1.3%
Due from central banks and sukuk	819,819	813,809	2.4%	1.0%
Due from banks	1,868,208	2,121,693	6.5%	1.2%
Financing receivables and ijarah assets	10,005,547	10,107,264	10.3%	31.2%
Non-trading investments	9,543,931	9,601,369	25.3%	14.2%
Profit receivable and other assets	815,627	797,767	3.4%	0.0%
TOTAL FUNDED EXPOSURES	**24,151,468**	**24,499,259**	**51.1%**	**48.9%**
Contingent liabilities	1,832,971	1,783,382	92.0%	0.0%
Undrawn financing commitments	158,570	216,026	8.0%	0.0%
TOTAL UNFUNDED EXPOSURES	**1,991,541**	**1,999,408**	100.0%	0.0%
TOTAL GROSS CREDIT RISK EXPOSURE	**26,143,009**	**26,498,667**	**54.8%**	**45.2%**

The gross credit exposures reported represents items from the consolidated balance sheet carrying credit risk.

TABLE 3 - RISK WEIGHTED EXPOSURES AND CAPITAL REQUIREMENT

A) Overall - Risk Weighted Exposures And Capital Requirement

	US$ '000				*US$ '000*					
	Self Financed (A)				*Jointly Financed (B)*				**Gross Exposure (%)**	
	Gross exposure	*Secured by eligible CRM*	*Risk weighted exposures after CRM*	*Capital requirement*	*Gross exposure*	*Secured by eligible CRM*	*Risk weighted exposures after CRM*	*Capital requirement*	**Self Financed**	**Jointly Financed**
Claims on sovereigns and MDBs	5,785,000	-	466,078	65,251	856,200	-	30,299	4,242	20.3%	3.0%
Claims on public sector entities	1,020,571	-	255,609	35,785	1,109,317	-	188,251	26,355	3.6%	3.9%
Claims on banks	3,699,808	-	1,414,204	197,989	549,394	-	108,280	15,159	13.0%	1.9%
Claims on corporates	4,153,249	237,526	3,845,505	538,371	7,363,900	475,816	2,006,497	280,910	14.5%	25.9%
Regulatory retail exposures	5,501	11	4,070	570	764,360	57,922	156,338	21,887	0.0%	2.7%
Residential mortgage exposures	10,790	-	4,628	648	1,349,312	-	185,340	25,948	0.0%	4.7%
Equity	340,942	-	831,264	116,377	37,624	-	16,931	2,370	1.2%	0.1%
Investments in funds	7,796	-	10,640	1,490	38,371	-	17,267	2,417	0.0%	0.1%
Other exposures	1,421,175	-	1,735,889	243,025	36,240	-	10,423	1,459	5.0%	0.1%
TOTAL	**16,444,832**	**237,537**	**8,567,887**	**1,199,506**	**12,104,718**	**533,738**	**2,719,626**	**380,747**	**57.6%**	**42.4%**

	Total (A) + (B)	
	Risk weighted exposures after CRM	*Capital requirement*
TOTAL CREDIT RISK CAPITAL REQUIREMENT (STANDARDISED APPROACH)	**11,287,513**	**1,580,253**
TOTAL MARKET RISK CAPITAL REQUIREMENT (STANDARDISED APPROACH)	**329,335**	**46,107**
TOTAL OPERATIONAL RISK CAPITAL REQUIREMENT (BASIC INDICATOR APPROACH) *	**1,578,398**	**220,976**
Total	**13,195,246**	**1,847,336**

*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$ 841,812 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 3 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 AND CAPITAL REQUIREMENT (continued)

B) Capital Requirements By Type of Islamic Financing Contract

	US$ '000
	Capital Requirement
Type of Islamic Financing Contracts	
Murabaha and Tawarruq	465,962
Ijarah	24,505
Others	6,209
Total	**496,676**

TABLE - 4 GEOGRAPHIC DISTRIBUTION OF GROSS CREDIT EXPOSURES

	US$'000						
	Total						
	GCC countries	*United Kingdom*	*Europe (excluding United Kingdom)*	*Arab Republic of Egypt*	*Asia (excluding GCC countries)*	*Rest of the World*	*Total*
Balances with central banks	174,524	475,801	-	352,759	95,252	-	1,098,336
Due from central banks and sukuk	579,953	-	-	239,866	-	-	819,819
Due from banks	379,295	230,299	381,925	177,298	46,363	653,028	1,868,208
Financing receivables and Ijarah assets	5,424,527	1,805,098	188,812	1,814,267	497,338	275,505	10,005,547
Non-trading investments	6,531,843	145,176	624,617	196,225	1,184,011	862,059	9,543,931
Profit receivable and other assets	222,792	451,315	75,165	31,982	17,113	17,260	815,627
Total funded exposures	**13,312,934**	**3,107,689**	**1,270,519**	**2,812,397**	**1,840,077**	**1,807,852**	**24,151,468**
Contingent liabilities	961,177	7,760	36,234	467,846	257,161	102,793	1,832,971
Undrawn financing commitments	39,228	79,261	1,927	38,154	-	-	158,570
Total unfunded exposures	**1,000,405**	**87,021**	**38,161**	**506,000**	**257,161**	**102,793**	**1,991,541**
TOTAL	**14,313,339**	**3,194,710**	**1,308,680**	**3,318,397**	**2,097,238**	**1,910,645**	**26,143,009**
	54.8%	**12.2%**	**5.0%**	**12.7%**	**8.0%**	**7.3%**	**100.0%**
Self-Financed % - Funded	**32.2%**	**4.5%**	**3.6%**	**2.8%**	**3.7%**	**4.3%**	**51.1%**
Jointly-Financed % - Funded	**22.9%**	**8.4%**	**1.7%**	**8.8%**	**3.9%**	**3.2%**	**48.9%**

TABLE - 5 SECTORAL CLASSIFICATION OF GROSS CREDIT EXPOSURES

	US$ '000				*Funded*		*Unfunded*
	Funded	*Unfunded*	*Total*	*% Total*	*%Self Financed*	*%Jointly Financed*	*%Self Financed*
Balances with central banks	**1,918,156**	**-**	**1,918,156**	**7.3%**	**6.9%**	**1.0%**	**0.0%**
Banks and other financial institutions	**4,166,275**	**175,045**	**4,341,320**	**16.6%**	**11.3%**	**5.9%**	**8.8%**
Consumer/personal	**952,467**	**9,217**	**961,684**	**3.7%**	**0.2%**	**3.8%**	**0.5%**
Residential mortgage	**1,242,369**	**14,584**	**1,256,953**	**4.8%**	**0.1%**	**5.0%**	**0.7%**
Trading and manufacturing	**4,673,387**	**732,411**	**5,405,798**	**20.7%**	**5.0%**	**14.3%**	**36.8%**
Real estate	**1,896,818**	**65,398**	**1,962,216**	**7.5%**	**0.4%**	**7.4%**	**3.3%**
Services	**2,310,603**	**728,048**	**3,038,651**	**11.6%**	**2.7%**	**6.9%**	**36.6%**
Government/public sector	**6,385,831**	**18,889**	**6,404,720**	**24.5%**	**23.6%**	**2.9%**	**0.9%**
Others	**605,562**	**247,949**	**853,511**	**3.3%**	**0.9%**	**1.7%**	**12.5%**
TOTAL	**24,151,468**	**1,991,541**	**26,143,009**	**100.0%**	**51.1%**	**48.9%**	**100.0%**
Jointly-Financed %	**92.4%**	**7.6%**	**100.0%**				

TABLE - 6 RESIDUAL CONTRACTUAL MATURITY OF GROSS CREDIT EXPOSURES

	US$ '000							
	Total							
	Up to one month	***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	1,098,336	-	-	-	-	-	-	**1,098,336**
Due from central banks and sukuk	590,671	211,907	17,241	-	-	-	-	**819,819**
Due from banks	1,743,732	124,476	-	-	-	-	-	**1,868,208**
Financing receivables and Ijarah assets	1,537,565	1,164,084	2,123,377	3,812,493	885,675	398,597	83,756	**10,005,547**
Non-trading investments	49,724	169,694	498,911	3,723,667	3,470,068	571,261	1,060,606	**9,543,931**
Profit receivable derivative and other assets	535,841	43,148	79,320	146,854	5,321	15,886	5,143	**831,513**
Total funded exposures	**5,555,869**	**1,713,309**	**2,718,849**	**7,683,014**	**4,361,064**	**985,744**	**1,149,505**	**24,167,354**
Contingent liabilities	535,544	361,659	771,470	162,097	2,200	-	-	**1,832,971**
Undrawn financing	178	5,233	66,750	86,409	-	-	-	**158,570**
Total unfunded exposures	**535,722**	**366,892**	**838,220**	**248,506**	**2,200**	**-**	**-**	**1,991,541**
TOTAL	**6,091,591**	**2,080,201**	**3,557,069**	**7,931,520**	**4,363,264**	**985,744**	**1,149,505**	**26,158,895**
Self-Financed % - Funded	**14.7%**	**1.9%**	**3.9%**	**13.8%**	**10.8%**	**1.7%**	**4.3%**	**51.1%**
Jointly-Financed % - Funded	**8.3%**	**5.2%**	**7.3%**	**18.0%**	**7.2%**	**2.3%**	**0.6%**	**48.9%**

Allowances for expected credit loss

Refer note 2.6 (g) of the consolidated financial statements of the Group for the year ended 31 December 2024 for further details around ECL model.

The Group Provisioning and impairment 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) as at 31 December 2024	*ECL allowances (Stage 3) as at 31 December 2024*	*Net ECL charge (stage 3) for the year ended 31 December 2024*	*Write-offs during the year ended 31 December 2024*	*ECL allowances (Stage 1 & Stage 2) as at 31 December 2024*
Consumer/personal	31,725	28,410	28,744	37,753	39,329
Trading and manufacturing	44,315	40,332	28,168	43,312	124,839
Real estate	98,660	89,829	1,578	-	47,421
Residential mortgage	48,024	14,770	19,618	48,353	1,154
Banks and other financial institutions	-	-	-	-	2,177
Services	31,186	30,515	42,669	49,385	70,430
Government/public sector	-	-	-	-	460
Others	681	587	52	-	43,304
TOTAL	**254,591**	**204,443**	**120,829**	**178,803**	**329,114**

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)	150,640	611	3,348	171,272	866	2,377	**329,114**
ECL allowances (Stage 3)	182,404	10,608	-	10,836	161	434	**204,443**
TOTAL	**333,044**	**11,219**	**3,348**	**182,108**	**1,027**	**2,811**	**533,557**

TABLE - 9 ECL ALLOWANCE MOVEMENTS FOR FINANCING RECEIVABLES AND IJARAH ASSETS

Refer note 7g of the consolidated financial statements of the Group for the year ended 31 December 2024 for ECL allowance movements for financing receivables and ijarah assets.

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 FAS 30 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 2.6(g) to the audited consolidated financial statements for the year ended 31 December 2024.

Refer to notes 7(a) to 7(e) and note 32(c) to the audited consolidated financial statements for the year ended 31 December 2024 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.

Ratings 8 - 10 represents substandard doubtful through to loss

TABLE - 10 IMPAIRED FINANCING RECEIVABLES - AGE ANALYSIS

i) By Geographical Region

	US$ '000			
	Three months one year	*Over One year to three years*	*Over three years*	*Total*
GCC countries	80,529	58,794	53,235	**192,558**
United Kingdom	42,415	1,423	-	**43,838**
Arab Republic of Egypt	8,120	8,376	1,078	**17,574**
Asia (excluding GCC countries)	184	-	-	**184**
Rest of the world	434	-	-	**434**
TOTAL	**131,685**	**68,593**	**54,313**	**254,591**
	51.8%	**26.9%**	**21.3%**	**100%**

ii) By Industry Sector

	US$ '000			
	Three months one year	*Over One year to three years*	*Over three years*	*Total*
Consumer/personal	21,401	9,048	1,278	**31,727**
Trading and manufacturing	35,667	7,558	1,092	**44,317**
Real estate	509	47,976	50,173	**98,658**
Residential mortgage	44,816	2,674	533	**48,023**
Services	29,130	820	1,237	**31,187**
Others	162	517	-	**679**
TOTAL	**131,685**	**68,593**	**54,313**	**254,591**
	51.8%	**26.9%**	**21.3%**	**100%**

TABLE - 11 RESTRUCTURED CREDIT FACILITIES

	US$ '000
Balance of any restructured credit facilities as at period end	669,093
Financing receivables restructured during the period	127,331

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 BREAKUP OF GROSS EXPOSURE COVERED BY COLLATERAL

	US$'000	
Portfolios	**covered by eligible collateral (after appropriate haircuts)**	**Guarantees**
Murabaha and Tawarruq	731,411	5,690
Ijarah	316,584	-
Others	1,701	-
Total	**1,049,697**	**5,690**

TABLE - 13 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 (Derivatives utilised for customer-focused activities)		
Foreign Exchange Contracts	5,632,007	85,895
Profit Rate Swaps (PRS)	2,619,890	85,633
Others	2,000	161
	8,253,897	**171,689**
b) Banking (Derivatives held as fair value hedges)		
Profit Rate Swaps (PRS)	9,516,264	541,584
	9,516,264	**541,584**
	17,770,161	**713,273**

	US$ '000
ii) Amounts of cash collateral	**133,610**

TABLE - 14 RELATED PARTY TRANSACTIONS

Refer note 25 to the audited consolidated financial statements of the Group for the year ended 31 December 2024. Related party transactions are entered with related parties in ordinary course of business at arm's length. Further, as of 31 December 2024, exposures in excess of limits prescribed by Credit Risk Management Module amounted to US$ 36.3 million. These 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 customer-focused activities (Trading) or hedging activities (Non-Trading). 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 Market Risk 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
- 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 2024	572	231	1,533

TABLE - 15 CAPITAL REQUIREMENT FOR COMPONENTS OF MARKET RISK

	US$ '000			
	Risk weighted exposures after CRM	***Capital requirement***	***Maximum value***	***Minimum value***
Profit rate risk	154,491	21,629	23,329	14,045
Equity position risk	16,263	2,277	2,354	273
Foreign exchange risk	158,579	22,201	38,303	20,401
	329,333	**46,107**	**63,987**	**34,719**

TABLE - 16 EQUITY POSITION RISK IN BANKING BOOK

The following table summarizes the amount of total and average gross exposure of equity investments and funds as of 31 December 2024:

						US$'000
	Total gross exposures	**Average gross exposure [1]**	**Listed**	**Unlisted**	**Risk weighted assets**	**Capital requirements**
Equity instruments*	378,566	336,658	321,474	57,092	887,701	124,278
Funds	49,372	49,179	2,108	47,264	17,049	2,387
	427,938	**385,837**	**323,582**	**104,356**	**904,750**	**126,665**

*The above equity investments excludes shares in parent and other investments that are deducted from regulatory capital.

[1] Average balances are computed based on quarter end balances.

4. MARKET RISK (continued)

Profit Rate Risk

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 Board Risk 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 & Counterparty Credit Risk Management 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 2024 for the re-pricing profiles of the Group's assets and liabilities.

Rate of Return Risk

The Bank actively manages its rate of return risk to ensure compliance with the Board's risk appetite and to safeguard the interests of all stakeholders. This risk arises from mismatches in the repricing of assets and liabilities or changes in market conditions that could affect the Bank's profitability. The Bank's approach involves closely monitoring the rate of return gap across various timeframes and assessing the sensitivity of earnings to interest rate movements.

The management of rate of return risk is overseen by the Group Asset and Liability Committee (GALCO), which sets policies, monitors exposures, and implements strategies to mitigate potential risks. GALCO reviews key metrics such as the rate of return sensitivity, duration gaps, and yield curve shifts to ensure the Bank remains resilient to fluctuations in market rates.

To further mitigate rate of return risk, the Bank employs robust modeling techniques, including scenario analysis and stress testing, to understand the potential impact of adverse rate movements. Hedging strategies and adjustments to the composition of rate-sensitive assets and liabilities are employed as needed to align with the Bank's risk tolerance.
This proactive and structured approach enables the Bank to maintain a stable rate of return for depositors and investment account holders while safeguarding profitability.

4. MARKET RISK (continued)

Displaced Commercial Risk (DCR)

DCR refers to the market pressure to pay returns to Quasi-Equity Account Holders (QEAHs) that exceeds the rate that has been earned on the assets financed by the QEAHs, when the return on assets is under performing as compared with competitor's rates.

Each of the Group's subsidiaries follows an appropriate framework for managing displaced commercial risk, where applicable. The Group is exposed to displaced commercial risk in the event profit rates for QEAHs are lower than the market rates and the Group has mitigated this risk by adopting the approach to waive the applicable wakala / mudarib fees and their rights to part or entire mudarib share of profit to meet the market expectation

TABLE - 17 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 2024.

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 2024 is as per the following table.

	US$ '000		
	Assets	***Liabilities***	***Equity***
at 200 bps - increase (+)	(147,929)	146,922	**(1,009)**
at 200 bps - decrease (-)	147,929	(146,922)	**1,009**

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 Management 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
Investments in equity instruments are classified as FVTIS, unless the Group designates an equity investment as FVTOCI on initial recognition. At initial recognition, the Group can make irrevocable election on an instrument by instrument basis to designate an equity instrument as FVTOCI. Upon derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to 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 2.6(c) (iv) of the audited consolidated financial statements for the year ended 31 December 2024.

TABLE - 18 GAIN / (LOSS) ON EQUITY INSTRUMENTS

	US$ '000
Net gain recognised in Tier1 Capital (CET1)	
Net unrealised gain recognised in the balance sheet	30,060
Realised loss recognised in the equity	(289)

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 2024.

The Bank employs a comprehensive approach to managing its liquidity profile, ensuring alignment with the Board's risk appetite and regulatory requirements. This is achieved through detailed analysis of liquidity gaps across multiple time buckets, supported by robust monitoring of key liquidity indicators. To mitigate liquidity risk, the Bank has established a diversified funding framework that reduces dependency on individual counterparties and minimizes concentration risk.

In addition to diversifying funding sources, the Bank maintains a significant buffer of high-quality liquid assets (HQLA) to ensure it can meet short-term obligations during periods of stress. The Bank also conducts regular stress testing under various scenarios to assess the resilience of its liquidity position and implements contingency funding plans to address potential shortfalls.

Further measures include close monitoring of cash flow mismatches, proactive management of short-term liabilities, and maintaining adequate liquidity reserves to support operational needs and customer requirements.

As of 31 December 2024, the Bank maintained a liquidity coverage ratio of 200.7%, reflecting its strong liquidity position and commitment to prudent risk management practices.

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 2024.

The management of the Group's liquidity and funding is the responsibility of the Group Asset and Liability Committee (GALCO) under the chairmanship of the Group Chief Executive Officer supported by the Group Treasurer, and is responsible for ensuring that all foreseeable funding commitments, including deposit withdrawals, can be met when due, and that wholesale market access is coordinated and controlled.

The Group maintains a stable funding base comprising core retail and corporate customer deposits and institutional balances, augmented by wholesale funding and portfolios of highly liquid assets, which are diversified by currency and maturity, in order to enable the Group to respond quickly to any unforeseen liquidity requirements.

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 Shari'a 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 Board Risk Committee, whilst day to day monitoring is carried out by the Group Operational & Fraud Risk Management 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 Management Policy approved by the BOD. The policy, supported by the Group Operational Risk Management procedure, aims to ensure that operational risk measures are incorporated into all major aspects of the overall management framework.

The Group Operational & Fraud Risk Management 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 Operational Risk Management Policy, supported by the Group Operational Risk Management procedure requires reporting of all Operational Risk Incidents / Loss Events within a specified period of the occurrence of the event which is followed by an analysis of the root cause and its remediation.

The Group Operational Risk Management 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. AUB maintain the Business Continuity ISO 22301 certification and ensure alignment with the requiremnets standards.

7. INFORMATION TECHNOLOGY RISK

The BOD approves the Group Information Security 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 Information & Cyber Security Risk Committee (GICSC) overseas the cybersecurity program through quarterly review of cybersecurity metrics. GISO also provides cybersecurity status reports to the BOD every quarter.

Information and Cybersecurity in the AUB Group is governed by the AUB Board approved Group Information Security Policy. The policy provides a strong and comprehensive cybersecurity directive across the AUB Group. Information Security continuously executes several cybersecurity programs that include cybersecurity risk management, attack surface management, cyber defense, security culture and awareness, and compliance. Information Security regularly assess the security posture, threat landscape, and emerging threats, to enhance security controls in line with the emerging risks, and to maintain the Group resilient to cyber risks. Group Information and Cyber Security Committee oversees the Information and Cybersecurity activities and provides guidance and direction to the execution of its programs. Information Security also present status reports to Management Risk Committee and Board Risk Committee.

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.

Information Technology risks are managed and governed through technology risk policies. Technology risks are periodically assessed in accordance with the technology risk management framework. The Group Business Continuity Management Policy provides direction on business and technology resilience. Disaster Recovery and Business Continuity capabilities are tested at least once a year. Business critical systems and their data are replicated at the disaster recovery site in near real time. The Group has also adopted a Flexible Business Management approach 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, SHARI'A, 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 standard and 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 2024.

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 Group Board Audit and Compliance Committee of the Board. 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 for Combating Money Laundering (ML), Terrorist Financing (TF) and Proliferation Financing (PF) activities form an important activity of the Financial Crime Compliance 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/CFT/CPF and Compliance policies and monitoring programs. These policies are reviewed and updated annually and approved by the Group Board of Directors. The Group's anti-money laundering and combating terrorist financing and countering proliferation financing measures are regularly audited by the internal auditors who report to the Group Board Audit & Compliance Committee of the Board. Additionally, the Bank's AML/CFT/CPF measures are reviewed by independent external auditors every year and their agreed-upon procedures report is submitted to the Central Bank of Bahrain (CBB). The CBB performs periodic inspections of the Bank's compliance with the applicable AML/CFT/CPF regulations.

The BOD approved policies, including Group Reputation Risk Management policy, Group Communications Policy, Group Personal Account Dealing Policy,Group Compliance Policy, Group Anti Money Laundering / Combating Terrorist Financing policy, Group Banking Integrity and Whistle Blowing Policy and Group 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.

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

Shari'a Compliance

In line with the Bank's plan to convert its operations in compliance with the rules and principles of Shari'a, after complying with all the requirements and guidelines by the respective central banks of Bahrain, UK and Egypt and their respective Shari'a Supervisory Boards, the Group has converted its Bahrain, UK and Egypt based conventional business according to the rules and principles of Shari'a and commenced its operations under the licence of an Islamic retail bank in Bahrain effective 10 December 2023 and in UK and Egypt from 22 August 2024 and 1 September 2024 respectively. From these dates, all activities in Bahrain, UK and Egypt are conducted in accordance with the rules and principles of Shari'a. Further, CIBIQ conversion to an Islamic bank was completed and it is a fully Sharia complaint bank as of 1 January 2025.

External and internal Shari'a auditors conducted Shari'a audits and no major observations were noted during the financial year.

Late Payment Donations recovered from customers are credited to Charity Account as approved by the Shari'a Supervisory Board.

Legal cases resulting from normal course of business are handled by the Bank's in-house legal team and external legal consultants are consulted on such matters, as and when required.

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.

TABLE - 19 QUANTITATIVE INDICATORS OF FINANCIAL PERFORMANCE AND POSITION

The following table summarises the basic quantitative indicators of financial performance for the period:

	2024	***2023***	***2022***	***2021***	***2020***
Return on average equity	*15.4%*	*15.3%*	*12.3%*	*14.7%*	*10.4%*
Return on average assets	2.6%	1.8%	1.4%	1.6%	1.2%
Cost to income ratio	27.9%	26.2%	25.8%	29.5%	29.3%

11. DISCLOSURES RELATED TO QUASI EQUITY ACCOUNT HOLDERS (QEAH)

Quasi Equity Account Holders' fund are commingled to form one general pool. This pooled fund is deployed into profit generating banking assets. The Bank allocate certain portfolios of profit generating assets towards QEAH pool and only profits earned on pool of assets funded from QEAH are used for distribution towards the QEAH after allocation of relevant expenses and wakala & mudarib fees.

The funds are invested and managed in accordance with Shari'a principles and according to the terms of acceptance of the QEAH, 100% of the funds are invested.

The Risk weighted assets of the bank include the assets funded by QEAH which are subject to the 30% alpha factor on the respective risk weights. The QEAH and other customers can use the bank's relationship managers for any advice, mediation services, grievances and complaints.

TABLE - 20 QUASI-EQUITY ACCOUNT HOLDERS BY TYPE

The following table summarises the breakdown of quasi-equity account holders accounts as of 31 December 2024:

		US$'000
	Amount	**Profit Distributed**
Banks	2,014,971	105,812
Individuals and non-banks	9,797,602	435,437
Total	**11,812,573**	**541,249**

Bank's jointly financed assets to total quasi-equity investment account holders as of 31 December 2024 is 57%

TABLE - 21 RETURN ON AVERAGE QUASI- EQUITY ASSETS

	US$'000	**%**
Average profit paid on average quasi-equity holders	541,249	5.2%
Average profit earned on average quasi-equity assets	981,205	9.5%

The ratio of average profit distributed to average profit earned for quasi-equity account holders is 49%.

TABLE - 22 PERCENTAGE OF GROSS ISLAMIC FINANCING CONTRACTS FINANCED BY QUASI-EQUITY

US$'000

Gross Financing Assets	**Self financed (A)**	**Jointly financed (B)**	**Total (A)+(B)**	**% of Jointly financed to total**
Tawarruq				
Corporate	2,040,061	5,284,354	7,324,415	72.0%
Retail	4,384	1,643,980	1,648,365	100.0%
Total - Murabaha and Tawarruq (A)	**2,044,445**	**6,928,334**	**8,972,779**	**77.0%**
B) Ijarah Muntahia Bittamleek				
Corporate	372,332	544,292	916,623	59.4%
Retail	-	458,788	458,788	100.0%
Total - Ijarah Muntahia Bittamleek (B)	**372,332**	**1,003,079**	**1,375,411**	**72.9%**
(C) Others				
Corporate	144,453	35,025	179,478	19.5%
Retail	7,253	4,183	11,436	36.6%
Total - Others (C)	**151,706**	**39,208**	**190,914**	**20.5%**
Gross Total (A)+(B)+(C)	**2,568,482**	**7,970,623**	**10,539,104**	**75.6%**

TABLE - 23 PROFIT PAID TO QUASI-EQUITY HOLDERS

			US$'000
	Gross return on equity of Quasi-Equity Holders	Mudarib / Wakala fees	Profit paid to Quasi-Equity Holders
	A	B	(A-B)
Account type			
Mudaraba	16,427	15,886	541
Wakala	745,715	205,008	540,710
	762,142	**220,893**	**541,249**

Profits earned from the pool of assets funded by the equity of quasi-equity account holders, after administrative expenses of US$ 59.3 million incurred in connection with the management of the funds, are allocated between the owners' equity and equity of investment account holders.

The average mudarib and wakala fees charged by bank during the year ended 31 December 2024 was 29% .

TABLE - 24 QUASI-EQUITY PERCENTAGE RETURN TO PROFIT RATE OF RETURN

The following table summarises the average distributed rate of return or profit rate on mudaraba investment accounts for the year ended 31 December 2024:

Quasi-Equity (Mudaraba based) Accounts	**Up to 3-month**	**3-6 month**	**6-12 month**	**12-36 month**
Average profit distributed	2.48%	2.88%	3.00%	3.03%

TABLE - 25 EQUITY OF INVESTMENT ACCOUNT HOLDERS TYPE OF ASSETS

The following table summarises the types of assets in which the funds are invested and the actual allocation among various types of assets for the period ended 31 December 2024:

			US$'000
	As of 1 Jan 2024	**Movement**	**As of 31 December 2024**
Cash and balances with banks and Central Bank	49,973	800,934	850,907
Financing contracts	3,995,885	3,531,565	7,527,450
Investment securities	2,988,227	445,989	3,434,216
Total	**7,034,085**	**4,778,489**	**11,812,573**

There are no limits imposed on the amount that can be invested by quasi-equity funds in any one asset. However, the Bank monitors its quasi-equity deployment classifications so that to ensure that quasi-equity funds are not invested in the Bank's long term Investment Portfolio (including Private Equity and Real Estate). The Bank also does not allocate quasi-equity funds to the equity investments in the trading book.

Ahli United Bank B.S.C (C)

Regulatory Capital & Leverage Ratio Disclosures - Basel 3

31 December 2024

APPENDIX I - REGULATORY CAPITAL DISCLOSURES

PD 1 : Capital Composition Disclosure Template

Basel 3 Common disclosure template	*US$ '000* *PIRI as on 31 December 2024*	*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	700,804	B1+B2+B3+B4
Accumulated other comprehensive income (and other reserves)	1,543,772	C1+C2+C3+C4+ C5 +C6 +C7
Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	8,958	D
Common Equity Tier 1 capital before regulatory adjustments	**5,040,517**	
Common Equity Tier 1 capital: regulatory adjustments		
Prudential valuation adjustments		
Goodwill (net of related tax liability)	90,151	E
Other intangibles other than mortgage-servicing rights (net of related tax liability)	91,696	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
Shortfall of provisions to expected losses		
Securitization gain on sale (as set out in paragraph 562 of Basel 2 framework)		
Not applicable		
Defined-benefit pension fund net assets		
Investments in own shares (if not already netted off paid-in capital on reported balance sheet)		
Reciprocal cross-holdings in common equity	1,654,753	K
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)		
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)	143,237	H1 + H2
Total regulatory adjustments to Common equity Tier 1	**1,979,837**	
Common Equity Tier 1 capital (CET1)	**3,060,680**	
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)	1,920	J
Additional Tier 1 capital before regulatory adjustments	**401,920**	
Total regulatory adjustments to Additional Tier 1 capital	**-**	
Additional Tier 1 capital (AT1)	**401,920**	
Tier 1 capital (T1 = CET1 + AT1)	**3,462,600**	
Tier 2 capital: instruments and provisions		
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)	5,119	L
Expected Credit Losses & Reserves	176,184	M1+M2
Tier 2 capital before regulatory adjustments	**181,303**	
Total regulatory adjustments to Tier 2 capital	**-**	
Tier 2 capital (T2)	**181,303**	
Total capital (TC = T1 + T2)	**3,643,903**	
Total risk weighted assets	**13,195,245**	

Capital ratios		
Common Equity Tier 1 (as a percentage of risk weighted assets)	23.2%	
Tier 1 (as a percentage of risk weighted assets)	26.2%	
Total capital (as a percentage of risk weighted assets)	**27.6%**	
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	188,965	
Significant investments in the common stock of financial entities	320,392	
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)	340,833	N
Cap on inclusion of Expected Credit Losses in Tier 2 under standardized approach	141,094	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 as per published financial statements	**27,133,833**
ECL - Stages 1 and 2	340,834
Balance sheet as in Regulatory Return	**27,474,667**

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

Assets	*Balance as per published financial statements*	*Consolidated PIRI data*	*Reference*
Cash and balances with central banks	1,169,512	1,169,512	
Financial assets at fair value through Profit & Loss		9,156	
Due from central banks and sukuk	819,819	819,819	
Due from banks	1,868,208	1,868,271	
Financing receivables and Ijarah assets	10,005,547	10,334,660	
Non-trading investments	11,314,146	11,316,483	
of which significant investment exceeding regulatory threshold		2,446	H1
of which reciprocal cross-holdings in common equity		1,654,753	K
of which investment NOT exceeding regulatory threshold		9,659,284	
Investment properties	108,184	108,184	
Profit receivable and other assets	1,096,841	1,097,005	
of which deferred tax assets		-	G1
Investments in associates	455,713	455,713	
of which significant investment exceeding regulatory threshold		140,791	H2
of which significant investment NOT exceeding regulatory threshold		314,922	
Goodwill and other intangible assets	107,420	107,420	
of which Goodwill		90,151	E
of which other intangibles (excluding MSRs)		17,269	F1
Premises and equipments	188,443	188,443	
of which software		74,427	F2
TOTAL ASSETS	**27,133,833**	**27,474,666**	
Liabilities			
Due to banks	906,982	906,982	
Customers' accounts	2,457,856	-	
of which Customer current accounts	1,699,401	1,699,401	
of which Funding Liabilities (eg. reverse commodity murabaha, etc.)	758,455	-	
Funding Liabilities (eg. reverse commodity murabaha, etc.)	-	6,507,952	
of which other Customers' accounts	-	758,455	
of which Term financing against sukuk	4,942,979	4,942,979	
of which Sukuk payable and term financing	806,518	806,518	
Profit payable and other liabilities	758,680	758,680	
of which deferred tax liabilities	-	3,455	G2
TOTAL LIABILITIES	**9,873,015**	**9,873,015**	
Quasi-Equity	11,812,573	11,812,573	
TOTAL QUASI-EQUITY	**11,812,573**	**11,812,573**	

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
Perpetual Tier 1 Capital Securities - AUB Bahrain	400,000	400,000	I
Reserves	2,207,836	2,207,836	
of which form part of Common Equity Tier 1			
Retained earnings/(losses) brought forward		628,974	B1
Proposed Dividend Payable		-	B2
Net profit for the current period		718,150	C1
Share premium		758,170	C2
Legal reserve		958,630	C3
Others		(37,904)	C4
FX translation adjustment		(939,077)	C5
Cumulative fair value changes on FVOCI investments		85,803	C6
Fair value changes of cash flow hedges		-	C7
of which form part of Tier 2			
Fixed assets revaluation reserves		35,090	M1
CBB modification loss (part of CET1)		23,482	B3
Non - controlling interest	53,426	53,426	
of which amount eligible for Common Equity Tier 1		8,958	D
of which amount eligible for Additional Tier 1		1,920	J
of which amount eligible for Tier 2		5,119	L
of which amount ineligible		37,429	
Impairment Allowance for Expected Credit Losses - Stages 1 and 2		340,833	N
of which amount eligible for Tier 2 (maximum 1.25% of RWA)		141,094	M2
of which amount included in CET1 as per CBB		48,348	B4
of which amount ineligible		151,392	
TOTAL OWNER EQUITY	**5,448,245**	**5,789,078**	
TOTAL LIABILITIES, QUASI-EQUITY AND OWNER EQUITY	**27,133,833**	**27,474,666**	

PD 3 : Main features of regulatory capital instruments

1	**Issuer**	Ahli United Bank B.S.C (c)	Ahli United Bank B.S.C (c)
2	**Unique identifier**	N/A	ISIN: XS1133289832 / 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
4	**Transitional CBB rules**	Not applicable	Not applicable
5	**Post-transitional CBB rules**	Common Equity Tier 1	Additional Tier 1
6	**Eligible at solo/group/group & solo**	Solo and Group	Solo and Group
7	**Instrument type**	Common Equity Shares	Capital Securities
8	**Amount recognized in regulatory capital**	$2787.0 mn	$400.0 mn
9	**Par value of instrument (USD)**	$0.25	$1000 subject to minimum of $200,000
10	**Accounting classification**	Shareholders' equity	Shareholders' equity
11	**Original date of issuance**	31-May-2000	29-Apr-2015
12	**Perpetual or dated**	Perpetual	Perpetual
13	**Original maturity date**	No Maturity	Callable every six months
14	**Issuer call subject to prior supervisory approval**	NA	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)
16	**Subsequent call dates, if applicable**	NA	Every Distribution Payment Date
17	**Fixed or floating dividend/coupon**	NA	Fixed
18	**Coupon rate and any related index**	NA	5.839%
19	**Existence of a dividend stopper**	NA	Yes
20	**Fully discretionary, partially discretionary or mandatory**	Fully discretionary	Fully discretionary
21	**Existence of step up or other incentive to redeem**	No	No
22	**Noncumulative or cumulative**	NA	Noncumulative
23	**Convertible or non-convertible**	NA	Non-convertible
24	**If convertible, conversion trigger (s)**	NA	NA
25	**If convertible, fully or partially**	NA	NA
26	**If convertible, conversion rate**	NA	NA
27	**If convertible, mandatory or optional conversion**	NA	NA
28	**If convertible, specify instrument type convertible into**	NA	NA
29	**If convertible, specify issuer of instrument it converts into**	NA	NA
30	**Write-down feature**	NA	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)
32	**If write-down, full or partial**	NA	Fully / Partially
33	**If write-down, permanent or temporary**	NA	Permanent
34	**If temporary write-down, description of write-up mechanism**	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
36	**Non-compliant transitioned features**	NA	No
37	**If yes, specify non-compliant features**	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 being 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]	3,462,600
Total Exposure [B]	28,385,580
Leverage Ratio ([A] / [B])	**12.2%**