BASEL III – PILLAR III

DISCLOSURES – 31 DEC 2018

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1. Risk Overview

The Group is primarily involved in Islamic corporate and retail banking activities which are subject to risks that can adversely affect the business, operations and financial condition. These activities expose it to a variety of financial risks and involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks.

Islamic financial instruments are fundamental to the Group's business, constituting the core element of its operations. Accordingly, the risks associated with Islamic financial instruments are a significant component of the risks faced by the Group.

Although the strategy is to be risk averse in a banking business, to generate revenue risk taking is part of the banking business which may lead to trigger underlying risks which are an inevitable consequence of such activities. The Group's aim is, therefore, to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Group's financial performance.

The Group's risk management function is an integral part of managing risks across the Group's business activities. Risk Management Division policies are designed and implemented to identify and analyze risks, to set appropriate risk limits and controls, to monitor risks with adherence to limits by means of reliable and up-to-date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in regulations, markets, products and emerging best practice, in order to keep financial risk at a prudent and acceptable level within agreed risk appetite parameters.

One of the major risks incurred by the Group arises from extending credit to customers through its operations. Beyond credit risk, the Group is also exposed to other risk types such as market risk, operational risk, liquidity risk, concentration risk, profit rate risk in the banking book and other risks that are inherent to the Group's strategy and product range.

2. AHB External Credit Rating

The Group's credit rating has a significant impact on both its access to and cost of capital and wholesale funding. Credit ratings may be withdrawn, subject to qualifiers, revised, or suspended by the relevant credit rating agency at any time and the methodologies by which they are determined may be revised. A downgrade or potential downgrade of the Group's credit rating may reduce access to wholesale debt markets, potentially leading to an increase in funding costs, as well as affecting the willingness of counterparties to transact with it. In addition, the ratings of individual securities (including, but not limited to, Tier 1 Capital) issued by the Group (and banks globally) could be impacted from time to time by changes in the ratings methodologies used by rating agencies. Ratings agencies may revise their methodologies in response to legal or regulatory changes or other market developments.

As at December 31 2018, the Group is in compliance with Basel III regulations as published by the Central Bank of the UAE ('CBUAE'). The Group has adopted the Standardized Approach for Credit Risk and Market Risk and Basic Indicator Approach for Operational Risk. As of December 2018, the Group's Basel III Capital Adequacy Ratio is 17.32%, which is well above the minimum regulatory requirement defined by the CBUAE.

The CBUAE issued Basel III capital regulations, effective 1 February 2017 introducing minimum capital requirements at three levels, namely Common Equity Tier 1 ('CET1'), Tier 1 and Total Capital.

The minimum capital ratio requirements include a capital conservation buffer for 2018 of 1.875% (over and above the minimum CET1 ratio of 7%) increasing to 2.5% by 2019. The countercyclical capital buffer has not yet been introduced, but may be introduced by the Central Bank of UAE within a range of 0% to 2.5%.

3. Risk Management Objectives and Policies

The Risk Management Division (RMD) structure ensures identification, measurement, monitoring and controlling risk in accordance with the Group's Risk Management Framework and Policies as well as regulatory guidelines provided by the CBUAE.

The Group's risk management philosophy revolves around "Five pillars of Risk Management":

- Strong Corporate Governance
- Robust Risk Architecture
- Adherence to Globally Accepted Risk Standards
- Skilled & Seasoned Manpower
- Robust Risk Culture

The Group complies with the Basel III framework for capital supply, which have been implemented in the UAE through the CBUAE guidelines issued in February 2017. The Basel framework is based upon three Pillars which are as below:

- Pillar 1 – Minimum capital requirements: defines rules for the calculation of credit, market and operational risk. According to the regulatory requirement other risks are not required to quantify as part of Pillar I risk,
- Pillar 2 – Supervisory review process: requires Banks to undertake an Internal Capital Adequacy Assessment Process (ICAAP) for other risks which allows banks and supervisor to assess whether the Bank is holding additional capital to cover other risks. This assessment also provides the strategic view about the Bank's risk, strategic targets and capital planning; and
- Pillar 3 – Market discipline: requires expanded disclosures to allow Investors and other market

participants to understand the risk profiles of individual Banks. The purpose of Pillar III disclosure is to provide a consistent and comprehensive disclosure framework by requiring the bank to disclose details on the risk assessment processes and capital adequacy of the institution.

4. Risk Management Framework

The Risk Management Framework is integral to the operations and culture of the Group. Risks are proactively managed within the Group, while the framework is flexible to incorporate new activities the Group undertakes. The framework is comprehensive and has been communicated from the Board of Directors down to individual Business lines. The Group's business strategy is to achieve the objective of being a strong financial player with insight and transparency in risk-taking. The risk governance framework supports this objective and promotes the transparency in the Group.

5. Risk Governance

The overall responsibility of risk management rests with the Board of Directors (BOD), to ensure effective governance, controls and oversight.

In addition to Board Committee's, there are also Management Committees that review, monitor and provide oversight of the risk profile of the Group on a periodic basis. The ultimate responsibility for setting the Group's risk appetite and the effective management of risk rests with the Board through the Board Risk and Governance Committee ('BRGC'). The BRGC acts within its authority delegated by the Board. The BRGC, whose membership is comprised of non-executive directors of the Group, has the responsibility for oversight and review of risks including but not inclusive of, credit risk, market risk, liquidity risk and operational risk. BRGC also reviews the overall risk appetite and makes recommendation thereon to the Board.

The Risk Management Division and the various Board and management Committees guide and assist the overall management of the Group's risks. Risk Management Division has firmly embedded, through its existing policies, the risk governance structure used to control, manage and mitigate risk.

The BRGC receives regular comprehensive reports on key risks vis-a-vis the achievement of strategic objectives of the Group, credit risk profile, market and liquidity risk profile, capital adequacy profile and operational risk profile.

Risk Management Division's vision is to adopt best international standards and practices in risk management and to translate this into comprehensive risk infrastructure that supports this vision.

Managing risk is a process operated independently of the business units of the Group. It aims to promote a strong risk management culture through a comprehensive set of policies, processes and tools that are designed to effectively identify, measure, monitor and control risk exposures.

The Board of Directors and senior management are involved in the establishment of the risk infrastructure and periodic oversight and guidance of the Risk Management Division. The processes are subject to additional scrutiny by an independent Shariah Board, Compliance as well as Internal and External Auditors and the Regulator, which help further strengthen the risk management practices within the Group.

The Group has embraced a risk management and internal control structure referred to as the 'three lines of defense' to ensure the Group achieves its commercial aims while meeting regulatory and legal requirements. It is a key part of the Group's risk management framework.

Compliance, Internal Audit and Shariah Supervision departments provide independent assurance to monitor various specific risks such as noncompliance with applicable laws, regulations or Group policy and procedures. These departments report directly to senior management and in some business sectors, directly to the governing body and/or Board.

6. Risk Profile

The Risk Profile of the Bank is reviewed on a quarterly basis by management and Board committees. The overall risk profile of the Group remains stable and low risk:

- Capital adequacy has remained stable during the course of the year at 17.32%, whilst its leverage ratios also remained stable at 11.73% in FY-2018.
- Operational risk management has improved as a result of process based assessment of risk and control across the Bank and improved risk awareness and engagement across the business.

The Group further endeavors to identify all material risks that may affect it. Identification is a continuous and pro-active process. It covers all the current activities of the organization as well as new products and initiatives. This process, which is informed by analysis of the Group's risk factors and the results of the Group's stress testing program, gives rise to the classification, mitigation and management of key risks.

7. Risk Appetite

The Risk appetite of the Group is defined as the amount of risk it is willing to accept to achieve its stated objectives and achieve expected returns to its shareholder, while safeguarding against key sources of risk. The risk appetite measures have been developed and integrated into the strategic planning process of the Group and have been set at a level expected for an investment grade bank. Currently, the Group's risk appetite can be summarized across the following dimensions (but not limited to):

2018 Approved Risk Appetite Measures						
Capital Measures	Credit Risk	Liquidity Risk	Market Risk	Operational Risk	Shariah Risk	Qualitative Measures

- The minimum financial outcomes under various macroeconomic scenarios,
- Portfolio Credit Quality desired by the Group,
- Measures to ensure sufficient liquidity in the Group,
- Maintaining capital adequacy above Group's defined minimum level.

8. Stress Testing

RMD conducts stress-testing based on several stress scenarios across the Group on an enterprise-wide basis, reflecting the Group's business strategy and resultant risk exposures. The results of the stress tests are used to assess potential unplanned demand for regulatory capital under various scenarios. The results demonstrated that the Group would remain satisfactorily capitalized after taking account of assumed management actions to mitigate the effect of the scenarios in question.

Stress Test		Conditions
Scenario Severity	Mild	Non Performing Financing (NPF) increased based on the percentage increase in historical default rates under stress conditions for each scenario.
	Moderate	
	Severe	
Idiosyncratic Stress	3 Additional Corporate Obligors Default	NPF increased by 3 additional corporate obligor defaults.
	Top 5 Additional Corporate Obligors Default	NPF increased by 5 additional corporate obligor defaults.
Reverse Stress		With the reverse stress test scenario, the Group assessed the current portfolio and examined the level of non-performing financing that will result in the CBUAE minimum capital ratio to come down to minimum regulatory requirement (Pillar 1).

The liquidity stress testing is done in order to circumvent the risk of unexpected drawdowns on banks funding sources in the form of new disbursements or funding run-offs. The adequacy of the liquidity buffers in place and their counterbalancing capability is ascertained by the use of liquidity stress test.

Stress Test		Conditions
Scenario Severity	Mild	For each stress condition, there is an increase to: a) Funding cost. b) CASA Run – Off. c) Term Deposit Run –Off. d) Increase in repayments.
	Moderate	
	Severe	
Idiosyncratic Stress	2 largest depositors withdrawal	

9. Risk Types and Risk Management Practices

Credit Risk

Credit risk arises from the potential that an obligor is either unwilling to perform on an obligation or its ability to perform such obligations is impaired resulting in financial loss to the Group. This credit risk arises mainly from both direct financing activities as well as contingent liabilities.

In addition to direct accounting loss, credit risk should be viewed in the context of economic exposures. This encompasses opportunity costs, transaction costs and expenses associated with a non-performing asset over and above the accounting loss.

Credit risk can be further sub-categorized on the basis of reasons of default. For instance, the default could be due to the country in which there is exposure or problems in settlement of a transaction.

Credit risk does not necessarily occur in isolation. The same consequence that results in credit risk for the Group may also expose it to other risks. For instance, a bad portfolio may also impact the Group liquidity and funding profile.

Credit Risk Management

The Group manages credit risk through an effective and comprehensive credit appraisal mechanism, governance structure with approving and delegated authorities; limit structures; internal credit risk rating system and models. The Group ensures that appropriate structure and collateral for financing is taken in order to assess the borrower's overall credit worthiness and to safeguard the interest of the Group not only at the time of disbursement, but also ensure post disbursement monitoring is conducted on a regular basis so that prudent financing activities and the portfolio is managed as specified under the umbrella of a comprehensive Group Credit Risk Policy approved by the Board Credit and Investment Committee ('BCIC').

RMD has developed and maintains an IRB compliant internal risk grading framework in order to categorize exposures according to the degree of risk probability of financial loss. There is a risk rating framework for the corporate portfolio that consists of twenty-two grades. Each customer is rated using a portfolio specific rating model (Large Corporate, Middle Market, Contracting, Commercial Real Estate, Project Finance, High Net Worth Individuals and Financial Institutions) which in turn assigns a risk rating and corresponding probability of default. The responsibility for assigning risk grades lies with the concerned business unit and is independently vetted by Credit Management Division (CMD).

For the Retail portfolio, customers are reviewed and approved by Retail Financing & Credit team and Retail Risk Management team in line with the approved policies, product programs, delegated approval authorities and risk acceptance criteria. Credit policies for the Personal Banking Group asset products, are reviewed by the Retail Risk Management team to ensure that the associated risks against asset financing are minimized. Four application and four behavioral scorecards have been developed for each specific financing product program to assist in the credit decision process.

Credit Administration which is responsible for limits management, collateral management and the relevant documentation; duly ensures that approved credit facilities are accurately entered into the limit and collateral management system and relevant documentation is prepared and executed. Respective MIS reports are prepared and circulated and communicated accordingly.

Credit Portfolio Management inputs are provided to a Board Committee and Management for business planning and budgeting along with Risk Appetite Statements, based on portfolio analysis and trends. Industry reviews are conducted on a periodic basis for all the significant industry exposures and recommendations are provided to management and Board committee regarding the establishment of portfolio limits by rating, industry sector and country, establishing/refining the target market and risk acceptance criteria for different segments.

Furthermore, benchmarking is conducted against other banks in the local jurisdiction as regards portfolio growth and quality trends (e.g. profitability, loss provisions and concentration).

The Group pursues diversification of its portfolio into different business segments, products and sectors. Further, to avoid risk concentration; counterparty limits, counterparty group limits and industry concentration limits are also established, monitored and assessed in light of changing counterparty and market conditions. A watch list procedure also exists which identifies financings with early warning indicators. RMD monitors the non-performing financing portfolio of the Group and reports all significant matters to the respective management and Board committee(s).

Wholesale Banking Group portfolio review and monitoring is performed on a regular basis through risk appetite measures, concentration report, LEC monitoring and other internal reports for management. Certain targeted reviews are also conducted by the risk management team. Credit portfolio review is conducted on a quarterly basis and the report is presented to respective management and Board committee(s).

Regular/ Annual reviews of Personal Banking Group policies are undertaken to ensure credit quality is maintained and is based on an on-going portfolio review and prevailing market conditions. Product Policies are realigned through deep dive analysis on the portfolio which includes monthly and quarterly reviews of the portfolio.

Further assurance is also provided by an independent review of the credit portfolio that is undertaken by an independent credit review team within RMD namely Credit Review and

Policy Management team that separate from both the business unit and Credit Management Division.

To facilitate recoveries of long dated past due & classified accounts, the Corporate Remedial Management team negotiate with the client for recovery and where necessary restructuring, rescheduling, foreclosures, enforce collaterals or recommend write off (post approval from the Board committee in case all efforts have been exhausted). Cases are sent to Legal Department, where required, for filing recovery suit should there be a need to recover amounts due through the courts. Status is tracked and progress reports are submitted to Remedial Management Committee detailing past due & defaulted customers.

Liquidity Risk

Liquidity risk is the potential for loss to the Group arising from either its inability to meet its obligations as they fall due or to fund increases in assets as they fall due without incurring an unacceptable cost or losses. It arises when the cushion provided by the liquid assets are not sufficient enough to meet its obligation. In such a situation, banks often meet their liquidity requirements from the market. However, conditions of funding through market depend upon liquidity in the market and borrowing institution’s liquidity.

Banks with large off-balance sheet exposures or banks, which rely heavily on large corporate deposits, have a relatively high level of liquidity risk. Furthermore, banks experiencing rapid growth in assets could also be exposed to more than average levels of liquidity risk.

The Asset and Liability Committee (ALCO) manages the liquidity position of the Group on a regular basis and is primarily responsible for the formulation of the overall strategy and oversight of the asset / liability mix of the Group. Furthermore, ALCO informs the BRGC of the Group‘s financial risk exposures (profit rate risk, liquidity risk and other market risks) and compares the Group‘s current positions against the policy/ risk appetite limits.

Liquidity Risk Management

Liquidity risk management involves not only analyzing the Group’s on and off-balance sheet positions to forecast future cash flows but also how the funding requirement would be met. The later involves identifying the funding market the Group has access to, understanding the nature of those markets, evaluating Group current and future use of this market and monitor signs of confidence erosion.

As part of its strategic liquidity management, contingency funding planning in the Group ensures that the liquidity management center (Treasury) is well equipped to tap contingent funding sources during periods of market stress.

The Group maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities and inter-bank facilities, to ensure that sufficient liquidity is maintained within the Group as a whole.

The liquidity requirements of business units and subsidiaries are met through short-term financing from the Treasury Department to cover any short-term fluctuations and longer term funding to address any structural liquidity requirements. The daily liquidity position is monitored by Market, Liquidity Risk & Middle Office within RMD and regular stress testing is conducted under a variety of scenarios covering the normal and more severe market conditions in order to assess the viability of the contingency funding plan.

All liquidity policies and procedures are subject to regular/ annual review and approval by ALCO and the BRGC/ Board. Daily reports are produced covering the liquidity position of both the Group and operating subsidiaries. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO.

Market Risk

The Group is exposed to market risk which is the risk that the value of on and off balance sheet exposure of the Group will be adversely affected by movements in market rates or prices such as benchmark rates, profit rates, foreign exchange rates, equity prices and market conditions resulting in a loss to earnings and capital.

Market Risk Management

The Market, Liquidity Risk & Middle Office Department within RMD monitors, controls and provides an assessment of market, profit rate, liquidity and concentration risks. These include enhanced levels of reporting at management and ALCO level, as well as the implementation of more sophisticated limit reporting.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The definition is aligned to the Basel definition, including legal and regulatory risk but excluding strategic and reputation risk.

The objective of operational risk management is to find out the extent of the financial institution’s operational risk exposure; to understand what drives it, to allocate capital against it and identify trends internally and externally that would help predicting it.

Operational Risk Management

Assessment & Quantification

The Group identifies and assesses the operational risk inherent in all material products, activities, processes and systems and its vulnerability to these risks and also ensures that before new products, activities, processes and systems are introduced or undertaken, the operational risk inherent in them is subject to adequate assessment procedures.

Risk Management and Mitigation of Risks

The day-to-day management of operational risk is executed through a strong "second line of defense" within business lines and control functions. Risk and Control Self Assessments (RCSAs), Key Risk Indicators (KRIs) and Incident Management (IM) form the core of the operational risk framework.

Risk Monitoring

Regular monitoring activities offer the advantage of quickly detecting and correcting deficiencies in the policies, processes and procedures for managing operational risk. Prompt detection and addressing these deficiencies substantially reduce the potential frequency and/or severity of a loss.

Establishing Control Mechanism

The Group has policies, processes and procedures that assist in the establishment of effective controls to mitigate material operational risks.

The Group also embedded a cards monitoring desk on 24 hours 7 days a week basis in order to meet the Card Association requirement for transaction monitoring. This desk is managed under Operational Risk Division. The unit monitors transaction, activities, merchants and works closely with customers in terms of spreading awareness, handling disputes, e government related frauds, skimming etc. The unit's focus also covers other areas such as internal as well as external frauds. MIS and market intelligence are gathered and the drivers for enhanced approaches to mitigate potential risks.

Information Security Risk

Information Security risk is defined as the possibility of materialization of and harm to the Group's process(es) or the related information resulting from some purposeful or accidental event/incident that may negatively impact the overall Group.

Information Security Risk Management

Information Security risk team has the primary responsibility of ensuring the safety of the Bank's proprietary information as well ensuring that the organization is equipped with the latest tools/ software/ systems to combat any external / internal threats that pose serious risk to its safety and security.

Legal Risk

The risk of financial or reputational loss arising from regulatory or legal action, disputes for or against the Group, failure to correctly document, enforce or adhere to contractual arrangements, inadequate management of non-contractual rights or failure to meet non-contractual obligations.

Legal Risk Management

Legal Department has the primary responsibility for identifying and interpreting laws and rules of the UAE (and various Local / Federal authorities), liaison with relevant external bodies and regulators on legal matters and exercising any specific legal responsibilities for the Group.

Compliance Risk

The risk of loss as a result of failure to comply with applicable laws, regulation, code of ethics and includes regulatory sanctions, financial or reputational loss arising from failure to abide by the compliance obligations of the Group.

Compliance Risk Management

The Compliance department has the primary responsibility for identifying and interpreting laws and rules in UAE and for providing assistance in drafting policies and procedures and provides the Group with the assurance that it complies with all laws and regulations governing its operations, such as those concerning anti money laundering, combating terrorism financing, fraud and financial crime risk, information security, sanctions and fraud prevention.

As part of the development of strong foundation in risk culture, the Group continues to make further enhancements to the framework for a comprehensive training and awareness program in compliance, Know-Your Customer (KYC) and Anti-Money Laundering (AML).

Sharia Risk

Sharia Risk is the risk that the Group or some of its operations/activities/procedures are found not to be in line with sharia principles as interpreted by the Group's Fatwa and Sharia Supervisory Board (FSSB). The result could be an adverse financial impact due to a transaction or operation being deemed as non-sharia complaint or through adverse reputational impact.

Sharia Risk Management

At the Group, the FSSB has been mandated to provide independent assurance on Group activities. This is being achieved by making sure through management that any new transaction or agreement is reviewed by Sharia before it is executed. The Sharia Department, which directly reports to the FSSB, is responsible to review all such documents/agreements or activities before execution. The Sharia Audit team periodically reviews all Group activities post execution including comments over the control environment in place and reports them to FSSB for final opinion (if needed) before sharing the same to the auditor with perceived sharia compliance ratings.

10. Pillar III Overview

This report is prepared in accordance with Basel Accord and the Central Bank of UAE regulations issued in Dec 2017. It presents information on the Group's capital adequacy and Risk Weighted Asset (RWA) calculations for credit risk, market risk, profit rate risk and operational risk.

This section should be read in conjunction with the AHB 2018 audited consolidated financial statements.

The Group regularly benchmarks and aligns its policy framework against existing regulatory standards. Potential developments in UAE, GCC and international standards, and global best practice are also considered.

The Group continues to monitor and take actions to enhance its strong risk culture. This includes a risk appetite framework and the risk accountability (Three Lines of Defense) model. The risk appetite framework creates clear obligations and transparency over risk management and strategy decisions; and the "Three Lines of Defense" model requires business management to operate responsibly by taking well understood and managed risks.

The strength and robustness of the Group's risk management framework has been reflected in the Group's overall asset quality and capital position. The Group's capital forecasting process ensures pro-active actions and plans are in place to ensure a sufficient capital buffer above minimum capital levels is in place at all times.

The Group manages its capital by regularly and simultaneously considering regulatory capital requirements, rating agency views on the capital required to maintain the Group's credit rating, the market response to capital and stress testing. These views then cascade into considerations on what capital level is targeted. The Group's management of its capital adequacy is supported by robust capital management processes applied across the entity.

11. Disclosure on Subsidiaries & Significant Investments

As on December 31, 2018 **AED 000s**

	Country of Incorporation	% Ownership	Description	Accounting Treatment	Surplus Capital	Capital Deficiency	Total Profit/ Loss
SUBSIDIARIES:							
Al Hilal Takaful PSC*	UAE	100%	Equity Investment in Insurance	Fully Consolidated	N/A	N/A	(30,164)
Al Hilal Auto LLC**	UAE	100%	Commercial Subsidiaries	Fully Consolidated	Nil	Nil	(55)
Al Hilal Islamic Bank PJSC	Kazakhstan	100%	Financial Subsidiaries	Fully Consolidated	50,248	Nil	13,505
Al Hilal Leasing LLP	Kazakhstan	100%	Financial Subsidiaries	Fully Consolidated	Nil	(2,469)	(112)
Al Hilal Al Mariah Development LLC	UAE	100%	Commercial Subsidiaries	Fully Consolidated	Nil	Nil	Nil
AHB Sukuk Company Limited***	Cayman	-	Financial & Commercial entities	neither consolidated nor deducted	Nil	Nil	Nil
AHB Tier 1 Sukuk Limited***	Cayman	-	Financial & Commercial entities	neither consolidated nor deducted	Nil	Nil	Nil
SIGNIFICANT INVESTMENTS /ASSOCIATES: ****							
Global Sukuk Fund	UAE	29%	Mutual Fund	neither consolidated nor deducted	N/A	N/A	Nil
GCC Equity Fund	UAE	38%	Mutual Fund	neither consolidated nor deducted	N/A	N/A	Nil
Global Balanced Fund	UAE	73%	Mutual Fund	neither consolidated nor deducted	N/A	N/A	Nil

* Al Hilal Takaful PSC was classified as held for sale during 2017. Please refer to Note 32 of 2018 financial statement for further details.
** Al Hilal Auto LLC was discontinued during the year 2016. Please refer to Note 32 of 2018 financial statement for further details.
***Please refer to note 33 of 2018 financial statement for further details
**** Refer to Note 15 of 2018 financial statement for more details of Associates.

The Group and all of the subsidiaries of the Group are adequately capitalized. There are no restrictions or other major impediments on the transfer of funds within the Group. There are no capital deficiencies in non-consolidated subsidiaries in the Group.

12. Capital Overview

In December 2010 (revised in June 2011) , the Basel Committee on Banking Supervision (BCBS) published a discussion paper on banking reforms ("Basel III") to address issues which led to the Global Financial Crisis and to position banks for future crises. The objectives of the capital reforms are to increase the quality, consistency and transparency of capital, to enhance the risk coverage framework, and to reduce systemic and pro-cyclical risk.

In February 2017, the Central Bank of the UAE published enhanced regulatory capital rules vide notifications 52 and 60/2017 which implemented Basel III in the UAE. To enable banks to meet the new standards, the notification contains transitional arrangements commencing January 1, 2017 through January 1, 2019. Enhanced regulatory capital rules issued in February 2017 are supported by accompanying standards, which were published by the Central Bank on 17 January 2018 in its Circular No. 28/2018 titled "Standard re Capital Supply" and are effective from 31 December 2017.

To support the groups funding and capital strategy, during the course of 2018, the Group went through its annual review of its external rating process with Moody's and Fitch rating agencies and maintained an A2 rating by Moody's and an A+ rating by Fitch.

Capital of the Group consists of the following instruments:

- **Eligible Paid-up Share Capital**

  The Group is a wholly owned subsidiary of the Abu Dhabi Investment Council (ADIC), which is ultimately wholly owned by the Government of Abu Dhabi.

- **Eligible Reserves**

  Eligible reserves are created by accumulated appropriations of profit and are maintained for future growth.

Consolidated Capital Structure under Basel III

As on December 31, 2018 **AED 000s**

Details	Summary Note and References	Amount
Common Equity Tier 1 (CET1) Capital		**3,755,413**
Share Capital	▪ The authorized share capital of the Bank comprises 4,000,000 thousand ordinary shares of AED 1 each. The issued and fully paid up share capital at 31 December 2018 comprises 3,500,000 thousand ordinary shares of AED 1 each. ▪ The paid up capital is not available for distribution & the Bank's shares are not listed on a recognized stock exchange.	3,500,000
Share premium account		-
Eligible Reserves	▪ The UAE Federal Law No.2 of 2015 and the Bank's Articles of Association require that 10% of the annual net profit to be transferred to a statutory reserve until it equals 50% of the paid-up share capital. The statutory reserve is not available for distribution.	(47,807)
Retained Earnings / (-) Loss	▪ Includes Retained Earnings	324,106
Eligible amount of minority interest	▪ Non-controlling interest are measured at their proportionate share of the acquirees identifiable net assets at the acquisition date. ▪ Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.	-
Capital shortfall (if any)	▪ The capital invested in a majority-owned or controlled insurance entity may exceed the amount of regulatory capital required for such an entity (surplus capital).	-
CET1 capital before the regulatory adjustments and threshold deduction		**3,776,299**
Less: Regulatory deductions	▪ 'Capitalized software costs that is not "integral to hardware" is to be treated as an intangible asset and software that is "integral to hardware" is to be treated as property, plant and equipment (i.e. as a fixed asset).	(20,886)
Less: Threshold deductions		-
Total CET1 capital after the regulatory adjustments and threshold deduction		**3,755,413**
Total CET1 capital after transitional arrangement for deductions (CET1)		**3,755,413**
Additional Tier 1 (AT1) Capital		**1,836,250**
Eligible AT1 capital (After grandfathering)	▪ Tier 1 Sukuk is a perpetual security in respect of which there is no fixed redemption date and constitutes direct, unsecured, subordinated obligations of the Bank subject to the terms and conditions of the Mudaraba agreement. It is callable by the Bank on 30 June 2019 (the "First Call Date") or any profit payment date thereafter subject to certain conditions	1,836,250
Other AT1 Capital e.g. (Share premium, minority interest)		-
Total AT1 capital		**1,836,250**
Total AT1 capital after transitional arrangements (AT1)		**1,836,250**
Tier 2 (T2) Capital		
Tier 2 Instruments e.g. subordinated loan (After grandfathering and/or amortization)		-
Other Tier 2 capital (including General Provisions, etc.)	▪ Collective allowance (General Provision), which is kept for unseen future circumstances and Exchange differences on translation of foreign operations (translation reserves)	398,653
Total T2 Capital		**398,653**
Total T2 capital after transitional arrangements (T2)		**398,653**

13. Pillar I – Capital Adequacy Position under Basel III

Pillar I - deals with the computation of the Regulatory Capital ratio. It involves criteria- based assessment of risk for various asset classes and calculation of Risk Weighted Assets (RWAs) for credit, market and operational risk, to derive the required regulatory capital. The Group management aims to ensure the efficient use of capital to meet its overall capital targets.

The Group's risk profile considers both capital targets as well as the sufficiency of capital to cover both current and future growth requirements of the Group. The Board of Directors define risk and capital targets, whilst Management is responsible for ensuring that these targets are met.

Capital Adequacy Position under Basel III

As on December 31, 2018			**AED 000s**
	RWA	**Capital Charge**	**Capital Ratio (%)**
Capital Requirements		-	
1. Credit Risk - Standardized Approach	31,892,257	3,348,687	
2. Market Risk - Standardized Approach	8,320	874	
3. Operational Risk	2,688,661	282,309	
a. Basic Indicator Approach	2,688,661	282,309	
b. Standardized Approach/ASA	-	-	
c. Advanced Measurement Approach	-	-	
Total Capital requirements	34,589,238	3,631,870	
Capital Ratio			
a. Total for Top consolidated Group			17.32%
b. Tier 1 ratio only for top consolidated Group			16.17%

14. Credit Risk

Credit risk constitutes the largest part of the Group's risk exposures. The Group measures and manages its credit risk by adhering to the following principles:

- Consistent standards are applied across the bank in the respective credit decision process through the use of IRB compliant rating models for corporate financing customers which also includes specialized rating models.
- The approval of credit limits for counterparties and the management of its individual credit exposures must fit within the Group's target portfolio guidelines and credit risk strategies, and each decision also involves a risk-versus-return analysis.
- Every extension of credit or material change to a credit facility (such as its tenor, collateral structure or major covenants) to any counterparty requires credit approval at Management or Board level committees.
- The Group currently assigns credit approval authorities for corporate transactions to Credit and Investment Committee ('CIC'). In addition, for retail transactions, credit approval authorities are vested with named delegates within Personal Banking Group and Retail Credit Risk. Any excess to the authorities for Retail transactions will adjudicated by CIC or BCIC respectively.

The Group envisages maintaining a credit risk profile, which is line with its risk strategy and long term strategic growth and vision. The Group has allocated credit risk capital on the basis of standardized approach for year 2018.

For each separate risk, mainly Credit, Market, Operational risk, banks are required to describe their risk management objectives and policies, which primarily include strategies, processes, reporting and measurement systems. These disclosures are discussed and are set out in the Note 4 and 8 of the audited consolidated financial statements. Note 2 and 4 of financial statement also covers the definition of impairment, past due, specific and general provision. To determine risk weight for the rated obligors, external ratings are being used from Moody's, S&P and Fitch.

15. Gross Credit Exposures by Currency Type

As on December 31, 2018 **AED 000s**

	Gross Financing	Investment Securities	Total Funded	Total Commitments to extend Credit	Islamic Derivative Financial Instruments	Other Off-Balance Sheet exposures*	Total Non-Funded**	Total
Foreign Currency	3,898,932	3,609,538	7,508,470	105,402.77	3,498,456	1,696,596	5,300,455	12,808,926
UAE AED	25,981,842	-	25,981,842	6,602,744	978,720	3,959,285	11,540,749	37,522,590
Total	**29,880,774**	**3,609,538**	**33,490,312**	**6,708,147**	**4,477,176**	**5,655,881**	**16,841,204**	**50,331,516**

*Letter of Credit & Letter of Guarantee

**Non funded exposure includes Contingent Liability, Commitments and Derivatives and these are prior to CCF.

16. Gross Credit Exposures by Geography

As on December 31, 2018 **AED 000s**

Geographic Distribution	Gross Financing	Investment Securities	Total Funded	Total Commitments to Extend credit	Islamic Derivative Financial Instruments	Other Off- Balance Sheet Exposures*	Total Non-Funded**	Total
United Arab Emirates	28,524,442	2,918,988	31,443,430	6,193,466	4,094,131	4,977,609	15,265,206	46,708,636
GCC excluding UAE	604,685	662,638	1,267,323	398,296	-	111,814	510,110	1,777,433
Arab League (excluding GCC)	-	-	-	-	-	-	-	-
Asia	612,575	27,912	640,487	105,402	-	303,981	409,383	1,049,870
Africa	-	-	-	-	-	-	-	-
North America	-	-	-	-	-	-	-	-
South America	-	-	-	-	-	-	-	-
Caribbean	139,072	-	139,072	-	-	-	-	139,072
Europe	-	-	-	10,983	383,045	262,477	656,505	656,505
Australia	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-
Total	**29,880,774**	**3,609,538**	**33,490,312**	**6,708,147**	**4,477,176**	**5,655,881**	**16,841,204**	**50,331,516**

*Letter of Credit & Letter of Guarantee

**Non funded exposure includes Contingent Liability, Commitments and Derivatives and these are prior to CCF.

17. Gross Credit Exposures by Industry Segment

As on December 31, 2018 **AED 000s**

Industry Segment	Gross Financing	Investment Securities	Total Funded	Total Commitments to Extend credit	Islamic Derivative Financial Instruments	Other Off-Balance Sheet Exposures*	Total Non-Funded**	Total
Agriculture and allied activities	249,431	-	249,431	20,340	-	393,268	413,608	663,039
Mining & Quarrying	148,341	-	148,341	223,286	-	4,697	227,983	376,324
Manufacturing	2,091,025	82,068	2,173,093	361,354	184,436	103,977	649,767	2,822,860
Electricity, Gas & Water	447,542	29,384	476,926	36,594	-	1,285	37,879	514,805
Construction & Real estate	5,741,653	549,544	6,291,197	2,543,730	-	4,318,665	6,862,395	13,153,592
Trade	2,764,959	-	2,764,959	546,803	277,000	179,376	1,003,179	3,768,138
Transport, Storage & Communication	1,093,647	218,222	1,311,869	100,905	-	53,287	154,192	1,466,061
Financial Institutions	1,505,558	733,461	2,239,019	19,966	3,819,380	96,659	3,936,005	6,175,024
Other Services	3,062,372	-	3,062,372	1,945,801	196,360	345,168	2,487,329	5,549,701
Government	-	1,996,859	1,996,859	323,724	-	19,600	343,324	2,340,183
Retail/Consumer banking/individual	12,776,246	-	12,776,246	585,644	-	139,899	725,543	13,501,789
Total	**29,880,774**	**3,609,538**	**33,490,312**	**6,708,147**	**4,477,176**	**5,655,881**	**16,841,204**	**50,331,516**

*Letter of Credit & Letter of Guarantee

**Non funded exposure includes Contingent Liability, Commitments and Derivatives and these are prior to CCF.

18. Gross Credit Exposures by Contractual Residual Maturity

As on December 31, 2018 **AED 000s**

Contractual Residual Maturity	Gross Financing	Investment Securities	Total Funded	Total Commitments to Extend credit	Islamic Derivative Financial Instruments	Other Off-Balance Sheet Exposures*	Total Non-Funded	Total
Less than 3 months	4,093,078	-	4,093,078	4,800,437	828,327	5,284,235	10,912,999	15,006,077
3 months to one year	3,552,585	585,876	4,138,461	1,196,350	808,482	22,471	2,027,303	6,165,764
One to five years	17,585,294	1,279,431	18,864,725	692,822	1,363,557	11,581	2,067,960	20,932,685
Over five years	4,649,817	1,744,231	6,394,048	18,538	1,476,810	337,594	1,832,942	8,226,990
Total	**29,880,774**	**3,609,538**	**33,490,312**	**6,708,147**	**4,477,176**	**5,655,881**	**16,841,204**	**50,331,516**

*Letter of Credit & Letter of Guarantee

Non funded exposure includes Contingent Liability, Commitments and Derivatives and these are prior to CCF.

19. Impaired Financing by Industry Segment

As on December 31, 2018 **AED 000s**

Industry Segment	Regular	Past due but not impaired		Impaired and non-performing	Gross Financing	Specific Allowance	Collective Allowance	Write-offs, recoveries and other	Unwinding's on renegotiated	Total Carrying Amount
		Less Than 90 days	90 days & above							
Agriculture & allied activities	239,407	10,024.3	-	-	249,431	-	11,007	-		238,424
Mining & Quarrying	148,341	-	-	-	148,341	-	1,172	-		147,169
Manufacturing	1,661,363	26,909	23,701	379,052	2,091,025	113,751	14,672	(4,927)	(619)	1,962,602
Electricity, Gas & Water	447,542	-	-	-	447,542	-	-			447,542
Construction & Real estate	4,958,234	188,811	226,525	368,083	5,741,653	156,804	95,913	(480)	(1,196)	5,488,936
Trade	1,761,194	97,750	14,357	891,658	2,764,959	473,834	5,119	(624,133)	(1,154)	2,286,006
Transport, Storage & Communication	841,539	250,573	-	1,535	1,093,647	740	1,019	(1,394	(724)	1,091,888
Financial Institutions	883,197	77,681	-	544,680	1,505,558	159,920	10,528	(624)		1,335,110
Other Services	2,725,548	85,946	189,992	60,886	3,062,372	31,667	121,817	(1,659)		2,908,888
Government	-	-	-	-	-	-	-	-		-
Retail/consumer banking/ Individual	12,188,179	304,545	5,283	278,239	12,776,246	154,302	459,786	(164,609)	(1,597)	12,162,158
Total	**25,854,544**	**1,042,239**	**459,858**	**2,524,133**	**29,880,774**	**1,091,018**	**721,033**	**(797,826)**	**(5,290)**	**28,068,723**

20. Impaired Financing by Geographic Distribution

As on December 31, 2018 — **AED 000s**

Industry Segment	Regular	Past due but not impaired		Impaired and non-performing	Gross Financing	Specific Allowance	Collective Allowance	Write-offs, recoveries and other	Unwinding's on renegotiated	Total Carrying Amount
		Less Than 90 days	90 days & above							
United Arab Emirates	24,687,028	1,041,900	459,858	2,335,656	28,524,442	997,479	706,322	(797,826)	(5,290)	26,820,641
GCC (excluding UAE)	416,208	-	-	188,477	604,685	93,539	10,789	-	-	500,357
Arab League (excluding GCC)	-	-	-	-	-	-	-	-	-	-
Asia	612,575	-	-	-	612,575	-	3,302	-	-	609,273
Africa	-	-	-	-	-	-	-	-	-	-
North America	-	-	-	-	-	-	-	-	-	-
South America	-	-	-	-	-	-	-	-	-	-
Caribbean	138,733	339	-	-	139,072	-	-	-	-	139,072
Europe	-	-	-	-	-	-	620	-	-	-620
Australia	-	-	-	-	-	-	-	-	-	-
Others	-	-	-		-	-	-	-	-	-
Total	**25,854,544**	**1,042,239**	**459,858**	**2,524,133**	**29,880,774**	**1,091,018**	**721,033**	**(797,826)**	**(5,290)**	**28,068,723**

21. Reconciliation of Changes in Impaired Charges

As on December 31, 2018

Description	AED 000s
Opening Balance of Provisions for Impaired Financing	**2,533,986**

Add: Net Charge for the year	473,267
Add: Other Provision	28,000
Add: Other impairment on Assets	157,789
Less: Write-off, Recoveries and Others	(1,068,855)
Less: Unwinding on Renegotiated Financing	(5,290)
Closing Balance of Provisions for Impaired financing	**2,118,897**

22. Portfolio as per Standardized Approach Asset Class

As on December 31, 2018

AED 000s

Asset Classes	**On & Off Balance Sheet**	**Credit Risk Mitigation (CRM)**		**On & Off Balance Sheet**	**Risk Weighted Assets**
	Gross Outstanding	**Exposure Before CRM**	**CRM**	**Net Exposure After Credit Conversion Factors (CCF)**	
Claims on Sovereigns	8,721,633	8,721,633	-	8,704,117	50,062
Claims on Non- Commercial Public Sector Enterprises (PSEs)	401,405	401,405	-	239,543	-
Claims on Multilateral Development Banks	-	-	-	-	-
Claims on Banks	3,786,264	3,786,264	-	3,783,649	1,261,576
Claims on Securities Firms	-	-	-	-	-
Claims on Government Related Enterprises (GRE with >50 % Govt. Ownership) and Other Corporates	24,773,328	24,722,728	1,773,713	16,122,027	14,623,200
Claims Included in the Regulatory Retail Portfolio	8,596,433	8,596,433	-	8,596,433	7,040,746
Claims Secured By Residential Property	3,208,706	3,208,706	-	3,201,289	1,309,997
Claims Secured by Commercial Real Estate	2,263,274	2,263,274	-	2,263,274	2,263,274
Past Due Financing	3,975,732	2,585,268	11,100	2,479,531	3,076,864
Higher-Risk Categories	-	-	-	-	-
Other Assets	2,301,011	2,291,434	-	2,291,434	2,266,538
Securitization Exposures	-	-	-	-	-
Credit Derivatives (Banks Selling protection)	-	-	-	-	-
Total	**58,027,786**	**56,577,145**	**1,784,813**	**47,681,297**	**31,892,257**

23. Rated & Unrated Portfolio as Per Standardized Approach Asset Class

As on December 31, 2018 **AED 000s**

Asset Classes	On & Off Balance Sheet Gross Credit Exposures			On & Off Balance Sheet Net Credit Exposures	
	Rated	Unrated	Total	Post CRM	RWA
Claims on Sovereigns	1,539,514	7,182,120	8,721,633	8,704,117	50,062
Claims on Non- Commercial Public Sector Enterprises (PSEs)	-	401,405	401,405	239,543	-
Claims on Multilateral Development Banks	-	-	-	-	-
Claims on Banks	3,617,620	168,644	3,786,264	3,783,649	1,261,576
Claims on Securities Firms	-	-	-	-	-
Claims on Government Related Enterprises (GRE with >50 % Govt. Ownership) and Other Corporates	967,026	23,806,301	24,773,328	16,122,027	14,623,200
Claims Included in the Regulatory Retail Portfolio	-	8,596,433	8,596,433	8,596,433	7,040,746
Claims Secured By Residential Property	-	3,208,706	3,208,706	3,201,289	1,309,997
Claims Secured by Commercial Real Estate	-	2,263,274	2,263,274	2,263,274	2,263,274
Past Due Financing	-	3,975,732	3,975,732	2,479,531	3,076,864
Higher-Risk Categories	-	-	-	-	-
Other Assets	22,847	2,278,163	2,301,011	2,291,434	2,266,538
Securitization Exposures	-	-	-	-	-
Credit Derivatives (Banks Selling protection)		-	-	-	-
Total	**6,147,007**	**51,880,778**	**58,027,786**	**47,681,297**	**31,892,257**

24. Credit Risk Mitigation: Disclosure for Standardized Approach

As on December 31, 2018 **AED 000s**

Quantitative Disclosures	Exposures	Risk Weighted Assets
Gross Exposure prior to Credit Risk Mitigation	58,027,786	33,430,701

Less: Exposure covered by on-balance sheet Netting Agreements	-	-
Less: Exposures covered by Eligible Financial Collateral	-	-
Less: Exposures covered by Guarantees – Substitution of Risk weights	621,838	375,469
Less: Exposures covered by Credit Derivatives – Substitution of Risk weights	-	-
Less: Exposures covered by Collateral Comprehensive Approach	1,834,890	1,162,975
Net Exposures after Credit Risk Mitigation		**31,892,257**

25. Market Risk

Market risk is defined as exposure to adverse changes in the market value of portfolios and positions in financial instruments caused by changes in market factors such as currency rates, equity prices or profit rates.

- **Foreign Exchange Exposures**

This arises as a result of volatility in foreign exchange exposure. While the Group does not currently trade in foreign currencies for its own profit, it does have exposure to losses from open exposure to currencies it maintains to enable customer transactions. Capital allocation for market risk under Pillar 1 is on the basis of standardized approach.

- **Equity Exposures**

It may arise as a result of price volatility in various asset classes held by the Group. This includes equities, mutual funds, and other tradable assets. Under Pillar 1, the Group has calculated the capital charge for equity risk on the basis of standardized approach.

Financial Statement briefly define the approach considered by the Bank for managing market risk in the Bank including Equity Risk which may be referred in Note 4(v) Market Risk.

As at 31 December 2018, the bank's total equity investment portfolio in the banking book amounted to AED 243 million, 100% of which represents quoted investments. For details of the accounting policies and valuation methodology, please refer to Note 4 (v) of the audited consolidated financial statements.

- **Profit Rate Risk Exposures**

The Profit Rate Risk exposure consists of exposure to profit rate movement due to mismatches in time periods its assets and liabilities. This risk is measured and monitored through limits and impact on earnings.

Capital Requirement for Market Risk under Standardized Approach

As on December 31, 2018	AED 000s
Market Risk	**Amount**
Profit Rate Risk	805
Equity Position Risk	-
Foreign Exchange Risk	68
Commodity Risk	-
Total Capital Requirement	**874**

Quantitative Details of Equity Position

As on December 31, 2018				AED 000s
Type	Current Year		Previous Year	
	Publicly Traded	Privately Held	Publicly Traded	Privately Held
Equities Securities and Sukuk Fund	243,525	-	412,039	-
Collective investment schemes	-	-	-	-
Any other investment	-	-	-	-
Total	243,525	-	412,039	-

Realized, Unrealized & Latent Revaluation Gains (losses) during the year for Equity Position

As on December 31, 2018	AED 000s
Gains (Losses)	**Amount**
Realized gains (losses) from sales and liquidations	-
Unrealized gains (losses) recognized in the balance sheet but not through profit and loss account	-
Latent revaluation gains (losses) for investment recorded at cost but not recognized in balance sheet or profit and loss account	-
Total	**-**

Capital Requirements by Equity

As on December 31, 2018	AED 000s
Grouping	**Amount**
Financial Assets at amortized Cost	-
Fair Value Through Other Comprehensive Income	243,525
Fair Value Through Profit & Loss	-
Total Capital Requirement	243,525

Profit Rate Risk in Banking Book (PRBB)

As on December 31, 2018		AED 000s
Shift in Yield Curves	**Net Profit Income**	**Regulatory Capital**
+200 basis point	4,354	178,853
-200 basis point	(4,354)	(201,458)

26. Operational Risk

Operational Risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The Group's exposure to operational risk arises as a consequence of the Group's Business activities. It is the objective to minimize exposure to operational risk.

The Group computes the capital charge for operational risk by using the Basic Indicator Approach as per the guideline. However, it is strengthening its policy, processes and tools to ensure a gradual transition to more advanced approaches.

The governance structure of operational risk management at the Group level is through the Management committee, which is responsible for overseeing all material operational risks, responses to risk issues and the adequacy and effectiveness of controls.

The primary responsibility for the management of operational risk rests with the business and support functions as an integral component of their first line risk management responsibilities. They are assisted in their responsibilities by embedding unit operational risk managers at the "grass roots level" within the Group.

A key risk indicator framework has been implemented across the Group, acting as an early warning trigger to identify potential risks of activities and projects in the Group and assist in reducing any likely loss or help in improving controls.

Operational Risk Basic Indicator Approach

As on December 31, 2018 — AED 000s

Approach	Gross Income			Average of Last 3 years	Beta Factor	Basel Capital Charge	CBUAE Capital Charge
	Year 3	**Year 2**	**Last Year**				
Basic Indicator Approach	1,582,806	1,323,336	1,395,715	1,433,952	15%	215,093	282,309

27. Liquidity Risk

The risk that a bank may not be able to meet its obligations when due, at an acceptable market cost, is termed liquidity risk. Liquidity risk is measured by slotting all assets and liabilities with respect to cash inflow and cash outflow in predefined maturity buckets commonly known as liquidity gap analysis.

Liquidity risk is defined as the risk of losses that may arise because;

- A bank's funding costs increase disproportionately;
- Lack of funding prevents a Bank from establishing new business; or
- Lack of funding will ultimately prevent a bank from meeting its obligations.

Liquidity management at the Group is based on monitoring and managing liquidity risks in various scenarios. It is a natural element of the Group's business strategy to assume risks in the management of the liquidity profile of the Group. The Group's policies have been defined with respect to the maximum tolerance negative gap the Group wishes to accept and the funding that is required closing and managing this gap respectively.

The management of liquidity risk aims primarily at ensuring that the negative gap in each maturity bucket does not exceed internally set limits which are set in line with the Group's risk appetite. In order to meet negative cash flows during ordinary course of business as well as during the stress condition, the Group keeps a liquidity buffer in the form of liquid assets comprising of Central Bank Reserves and Other Marketable Securities; these are sufficient to meet obligations and ensure the availability of cash or collateral to fulfill those needs at the appropriate time.

Contingency plans have been implemented aiming to ensure that the Group is sufficiently prepared to take remedial action if an unfavorable liquidity situation should arise. RMD has set limits for liquidity risks, which are applicable on a maximum cumulative cash outflow that the Group can allow within a specific time band. The key business & support unit stakeholders receive reports on the Group liquidity risks regularly. The ALCO continuously assesses developments in the Group's liquidity position and approves long-term funding plans. Liquidity Profile is disclosed in note 4 (vii) of financial statement.