Credit Agricole CIB – UAE

Pillar 3 Market Disclosures
Quarter 1-2023

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1 Introduction

The Basel 3 agreements are structured around three pillars:

- **Pillar 1** determines the minimum capital adequacy requirements and ratio levels in accordance with current regulatory framework:
- **Pillar 2** supplements the regulatory approach with the quantification of a capital requirement covering the major risks to which the Bank is exposed, based on the methodologies specific to it;
- **Pillar 3** introduces new standards for financial disclosures to the market. These must detail the components of regulatory capital, the assessments of risks both with regard to the regulations applied and the activity during the period.

Credit Agricole CIB publishes the qualitative and quantitative information required for a large listed institution, included in the consolidation scope of the Credit Agricole S.A Group.

Solvency Management is primarily aimed at assessing the capital and ensuring it is sufficient to cover the risks to which Credit Agricole CIB is or may be exposed in light of its activities,to that end, Credit Agricole CIB group measures regulatory capital requirements (Pillar 1) and manages regulatory capital by relying on short and medium term forward looking measures, consistent with budget projections, based on a central economic scenario.

Credit Agricole S.A's subsidiaries under exclusive control and subject to compliance with capital requirements, including the Credit Agricole CIB Group are allocated capital at a consistent level, taking into account local regulatory requirements, the capital requirements needed to finance their development and a management buffer tailored to the volatility of their CET1 ratio.

In addition, the group has a comprehensive Internal Capital Adequacy Assessment Process (ICAAP) developed in accordance with the interpretation of the regulatory texts below. The ICAAP includes in particular:

- governance of capital management
- measurement of economic capital requirements based on risk identification process and a quantification of capital requirements using an internal approach (Pillar 2)
- performance of ICAAP stress tests aimed at stimulating capital destruction after 3 years of an adverse economic scenario
- a qualitative ICAAP that formalizes the major areas of risk assessment.

The Pillar 3 disclosures, based on a common framework, are an effective means of informing the market about the risks faced by a bank, which will allow market participants to assess key information on the scope of application, capital, risk exposure, risk assessment process and hence the capital adequacy of the bank.

Verification:

The Pillar 3 Disclosures have been prepared in accordance with the latest Capital Adequacy Standards issued by UAE Central bank. This report has been jointly compiled by Risk, Finance and Human Resource departments. Pillar 3 disclosures for the quarter ended 31 March 2023 have been reviewed/validated by the management and internal audit.

2 Overview of Risk management, Key Prudential Metrics and RWA

2.1 Key metrics (KM1)

Key prudential regulatory metrics related to regulatory capital, leverage ratio and liquidity standards have been included in the following table.

		MAR-23 AED 000	DEC-22 AED 000	SEP-22 AED 000	JUN-22 AED 000	MAR-22 AED 000
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1)	372,896	371,580	371,221	370,911	370,837
1a	Fully loaded ECL accounting model	372,896	371,580	371,221	370,911	370,837
2	Tier 1	372,896	371,580	371,221	370,911	370,837
2a	Fully loaded ECL accounting model Tier 1	372,896	371,580	371,221	370,911	370,837
3	Total capital	372,896	371,580	371,221	370,911	370,837
3a	Fully loaded ECL accounting model total capital	372,896	371,580	371,221	370,911	370,837
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	804,558	683,065	624,450	558,042	615,202
	Risk-based capital ratios as a percentage of RWA					
5	Common Equity Tier 1 ratio (%)	46.35%	54.40%	59.45%	66.47%	60.28%
5a	Fully loaded ECL accounting model CET1 (%)	46.35%	54.40%	59.45%	66.47%	60.28%
6	Tier 1 ratio (%)	46.35%	54.40%	59.45%	66.47%	60.28%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	46.35%	54.40%	59.45%	66.47%	60.28%
7	Total capital ratio (%)	46.35%	54.40%	59.45%	66.47%	60.28%
7a	Fully loaded ECL accounting model total capital ratio (%)	46.35%	54.40%	59.45%	66.47%	60.28%
	Additional CET1 buffer requirements as a percentage of RWA					
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.50%	2.50%	2.50%	2.50%	2.50%
9	Countercyclical buffer requirement (%)	0.00%	0.00%	0.00%	0.00%	0.00%
10	Bank D-SIB additional requirements (%)	0.00%	0.00%	0.00%	0.00%	0.00%
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9+ row 10)	2.50%	2.50%	2.50%	2.50%	2.50%
12	CET1 available after meeting the bank's minimum capital requirements (%)	35.85%	43.90%	48.95%	55.97%	49.78%
	Leverage Ratio					
13	Total leverage ratio measure	1,868,373	1,651,189	1,579,280	1,539,265	1,564,786
14	Leverage ratio (%) (row 2/row 13)	19.96%	22.50%	23.51%	24.10%	23.70%
14a	Fully loaded ECL accounting model leverage ratio (%) (row 2A/row 13)	19.96%	22.50%	23.51%	24.10%	23.70%
14b	Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	19.96%	22.50%	23.51%	24.10%	23.70%
	ELAR					
21	Total HQLA	441,350	441,968	447,074	464,602	445,474
22	Total liabilities	339,549	256,108	228,463	265,612	207,091
23	Eligible Liquid Assets Ratio (ELAR) (%)	130%	173%	196%	175%	215%
	ASRR					
24	Total available stable funding	476,501	399,751	421,215	445,970	458,010
25	Total Advances	184,836	133,056	130,183	56,652	34,981
26	Advances to Stable Resources Ratio (%)	38.79%	33.28%	30.91%	12.70%	7.64%

Narrative Commentary on QoQ variance:

CAR: Variance on risk weighted asset is mainly due to increase in utlizations under short term traded finance produts like discounting and performance guarantees

ASRR: Variance on total advances is mainly due to increase in trade bill discountings.

ELAR: Variance on ELAR is predominantly due to increase in short term deposits.

Few other assets have been reclassified correctly to 100%,yet with negligible impact oof only 0.001% on revised CAR ratio.

2.2 Overview of Risk Management, Key Prudential Metrics and RWA (OV1)

The overall solvency ratio, as presented in the prudential ratio table is equal to the ratio of the total capital to the sum of the credit, market and operational risk-weighted exposures.

The following table provides an overview of total Risk Weighted Assets:

		RWA		Minimum capital requirements
		MAR-23 AED 000	DEC-22 AED 000	MAR-23 AED 000
1	Credit risk (excluding counterparty credit risk)	784,890	660,362	82,413
2	Of which: standardised approach (SA)	784,890	660,362	82,413
3	[redacted]			
4				
5				
6	Counterparty credit risk (CCR)	4	-	-
7	Of which: standardised approach for counterparty credit risk	4	-	-
8	[redacted]			
9				
10				
11				
12	Equity investments in funds - look-through approach	-	-	-
13	Equity investments in funds - mandate-based approach	-	-	-
14	Equity investments in funds - fall-back approach	-	-	-
15	Settlement risk	-	-	-
16	Securitisation exposures in the banking book	-	-	-
17	[redacted]			
18	Of which: securitisation external ratings-based approach (SEC-ERBA)	-	-	-
19	Of which: securitisation standardised approach (SEC-SA)	-	-	-
20	Market risk	625	583	66
21	Of which: standardised approach (SA)	625	583	66
22	[redacted]			
23	Operational risk	19,039	22,119	1,999
24	[redacted]			
25				
26	**Total (1+6+10+11+12+13+14+15+16+20+23)**	**804,558**	**683,065**	**84,479**

Narrative Commentary

Exposure remains in line with normal business operating activity. Variation in Credit risk weighted assets is mainly due to increase in exposure related to bill discounting, import finance loan and performance guarantees.

3 Leverage ratio

		a	b
		MAR-23 AED 000	DEC-22 AED 000
	On-balance sheet exposures		
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	793,061	622,028
2	Gross-up for derivatives collateral provided where deducted from balance sheet assets pursuant to the operative accounting framework	-	-
3	(Deductions of receivable assets for cash variation margin provided in derivatives transactions)	-	-
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	-	-
5	(Specific and general provisions associated with on-balance sheet exposures that are deducted from Tier 1 capital)	-	-
6	(Asset amounts deducted in determining Tier 1 capital)	-	-
7	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)**	793,061	622,028
	Derivative exposures		
8	Replacement cost associated with *all* derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	-	-
9	Add-on amounts for PFE associated with *all* derivatives transactions	8	-
10	(Exempted CCP leg of client-cleared trade exposures)	-	-
11	Adjusted effective notional amount of written credit derivatives	-	-
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
13	**Total derivative exposures (sum of rows 8 to 12)**	8	-
	Securities financing transactions		
14	Gross SFT *assets* (with no recognition of netting), after adjusting for sale accounting transactions	-	-
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
16	CCR exposure for SFT assets	-	-
17	Agent transaction exposures	-	-
18	**Total securities financing transaction exposures (sum of rows 14 to 17)**	-	-
	Other off-balance sheet exposures		
19	Off-balance sheet exposure at gross notional amount	2,522,336	2,533,115
20	(Adjustments for conversion to credit equivalent amounts)	(1,447,032)	(1,503,954)
21	(Specific and general provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital)	-	-
22	**Off-balance sheet items (sum of rows 19 to 21)**	1,075,304	1,029,161
	Capital and total exposures		
23	**Tier 1 capital**	372,896	371,580
24	**Total exposures (sum of rows 7, 13, 18 and 22)**	1,868,373	1,651,189
	Leverage ratio		
25	**Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)**	19.96%	22.50%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	-	-
26	CBUAE minimum leverage ratio requirement	3%	3%
27	**Applicable leverage buffers**	-	-

4 Liquidity

4.1 Eligible Liquid Assets Ratio (ELAR) (AED 000)

1	High Quality Liquid Assets	Nominal amount	Eligible Liquid Asset
1.1	Physical cash in hand at the bank + balances with the CBUAE	441,350	
1.2	UAE Federal Government Bonds and Sukuks	-	
	Sub Total (1.1 to 1.2)	441,350	441,350
1.3	UAE local governments publicly traded debt securities	-	
1.4	UAE Public sector publicly traded debt securities	-	
	Sub total (1.3 to 1.4)	-	-
1.5	Foreign Sovereign debt instruments or instruments issued by their respective central banks	-	-
1.6	**Total**	**441,350**	**441,350**
2	Total liabilities		339,549
3	**Eligible Liquid Assets Ratio (ELAR)**		**1.30**

Narrative Commentary

Data is based on simple average of daily observations calculated over a period of 90 days starting 1st of January 2023 to end of March 2023.

4.2 Advances to Stables Resource Ratio (ASRR) (AED 000)

		Items	Amount
1		**Computation of Advances**	
	1.1	Net Lending (gross loans - specific and collective provisions + interest in suspense)	140,842
	1.2	Lending to non-banking financial institutions	-
	1.3	Net Financial Guarantees & Stand-by LC (issued - received)	19,582
	1.4	Interbank Placements	24,412
	1.5	**Total Advances**	184,836
2		**Calculation of Net Stable Ressources**	
	2.1	Total capital + general provisions	375,600
		Deduct:	
	2.1.1	Goodwill and other intangible assets	-
	2.1.2	Fixed Assets	1,776
	2.1.3	Funds allocated to branches abroad	-
	2.1.5	Unquoted Investments	-
	2.1.6	Investment in subsidiaries, associates and affiliates	-
	2.1.7	**Total deduction**	1,776
	2.2	**Net Free Capital Funds**	373,824
	2.3	**Other stable resources:**	
	2.3.1	Funds from the head office	-
	2.3.2	Interbank deposits with remaining life of more than 6 months	-
	2.3.3	Refinancing of Housing Loans	-
	2.3.4	Borrowing from non-Banking Financial Institutions	-
	2.3.5	Customer Deposits	102,677
	2.3.6	Capital market funding/ term borrowings maturing after 6 months from reporting date	-
	2.3.7	**Total other stable resources**	102,677
	2.4	**Total Stable Resources (2.2+2.3.7)**	476,501
3		**Advances TO STABLE RESOURCES RATIO (1.6/ 2.4*100)**	38.79