Basel III – Pillar 3 Disclosures

30-June -2025

Contents

Introduction

The Qatar Central Bank (QCB) supervises Dukhan Bank (the Bank) and its subsidiaries (together referred to as the “Group”) on a consolidated basis, and therefore receives information on the capital adequacy of, and sets capital requirements for, the Group as a whole. The capital requirements are computed at a Group level using the Basel III framework as laid out in QCB circular 3/2014 dated 06/01/ 2014. The Basel framework is structured around three ‘pillars’, with the Pillar 1 minimum capital requirements and Pillar 2 supervisory review process complemented by Pillar 3 market discipline. These disclosures are in line with the requirements of Pillar 3 under Basel Framework and is required by QCB bide circular 6/2022 dates 08/01/2022.

Pillar 3 Disclosure June 2025

Pillar 3 disclosures complement the minimum capital requirements and the supervisory review process. Its aim is to encourage market discipline by developing disclosure requirements which allow market participants to assess specified information on the scope of application of Basel III, capital, particular risk exposures and risk assessment processes, and hence the capital adequacy of the Group. Disclosures consist of both qualitative and quantitative information and are provided at the consolidated level. The disclosures presented as part of this document is in line with disclosure template provided by Basel Committee of Banking Supervision in DIS 10 dates 11/11/2021 and QCB circular 6/2022 dated 08/01/2022. The figures mentioned in the disclosures are in QAR Mn.

The QCB issued Basel III capital regulations in 2014 introducing minimum capital requirements at three levels, namely Common Equity Tier 1 (CET1), Additional Tier 1 (AT1) and Total Capital. Additional capital buffers (Capital Conservation Buffer - 2.5%) introduced are over and above the minimum CET1 requirement of 6%. In November 2022 QCB published revised capital guidelines mainly focused on updates on Pillar 1 capital requirements introduced Basel III – Reforms with January 2024 as timeline for adaption.

DIS20: Overview of risk management, key prudential metrics and RWA

KM1: Key Metrics (at consolidated group level)

		Jun-25	Dec-24	Jun-24
	Available capital (amounts)			
1	Common Equity Tier 1 (CET1)	12,268	11,784	11,659
1a	Fully loaded ECL accounting model	-	-	0
2	Tier 1	14,089	13,605	13,479
2a	Fully loaded ECL accounting model Tier 1	-	-	0
3	Total capital	14,913	14,375	14,191
3a	Fully loaded ECL accounting model total capital	-	-	
	Risk-weighted assets (amounts)			
4	Total risk-weighted assets (RWA)	81,501	82,942	79,806
	Risk-based capital ratios as a percentage of RWA			

		Jun-25	Dec-24	Jun-24
5	Common Equity Tier 1 ratio (%)	15.05%	14.21%	14.61%
5a	Fully loaded ECL accounting model CET1 (%)			
6	Tier 1 ratio (%)	17.29%	16.40%	16.89%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)			
7	Total capital ratio (%)	18.30%	17.33%	17.78%
7a	Fully loaded ECL accounting model total capital ratio (%)			
	Additional CET1 buffer requirements as a percentage of RWA			
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.50%	2.50%	2.50%
9	Countercyclical buffer requirement (%)	0.00%	0.00%	0.00%
10	Bank D-SIB additional requirements (%)	0.50%	0.50%	0.50%
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9+ row 10)	3.00%	3.00%	3.00%
12	CET1 available after meeting the bank's minimum capital requirements (%)	6.05%	5.21%	5.61%
	Leverage Ratio			
13	Total leverage ratio measure	133,637	132,399	127,314
14	Leverage ratio (%) (row 2/row 13)	10.54%	10.28%	10.59%
14a	Fully loaded ECL accounting model leverage ratio (%)	10.54%	10.28%	10.59%
	Liquidity Coverage Ratio			
15	Total HQLA	22,388	19,694	16,847
16	Total net cash outflow	17,578	11,770	12,817
17	LCR ratio (%)	127.36%	167.3%	131.4%
	Net Stable Funding Ratio			
18	Total available stable funding	78,335	78,284	74,533
19	Total required stable funding	73,522	73,156	71,481
20	NSFR ratio (%)	106.5%	107.0%	104.3%

OVA: Bank Risk Management Approach

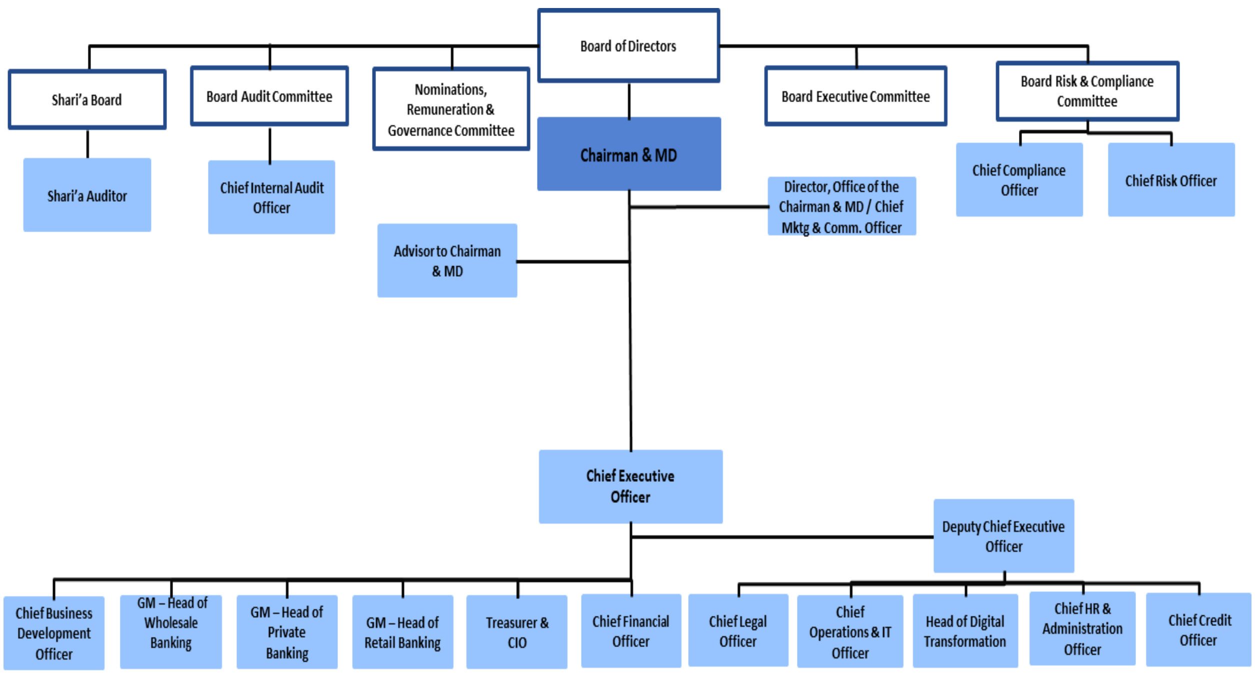
Dukhan Bank faces various financial and non-financial risks in its business and operations, including capital, credit, liquidity, market (trading and banking_book), compliance, legal,IT and cyber security and operational risks. In order to manage these risks, the Bank has developed procedures (Risk Policies and Procedures) to ensure that appropriate risk governance is exercised at all levels of the Bank, including the Board of Directors, Executive Committees, the Senior Management team as well as all the departments in the Bank.

The Banks Risk Policies and Procedures document the framework for the identification and measurement of a wider array of risk types as set out above, prescribe appropriate risk limitations, monitor, and record the events of such risks on an ongoing basis and prescribe appropriate remedial action. The Bank has established a risk management framework for the entire group, which is reviewed on an annual basis. At the same time, Bank maintains its compliance with Basel III, QCB and other regulatory guidelines.

Risk Management Framework

Risk is inherent in the business of Banking; however, it is managed though established mechanisms that identify, assess, measure, monitor and control those risk. The prudence in the risk management framework of Dukhan Bank is largely due to pre-determined roles and responsibilities assigned to Board of Directors, Risk management committees, Executive committees, Senior Management along with individual employees in the Bank.

Risk management is critical to the Bank's continuing profitability and sustainability and each individual in the Bank is responsible for risk exposure related to their roles in accordance with "three lines of defense" principle. The Bank promotes a robust risk culture across the organization though a top-down risk governance structure (as shown below)



The overall responsibility of risk management (executed via pertinent committees/ Senior Management/ Risk Management Division- RMD) rests with the Board of Directors (BOD). Therefore, it is the duty of the BOD to recognize the risks to which the Bank is exposed and to ensure the Implementation of a risk management framework and maintaining adequate and capable infrastructure to support the framework.

The Board Audit Compliance and Risk Committee (BACRC) is designated by the BOD to fulfill its oversight responsibilities which includes

- Ensuring the existence of sound internal controls within the Bank.
- Examining and following up on issues raised by internal auditors, external auditors and QCB.
- Reviewing progress made by Bank in the identification of risks.
- Ensuring implementation of action plans to monitor and manage all risks across the Bank

- Reviewing matters of compliance to ensure the Bank meets regulatory and legal requirements.
- Reviewing and approving of risk measurement methodologies and assumptions.
- Reviewing various Risk reports on a periodic basis and identifying appropriate action.

The day-to-day risk management and implementation of the risk management framework is achieved through Risk management Division (RMD) under the guidance of the Chief Risk Officer (CRO). The RMD as the second line of defense is responsible administration, maintenance and support the overall risk management framework. The key responsibilities of RMD are

- Monitoring and reporting the risk positions to respective executive risk management committees and BACRC
- Proposing risk limits and quantification of risks in terms of capital and provision requirements.
- Ensuring proper implementation of Board approved risk framework
- Ensuring timely implementation of regulatory guidelines related to risk management department
- Co-ordinate with both first line and third line of defense (Internal Auditor) strengthen the existing risk management framework
- Provide awareness and training to business and operations divisions (first line of defense) related to risk management
- Ensuring adoption of robust risk culture across all departments of the Bank
- Carry out Bank wide periodical risk assessment, measurement, stress testing and regulatory reporting.

The Internal Audit department has the objective of providing assurance and consulting function designed to support the Bank to accomplish its goals by bringing a systematic auditing approach to evaluate the effectiveness of risk management, control, and governance processes. The Internal Audit, as a third line of defense, is organizationally independent from all other functions in the Bank, and accountable to provide independent assurance to the BOD through the Board Audit Compliance and Risk Committee (BACRC).

The Bank has also established executive level committees for ensuring wholistic risk management across the organization.

Asset & Liability Management Committee (ALCO) is responsible for

- Develop and review the ALM strategy of the Bank.
- Propose liquidity, profit rate, foreign exchange, investment strategies, objectives, policies and limits and submit them to the Board Audit, Compliance and Risk Committee (BACRC)
- Propose to the management committee and implement policies to allocate available capital and other funding to the operations, together with the related cost of such funding.
- Review and approve Contingency Liquidity Plan (CLP) for the bank.
- Propose emergency funding policies to the Board of Directors
- Communicate the approved strategies and policies to all concerned in the Bank.
- Identify funding requirements for each business group and means to address funding gaps.
- Ensure compliance with the ALM guidelines, set by the Risk committee.
- Ensure that procedures and controls are put in place for implementing the policies.
- Define Funds transfer pricing guidelines.
- Suggest the hurdle rates for the business unit level.
- Review the scenarios to be considered for the recovery plan and identify the set of recovery options that can be executed in the event of crisis, where the survival of the Bank is at risk.

The Operational Risk Management Committee is responsible for

- Committee is responsible for managing and overseeing all aspects of operational risk including the business continuity in the Bank.
- Committee ensures that all operational risk policies are effectively implemented and the system / platform to monitor and report inherent operational risks is robustly protecting the interests of the Bank.
- Approve and oversee the implementation of ORMF to explicitly manage operational risk as a distinct risk to the Bank's safety and soundness.
- To facilitate the identification and pro-active management of the top operational risks in the Organization.
- Review and approve policies and procedures relating to operational risk to ensure compliance with applicable laws and regulations.
- To analyze frauds and other significant operational losses or exceptions, including areas of regulatory non-compliance and breaches, and to recommend corrective measures (lessons learned) to prevent recurrences across all areas in the Bank.
- To raise awareness of new trends and developments in operational risk management techniques and alignment with best practices.
- To promote a sound risk culture in the Bank that proactively manages risk.
- Develop and implement BCM (Business Continuity Management) strategy, policies, processes, and procedures required to ensure critical business activities are continued in case of emergencies and major unforeseen disasters.
- Develop, review, and oversee implementation of Information Security policies and procedures, review emerging threats to the organization and endorse necessary plans /budgets to address it.
- To review and discuss significant Operational Risk Reports on key Operational Risks and action plans.

  The responsibilities of the credit risk committee are

- Evaluate the investment proposals in line with the risk appetite and strategy of the Bank.
- Recommend investment proposals to BACRC for review (if required) and ensure adequate mitigation actions are put in place.
- Ensure compliance to risk parameters and prudential limits approved by the Board.
- Monitor implementation of Credit Risk Management policy approved by the Board.
- Review the provisions for key investments.
- Review all past due cases.
- Promote a Risk Culture in the Group that proactively manages risk.
- Monitor adherence to Credit Policy
- Monitor trends in the credit quality of the bank's loan portfolio
- Approve/ recommend new requests/ renewals as per delegated authority.
- Approve product programs
- Approving excess over limits
- Approving extensions - beyond 90 days
- Approve amendments in terms and conditions
- Approve Deferral of documentation
- Approve/Recommend restructuring arrangements
- Approve Provisions
- Approve write-offs in line with QCB Guidelines

Risk Measurement Systems

As a key part of Pillar I risks, Dukhan Bank manages its credit risk as per established credit risk policies, internal credit ratings, regular obligor credit reviews and active monitoring at a credit portfolio level. Diversification of credit risk is managed with concentration limits at the individual, industry, geography, and product level. Other credit risk mitigation occurs through the use of collateral, guarantees, credit structures and appropriate credit documentation. The Bank manages its market risk exposures in line with market risk policies. Key traded risk mitigation occurs through a detailed framework of policies and management of capital resources. These tools and techniques provide the Risk Committee and the Board of Directors with the ability to control risk appetite, capital allocations and the active monitoring of strategic targets.

The user uses a leading asset-liability management and liquidity management solution to help optimize the management of the balance sheet and ensure that risk monitoring and controls are of the highest standards. Operational risk management has been enhanced with further implementation of data security systems, continuous training and awareness, improved business continuity infrastructure and disaster recovery sites. The same risk governance impetus is scheduled to continue in line with the continued implementation of the Banks business strategy.

The strategic risk management approach of the Bank leads to group-wide portfolio management, enterprise risk standards, asset/liability risk management, liquidity and market risk management, risk systems, , Internal Capital Adequacy Assessment Process (ICAAP) and regulatory relationships. Enterprise risk management standards are established in order to direct the overall internal control and governance activities, including risk model validations, and the establishment of relevant group policies in relation to principal risks and overall group risk classification's, detailed limit framework and regular monitoring. Other material risks including compliance, regulatory and legal risk, and reputational risk are managed through comprehensive policies & procedures and well-established processes for assessment, monitoring and mitigation of these risks.

Stress Testing

Following the principles set out in the Basel III Accord and regulatory guidelines provided by QCB, Dukhan Bank has in place an advanced framework for stress testing, which is wholly integrated with the Banks strategy, business decisions and financial forecast development. The key components of the stress testing framework emphasize the use of scenarios which captures the current economic and geopolitical challenges, integration with the Bank's risk governance, prudence of the methodologies being applied at each level of testing, and stresses relatable to the products of the Bank.

Various levels of stress testing and scenario analysis is performed to inform a holistic assessment of risk, probe loss potential, augment risk identification and monitoring. These include: (i) Top-down stress testing which informs strategic decisions, for example capital adequacy, and aids articulation and challenge of enterprise-level risk appetite and Strategic Risk Objectives; and (ii) Bottom-up stress testing which informs tactical risk specific actions, by way of portfolio monitoring, risk profitability measurement and reviewing appetite thresholds for enhanced internal controls. The suite of scenarios covers various historical, forward-looking, sensitivity stresses and what-if scenarios. Stress testing and scenario analysis can be performed at various levels of granularity.

The Bank considers stress testing and scenario analysis as one of the most important tools for risk management. Stress testing exercise provide useful insight into the specific vulnerabilities and risk characteristics of the Bank's portfolio. In addition, stress testing is a core aspect of the risk appetite calibration process linking bottom-up business plans and top-down Board risk appetite and capacity.

Various emerging risks in the short-term could pose a threat to strategic goals. Consolidated stress tests and scenario analysis probe the loss potential of plausible downturn scenarios. The impact on the credit outlook and market risk factors are calibrated and the potential volatility in the Bank earnings and capital adequacy quantified. In addition, scenarios and stress testing is also used to assess the capital and liquidity adequacy of the Bank (including subsidiaries and branches) as required by local regulators, and for internal risk management purposes. Scenario analysis is essential in strategic and financial planning purposes.

In accordance with IFRS 9 and FAS 30 guidelines for determining applicable credit impairment losses, the methodology incorporates forward-looking indicators in both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of expected credit loss (ECL). The Bank formulates a ‘base case’ view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by Qatar governmental bodies and global monetary authorities.

The Group follows a rigorous and forward-looking stress testing procedure (in line with pillar 2 requirements of Basel 3 Accord as well as taking into consideration QCB guidelines) that identifies possible events or changes in market conditions (or risk factors) that could adversely impact the Group. This requires foreseeing situations under hypothetical scenarios considering the question 'what -if' and development of stress tests in such scenarios. This enables the Group to be well equipped to cope with the crisis situations when they arise. Risk function has the responsibility of conducting periodic stress testing of the credit portfolio.

The stress-testing program of the Group involves the following steps:

- Capturing reliable data (accuracy and timeliness)
- Identification of risk factors that have an impact on the portfolio value. The different categories of risk factors used by the Group are:
  a. Obligor rating
  b. Environment (industry, economic, political, real estate prices, etc.)
  c. Model (assumptions, holding period, etc.)
  d. Analytics (correlation, transition matrices, etc.)
- Construction of stress tests on the basis of single factor or multi-factor scenarios
- Deciding magnitude of factor shock
- Running stress tests
- Reporting results of stress tests
- Assessing the impact of abovementioned results on capital adequacy of the Group
- Reassessing the relevance of stress tests on yearly basis.

Risk Mitigation

The Bank has set up a framework for credit risk mitigation as a step towards reducing credit risk in an exposure, at facility level, by a safety net of tangible and realizable securities including approved third-party guarantees/ insurance. Examples of the types of Credit Risk Mitigation (CRM) include netting agreements, collateral, and security, guarantees and other non-contractual support. The Bank ensures that all documentation is binding on all parties and is legally enforceable in all relevant jurisdictions. The Bank also ensures that all the documents are reviewed by appropriate authority and have appropriate legal opinions to verify and ensure its enforceability. Dukhan Bank has historically implemented a conservative credit policy. The Bank believes that its conservative approach to lending ensures that there is an adequate spread of the risk through a diverse product range and customer base (by geography, industry, and obligor type). The Bank also ascertains that its conservative credit policy promotes the application of effective credit risk limits in its business, while providing adequate returns on the risk that is on par with the management's expectations. The Bank's effective monitoring of its risk, together with a conservative internal risk rating system and a timely recovery strategy, further augments Dukhan Bank's approach to risk mitigation.

The Bank has deployed a robust operational risk framework, which mandates RCSA, a process of identification of risk and associated controls for risk mitigation. Any deficiency in the controls is immediately addressed along with close monitoring of the specific risk. The three lines of defense framework adopted by the Bank also supports risk mitigation through the bottom's up approach.

OV1: Overview of Risk Weighted Assets

		a	b	c	
		RWA		Minimum capital requirements	
		Jun-25	Dec-24	Jun-25	Dec-24
1	Credit risk (excluding counterparty credit risk)	72,704.38	74,426.90	9,451.57	9,675.50
2	Of which: standardized approach (SA)	72,704.38	74,426.90	9,451.57	9,675.50
3	Of which: foundation internal ratings-based (F-IRB) approach	-	-	-	-
4	Of which: supervisory slotting approach	-	-	-	-
5	Of which: advanced internal ratings-based (A-IRB) approach	-	-	-	-
6	Counterparty credit risk (CCR)	346.15	106.43	45.00	13.84
7	Of which: standardized approach for counterparty credit risk	346.15	106.43	45.00	13.84
8	Of which: IMM	0.00	-	-	-
9	Of which: other CCR	0.00	-	-	0.00
10	Credit valuation adjustment (CVA)	346.15	106.43	45.00	13.84
11	Equity positions under the simple risk weight approach and the internal model method during the five-year linear phase-in period	0	-	-	-

		a	b	c	
		RWA		Minimum capital requirements	
		Jun-25	Dec-24	Jun-25	Dec-24
12	Equity investments in funds – look-through approach	0	-	-	-
13	Equity investments in funds – mandate-based approach	198.44	183.87	26	24
14	Equity investments in funds – fallback approach	59.37	59.37	8	8
15	Settlement risk		-	-	-
16	Securitization exposures in banking book		-	-	-
17	Of which: securitization IRB approach (SEC-IRBA)			0.00	0.00
18	Of which: securitization external ratings-based approach (SEC-ERBA), including internal assessment approach (IAA)			0.00	0.00
				0.00	0.00
19	Of which: securitization standardized approach (SEC-SA)			0.00	0.00
20	Market risk	3,562.80	3,775.56	463.16	490.82
21	Of which: standardized approach (SA)	3,562.80	3,775.56	463.16	490.82
22	Of which: internal model approach (IMA)	-	-	-	-
23	Capital charge for switch between trading book and banking book	-	-	-	-
24	Operational risk	4,283.83	4,283.83	556.90	556.90

		a	b	c	
		RWA		Minimum capital requirements	
		Jun-25	Dec-24	Jun-25	Dec-24
25	Amounts below the thresholds for deduction (subject to 250% risk weight)	-	-		
26	Output floor applied	-	-		
27	Floor adjustment (before application of transitional cap)	-	-		
28	Floor adjustment (after application of transitional cap)	-	-		
29	Total (1 + 6 + 10 + 11 + 12 + 13 + 14 + 15 + 16 + 20 + 23 + 24 + 25 + 28)	81,501.13	82,942.39	10,595.15	10,782.51

CC1: Composition of Regulatory Capital

		Jun-25	Dec'24
	Common Equity Tier 1 capital: instruments and reserves	**Amounts**	**Amounts**
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	5,234.10	5,234.10
2	Retained earnings	1,083.77	722
3	Accumulated other comprehensive income (and other reserves)	6,657.80	6,610
4	Directly issued capital subject to phase-out from CET1 (only applicable to non-joint stock companies)		-
5	Common share capital issued by third parties (amount allowed in group CET1)		-
6	**Common Equity Tier 1 capital before regulatory deductions**	**12,975.76**	**12,566**
	Common Equity Tier 1 capital regulatory adjustments		
7	Prudent valuation adjustments		
8	Goodwill (net of related tax liability)	717.55.78	756.78

		Jun-25	Dec'24
9	Other intangibles other than mortgage servicing rights (net of related tax liability)	0	0
10	Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of related tax liability)	0	0
11	Cash flow hedge reserve	(24.16)	3.73
12	Securitization gain on sale		-
13	Gains and losses due to changes in own credit risk on fair valued liabilities		-
14	Defined benefit pension fund net assets		-
15	Investments in own shares (if not already subtracted from paid-in capital on reported balance sheet)	14.31	21.12
16	Reciprocal cross-holdings in common equity	-	-
17	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
18	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-
19	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-
20	Amount exceeding 15% threshold	-	-
21	Of which: significant investments in the common stock of financials	-	-
22	Of which: deferred tax assets arising from temporary differences	-	-
23	QCB specific regulatory adjustments	-	-
24	**Total regulatory adjustments to Common Equity Tier 1**	**707.7**	781.63
25	**Common Equity Tier 1 capital (CET1)**	**12,268.06**	**11,784.40**
	Additional Tier 1 capital: instruments		
26	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	1820.75	1,820.75
27	OF which: classified as equity under applicable accounting standards	1820.75	1,820.75
28	Of which: classified as liabilities under applicable accounting standards	-	-
29	Directly issued capital instruments subject to phase-out from additional Tier 1	-	-

		Jun-25	Dec'24
30	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in AT1)	-	-
31	Of which: instruments issued by subsidiaries subject to phase-out	-	-
32	Additional Tier 1 capital before regulatory adjustments	1820.75	1,820.75
	Additional Tier 1 capital: regulatory adjustments		
33	Investments in own additional Tier 1 instruments	-	-
34	Investments in capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-
35	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-
36	QCB specific regulatory adjustments	-	-
37	Total regulatory adjustments to additional Tier 1 capital	-	-
38	**Additional Tier 1 capital (AT1)**	**1820.75**	1,820.75
39	**Tier 1 capital (T1= CET1 + AT1)**	**14,088.81**	13,605.15
	Tier 2 capital: instruments and provisions		
40	Directly issued qualifying Tier 2 instruments plus related stock surplus	-	-
41	Directly issued capital instruments subject to phase-out from Tier 2	-	-
42	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	-	-
43	Of which: instruments issued by subsidiaries subject to phase-out	-	-
44	Provisions	824.123	769.435
45	**Tier 2 capital before regulatory adjustments**	**824.123**	769.435
46	**Tier 2 capital: regulatory adjustments**		
47	Investments in own Tier 2 instruments	-	-
48	Investments in capital, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	-
49	Significant investments in the capital and other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	-

		Jun-25	Dec'24
50	QCB specific regulatory adjustments	-	-
51	**Total regulatory adjustments to Tier 2 capital**	-	-
52	**Tier 2 capital (T2)**	824.123	769.435
53	**Total regulatory capital (TC = T1 + T2)**	14,912.93	14,374.59
54	**Total risk-weighted assets**	81,501.13	81,501.13
55	**Capital ratios and buffers**		
56	**Common Equity Tier 1 (as a percentage of risk-weighted assets)**	15.05%	15.05%
57	**Tier 1 (as a percentage of risk-weighted assets)**	17.29%	17.29%
58	**Total capital (as a percentage of risk-weighted assets)**	18.30%	18.30%
59	**Institution specific buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus higher loss absorbency requirement, expressed as a percentage of risk-weighted assets)**		
60	**Of which: capital conservation buffer requirement**	2.50%	2.50%
61	**Of which: bank-specific countercyclical buffer requirement**		
62	**Of which: higher loss absorbency requirement (e.g. DSIB)**	0.50%	0.50%
63	**Common Equity Tier 1 (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirement.**	6.05%	6.05%
64	**The QCB Minimum Capital Requirement**		
65	Common Equity Tier 1 minimum ratio	8.50%	8.50%
66	Tier 1 minimum ratio	10.50%	10.50%
67	Total capital minimum ratio	12.50%	12.50%

CC2: Reconciliation of regulatory capital to balance sheet

	Balance sheet as in published financial statements	Under regulatory scope of consolidation
	As of June-25	As of Dec-24
Assets		
Cash and balances with the Central Bank	3,700	3,700
Due from banks and financial institutions	2,555	2,555
Islamic financing and investing assets, net	85,815	85,815
Investments in Islamic Sukuk	23,181	23,181
Investments in associates and joint ventures	10	10
Investment property	134	134
Fixed assets	866	866

Intangible assets	718	718
Other assets	1,285	1,285
Total assets	**118,264**	**118,264.45**
Liabilities		
Customer's deposits	82,820.90	82,820.90
Due to banks and financial institutions	15,007.08	15,007.08
Sukuk issued	2,934.23	2,934.23
Payables and other liabilities	2,278.30	2,278.30
Zakat payable	0	0.00
Total liabilities	**103,040.51**	**103,040.51**
Shareholders' equity		
Share capital	5,234.10	5,234.10
Tier 1 sukuk	1,820.75	1,820.75
Other reserves and treasury shares	6,676.59	6,657.80
Investments fair value reserve	-8.95	-8.95
Exchange translation reserve	0	0.00
Retained earnings	1,501	1,083.77
Non-controlling Profits	0.09	0.09
Total shareholders' equity	**15,223.94**	**14,787.57**

DIS30: Links between financial statements and regulatory exposures

The Bank currently do not have any differences between accounting and regulatory exposures and consolidation.

DIS31: Asset encumbrance

ENC: Asset encumbrance

		a	b	c	d
The assets on the balance sheet would be disaggregated; there can be as much disaggregation as desired	Period	Encumbered assets	[Optional] Central bank facilities	Unencumbered assets	Total
	Jun-25	2,075	3,700	112,489	118,264
	Dec-24	1,103	3,639	113,198	117,940

DIS40: Credit risk

CRA: General Qualitative information about Credit Risk

Dukhan Bank manages its credit risk exposure through diversification of its lending and financing, investments and capital markets activities to avoid undue concentrations of risk with individuals or groups of customers in specific locations or business lines. It also ensures that adequate collateral is obtained wherever possible, including cash, treasury bills, guarantees, sukuks, mortgages over real estate properties and pledges over shares. The Bank uses the same credit risk procedures when entering into derivative transactions as it does for traditional lending products. Formal sustainability requirements are integrated within the wholesale credit policy and the Bank has incorporated environmental, social and governance due diligence into the credit review practices.

The Bank, acting through the Credit Committee, has implemented corporate credit approval processes governing all lending by the Bank. Management believes that the Bank success in achieving low levels of non-performing loans has been due to the Bank's strict adherence to this approval process. Before any credit exposure can be onboarded by the Bank, the relationship manager for the respective customer must provide a credit application, in a prescribed format, to the Credit Risk Department, which will review, analyses and prepare an independent credit assessment and a recommendation for consideration by the Credit Committee. The credit presentation must include a detailed background on the borrower, including its intermediate and ultimate owners, sector, business operations, non-financial risks, historical financial statements, forward-looking financial information, the facility structure, relevant documentation and available collateral. Each such credit application also includes a calculation of the RAROC at both facility and customer level and an obligor risk rating and facility risk rating in accordance with Bank's group-wide corporate risk rating policy.

Internal Risk Rating and Related Credit exposure

It is Bank's policy to maintain accurate and consistent risk ratings across its credit portfolio. This facilitates focused management of the applicable risks and the comparison of credit exposures across all lines of business, geographic regions and products. The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Bank's rating policy. The attributable risk ratings are assessed and updated regularly, and the system consists of a 10-scale credit rating system with positive and negative modifiers, giving a total scale range of 22 (compared to QCB's five-scale credit rating system), of which 19 (with positive and negative modifiers) relate to "performing", and three to "non-performing", as follows:

Internal Risk Rating	TTC PD	12 Month PD	Equivalent Moody's Rating	Grades
1	0.03%	0.03%	Aaa	Investment Grade
2+	0.03%	0.03%	Aa1	
2	0.03%	0.03%	Aa2	
2-	0.03%	0.03%	Aa3	
3+	0.04%	0.03%	A1	
3	0.06%	0.03%	A2	
3-	0.10%	0.03%	A3	
4+	0.15%	0.05%	Baa1	

Internal Risk Rating	TTC PD	12 Month PD	Equivalent Moody's Rating	Grades
4	0.22%	0.09%	Baa2	
4-	0.34%	0.15%	Baa3	
5+	0.52%	0.26%	Ba1	Sub-investment Grade
5	0.79%	0.46%	Ba2	
5-	1.21%	0.81%	Ba3	
6+	1.85%	1.39%	B1	
6	2.83%	2.34%	B2	
6-	4.32%	3.85%	B3	
7+	6.60%	6.20%	Caa1	
7	10.08%	9.82%	Caa2	Watchlist
7-	15.40%	15.46%	Caa3 to C	
8	20% Provision		D	Default
9	50% Provision		D	
10	100% Provision		D	

Non-Performing Financing

Dukhan Bank classifies problem financing as "Substandard" (8), "Doubtful" (9) and "Bad Debt" (10). The overall management of problem financing is the responsibility of the Remedial Department, which reports to the Chief Credit Officer. Profit accruals in respect of problem financing are suspended automatically when the underlying financing have not been serviced for 90 days and, consequently, such financing are downgraded. If a borrower has more than one credit facility with the Bank, a downgrade of any single facility will lead to a full assessment of all outstanding credit with that borrower and will require the Remedial Department to recommend a plan of recovery.

The following are considered indications of non-performance under a credit facility:

- Failure to pay amounts due under the credit facility in full and on time and such payments remain outstanding for more than 90 days past due.
- Failure to pay amounts due in full and on time under other credit facilities that the Bank may have with the obligor
- Where an obligor has defaulted on a facility with another financial institution and a cross-default clause may be invoked
- Where the customer enters into a rescheduling agreement or analogous arrangement
- When the QCB, or other competent regulator, requests that an asset be classified in one of the non-performing categories, including as a Special Mention asset then, as a matter of policy, the rating requested by the regulator shall be the one used by the Bank.

Restructuring of Credit Facilities

In line with industry best practices and widely approved regulatory standards, the Bank typically defines an existing obligor with a 90 Days Past Due instance over its credit commitments (and / or repayments) as in default. Besides, as cited in the Basel supervisory framework; if the bank considers that the obligor is unlikely to pay its credit obligations to the bank in full, without recourse by the bank to actions such as liquidating collateral (if collateral is held) the obligor will be classified as default as well. Conditions describing unlikeliness to pay comprise a wide range of events including but not limited to cross-default, being classified as default in another financial institution, adverse market information etc. However, specific conditions of remedial cases, as defined under the Wholesale and Institutional Banking Credit Policy, apply for obligors in default, ORR 8, 9, and 10 must be used with due approvals from designated Credit Officers / Credit Committee. The Policy recognizes that supervisory rules relevant at local / jurisdictional level may be different from the 'standard' 90 days Past-Due definitions.

Financings modified purely because of non-stress reasons like retaining a reputed customer etc. are regarded as the commercially modified assets. The bank does not incur material losses due to these kinds of restructuring. The losses due to these kinds of restructuring would be compensated for by future benefits. Some examples of Restructured cases where asset modification due to commercial reasons occurs are as follows:

- Any changes in profit rates for strategic reasons
- Any payment holidays declared for particular groups due to strategic or at behest of regulator
- Any change to maturity that is initiated by the customer, who is in no financial difficulty, and the
- Bank is comfortable that even if the modification is not done, the client would be able to service the debt.

Such assets that are modified due to commercial reasons can be treated as Stage 1 of (IFRS 9/ FAS 30) as there are no signs of significant increase of credit risk.

CR1: Credit Quality of Asset

As of Jun-25

		Gross carrying values of		Allowances/ Impairments (c)	Of which ECL accounting provisions for credit losses on SA exposures		Net values (a+b-c)
		Defaulted exposures (a)	Non-defaulted exposures (b)		Allocated in regulatory category of Specific (d)	Allocated in regulatory category of General (e)	
1	Loans	4,057	85,400	3,641	3,013	628	85,815
2	Debt securities	0	3,961	7	0	7	3,954
3	Off-balance sheet exposures	171	37,259	354	166	189	37,076
4	**Total**	4,228	126,621	4,003	3,179	824	126,846

As of Dec-24

		Gross carrying values of		Allowances/ Impairments (c)	Of which ECL accounting provisions for credit losses on SA exposures		Net values (a+b-c)
		Defaulted exposures (a)	Non-defaulted exposures (b)		Allocated in regulatory category of Specific (d)	Allocated in regulatory category of General (e)	
1	Loans	4,115	85,681	3,584	3,009	575	86,212
2	Debt securities	0	3,658	8	0	8	3,650
3	Off-balance sheet exposures	171	36,024	352	166	187	35,843
4	**Total**	4,286	125,363	3,944	3,174	769	125,705

The definition of default is same as the definition of non-performing asset mentioned in CRA (page 18)

CR2: Changes in Stock of Defaulted Financing and Sukuks

		June-25
1	**Defaulted Financing and Sukuk at the end Dec 24**	4,115
2	Financing and Sukuks that have defaulted since Dec 24	29
3	Returned to non-default status	0
4	Amounts written off	-60
5	Other changes	27
6	**Defaulted Financing and Sukuk at the end Dec 24 (1+2-3-4+5)**	**4057**

The Bank do not include off-balance sheet exposures in non-performing asset reporting.

CRC: Qualitative disclosure related to credit risk mitigation techniques

The Bank in the ordinary course of financing activities holds collateral as security to mitigate credit risk in financing. Collaterals mostly includes customer deposits and other cash deposits, highly rated sovereign securities issues in major currencies, financial guarantees, local and international equities listed in major indexes, real estate and other property and equipment. The collateral is held mainly against commercial and consumer financing and managed against relevant exposures related to financing. Enforceability, value and the volatility of the value of the asset, and the liquidity of the assets are the key considerations for the eligible collaterals. The fair value of collateral is based on valuation performed by the independent experts, quoted prices in regulated exchanges and the common valuation techniques. Valuations methods and valuation frequencies complies with relevant regulatory rules. Experts have used various approaches in determining the fair value of real estate collateral including market comparable approach based on recent actual sales or discounted cash flow approach considering risk adjusted discount. The Bank uses the credit risk mitigation approach as mentioned in Basel III Standardized approach and QCB circular 3/2014 for purpose of capital calculation.

It is essential to manage credit mitigation through the use of collateral, guarantees, credit structures and the protection of the Bank's position through proper use of the appropriate credit documentation, collateral, security and other support and legal documentation. Concentrations must be considered when accepting collateral or security assets which might be highly correlated to the exposure that it is securing. The Bank aims to diversify security assets and achieve low financing to value thresholds which can help mitigating the risk of collateral value depreciation and provides cushion for adverse market conditions. The Bank seeks to manage its credit risk exposure through diversification of its financing to ensure there is no undue concentration of risks with to individuals or groups of customers in specific geographical locations or economic sectors, which is achieved through Risk Appetite thresholds, Target Market Criteria and Risk Acceptance Criteria.

The credit risk exposure in respect of a debtor, counterparty or other obligor is mitigated or reduced by taking various types of collateral. Every effort is made to ensure that any collateral provided by a potential client is perfected in accordance with local legal requirements before credit is provided against that collateral. Such collateral is also maintained in a secure format, and valuations are undertaken as required during the lifetime of the credit exposure. The Bank has historically implemented a conservative credit policy. The Bank believes that its conservative approach to lending ensures that there is an adequate spread of the risk through a diverse product range and customer base (by geography, industry and obligor type). The Bank also believes that its conservative credit policy promotes the application of effective credit risk limits in its business, while providing adequate returns on the risk that is on par with the management's expectations. The Bank's effective monitoring of its risk, together with a conservative internal risk rating system and a timely recovery strategy, further strengthens the Bank's belief that it adequately meets and exceeds all regulatory limits and guidelines to which its business is subject.

CR3: Credit risk mitigation techniques – overview

	Exposures unsecured: carrying amount	Exposures to be secured	Exposures secured by collateral
Loans	6,235	80,707	15,704
Debt securities	22,230		
Total	28,465	80,707	15,704
Of which defaulted	1,043	0	0

CRD: Qualitative disclosure on banks' use of external credit ratings under the standardized approach for credit risk

The Bank used external credit rating under Standardized approach according with QCB circular 3/2014. The external credit assessment institution (ECAIs) recognized by the Bank are

i) Moody's Investor Services
ii) S&P Global Ratings
iii) Fitch Ratings
iv) Capital Intelligence

The above mentioned ECAIs are recognized by QCB for capital calculation under Standardized approach. The Group uses the ECAIs for the assessment of externally rated Corporates, Banks and Other institutions.

CR4: Standardized approach - credit risk exposure and CRM effects

	Exposures before CCF and CRM		Exposures post-CCF and CRM			RWA and RWA density	
Asset classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	Net Credit Exposure	RWA	RWA density
Sovereigns and their central banks	37,837	146	26,322	26	26,347	793	3.01%
Qatar Government Entities and Public Sector Entities	7,027	1,791	5,710	231	5,941	2,895	48.73%
Multilateral development banks	940	-	940	-	940	-	0.00%
Banks	4,347	2,630	4,347	1,764	6,111	2,209	36.15%
Corporates	21,393	31,508	19,342	12,685	32,026	31,167	97.32%
Of which: securities firms and other financial institutions	-	-	-	-	-	-	
Of which: specialised lending	-	-	-	-	-	-	
Subordinated debt, equity and other capital	400	-	400	-	400	420	105.00%
Retail	5,753	-	5,725	-	5,725	4,307	75.22%
Real estate	32,948	1,176	33,153	430	33,583	28,225	84.05%
Of which: general RRE	7,273	102	7,268	14	7,282	2,918	40.07%
Of which: IPRRE	11,400	490	11,309	295	11,603	8,313	71.64%
Of which: general CRE	516	0	516	0	516	10	2.00%
Of which: IPCRE	7,799	477	7,602	106	7,709	7,274	94.36%
Of which: land acquisition, development and construction	6,458	107	6,458	15	6,473	9,710	150.00%
Defaulted Exposures	1,043	6	1,043	2	1,046	538	51.43%
Other assets	2,597	-	2,597	-	2,597	2,151	82.81%
Total	**114,285**	**37,258**	**99,080**	**15,138**	**114,218**	**72,704**	**63.65%**

CR5: Standardized approach - exposures by asset classes and risk weights

Asset Classes / Risk Weight	0%	20%	30%	50%	75%	100%	150%	Others	Total credit exposures amount (post CCF and post-CRM)
Sovereigns and their central banks	25,495	74	-	-	-	778	-	-	26,347
Qatar Government Entities and Public Sector Entities	151	-	-	5,790	-	-	-	-	5,941
Multilateral development banks	940	-	-	-	-	-	-	-	940
Banks	-	2,697	2,289	405	-	598	122	-	6,111
Corporates	-	86	-	481	2,175	29,242	-	43	32,026
Of which: securities firms and other financial institutions	-	-	-	-	-	-	-	-	0
Of which: specialised lending	-	-	-	-	-	-	-	-	0
Subordinated debt, equity and other capital	-	-	-	-	-	-	112	288	400
Retail	-	-	-	-	5,674	51	-	-	5,725
Real estate	-	728	5,754	2,239	488		6,473	17,402	33,084
Of which: general RRE	-	728	1,735	2,239	-	-	-	2,580	7,282
Of which: IPRRE	-	-	4,019	-	488	-	-	7,097	11,603
Of which: general CRE	-	-	-	-	-		-	17	17
Of which: IPCRE	-	-	-	-	-	-	-	7,709	7,709
Of which: land acquisition, development and construction	-	-	-	-	-	-	6,473	-	6,473
Defaulted Exposures	-	-	-	1,016	-	30	0	-	1,046
Other assets	446	-	-	-	-	2,151	-	-	2,597
Total	27,032	3,585	8,043	9,932	8,336	32,850	6,706	17,733	114,218

DIS42: Counterparty credit risk

CCR1: Quantitative disclosure related to CCR

		a	b	c	d	e	f
		Replacement cost	Potential future exposure	Effective EPE	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
1	SA-CCR (for derivatives)	446	497		1.4	1,320	343
2	Internal Model Method (for derivatives and SFTs)						
3	Simple Approach for credit risk mitigation (for SFTs)						
4	Comprehensive Approach for credit risk mitigation (for SFTs)						
5	Value-at-risk (VaR) for SFTs						
6	**Total**						

CCR3: Quantitative disclosure related to CCR

Risk weight*→ / Regulatory portfolio*↓	a	b	c	d	e	f	g	h	i
	0%	10%	20%	50%	75%	100%	150%	Others	Total credit exposure
Sovereigns	18								18
Non-central government public sector entities									
Multilateral development banks									
Banks			593					694	1,287
Securities firms									
Corporates						16			16
Regulatory retail portfolios									
Other assets									
Total									1,320

DIS50: Market risk

MRA: General qualitative disclosure requirements related to market risk

Market risk is the risk to the change in Dukhan Bank's earnings or capital due to changes in profit rates, foreign exchange rates, equity and bond security prices. The Bank's exposure to market risk arises due to positions held in both trading and banking books. Market Risk is monitored using a range of metrics within tightly defined limits and within closely defined product mandates, reflecting the Bank's conservative approach to market risk.

The management of Market Risks are defined by Board approved policies, where oversight of market risk is delegated by the Board to the ALCO, which in turn defines the limits and mandates to the First Line of Defense functions in the Bank. Second line of Defense oversight is provided by the Market Risk Management, which monitors all market risks within the ALCO-approved delegated authority limits and product mandates. The Bank's Internal Audit act as the third line of defense in this management process

The market risk limits are set at conservative levels to reflect a limited appetite for this type of risk exposure.

Market risk exposures primarily relate to profit rate risk in the trading book and FX risks that generally arise as a result of the Bank's day-to-day business activities. These risks are generated through the course of the Bank's primary activity of financing and investments funded via liabilities with different profiles – primarily with respect to profit rates and currency (FX). These mismatches between profit rate and currencies are the primary drivers of market risk for Dukhan Bank.

FX and profit rate derivatives are used in both the Trading and Banking Book, primarily for the purposes of hedging to ensure that market risk remains within risk appetite and management limits. Derivatives are used to manage risk at a transaction or "back to back" level as well as to manage overall positions. The exposures to market risk are measured and monitored via a number of metrics against management limits as described below

i) Net currency open position
ii) Daily and monthly stop loss limits
iii) Concentration and other position exposures

Limits are monitored by Market Risk Management team on a daily basis with results reported to First line of defense and Executive Management. Any breaches of Group ALCO or Board limits are immediately escalated to relevant Executive stakeholders. In addition, the above metrics are supplemented with regular stress testing analysis based upon a range of historical and hypothetical severe but plausible events, as well as "forward looking" ad hoc scenario analysis to assess the potential impacts of evolving market issues. Periodic reports are provided to the Board of Directors, ALCO and Management Risk Committee summarizing key exposure measurements versus limits as well as summaries and recommendations with respect to new and emerging risks.

Trading Book Classification:

Trading book will consist of instruments that are held for trading activities. This includes financial as well as hedging instruments where there is no legal obligation against selling them or using them as a hedge in a Shariah Compliant manner.

As per the new QCB standards (Circular 33/2022), bank will place all the instruments having the following characteristics in the trading book and market risk capital will be calculated for the purpose of Capital Adequacy Ratio (CAR).

- Instruments held as accounting trading assets or liabilities,
- Listed Equities,
- Equity Investment in funds where the bank is not able to look through the composition of the fund and is not provided daily price quotes of the fund,
- Hedging instruments that are held for the purpose of hedging any position of the trading book,
- Options including Shariah Compliant hedging instruments from instruments that the bank issued out of its own banking book and that relate to credit or equity risk,
- Trading related repo transactions where the purpose of the transaction is excluding liquidity management or the transaction being valued at accrual for accounting purpose,

In addition to the above characteristics, bank will make sure to place every instrument that it holds to gain profit from short term price movements in the trading book. For listed equities, if the bank is holding such equities for a purpose other than trading such as, gaining dividends then the bank will write to the QCB regarding the same as the circular permits the banks to deviate from the presumptive list of trading book after the confirmation from QCB.

Instruments that are placed in the trading book will be fair valued on daily basis and any valuation change will be recognized in the Profit and Loss account.

The above set of characteristics will be referred to for the evaluation of instruments in and out of the trading book to evaluate whether they are properly classified at the acquisition level in the trading book. This evaluation will be done at-least annually by the banks internal control functions and will be a part of the market risk management framework with regular reporting if there is any deviation from the list on an on-going basis.

Movement Between Regulatory Books

Bank will make sure there limited or no movement between trading and banking book. If under any major publicly announced event, such as a bank restructuring, bank is forced to move some instruments within the regulatory book then after getting the approval the senior management of the Bank and QCB, bank will make sure to calculate the total capital requirement before and after the switch. If there is a negative difference be-tween the two capital amounts (After-Before), then the bank will add that in Pillar 1 as a capital surcharge. This surcharge will be allowed to run off as the position matures or expires on a case-to-case basis in a manner agreed with QCB.

Bank is not required to get approval from QCB if any instrument is reclassified as accounting trading asset or liability and it can be automatically switched from banking to trading book.

Internal Risk Transfers

Bank will document any transfer of risk in the following two conditions:

- Transfer within the same book (Banking or Trading),
- Transfer from one book to another (Banking to Trading or Trading to Banking)

In accordance with the QCB circular, Bank is not required to recognize any regulatory capital in the instance where there is an internal risk transfer from Trading Book to Banking Book for any reason (e.g economic rea-sons). For the transfer of Credit, Equity and Profit Rate Risk from Banking to Trading Book, Bank will follow the guidelines prescribed by QCB for the recognition of Capital in either Banking book or Trading book as per the characteristics of the hedging instrument.

Bank will exclude any eligible external hedges that are included in the Credit Valuation Adjustment (CVA) capital requirement from its Market Risk Capital calculation. A transfer of Risk between the trading book and the CVA portfolio will have CVA portfolio side and a non CVA portfolio side where Bank will include the non-CVA side in the market risk framework while excluding the CVA portfolio side from the market risk capital calculation as per the instructions given by QCB.

MR3: Market risk under the simplified standardized approach

		a	b	c	d
		Outright products	Options		
			Simplified approach	Delta-plus method	Scenario approach
1	Profit rate risk	135	-	-	-
2	Equity risk	3302	-	-	-
3	Commodity risk	-	-	-	-
4	Foreign exchange risk	126	-	-	-
5	Securitization	-			
6	Total	3,563	0.00	0.00	0.00

DIS80: Leverage Ratio

LR1 – Summary comparison of accounting assets vs leverage ratio exposure measure

		a
1	Total consolidated assets as per published financial statements	118,264
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	
3	Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference	
4	Adjustments for temporary exemption of central bank reserves (if applicable)	
5	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	
6	Adjustments for regular-way purchases and sales of financial assets subject to trade date accounting	
7	Adjustments for eligible cash pooling transactions	
8	Adjustments for derivative financial instruments	943
9	Adjustment for securities financing transactions (ie repurchase agreements and similar secured lending)	
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	15,138
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	
12	Other adjustments	-708
13	**Leverage ratio exposure measure**	133,637

LR2 – Leverage Ratio Common disclosure template

	Item		Leverage ratio framework
	On-balance sheet exposures		
1	On-balance sheet items (excluding derivatives and SFTs)	118,264	117,940
2	Less (Asset amounts deducted in determining Basel III Tier 1 capital)	-708	-782
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)**	117,557	117,158
	Derivative exposures		
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	446	16
5	Add-on amounts for Potential Future Exposure (PFE) associated with all derivatives transactions	497	367
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework		
7	Less (Deductions of receivables assets for cash variation margin provided in derivatives transactions)		
8	Less (Exempted Central Counter Party (CCP) leg of client-cleared trade exposures)		
9	Adjusted effective notional amount of written credit derivatives		
10	Less (Adjusted effective notional offsets and add-on deductions for written credit derivatives)		
11	**Total derivative exposures (sum of lines 4 to 10)**	943	384
	Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions		
13	Less (Netted amounts of cash payables and cash receivables of gross SFT assets)		
14	Counterparty Credit Risk (CCR) exposure for SFT assets		
15	Agent transaction exposures		
16	**Total securities financing transaction exposures (sum of lines 12 to 15)**		**0**
	Other off-balance sheet exposures		
17	**Off-balance sheet exposure at gross notional amount (As per the Table & CCF given below)**	15,138	14,857
18	Less (Adjustments for conversion to credit equivalent amounts)		
19	**Off-balance sheet items (sum of lines 17 and 18)**	15,138	14,857
	Capital and total exposures		
20	Tier 1 capital	14,089	13,605
21	**Total exposures (sum of lines 3, 11, 16 and 19)**	133,637	132,399
	Leverage ratio		
22	**Basel III leverage ratio**	10.54%	10.28%

DIS85: Liquidity

LIQA – Liquidity risk management

Liquidity risk is the risk that an institution is unable to meet its funding obligations as they fall due, leading to an inability to support normal business activity or to incur unacceptable costs. The Bank considers the prudent management of liquidity essential to ensuring a sustainable and profitable business and retaining the confidence of the financial markets.

The Board has overall responsibility for ensuring that liquidity risk is appropriately managed. These expectations, including the delegation of roles and responsibilities, are covered in the Liquidity Risk Management Policy. Board liquidity tolerance is defined within the Risk Appetite.

The Group's approach to managing liquidity is to ensure, as far as possible, that it has sufficient liquidity to meet liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk of damage to the Group's reputation. The primary objective of liquidity risk management over which the Asset and Liability Committee (ALCO) has oversight, is to provide a planning mechanism for unanticipated changes in the demand or needs for liquidity created by customer behavior or abnormal market conditions. The ALCO emphasizes the maximization and preservation of customer deposits and other funding sources. ALCO also monitors deposit rates, levels, trends and significant changes. Deposit mobilization plans are regularly reviewed for consistency with the liquidity policy requirements. A contingency plan is also in place which is reviewed periodically.

Liquidity risk is actively managed to meet its obligations under normal and stressed conditions. Risks are mitigated via its diversified funding strategy to meet obligations under most expected scenarios, along with the maintenance of a buffer of High-Quality Liquid Assets (HQLA) and other readily marketable securities that can be drawn upon to manage requirements during stress conditions.

The Bank also maintains a Contingency Funding Plan that details its plan of action in emergency and stress situations. The plan defines the roles and responsibilities, procedures and immediate actions that would be taken in response to a stress event, to ensure that the Bank continues to meet its obligations. Customized measurement tools or metrics that assess the structure of the bank's balance sheet or that project cash flows and future liquidity positions, taking into account off-balance sheet risks which are specific to that bank. In addition to regulatory liquidity metrics, the Bank monitors a number of internal metrics as part of a broader liquidity Key Risk Indicator (KRI) framework. These metrics include maturity mismatch projections, measurements of areas of key concentrations by counterparty type, geography, product type, etc.

Refer to the Note 4 (c) of the annual Financial Statement for further quantitative disclosures on liquidity risk.

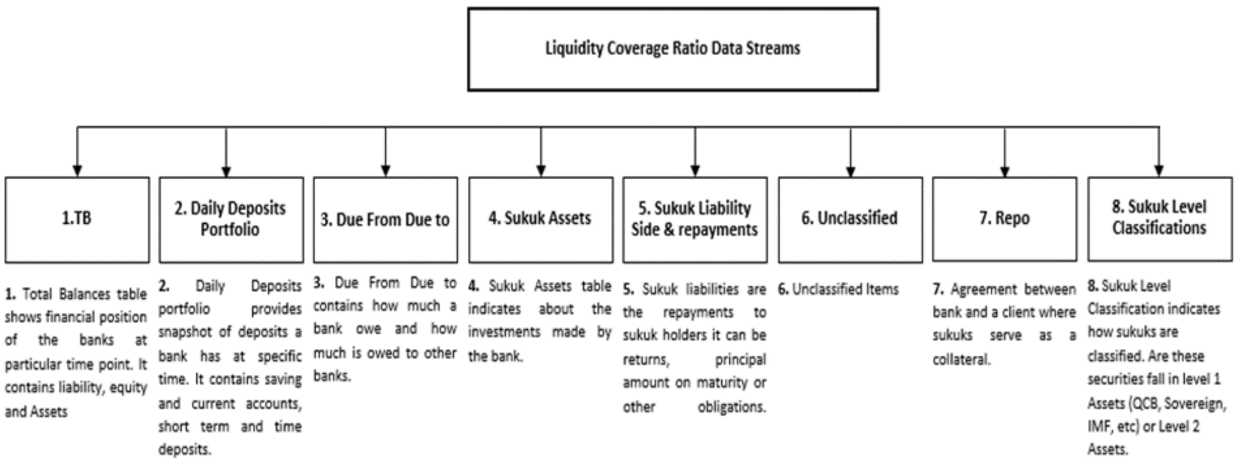
The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose, net liquid assets are considered as including cash and cash equivalents and investment grade debt securities for which there is an active and liquid market less than any deposits from banks, other borrowings and commitments maturing within the next month.

Liquidity Coverage Ratio

A similar, but not identical, calculation is used to measure the Group's compliance with the liquidity limit established by QCB. Liquidity coverage ratio (LCR) is used to assess whether a financial institution can withstand liquidity disruption during the times of stress or not. It promotes bank's resilience by ensuring banks have enough high-quality liquid assets for a 30-day period of stress. Bank follows QCB circular 2/2024 for the computation of LCR where LCR is given by: -

$$LCR = \frac{High\ Quality\ Liquid\ Assets}{Total\ net\ cash\ Outflows\ over\ the\ next\ 30\ Days - \min\left(Cash\ inflows, 75\%\ of\ Cash\ Outflows\ (30 days)\right)}$$

LCR computation is based on 3 components as shown in the formula (Inflows, Outflows and HQLA), these components are further subdivided into multiple segments. To understand the data, one must know how the data stream is being developed. Figure 1 depicts the structure which is followed for LCR calculation where each component is calculated as per the QCB circular related to LCR.



High Quality Liquid Assets

High-quality liquid assets (HQLA) are financial assets that are easily convertible into cash with little or no loss of value, even in stressed market conditions. Characteristics of high-quality liquid assets include:

1.High Liquidity: HQLA can be readily converted into cash without significant discounts or price fluctuations, even in stressed market conditions. This ensures that financial institutions can access liquidity quickly to meet their obligations. These assets should be central bank eligible.

2.Low Credit Risk: HQLA are typically issued or guaranteed by entities with strong creditworthiness, such as central banks, sovereign governments, and highly rated financial institutions. This reduces the risk of default and loss of principal associated with these assets.

3.Marketability: HQLA trades in active and liquid markets, allowing financial institutions to buy and sell these assets quickly and efficiently to meet their liquidity needs. The ability to easily liquidate HQLA enhances their attractiveness as a source of liquidity.

These characteristics ensure that the LCR is not overestimated and accurately reflects the bank's liquidity state, enabling the bank to implement effective preventive and corrective measures.

High-quality liquid assets are classified into 2 categories, Level 1 Assets and Level 2 Assets.

Banks follow QCB guidelines for calculating the LCR.

Cash Outflows

Cash outflows are defined as “liabilities” which are about to mature within 30 days period. These outflows are determined by applying specific run-off rates (as defined by QCB) to different categories of liabilities and off-balance-sheet commitments, reflecting the likelihood and extent of cash outflows during stress conditions.

Cash Inflows

To calculate the Liquidity Coverage Ratio (LCR), accurately assessing cash inflows is crucial. This involves capturing reliable sources of income that the bank expects to receive within a specified time frame. These inflows help balance against anticipated expenditures and ensure a thorough evaluation of liquidity resilience. As per QCB guidelines, to prevent excessive reliance on anticipated cash inflows for meeting liquidity requirements and to ensure bank maintain a sufficient level of High-Quality Liquid Assets (HQLA), Bank limits the amount of inflows that can offset outflows where bank is permitted to count only 75% of their projected total cash outflows during a 30-day stress period as inflows that mitigate these outflows. This measure strengthens their resilience against liquidity stress scenarios and promotes sound liquidity risk management practices.

Net Stable Funding Ratio

NSFR, or Net Stable Funding Ratio, is a critical regulatory requirement for financial institutions. In essence, it's a measure of a bank's ability to fund its activities with sufficiently stable sources of funding to mitigate the risk of future funding stress. The bank is effectively calculating and managing NSFR.

This measure includes both on balance sheet and off-balance-sheet items, requiring banks to assess the stability of their funding sources against the liquidity profile of their assets and activities. By evaluating components such as loans, investments, deposits, and liabilities, the NSFR aims to enhance banking sector resilience. Following is the formula used to compute NSFR:

$$NSFR = \frac{Available\ Stable\ Funding\ (ASF)}{Required\ Stable\ Funding\ (RSF) + Off\ Balance\ Items}$$

All calculations are performed in accordance with QCB guidelines. The breakdown of components can be seen in the quantitative disclosure (LIQ2) where each component is broken down based on the residual maturity.

Banks follow QCB guidelines for calculating the NSFR.

LIQ1: Liquidity Coverage Ratio (LCR)

		Jun-25	
		Total unweighted value (average)	**Total weighted value (average)**
	High-quality liquid assets		
1	Total HQLA		**22,388**
Cash outflows			
2	**Retail deposits and deposits from small business customers, of which:**		
3	Stable deposits	19,719	396
4	Less stable deposits	22,851	2,297
5	**Unsecured wholesale funding, of which:**		
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	24,121	17,685
7	Non-operational deposits (all counterparties)	-	-
8	Unsecured debt	-	-
9	**Secured wholesale funding**		-
10	**Additional requirements, of which:**		
11	Outflows related to derivative exposures and other collateral requirements	18	18
12	Outflows related to loss of funding of debt products		
13	Credit and liquidity facilities	-	-
14	**Other contractual funding obligations**		
15	**Other contingent funding obligations**	20,964	1,675
16	**TOTAL CASH OUTFLOWS**		**22,072**
Cash inflows			
17	**Secured lending (eg reverse repo)**	-	-
18	**Inflows from fully performing exposures**	4,068	2,034
19	**Other cash inflows**	2,459	2,459
20	**TOTAL CASH INFLOWS**		4,493
			Total adjusted value
21	**Total HQLA**		22,388
22	**Total net cash outflows**		17,578
23	**Liquidity coverage ratio (%)**		127.36%

LIQ2: Net Stable Funding Ratio (NSFR)

		Unweighted value by residual maturity				Weighted value
		No maturity	<6 months	6 months to <1 year	≥1 year	
Available stable funding (ASF) item						
1	Capital:	14,797	0	0	0	14,797
2	*Regulatory capital*	12,976	0	0	0	12,976
3	*Other capital instruments*	1,821	0	0	0	1,821
4	Retail deposits and deposits from small business customers:	20,501	6,386	15,735	8,133	45,649
5	*Stable deposits*	20,456	6,346	14,835	0	37,473
6	*Less stable deposits*	44	40	900	8,133	8,176
7	Wholesale funding:	6,170	16,702	12,448	0	17,532
8	*Operational deposits*		0	0	0	-
9	*Other wholesale funding*	6,170	16,702	12,448	0	17,532
10	Liabilities with matching interdependent assets		0	0	0	0
11	Other liabilities:	20,142	0	715	0	358
12	*NSFR derivative liabilities*	20,142	0	0	0	0
13	*All other liabilities and equity not included in the above categories*	-	0	715	0	358
14	**Total ASF**					**78,334.62**
Required stable funding (RSF) item						
15	Total NSFR high-quality liquid assets (HQLA)	22,830	2,361	0	0	1,313
16	Deposits held at other financial institutions for operational purposes	0	0	0	0	0
17	Performing loans and securities:					
18	*Performing loans to financial institutions secured by Level 1 HQLA*	0	0	0	0	0
19	*Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions*	0	0	651	0	251
20	*Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:*	0	0	0.00	47,795.65	40,626

21	*With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk*	0	0	0	18,561	12,065
22	*Performing residential mortgages, of which:*					
23	*With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk*					
24	*Securities that are not in default and do not qualify as HQLA, including exchange-traded equities*	0	0	0	1,157	983
25	Assets with matching interdependent liabilities	0	0	0	0	0
26	Other assets:					
27	*Physical traded commodities, including gold*	0				0
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*					
29	*NSFR derivative assets*		0			0
30	*NSFR derivative liabilities before deduction of variation margin posted*		477.09			477.09
31	*All other assets not included in the above categories*	6,506	0	19,792.18	0	16,402
32	Off-balance sheet items					1,405
33	***Total RSF***					**73,522**
34	***Net Stable Funding Ratio (%)***					**106.5%**