Basel III – Pillar III disclosures
30 June 2025

Executive summary

This document comprises of the Group's (as defined below) capital and risk management disclosures as at 30 June 2025 and for the six-month period then ended.

The disclosures in this section are in addition to the disclosures set out in the interim condensed consolidated financial statements for the six-month period ended 30 June 2025 presented in accordance with IAS 34 Interim financial reporting (IAS 34) issued by International Accounting Standards Board (IASB).

The principal purpose of these disclosures is to meet the disclosure requirements of the Central Bank of Bahrain (CBB) through their directives on public disclosures under the Basel III framework. This document describes the Group's risk management and capital adequacy policies and practices – including detailed information on the capital adequacy process and incorporates all the elements of the disclosures required under Pillar III. It is organised as follows:

- An overview of the approach taken by Bank ABC (Arab Banking Corporation (B.S.C.)) [hereinafter referred to as "the Bank" or "Bank ABC" and together with its subsidiaries "the Group"] to Pillar I, including the profile of the risk-weighted assets (RWAs) according to the standard portfolio, as defined by the CBB.
- An overview of risk management practices and framework at the Bank with specific emphasis on credit, market, and operational risk. Also covered are the related monitoring processes and credit mitigation initiatives.
- Other disclosures required under the Public Disclosure Module of the CBB Rulebook Volume 1.

The CBB supervises the Bank on a consolidated basis. Individual banking subsidiaries are supervised by the respective local regulator. The Group's regulatory capital disclosures have been prepared based on the Basel III framework and Capital Adequacy Module of the CBB Rulebook Volume 1.

For regulatory reporting purposes under Pillar I, the Group has adopted the standardised approach for credit risk, market risk and operational risk.

The Group's total risk-weighted assets as at 30 June 2025 amounted to US$ 31,126 million (YE 2024: US$ 28,556 million), comprising 87% (YE 2024: 87%) credit risk, 6% (YE 2024: 6%) market risk and 7% (YE 2024: 7%) operational risk. The total capital adequacy ratio was 15.9% (YE 2024: 16.6%), compared to the minimum regulatory requirement of 12.5%.

1. The Basel III framework

The CBB implemented the Basel III framework from 1 January 2015.

The Basel Accord is built on three pillars:

- **Pillar I** defines the regulatory minimum capital requirements by providing rules and regulations for measurement of credit risk, market risk and operational risk. The requirement of capital must be covered by a bank's eligible capital funds.

1. The Basel III framework (continued)

- **Pillar II** addresses a bank's internal processes for assessing overall capital adequacy in relation to material sources of risks, namely the Internal Capital Adequacy Assessment Process (ICAAP). Pillar II also introduces the Supervisory Review and Evaluation Process (SREP), which assesses the internal capital adequacy.

- **Pillar III** complements Pillar I and Pillar II by focusing on enhanced transparency in information disclosure, covering risk and capital management, including capital adequacy.

a. Pillar I

Banks incorporated in the Kingdom of Bahrain are required to maintain a minimum capital adequacy ratio (CAR) of 12.5% and a Tier 1 ratio of 10.5%. Tier 1 capital comprises of share capital, treasury shares, reserves, retained earnings, non-controlling interests, profit for the period and cumulative changes in fair value.

In case the CAR of the Group falls below 12.5%, additional prudential reporting requirements apply and a formal action plan setting out the measures to be taken to restore the ratio above the target should be submitted to the CBB**.** The Group has defined its internal risk appetite above the CBB thresholds. The Group has defined its internal risk thresholds above the CBB thresholds and has identified viable management mitigation actions that can restore capital above these thresholds in case of a breach.

The CBB allows the following approaches to calculate the RWAs (and hence the CAR).

Credit risk	Standardised approach.
Market risk	Standardised, Internal models approach.
Operational risk	Standardised, Basic indicator approach.

The Group applies the following approaches to calculate its RWAs:

- **Credit risk – Standardised approach:** the RWAs are determined by multiplying the credit exposure by a risk weight factor dependent on the type of counterparty and the counterparty's external rating, where available.

- **Market risk – Standardised approach.**

- **Operational risk – Standardised approach:** regulatory capital is calculated by applying a range of beta coefficients from 12% - 18% on the average gross income for the preceding three years – applied on the relevant eight Basel defined business lines.

b. Pillar II

Pillar II comprises of two processes, namely:

- an Internal Capital Adequacy Assessment Process (ICAAP); and
- a Supervisory Review and Evaluation Process (SREP).

The ICAAP incorporates a review and evaluation of all material risks to which the Bank is exposed to and an assessment of capital required relative to those risks under business as usual and stressed conditions. The ICAAP compares this against available capital resources to assess adequacy of capital. The ICAAP and the internal processes that support it should be proportionate to the nature, scale, and complexity of the activities of a bank.

1. The Basel III framework (continued)

b Pillar II (continued)

The Basel Pillar II guidelines require each bank to be individually assessed to determine an individual minimum capital adequacy ratio. All the banks incorporated in the Kingdom of Bahrain are required to maintain a 12.5% minimum capital adequacy ratio and a Tier 1 ratio of 10.5% for the consolidated group. This already includes a 2.5% capital conservation buffer as part of Pillar I capital requirements.

Pillar II guidelines also encourage institutions to develop and apply enhanced risk management techniques for the measurement and monitoring of risks, in addition to the credit, market and operational risks addressed in the core Pillar I framework. Other risk types, which are not covered by the minimum capital requirements in Pillar I, include concentration risk, liquidity risk, interest rate risk in the banking book, climate change risk, pension obligation risk, strategic risk and reputational risk. These are covered either by capital, or risk mitigation processes.

The Group's ICAAP meets the CBB's ICAAP regulatory requirements and has also been benchmarked to international practice, and adapted as appropriate, relevant, and proportionate to Bank ABC's business model.

c. Pillar III

Pillar III prescribes how, when and at what level information should be disclosed about an institution's risk management and capital adequacy assessment practices.

Pillar III complements the minimum risk-based capital requirements and other quantitative requirements (Pillar I) and the supervisory review process (Pillar II) and aims to promote market discipline by providing meaningful regulatory information to investors and other interested parties on a consistent basis. The disclosures comprise detailed qualitative and quantitative information.

The disclosures are designed to enable stakeholders and market participants to assess an institution's risk appetite, risk exposures and capital-related information, and to encourage all banks, via market pressures, to move towards more advanced forms of risk management.

The Group's disclosures meet the minimum regulatory requirements and provide disclosure of the risks to which it is exposed, both on and off-balance sheet.

2. Group structure and overall risk

a. Group structure

The parent bank, Arab Banking Corporation (B.S.C.), was incorporated in 1980 in the Kingdom of Bahrain under an Amiri Decree and operates under a conventional wholesale banking license issued by the CBB.

The Bank's consolidated financial statements are prepared on a full consolidation basis in accordance with IFRS Accounting Standards. The CBB's capital adequacy framework allows subsidiaries in other regulatory jurisdictions reporting under Basel III framework to be aggregated based on that jurisdiction's framework, rather than based on the CBB's guidelines subject to the CBB approval. Under this aggregation methodology, risk-weighted assets of subsidiaries are aggregated with those of the rest of the Group based on the guidelines of their respective regulator to determine the Group's total capital adequacy ratio.

During 2024, the Bank obtained an approval to apply aggregation approach from the CBB and accordingly one of its subsidiary, Banco ABC Brasil SA, which is regulated by the Central Bank of Brazil (BACEN), has calculated its risk weighted assets in accordance with BACEN's guidelines and aggregated with the rest of the Group's risk weighted assets as at 30 June 2025. Rest of the subsidiaries in the table below have been consolidated based on full consolidation approach under CBB guidelines.

The principal subsidiaries as at 30 June 2025, all of which have 31 December as their year-end, are as follows:

	Country of incorporation	Shareholding % of Arab Banking Corporation (B.S.C.)
ABC International Bank plc	United Kingdom	100.0
ABC SA	France	100.0
ABC Islamic Bank (E.C.)	Bahrain	100.0
Arab Banking Corporation (ABC) — Jordan	Jordan	87.0
Banco ABC Brasil S.A.	Brazil	63.6
ABC Algeria	Algeria	88.9
Arab Banking Corporation - Egypt [S.A.E.]	Egypt	99.6
ABC Tunisie	Tunisia	100.0
Arab Financial Services Company B.S.C. (c)	Bahrain	98.0

b. Risk and capital management

Governance

The Governance framework within the Bank is driven by the Board of Directors ("Board") with clearly defined roles and responsibilities for Board level committees, Management committees and Executive Management within the Bank.

Board Level

The Board has five committees, amongst which the Board Risk Committee (BRC) is tasked with oversight of all key risk matters in the Bank. The Board, under advice from the BRC, sets the

2. Group structure and overall risk (continued)

b. Risk and Capital management (continued)

***Board Level** (continued)*

Group's Risk Strategy/Appetite and Policy Guidelines. Executive management is responsible for their implementation.

Within the broader governance infrastructure, the Board Committees carry the main responsibility for best practice management and risk oversight. At this level, the BRC oversees the definition of risk/reward guidelines, risk appetite, risk tolerance standards, and risk policies and standards.

Management Committees

The current committee structure provides for the Group Risk Committee (GRC) and Group Asset Liability Committee (GALCO) reporting to the BRC and the Group Compliance Oversight Committee (GCOC) to the Board Compliance Committee.

The primary objective of the **GRC** is to define, develop and monitor the Group's overarching risk management framework considering the Group's strategy and business plans. The **GALCO** is responsible for overseeing the implementation of the Group's Asset / Liability Management Framework which includes capital, liquidity & funding, and market risk in line with the Risk Appetite Framework. The **GCOC** is responsible for strengthening the focus on compliance within the Group's risk management framework.

The Group's subsidiaries are responsible for managing their risks through local equivalents of the head office committees described above with appropriate Group oversight.

Three lines of defense model

The Bank employs the three lines of defense model to protect value of the Group. Some of the key responsibilities split by each line are presented below:

1st Line: (Ownership & Management)

- Day to day identification, measurement, management, and control of relevant risk related to their area of responsibility;
- Designing and implementing controls to respond to any changes in the risk profile;
- Identification, evaluation and reporting their key risk exposure;
- Root cause analysis of risk events and action planning to prevent recurrence;
- Tracking of action plans and performance assurance/testing to ensure that completed actions are proved effective;
- Maintaining appropriate and adequate documentation to evidence compliance with their risk accountabilities and responsibilities.

2nd Line: (Provide oversight on the management of risks)

- Development and maintenance of the Risk Policy and Framework;
- Oversight of 1st line's compliance with the Risk Policy & Framework
- Review and challenge of actions being undertaken by the 1st Line in respect of relevant risks;
- Reporting to relevant committees on significant risks and control weaknesses and progress undertaken by the 1st Line in mitigating risks outside of the risk appetite.

2. Group structure and overall risk (continued)

b. Risk and Capital management (continued)

Three lines model (continued)

3rd Line: (Assurance)

- Independent assurance of the effectiveness of Controls;
- Risk based programme of audit activity; and
- Reporting to the Audit Committee.

The **Credit & Risk Group (CRG)** operates within the Bank's second line of defense. Its function is independent from business and is tasked with managing, mitigating and overseeing credit, market, operational and other material risks arising from the Group's activities. CRG independently reviews and monitors the 1st line's compliance with the Bank's risk management framework and provides recommendations to relevant committees. All areas of risk are overseen by the Group Chief Credit & Risk Officer, who reports to the Group CEO and the Chair of the BRC.

The **Group Balance Sheet Management (GBSM)** function is a second line function responsible for capital planning and management, coordinating Internal Capital Adequacy and Assessment Process (ICAAP), efficient capital allocation through administering risk adjusted return on capital (RAROC), liquidity planning and analysis, structural funding assessment, developing Internal Liquidity Adequacy Assessment Process (ILAAP), dynamic Balance Sheet modeling to assess potential emerging impact on capital and liquidity metrics and facilitating Balance Sheet optimisation.

Group Audit functions as a third line of defense and has a reporting line, independent of management, directly to the Board Audit Committee. The primary objective of Group Audit is to provide an independent opinion and risk-based review on the design and operating effectiveness of the control environment across the group on all aspects of risk management, including Bank's policies and procedures.

c. Risk in Pillar I

Pillar I addresses three specific types of risks, namely credit, market and operational risk. The Pillar I process describes the basis for the calculation of regulatory capital.

CREDIT RISK

Credit risk is the risk that a customer or counterparty to a financial asset, fails to meet its contractual obligations, and causes the Bank to incur a financial loss.

Credit Risk Management ensures that the 1st line complies with the Bank's policies, standards and procedures designed to manage risk.

In particular it ensures that the obligor risk rating is accurate and reviewed on a timely basis.

The Group's portfolio and credit exposures are managed in accordance with the Group Credit Policy, which applies Group-wide qualitative and quantitative guidelines, with particular emphasis on avoiding undue concentrations or aggregations of risk.

The Group's banking subsidiaries are governed by policies and standards aligned with the Group Credit Policy and its associated standards but may be adapted to suit local regulatory and legal requirements as well as individual units' product and sectoral needs.

2. Group structure and overall risk (continued)

c. Risk in Pillar I (continued)

Credit Risk (continued)

The Group's retail lending is managed under a framework that considers the entire credit cycle. Retail obligor facilities are offered under product programs. The product programs are governed by a set of policies and standards describing the product program approval, monitoring, reporting and recovery processes.

Additionally, CRG ensures that where obligors default, losses are kept to a minimum through timely remedial actions.

Refer note 26.4 to the 31 December 2024 audited consolidated financial statements for definition and policies for management of credit risk.

MARKET RISK

Refer note 26.6 to the 31 December 2024 audited consolidated financial statements for definition and policies for management of Market risk.

The Group is exposed to the following types of market risk:

Currency rate risk

The Group's trading book has exposures to foreign exchange risk arising from cash and derivatives trading. Additionally, structural balance sheet positions relating to net investment in foreign subsidiaries expose the Group to foreign exchange risk. These positions are reviewed regularly and an appropriate strategy for managing structural foreign exchange risk is established by the GALCO. Group Treasury is responsible for executing the agreed strategy.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Group is exposed to interest rate risk because of client trades & positional trading strategies which is managed by setting appropriate market risk limits.

Equity price risk

Equity position risk arises from the possibility that changes in the prices of equities, or equity indices, will affect the future profitability, or the fair value of financial instruments. The Group is exposed to equity risk in its trading position and investment portfolio, primarily in its core international and GCC markets.

Equity positions in the banking book

Quoted Equities	11
Unquoted Equities	15
	26
Realised gain during the year	-
Unrealised gain at 30 June 2025	3

There were no sales with respect to equity positions in the banking book for the six-month period ended 30 June 2025.

2. Group structure and overall risk (continued)

c. Risk in Pillar I (continued)

OPERATIONAL RISK

Refer note 26.10 to the 31 December 2024 audited consolidated financial statements for definition and policies for management of Operational Risk.

d. Risks in Pillar II

The following section captures some of the risks considered for the Pillar II assessment. The Pillar 2A measurement framework for risks considered is detailed in "CAPITAL MANAGEMENT" section.

LIQUIDITY RISK

Liquidity risk is the risk that maturing and cashable assets may not cover cash flow obligations (liabilities) as they fall due, without incurring unacceptable costs or losses. The Group's Liquidity Management Framework (GLMF) ensures that the Group proactively manages liquidity and structural funding risks to support prudent business growth while having the ability to withstand a range of liquidity stress events. The Group undertakes a detailed assessment to identify all material sources of liquidity and funding risks and have assessed appropriate levels of required Liquid Assets Buffers and contingency funding actions. The Group's liquidity risk appetite sets appropriate liquidity metrics to monitor all material sources of liquidity risks, and the liquidity risk appetite framework extends to all entities within the Group.

The Group maintains high quality liquid assets (HQLA) at prudent levels to ensure that cash can quickly be made available to honour all its obligations, even under adverse conditions. The Group is generally in a position of surplus liquidity, its principal sources of liquidity being its high-quality liquid assets and marketable securities.

A maturity gap report, which reviews mismatches, is used to monitor medium and long-term liquidity and funding positions.

All offshore subsidiaries of the Group manage principally on a self-funded basis to meet their liquidity and funding requirements.

The GLMF ensures that the key risk indicators are monitored proactively, including daily monitoring of Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) amongst a range of other liquidity risk indicators, and these are regularly reported to the senior management. The Group conducts daily liquidity stress testing to ensure that the Liquidity Survival Horizon (LSH) is always maintained above the established risk appetite threshold.

2. Group structure and overall risk (continued)

d. Risk in Pillar II (continued)

RISK IN PILLAR II - LIQUIDITY RISK (continued)

The Group also carries out a comprehensive Integrated Stress Testing and ILAAP (Internal Liquidity Adequacy Assessment Process) that includes, amongst other things, scenario - based liquidity stress tests to evaluate the robustness of the liquidity management framework and the effectiveness of the contingency funding plan. The Group's Liquid Assets Buffer (LAB) and the Group's Contingency Funding Plan (GCFP) ensure that the Group can withstand potential liquidity shocks and market disruptions.

INTEREST RATE RISK IN BANKING BOOK (IRRBB)

Interest rate risk in the banking book refers to current or prospective risk to the Bank's capital and earnings arising from adverse movements in interest rates that affect the Bank's banking book positions. The Group is exposed to interest rate risk because of mismatches in interest rate repricing of assets and liabilities. This risk is minimized as the Group's rate sensitive assets and liabilities are mostly floating rate, where the duration risk is lower. The Group has set risk limits for both earnings at risk (EAR) and economic value of equity (EVE) for interest rate risk in the banking book (IRRBB). In general, the Group uses matched currency funding and executes interest rate swaps to hedge the price risk, where appropriate, to better manage the duration in the asset book.

Quantitative measures employed include limits, interest rate sensitive gap analysis and stress testing to measure and control the impact of interest rate volatility on the Bank's earnings and economic value of equity. These measures are applied separately for each currency and consolidated at the Group's level.

As at 30 June 2025, the adverse impact of a 200 basis points (2%) parallel shift in interest rates on earnings over 12 months and change in economic value of equity (EVE) is provided below.

In summary, the adverse impact on Group's earnings is estimated at US$ 37.2 million (representing ~3.95% of Net Interest Income) from parallel down shift and the adverse impact of change in economic value of equity is estimated at US$ 98.5 million (< 2.1% of Tier 1 capital) for parallel up shift. The impact on both metrics were well below the Group's risk appetite (GRAS) thresholds for IRRBB.

2. Group structure and overall risk (continued)

d. Risk in Pillar II (continued)

RISK IN PILLAR II - INTEREST RATE RISK IN BANKING BOOK (continued)

Currency-wise details of the impact from a parallel shift of 200bps are as follows:

All amounts in US$ million

Currency	Impact on Group's Earnings		Economic Value of Equity Impact	
	Parallel Up	Parallel Down	Parallel Up	Parallel Down
United States Dollar (USD)	28.6	(28.6)	(32.8)	35.1
Pound Sterling (GBP)	8	(8.0)	15.2	(15.4)
Euro (EUR)	4.5	(4.3)	(1.8)	1.8
Brazilian Real (BRL)	4.5	(4.5)	(14.4)	15.3
Algerian Dinar (DZD)	(1.3)	1.3	(26.4)	30.9
Egyptian Pound (EGP)	2.2	(2.2)	(4.6)	5.0
Jordanian Dinar (JOD)	(1.8)	1.8	(13.6)	14.2
Tunisian Dinar (TND)	(1.4)	1.4	(5.0)	5.4
Other	(6.1)	6.1	3	(4.4)
Total	37.2	(37.0)	(98.5)*	(19.8)*

* For aggregation of EVE across currencies only negative values are considered as per Basel.

The repricing profile of the Group's assets and liabilities, are set out in the table below:

US$ million	**Less than 1 month**	**1-3 months**	**3-6 months**	**6-12 months**	**Over 1 year**	**Non interest bearing**	**TOTAL**
ASSETS							
Liquid funds	2,712	12	-	-	-	-	2,724
Trading securities	660	-	269	18	109	19	1,075
Placements with banks and other financial institutions	1,954	238	3	5	2	-	2,202
Securities bought under repurchase agreements	713	87	66	389	-	-	1,255
Non-trading investments	7,794	848	514	844	6,048	27	16,075
Loans and advances	9,515	5,525	2,676	1,306	1,801	-	20,823
Other assets	-	11	-	-	-	3,804	3,815
TOTAL ASSETS	23,348	6,721	3,528	2,562	7,960	3,850	47,969
LIABILITIES & EQUITY							
Deposits from customers	14,946	3,898	1,263	3,091	747	408	24,353
Deposits from banks	2,294	1,050	495	518	9	3	4,369
Certificates of deposit	35	67	-	101	70	-	273
Securities sold under repurchase agreements	8,569	87	488	134	202	-	9,480
Other liabilities	-	-	-	-	-	3,614	3,614
Term notes, bonds & other term financing	940	175	111	3	17	271	1,517
Total equity	-	-	-	-	390	3,973	4,363
TOTAL LIABILITIES & EQUITY	26,784	5,277	2,357	3,847	1,435	8,269	47,969
OFF B/S ITEMS							
Foreign exchange contracts	-	-	-	-	-	-	-
Interest rate contracts	1,491	1,169	261	893	(3,814)	-	-
TOTAL OFF B/S ITEMS	1,491	1,169	261	893	(3,814)	-	-
Interest rate sensitivity gap	(1,945)	2,613	1,432	(392)	2,711	(4,419)	-
Cumulative interest rate sensitivity gap	(1,945)	668	2,100	1,708	4,419	-	-

The interest rate gap analysis set out in the table above assumes that all positions run to maturity, i.e. no assumptions on loan prepayments. Deposits without a fixed maturity have been considered in the 'less than one month' bucket.

2. Group structure and overall risk (continued)

d. Risk in Pillar II (continued)

CONCENTRATION RISK

Refer note 26.3.2 to the 31 December 2024 audited consolidated financial statements for the definition and policies for management of concentration risk.

Under the single obligor regulations of the CBB and other host regulators, the Bank must obtain approval for any planned exposures above specific thresholds to single counterparties, or groups of connected counterparties.

As at 30 June 2025, the Group's exposures in excess of the 15% obligor limit to individual counterparties were as shown below:

US$ million	On balance sheet exposure	Off balance sheet exposure	Total exposure
Counterparty A	7,514	-	7,514
Counterparty B	1,807	-	1,807
Counterparty C	1,599	-	1,599
Counterparty D	1,042	-	1,042
Counterparty E	-	927	927

COMPLIANCE RISK

Compliance risk is the risk of legal or regulatory sanctions, material financial loss, or loss to reputation the Bank may suffer because of its failure to comply with the statutory, regulatory and supervisory requirements including industry codes with which the Bank must by law comply with, or which it voluntarily adheres to.

Front-line functions within the units are responsible for the management of their specific compliance risks and control environment. The compliance function is responsible for assuring, on an ongoing basis, that key compliance related control processes within the first line of defense are in place and operating effectively.

LEGAL RISK

Examples of legal risk include inadequate documentation, loss of power and/or authority arising from legal or regulatory action, insufficient authority of a counterparty and contract invalidity/unenforceability. Group Head of Legal bears responsibility for identification and management of this risk. The Group Legal department consults with internal and external legal counsels. All major Group subsidiaries have their own in-house legal departments.

The Group is currently engaged in various legal and/or regulatory matters which have arisen in the ordinary course of business. Bank ABC does not currently expect to incur any liability with respect to any actual or pending legal and/or regulatory matter which would be materially prejudicial to the financial condition or operations of the Group.

2. Group structure and overall risk (continued)

d. Risk in Pillar II (continued)

REPUTATIONAL RISK

Reputational risk is multidimensional and reflects the perception of market participants. It exists throughout the organisation and exposure to reputational risk is essentially a function of the adequacy of the entity's internal risk management processes, as well as the manner and efficiency with which management responds to external influences.

The Bank implements a robust governance and management framework, which has a significant involvement of senior management to proactively address any risk(s) to the Bank's reputation.

Furthermore, the management believes that reputation risk requires active administration and involvement of senior members of the Bank. The Group Reputational Risk Committee, reporting to the GCOC, oversees the reputational risk framework.

CLIMATE CHANGE RISK

Climate change risk is the financial risk that arises from the impact of adverse changes in climate and specifically global warming. As the world transitions to a low-carbon economy, financial institutions, such as Bank ABC, may face significant and rapid developments which could impact their lending activities, as well as the risks associated with its other activities. Refer to the Group Sustainability Disclosures Report 2024 for the Bank's Environmental, Social and Governance (ESG) Strategy. The Group has developed policies and standards detailing how ESG risk is incorporated into the Bank's overall risk management framework.

3. Regulatory capital requirements and the capital base

The Group manages its capital structure and maintains capital based on its strategic business plans considering anticipated economic conditions and the risk characteristics of its activities. The objective is to maintain a strong capital base to support the risks inherent in the Group's businesses and markets, meeting both local and consolidated regulatory capital requirements at all times. There was no change in the capital structure and their possible impact on earnings and dividends for the six-month period ended 30 June 2025.

The Group manages the capital position through various measures that include administering a dividend policy that balances financial stability and growth objectives with shareholders returns; raising capital via equity, additional tier 1 capital (AT1) and subordinated debt instruments based on a set of defined capital triggers; risk distribution or risk participation to reduce capital demand; and deleveraging to create capital capacity.

The determination of dividend payout will depend upon, amongst other things, the Group's earnings, its dividend policy, the requirement to set aside minimum statutory reserves, capital requirements to support growth (organic and inorganic), regulatory capital requirements, approval from the CBB and applicable requirements under Bahrain Commercial Companies Law, as well as other factors that the Board of Directors and the shareholders may deem relevant.

While the capital management objectives remain unchanged, the policies are reviewed regularly to ensure that they support the principal objective of maintaining financial strength and stability.

The Group's total capital adequacy ratio as at 30 June 2025 was 15.9% compared with the minimum regulatory requirement of 12.5%. The Tier 1 ratio was 14.8% for the Group. The composition of the total regulatory capital requirement was as follows:

Risk-weighted assets (RWA)	Group excluding Banco ABC Brasil	Banco ABC Brasil under aggregation approach	Total
Credit risk	18,818	8,374	27,192
Market risk	1,066	729	1,795
Operational risk	1,516	624	2,140
Total	21,400	9,727	31,127
CET 1 ratio			13.0%
Tier 1 ratio			14.8%
Capital adequacy ratio			15.9%

The Group ensures adherence to the CBB's requirements by monitoring its capital adequacy against higher internal limits detailed in the Bank's Board-approved risk appetite statement under the" Solvency" strategic risk objective.

Each banking subsidiary in the Group is directly regulated by its local banking supervisor, which sets and monitors local capital adequacy requirements. The Group ensures that each subsidiary maintains sufficient levels of capital.

The Tier 1 and total capital adequacy ratio of the significant banking subsidiaries (those whose regulatory capital amounts to over 5% of the Group's consolidated regulatory capital) under the local regulations were as follows:

Subsidiaries (over 5% of Group's regulatory capital)	**Tier 1 ratio**	**CAR (total)**
ABC Islamic Bank (E.C.)	**36.2%**	**36.9%**
ABC International Bank Plc*	**15.2%**	**16.5%**
Banco ABC Brasil S.A.*	**14.8%**	**17.3%**

** CAR has been computed after mandatory deductions from the total of Tier 1 and Tier 2 capital.*

3. Regulatory capital requirements and the capital base (continued)

a. Capital requirement for credit risk

For regulatory reporting purposes, the Group calculates the capital requirements for credit risk based on the standardised approach. Under the standardised approach, on- and off-balance sheet credit exposures are assigned to exposure categories based on the type of counterparty or underlying exposure. The exposure categories are referred to in the CBB's Basel III capital adequacy framework as standard portfolios. The primary standard portfolios are claims on sovereigns, claims on banks and claims on corporates. Following the assignment of exposures to the relevant standard portfolios, the RWAs are derived based on prescribed risk weightings. Under the standardised approach, the risk weightings are provided by the CBB and are determined based on the counterparty's external credit rating. The external credit ratings are derived from eligible external credit rating agencies approved by the CBB. The Group uses ratings assigned by Standard & Poor's, Moody's, Fitch Ratings and Capital Intelligence.

Provided below is a counterparty asset class-wise breakdown of the Credit RWA and associated capital charge. The definition of these asset classes (as per the standard portfolio approach under the CBB's Basel III Capital Adequacy Framework) is set out in section 5.

Credit exposure and risk-weighted assets

US$ million	Gross credit exposure [1+2]	Funded exposure [1]	Unfunded exposure [2]	Cash collateral	Eligible guarantees	Risk-weighted assets*	Capital charge
Cash	65	65	-	-	-	-	-
Claims on sovereigns	16,324	16,102	222	221	74	1,196	150
Claims on public sector entities	2,656	2,484	172	89	217	1,889	236
Claims on multilateral development banks	652	646	6	-	-	199	25
Claims on banks	12,957	12,119	838	7,589	391	3,239	405
Claims on corporate portfolio	25,285	20,586	4,699	4,151	405	17,625	2,203
Regulatory retail exposures	1,201	1,190	11	-	-	1,190	149
Past due loans	226	226	-	-	-	446	28
Commercial mortgage	132	132	-	-	-	376	56
Equity portfolios	59	59	-	-	-	131	16
Other exposures	1,160	886	274	-	-	1,051	131
	60,717	54,495	6,222	12,050	1,087	27,192	3,399

*RWAs of the Group's subsidiary Banco ABC Brasil have been calculated and included in this table under aggregation approach as explained in section 2 (a) above.

Monthly average gross credit exposures and the risk-weighted assets for six-month ended 30 June 2025 were US$ 50,204 million and US$ 27,588 million respectively.

3. Regulatory capital requirements and the capital base (continued)

b. Capital requirement for market risk

In line with the standardised approach to calculating market risk, the capital charge for market risk is as follows:

US$ million	RWA	Year-end capital charge	Capital charge - Minimum*	Capital charge - Maximum*
Interest rate risk	824	-	98	104
- Specific interest rate risk	-	-	-	-
- General interest rate risk	824	-	98	104
Equity position risk	20	-	2	2
Foreign exchange risk	222	-	14	28
Options risk	-	-	-	-
RWA of subsidiary under aggregation approach **	729	-	-	-
Total	1,795	-	114	134

* The information in these columns shows the minimum and maximum capital charge for each of the market risk categories during the six-month period ended 30 June 2025.
** Market RWAs of the Group's subsidiary Banco ABC Brasil have been calculated and included in this table under aggregation approach as explained in section 2 (a) above.

c. Capital requirement for operational risk

The Group applies the "Standardised Approach" for calculating its Pillar I operational risk capital. As at 30 June 2025, the total capital charge in respect of operational risk was US$ 268 million. A breakdown of the operational risk capital charge is provided below:

US$ million Basel Business Line	Average 3 years gross income	Beta factors	Capital charge	RWA
Corporate finance	22	18%	6	50
Trading and sales	192	18%	54	431
Payment and settlement	43	18%	12	98
Commercial banking	395	15%	93	740
Agency services	-	15%	-	-
Retail banking	94	12%	18	141
Asset management	27	12%	5	41
Retail brokerage	10	12%	2	15
Total	783		190	1,516
RWA of subsidiary under aggregation approach *	444		78	624
Total	1,227	-	268	2,140

* Operational RWAs of the Group's subsidiary Banco ABC Brasil have been calculated and included in this table under aggregation approach as explained in section 2 (a) above.

3. Regulatory capital requirements and the capital base (continued)

d. Capital base

The Group's capital base primarily comprises of:

- **i) Core Equity Tier 1 capital:** Share capital, treasury shares, reserves, retained earnings, non-controlling interests, profit for the year and cumulative changes in fair value;
- **ii) Additional Tier 1 capital**: Eligible portion of a perpetual financial instrument issued by the Bank or any subsidiary of the Bank;
- **iii) Tier 2 capital:** eligible subordinated term debt and expected credit losses.

The portion of Tier 1 and Tier 2 instruments attributable to non-controlling interests are added to the respective capital tiers in accordance with the regulatory definitions and are subject to regulatory limits for inclusion.
The issued and paid-up share capital of the Bank is US$ 3,110 million at 30 June 2025, comprising 3,110 million shares of US$ 1 each.

The Additional Tier 1 (AT1) capital includes the eligible portion of a perpetual financial instrument issued by the Bank or any subsidiary of the bank. The outstanding total AT1 issue amounted to US$ 535 million at 31 June 2025. This includes US$ 390 million issued by the Bank and US$ 145 million issued by the Bank's subsidiary in Brazil. These instruments have been approved for inclusion in AT1 by the CBB. The details of these issues are described in appendix PD 3 of this document. The AT1 instrument issued by the Bank has a conversion feature into equity with the trigger being a non-viability event as determined by the CBB.

AT 1 instrument issued by the subsidiary has a trigger of 5.125% of CET 1 ratio (of the subsidiary) for permanent extinction in compliance with the local regulations and Basel Standards.

Both instruments have features that enable coupon suspension (without cumulating) upon insufficiency of profits or at the discretion of the Bank.

AT1 issuance by the subsidiary has been approved by its local regulator for inclusion in regulatory Tier 1 capital.

The details of the AT1 issuances are described in appendix PD 3 of this document.

3. Regulatory capital requirements and the capital base (continued)

d. Capital base (continued)

The Group's capital base and risk weighted assets is summarised below:

Capital base and Risk weighted assets (RWA)	US$ million
Capital base	
CET 1	4,057
AT 1	549
Total Tier 1 capital	4,606
Tier 2	341
Total capital base	**4,947**
Risk weighted assets	
Credit risk	27,192
Market risk	1,795
Operational risk	2,140
Total Risk weighted assets	31,127
CET 1 ratio	13.0%
Tier 1 ratio	14.8%
Capital adequacy ratio	15.9%

The details about the composition of capital are provided in appendices PD 2 and PD 4.

e. Leverage ratio

The leverage ratio serves as a supplementary measure to the capital requirements mentioned above. The leverage ratio is computed on a consolidated basis and Bahraini conventional bank licensees must meet a 3.0% leverage ratio minimum requirement at all times.

Leverage ratio components	US$ million
Total Tier 1 capital	**4,606**
Total exposures	**53,957**
Leverage ratio	**8.5%**

4. Credit risk - Pillar III disclosures

a. Definition of exposure classes

The Group has a diversified funded and unfunded credit portfolio. The exposures are classified as per the standard portfolio approach under the CBB's Basel III Capital Adequacy Framework, covering the standardised approach for credit risk.

b. External credit rating agencies

The Group uses external credit ratings from Standard & Poor's, Moody's, Fitch Ratings and Capital Intelligence (accredited external credit assessment institutions). The breakdown of the Group's exposure into rated and unrated categories is as follows:

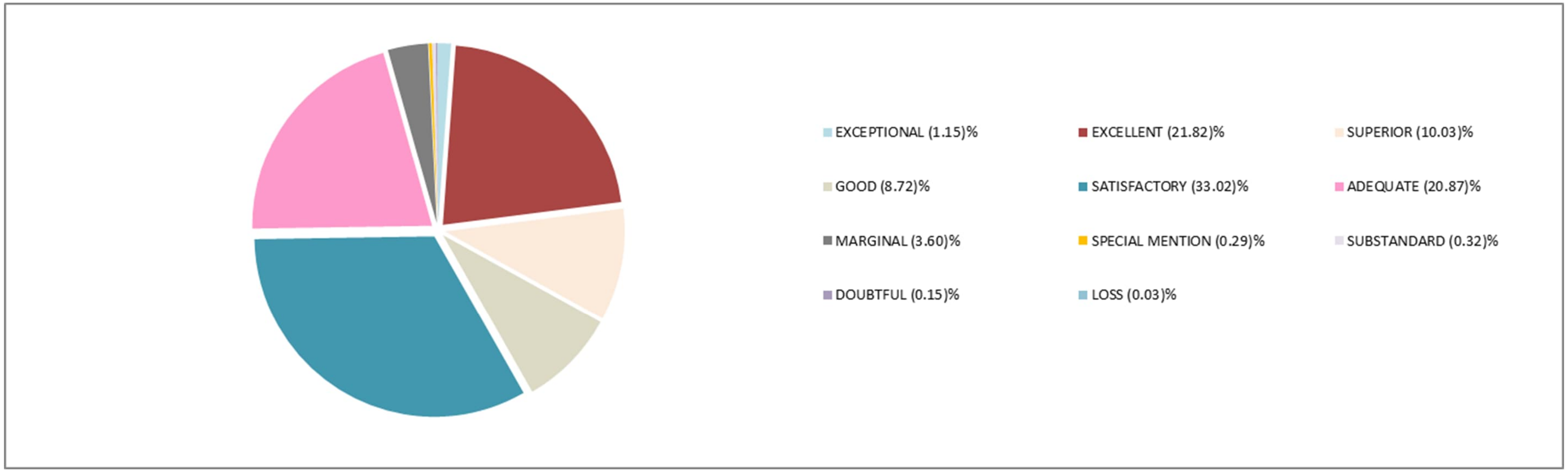
US$ million	Net credit exposure (after credit risk mitigation)	Rated exposure	Unrated exposure
Cash	65	-	65
Claims on sovereigns	16,103	15,955	148
Claims on public sector entities	2,567	1,459	1,108
Claims on multilateral development banks	652	652	-
Claims on banks	5,368	4,600	768
Claims on corporate portfolio	21,134	3,644	17,490
Regulatory retail exposure	1,201	-	1,201
Past due loans	226	-	226
Commercial mortgage	132	-	132
Equity portfolios	59	-	59
Other exposures	1,160	298	862
	48,667	26,608	22,059

4. Credit risk – Pillar III disclosures (continued)

b. External credit rating agencies (continued)

The Group has a policy of maintaining accurate and consistent risk methodologies. It uses a variety of financial analytics, combined with market information, to support risk ratings that form the main inputs for the measurement of counterparty credit risk. All internal ratings are tailored to the various categories and are derived in accordance with the Group's credit policy. They are assessed and updated regularly. Each risk rating class is mapped to grades equivalent to Standard & Poor’s, Moody’s, Fitch, and Capital Intelligence rating agencies. The Credit Risk Management framework ensures that the credit portfolio is managed in line with the Group Risk Appetite Standards.

The Group’s credit risk distribution (based on internal risk ratings) at 30 June 2025 is shown below:



Other grades are insignificant.

4. Credit risk – Pillar III disclosures (continued)

c. Credit risk presentation under Basel III

The credit risk exposures detailed here differ from the credit risk exposures reported in the consolidated financial statements, due to different methodologies applied respectively under Basel III and IFRS Accounting Standards. These differences are as follows:

- As per the CBB Basel III framework, off balance sheet exposures are converted into on balance sheet equivalents by applying a credit conversion factor (CCF). The CCF varies between 20%, 50% or 100% depending on the type of contingent item.

- The consolidated financial statements categorise financial assets based on asset class (i.e. securities, loans and advances, etc.). This document categorises financial assets into credit exposures as per the "Standard Portfolio" approach set out in the CBB's Capital Adequacy Module. In the case of exposures with eligible guarantees, it is reported based on the category of guarantor.

- Eligible collateral is taken into consideration in arriving at the net exposure under the Basel III framework, whereas collateral is not netted in the interim condensed consolidated financial statements.

- Under the Basel III framework, certain items are considered as a part of the regulatory capital base, whereas these items are netted off against assets in the consolidated financial statements.

4. Credit risk – Pillar III disclosures (continued)

d. Credit exposure

Geographical distribution of exposures

The geographical distribution of exposures, impaired loans and the related specific provisions (Stage 3) can be analysed as follows:

US$ million	Gross credit exposure	Cash Collateral	Impaired loans	Specific/ Stage 3 ECL impaired loans	Impaired debt Securities	Specific/ Stage 3 ECL impaired debt securities
North America	13,500	7,351	47	17	63	63
Western Europe	14,477	957	59	18	-	-
Other Europe	2,754	1,121	-	-	-	-
Arab World	8,079	559	171	147	1	1
Other Africa	160	35	2	-	-	-
Asia	1,214	134	-	-	-	-
Australia/New Zealand	134	23	-	-	-	-
Latin America	11,740	729	230	130	-	-
GCC	8,659	1,141	190	161	-	-
	60,717	**12,050**	**699**	**473**	**64**	**64**

In addition to the above specific Stage 3 provisions, the Group has recorded ECL under Stage 1 and 2 exposures aggregating to US$ 241 million for all credit exposures.

4. Credit risk – Pillar III disclosures (continued)

d. Credit exposure (continued)

Geographical distribution of exposures (continued)

The geographical distribution of gross credit exposures, by major type of credit exposure, can be analysed as follows:

US$ million	North America	Western Europe	Other Europe	Arab World	Other Africa	Asia	Australia/New Zealand	Latin America	GCC	Total
Cash	-	-	-	65	-	-	-	-	-	65
Claims on sovereigns	9,683	424	250	2,200	59	230	1	1,254	2,223	16,324
Claims on public sector entities	163	146	51	980	-	123	2	91	1,100	2,656
Claims on multilateral development banks	165	6	-	344	50	77	-	-	10	652
Claims on banks	943	6,459	1,833	1,121	1	203	28	934	1,435	12,957
Claims on corporate portfolio	2,451	7,139	608	2,245	48	575	103	8,726	3,390	25,285
Regulatory retail exposures	-	-	-	968	-	-	-	232	1	1,201
Past due loans	30	41	-	24	2	-	-	100	29	226
Commercial mortgage	-	132	-	-	-	-	-	-	-	132
Equity portfolios	-	1	-	34	-	1	-	-	23	59
Other exposures	65	129	12	98	-	5	-	403	448	1,160
Gross credit exposure	13,500	14,477	2,754	8,079	160	1,214	134	11,740	8,659	60,717
Collateral	7,351	957	1,121	559	35	134	23	729	1,141	12,050

4. Credit risk – Pillar III disclosures (continued)

d. Credit exposure (continued)

Geographical distribution of exposures (continued)

The Bank uses different credit mitigation techniques such as collaterals, guarantees and netting agreements to reduce credit risk. The recognised credit risk mitigation activities are undertaken with various counterparties to ensure no additional credit or market risk concentrations occur. The Bank holds collateral against its credit facilities in the form of physical assets, cash deposits, securities and guarantees. Only guarantees provided by eligible Corporate and Financial Institutions of acceptable credit quality are accepted by the Bank.

The ageing analysis of past due loans by geographical distribution can be analysed as follows:

US$ million	Less than 3 months	3 months to 1 year	1 to 3 years	Over 3 years	Total
North America	-	30	-	-	30
Western Europe	-	-	41	-	41
Other Europe	-	-	-	-	-
Arab World	12	9	1	2	24
Other Africa	-	-	2	-	2
Latin America	17	10	73	-	100
GCC	-	16	-	13	29
	29	65	117	15	226

4. Credit risk – Pillar III disclosures (continued)

d. Credit exposure (continued)

Industrial sector analysis of exposures

The industrial sector analysis of exposures, impaired assets and the related specific provisions (Stage 3) can be analysed as follows:

US$ million	Gross exposure [1+2]	Funded exposure [1]	Unfunded exposure [2]	Cash collateral	Impaired loans	Specific/ Stage3 ECL impaired loans	Impaired debt securities	Specific/ Stage3 ECL impaired debt securities
Manufacturing	3,872	3,092	780	216	108	91	-	-
Mining and quarrying	168	86	82	3	26	12	-	-
Agriculture, fishing, and forestry	1,526	1,389	137	1	56	33	-	-
Construction	1,131	895	236	-	106	68	-	-
Financial services	20,547	18,474	2,073	11,237	2	1	64	64
Trade	410	320	90	18	8	5	-	-
Personal / Consumer finance	1,424	1,392	32	-	81	58	-	-
Commercial real estate financing	890	881	9	132	59	18	-	-
Government	18,573	18,292	281	298	2	2	-	-
Technology, media, and telecommunications	593	513	80	3	1	1	-	-
Transport	938	691	247	4	36	30	-	-
Energy	1,408	1,198	210	-	-	-	-	-
Utilities	2,128	1,499	629	14	-	-	-	-
Distribution	1,044	931	113	10	-	-	-	-
Retailers	327	278	49	41	-	-	-	-
Other services	5,066	4,316	750	49	214	154	-	-
Infrastructure	98	73	25	2	-	-	-	-
Contracting	574	175	399	22	-	-	-	-
	60,717	54,495	6,222	12,050	699	473	64	64

4. Credit risk – Pillar III disclosures (continued)

d. Credit exposure (continued)

Industrial sector analysis of exposures (continued)

The industrial sector analysis of gross credit exposures, by major types of credit exposure, can be analysed as follows:

US$ million	Manufacturing	Mining and quarrying	Agriculture, fishing and forestry	Construction	Financial services	Trade	Personal / Consumer finance	Commercial real estate financing	Government	Technology, media and telecommunications	Transport	Energy	Utilities	Distribution	Retailers	Other sectors	Infrastructure	Contracting	Total
Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	65	-	-	65
Claims on sovereigns	47	-	-	-	89	-	-	-	16,173	-	-	15	-	-	-	-	-	-	16,324
Claims on public sector entities	302	7	-	-	13	-	-	-	1,468	-	192	440	224	-	-	3	3	4	2,656
Claims on multilateral development banks	-	-	-	-	65	-	-	-	587	-	-	-	-	-	-	-	-	-	652
Claims on banks	-	-	-	-	12,789	-	-	-	168	-	-	-	-	-	-	-	-	-	12,957
Claims on corporate portfolio	3,467	137	1,494	1,062	7,441	407	157	749	175	593	734	946	1,868	1,043	327	4,020	95	570	25,285
Regulatory retail exposures	-	-	-	-	-	-	1,201	-	-	-	-	-	-	-	-	-	-	-	1,201
Past due loans	17	14	23	38	1	3	23	41	-	-	6	-	-	-	-	60	-	-	226
Commercial mortgage	-	-	-	31	-	-	1	100	-	-	-	-	-	-	-	-	-	-	132
Equity portfolios	1	-	-	-	34	-	4	-	-	-	-	-	-	-	-	20	-	-	59
Other exposures	38	10	9	-	115	-	38	-	2	-	6	7	36	1	-	898	-	-	1,160
	3,872	168	1,526	1,131	20,547	410	1,424	890	18,573	593	938	1,408	2,128	1,044	327	5,066	98	574	60,717

4. Credit risk – Pillar III disclosures (continued)

d. Credit exposure (continued)

Industrial sector analysis of exposures (continued)

The ageing analysis of past due loans, by industrial sector can be analysed as follows:

US$ million	Less than 3 months	3 months to 1 year	1 to 3 years	Over 3 years	Total
Manufacturing	5	1	12	-	**18**
Mining and quarrying	3	3	8	-	**14**
Agriculture, fishing and forestry	6	3	14	-	**23**
Construction	2	33	3	-	**38**
Financial services	1	-	-	-	**1**
Trade	2	-	1	-	**3**
Personal / Consumer finance	4	6	13	-	**23**
Commercial Real Estate Financing	-	-	41	-	**41**
Technology, media & telecommunications	-	-		-	**-**
Transport	-	1	5	-	**6**
Other sectors	6	18	20	15	**59**
	29	**65**	117	**15**	**226**

4. Credit risk – Pillar III disclosures (continued)

d. Credit exposure (continued)

Maturity analysis of funded exposures

Residual contractual maturity of the Group's major types of funded credit exposures is as follows:

US$ million	Within 1 month	1 - 3 months	3 - 6 months	6 - 12 months	Total within 12 months	1 – 5 years	5-10 years	10 - 20 years	Over 20 years	Undated	Total over 12 months	Total
Cash	65	-	-	-	65	-	-	-	-	-	-	65
Claims on sovereigns	9,895	713	355	746	11,709	2,712	1,487	139	-	55	4,393	16,102
Claims on public sector entities	429	310	63	102	904	650	704	5	-	221	1,580	2,484
Claims on multilateral development banks	-	-	234	133	367	224	55	-	-	-	279	646
Claims on banks	7,292	590	860	1,642	10,384	1,683	50	-	-	2	1,735	12,119
Claims on corporate portfolio	5,648	3,370	2,267	2,511	13,796	5,257	760	106	1	666	6,790	20,586
Regulatory retail exposures	12	46	49	47	154	273	607	126	25	5	1,036	1,190
Past due loans	8	21	36	29	94	117	11	1	-	3	132	226
Commercial mortgage	34	-	9	22	65	67	-	-	-	-	67	132
Equity portfolios	-	-	-	-	-	-	-	-	-	59	59	59
Other exposures	10	-	-	-	10	-	-	-	-	876	876	886
	23,393	5,050	3,873	5,232	37,548	10,983	3,674	377	26	1,887	16,947	54,495

4. Credit risk – Pillar III disclosures (continued)

d. Credit exposure (continued)

Maturity analysis of unfunded exposures

In accordance with the calculation of credit risk-weighted assets in the CBB's Basel III Capital Adequacy Framework, unfunded exposures are divided into the following exposure types:

(i) **Credit-related contingent items** comprising letters of credit, acceptances, guarantees and commitments.

(ii) **Derivatives** including futures, forwards, swaps and options in the interest rate, foreign exchange, equity and credit markets.

In addition to counterparty credit risk, derivatives are also exposed to market risk, which requires a separate capital charge as prescribed under the Basel III guidelines.

The residual contractual maturity analysis of unfunded exposures is as follows:

US$ million	within 1 month	1 - 3 months	3 - 6 months	6 – 12 months	Total within 12 months	1 – 5 years	5-10 years	10 - 20 years	Over 20 years	Undated	Total over 12 months	Total
Claims on sovereigns	87	13	22	35	157	65	-	-	-	-	65	222
Claims on public sector entities	16	28	25	43	112	35	-	-	25	-	60	172
Claims on multilateral development banks	-	1	2	2	5	1	-	-	-	-	1	6
Claims on banks	199	194	113	110	616	114	59	-	49	-	222	838
Claims on corporate portfolio	296	461	685	866	2,308	2,116	141	27	107	-	2,391	4,699
Regulatory retail exposures	-	3	1	2	6	5	-	-	-	-	5	11
Other exposures	-	-	-	-	-	-	-	-	-	274	274	274
	598	700	848	1,058	3,204	2,336	200	27	181	274	3,018	6,222

4. Credit risk – Pillar III disclosures (continued)

e. Impaired assets and provisions for impairment

The Group manages the risk rating of obligors in accordance with the Bank's credit rating methodology. Changes in risk ratings are used to identify credit migration and significant increase in credit risk since origination of obligor facility to assess the staging of obligors in accordance with the IFRS 9 impairment policy of the Group. The amount of ECL charged per obligor facility is subject to calculations executed in line with the IFRS 9 impairment policy.

Industry sector analysis of the specific and ECL provisions charges and write-offs

US$ million	Provision (Write-back/recovery)	Write-offs
Energy	-	-
Distribution	10	
Manufacturing	5	3
Construction	9	-
Mining and quarrying	1	-
Personal / consumer finance	2	1
Commercial real estate financing	(1)	-
Transport	7	-
Trade	-	-
Agriculture, fishing & forestry	6	-
Other Services	20	3
ECL	(9)	-
	50	7

Restructured facilities

The carrying amount of restructured facilities amounted to US$ 301 million as at 30 June 2025. Out of the total restructured facilities 62% relate to performing customers on which an ECL of US$ 16 million is being held. Restructuring concessions mainly related to deferral of loan installments to assist customers overcome temporary cash flow situations or to realign the repayment with the borrower's revised cash flow projections. These restructured facilities are individually assessed for adequacy of ECL charge. Since these restructurings did not have material concessions, there was no impact on carrying values and thereby no modification loss was recorded on these. The Group continues to record interest on performing customers as normal and interest on non-performing customers is recorded on receipt basis.

Ageing analysis of impaired loans and securities

In accordance with the guidelines issued by the CBB, credit facilities are placed on non-accrual status and interest suspended when either principal or interest is overdue by 90 days, whereupon interest credited to income is reversed. Following an assessment of impairment, specific provision is established if there is objective evidence that a credit facility is impaired, as mentioned above.

4. Credit risk – Pillar III disclosures (continued)

An ageing analysis of all impaired loans, and securities on non-accrual basis, together with their related provisions is as follows:

Loans — **As at 30 June 2025**

US$ million	Principal	Provisions	Net book value
Less than 3 months	52	23	29
3 months to 1 year	158	93	65
1 to 3 years	323	206	117
Over 3 years	166	151	15
	699	473	226

Securities

US$ million	Principal	Provisions	Net book value
Less than 3 months	-	-	-
3 months to 1 year	-	-	-
1 to 3 years	-	-	-
Over 3 years	64	64	-
	64	**64**	**-**

4. Credit risk – Pillar III disclosures (continued)

Movement in expected credit losses

As at 30 June 2025

	Expected Credit Losses		
	Stage 1	**Stage 2**	**Stage 3**
Loans			
At beginning of the year	136	68	413
Changes due to financial assets recognised in opening balance that have:			
Transfer to stage 1	3	(3)	-
Transfer to stage 2	(1)	12	(11)
Transfer to stage 3	(1)	(2)	3
Net remeasurement of loss allowance	(4)	(1)	109
Write-backs / recoveries	-	-	(52)
Amounts written-off	-	-	(7)
Exchange adjustments and other movements	4	1	18
Balance at reporting date	**137**	**75**	**473**

	Expected Credit Losses		
	Stage 1	**Stage 2**	**Stage 3**
Investments			
At beginning of the year	11	-	65
Changes due to financial assets recognised in opening balance that have:			
Transfer to stage 1	-	-	-
Transfer to stage 2	-	-	-
Transfer to stage 3	-	-	-
Net remeasurement of loss allowance	-	-	-
Write-backs / recoveries			-
Amounts written-off			-
Exchange adjustments and other movements	1	-	-
Balance at reporting date	**12**	**-**	**65**

	Expected Credit Losses		
	Stage 1	**Stage 2**	**Stage 3**
Other financial assets and off-balance sheet items			
At beginning of the year	11	10	20
Changes due to financial assets recognised in opening balance that have:			
Transfer to stage 1	-	-	-
Transfer to stage 2	-	-	-
Transfer to stage 3	-	-	-
Net remeasurement of loss allowance	(1)	(3)	1
Write-backs / recoveries			-
Amounts written-off			-
Exchange adjustments and other movements	(1)	1	-
Balance at reporting date	**9**	**8**	**21**

5. Off balance sheet exposure and securitisations

a. Credit related contingent items

The nominal value of credit-related contingent items is converted to an exposure through the application of a credit conversion factor (CCF). The CCF is set at 20%, 50% or 100% depending on the type of contingent item and is used to convert off-balance sheet notional amounts into an equivalent on-balance sheet exposure.

Undrawn loans and other commitments represent commitments that have not been drawn down or utilised at the reporting date. The nominal amount is the base upon which a CCF is applied for calculating the exposure. The CCF ranges between 20% and 50% for commitments with original maturities of up to one year and over one year respectively. The CCF is 0% for commitments that can be unconditionally cancelled at any time.

The table below summarises the notional principal amounts and the relative exposure before the application of credit risk mitigation:

US$ million	**Notional principal**	**Credit exposure ***
Short-term self-liquidating trade and transaction-related contingent items	4,271	1,406
Direct credit substitutes, guarantees and acceptances	2,957	1,603
Undrawn loans and other commitments	3,037	1,288
	10,265	**4,297**
RWA		**3,567**

** Credit exposure is after applying CCF.*

At 30 June 2025, the Group held eligible guarantees as collateral in relation to credit-related contingent items amounting to US$ 471 million.

b. Derivatives

Most of the Group's derivative trading activities relate to sales, positioning and arbitrage. Sales activities involve offering products to customers. Positioning involves managing market risk positions with the expectation of profiting from favourable movements in prices, rates or indices. Arbitrage involves identifying and profiting from price differentials between markets or products. Appropriate limits are approved by the Board. After approval, these limits are monitored and reported along with the Group Risk Appetite Statement.

5. Off balance sheet exposure and securitisations (continued)

b Derivatives (continued)

The Group uses forward foreign exchange contracts, currency options and currency swaps to hedge against specifically identified currency risks. Additionally, the Group uses interest rate swaps and interest rate futures to hedge against the interest rate risk arising from specifically identified loans and securities bearing fixed interest rates. The Group can participates in both exchange-traded and over-the-counter derivative markets.

Credit risk in respect of derivative financial instruments arises from the potential for a counterparty to default on its contractual obligations and is limited to the positive fair value of instruments that are favourable to the Group. The majority of the Group's derivative contracts are entered into with other financial institutions, and there was no significant concentration of credit risk in respect of contracts with positive fair value with any individual counterparty as at 30 June 2025.

The aggregate notional amounts for interest rate and foreign exchange contracts as at 30 June 2025 were as follows:

	Derivatives		
US$ million	**Interest rate contracts**	**Foreign exchange contracts**	**Total**
Notional – Trading book	23,631	35,228	58,859
Notional – Banking book	5,258	1,142	6,400
	28,889	**36,370**	**65,259**
Credit RWA (replacement cost plus potential future exposure)	389	542	931
Market RWA	1,153	238	1,391

c. Counterparty Credit Risk

Counterparty Credit Risk (CCR) is the risk that a counterparty to a contract in the interest rate, foreign exchange, equity or credit markets defaults prior to the maturity of the contract.

The counterparty credit risk for derivative and foreign exchange instruments is subject to credit limits on the same basis as other credit exposures. Counterparty credit risk arises in both the trading book and the banking book.

In accordance with the credit risk framework in the CBB's Basel III Capital Adequacy Framework, the Group uses the current exposure method to calculate counterparty credit risk exposure of derivatives. Counterparty credit exposure is defined as the sum of replacement cost and potential future exposure. The potential future exposure is an estimate that reflects possible changes in the market value of the individual contract, and is measured as the notional principal amount multiplied by an add-on factor.

In addition to the default risk capital charge for CCR, the Group also holds capital to cover the risk of mark-to-market losses on the expected counterparty risk arising out of over-the-counter derivative transactions, namely a Credit Valuation Adjustment (CVA). The Standardised CVA Risk Capital Charge, as prescribed under CBB's Basel III guidelines, is employed for this purpose. As of 30 June 2025, the CVA Portfolio Risk weighted assets was US$ 298 million (excluding aggregation of Banco ABC Brasil).

6. Capital management

Our strategy and business objectives underpin our capital management framework which is designed to maintain sufficient levels of capital to support our organic and inorganic growth strategy, and to withstand extreme but plausible stress conditions. The capital management objective aims to maintain an optimal capital structure to enhance shareholders' returns while operating within the Group's risk appetite limits and comply with regulatory requirements at all times.

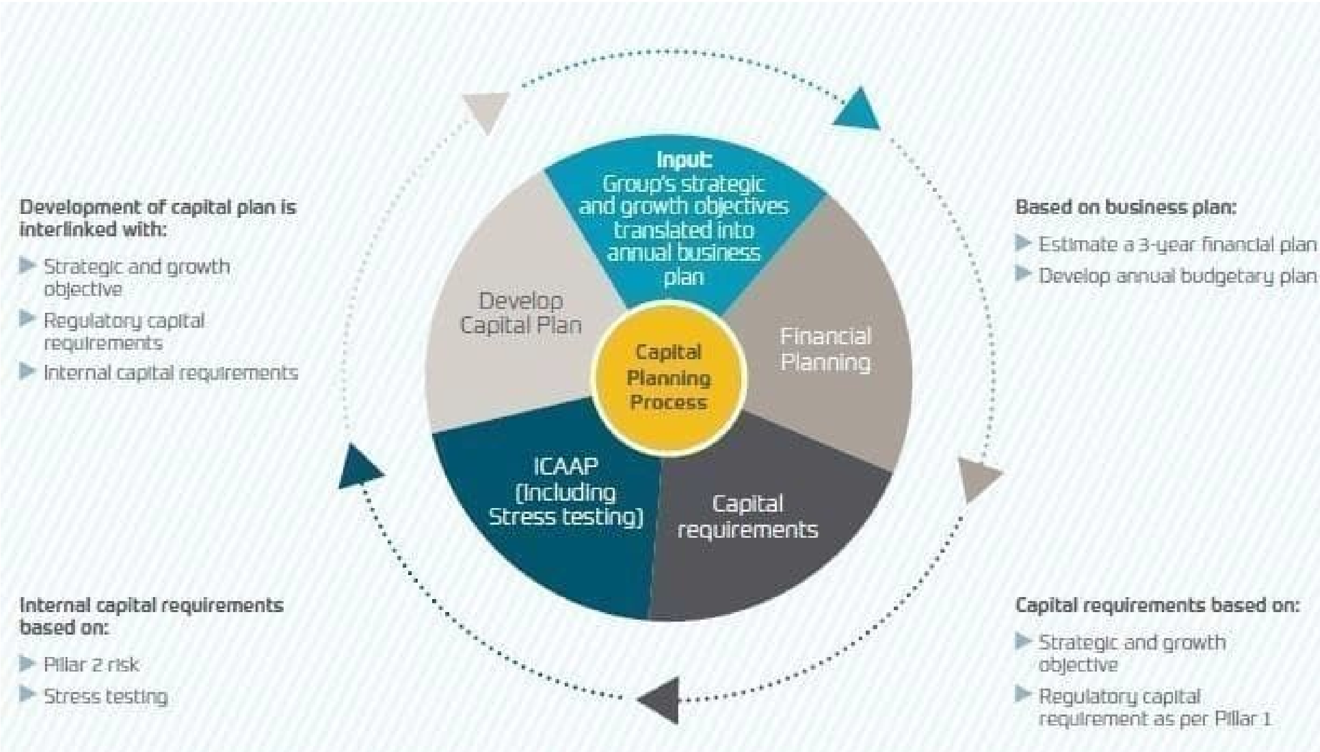
Our approach to capital management is driven by our strategic objectives, considering the regulatory, economic and business environment in our major markets. It is our objective to maintain a strong capital base to support the risks inherent in our businesses and markets, meeting both local and consolidated regulatory and internal capital requirements at all times.

Internal Capital Adequacy Assessment Process (ICAAP)

Our capital management approach is supported by a Capital Management Framework that includes an ICAAP framework, which enables us to manage our capital in a proactive and consistent manner. The framework incorporates a variety of approaches to assess capital requirements for different material sources of risks and is evaluated on an economic and regulatory capital basis. The Group's ICAAP is designed to:

- Inform the Board of the ongoing assessment of the Bank's risks, and how the Bank intends to mitigate those risks. It also evaluates the current and future capital requirements that is necessary, having considered other mitigating factors;
- Ensure that the Bank's capital position remains adequate in the event of an extreme but plausible global and regional economic stress conditions;
- Demonstrate that the Bank establishes and applies a strong and encompassing governance framework in addition to a robust risk and capital management, planning and forecasting process; and
- Provide a forward-looking view, in relation to solvency on the Bank's risk profile to ensure that it is in line with the Board's Risk Appetite limits.

6. Capital management (continued)



The ICAAP assesses capital required for each of the material sources of risks and compares the overall capital requirements for Pillar 1 and Pillar 2 risks against available capital. Our assessment of capital adequacy is aligned to our assessment of risks. These include credit, market, operational, concentration risk (geographic, sectoral and obligor), liquidity risk, strategic risk, ESG, pension fund obligation, residual risks, and interest rate risk in the banking book.

In addition to the assessment of capital requirements under Pillar 1 and Pillar 2A of the regulatory capital framework, the Group assesses capital requirements for stress events under Pillar 2B.

6. Capital management (continued)

Pillar 2A Risks

The Pillar 2A measurement framework for the key risk categories is summarised below:

Material Sources of Risk (Pillar 2A)	Methodology
Credit Risk	Additional capital required for credit risk under ICAAP based on the Foundation Internal Ratings based approach
Concentration Risk - *Name Concentration* - *Sector Concentration* - *Geographic Concentration*	Capital requirements assessed for Name, Sector and Geographic concentration risks using the Herfindahl- Hirschman Index (HHI) approach
Counterparty Credit Risk	No capital add-on under ICAAP as Pillar 1 is assessed to be sufficient
Market Risk	The Bank uses SMM for market risk capital charge computation as prescribed by the local regulator the CBB. The Bank's own assessment has identified that additional capital charge maybe required for the marginal illiquidity of its market portfolio and movements in market prices. The capital charge for market risk assessed under Pillar 1 is sufficient to cover these risks.
Operational Risk - *Conduct Risk* - *Non-Conduct Risk*	Under ICAAP the Bank re-assess operational risk within two categories of realised risk factors and compares this to Pillar 1 risk. • Conduct risk • Non-conduct risk Conduct risk losses are defined as losses described in the Basel loss event type of 'Client, Products and Business Practices (CPBP)' and legal losses. The CPBP loss events includes Regulatory fines, Sanctions (covering AML/KYC), Mis-selling and product risk (defects), Client confidentiality breaches, Non-compliance with disclosures. Non-Conduct risk losses are the Basel loss event types other than CPBP and legal losses. This category of loss events includes Internal fraud losses, External fraud losses, System break-down losses, Cyber security breach losses, Business disruption losses (BCP), Execution and transaction delivery loss, Documentation risk related losses.
Liquidity and Funding Risk	Liquidity and funding risk is covered under ILAAP and sufficient High Quality Liquid Asset Buffers (LAB) held to address this risk
Interest Rate Risk in the Banking Book (IRRBB)	Capital requirements assessed based on six stress scenarios in alignment with Basel IRRBB 2016 guidelines (BCBS 368) applying the updated recalibration of interest rate shocks issued in July 2024 (BCBS 578). Capital requirements is assessed against internal threshold for EAR and EVE.
Pension Obligation Risk	Capital requirements assessed based on an actuarial assessment of pension fund obligations by computing the gap between the present value of all defined pension obligations and the value of the pension fund scheme assets which is complemented with a stress assessment using a set of stress scenarios
Strategic Risk	Regular review of strategy in view of the changing technology, regulatory and business landscape
Reputational Risk	Robust governance and management framework with significant involvement of senior management to proactively address any risk(s) to the Group's reputation
Climate Change Risk	Impact on capital reviewed and assessed based on stress scenario.

6. Capital management (continued)

Pillar 2B - Stress Testing

Pillar 2B represents capital requirements to be assessed through Stress Testing and Scenario Analysis. Stress testing alerts the Bank's management to adverse unexpected outcomes related to a variety of risks and provides an indication of how much capital might be needed to absorb losses should large shocks occur.

The bank applies an Integrated Stress Testing (**IST**) framework to assess the impact of a continuum of stress scenarios including market-wide, idiosyncratic and combined scenarios on its capital, asset quality, earnings and liquidity. IST also enhances the bank's ability to integrate the feedback loop and interplay between different risks when a stress event occurs.

The market-wide scenarios generated from Moody's data on macro-economic forecasts allow the Bank to assess its vulnerabilities under mild, moderate, severe and reverse scenarios using the same macro-variables as those used to compute the Group's Expected Credit Loss. Idiosyncratic scenarios have been identified for its material and emerging risks. The Bank assesses the impact of these scenarios or new events for various risk drivers on a multi-dimensional basis, that is, at an entity, country, sector, business area, product, customer or any other applicable levels.

Finally, the Bank has considered the management actions (MMA) identified under its ICAAP, ILAAP and RP processes to complete the impact analysis by assessing the adequacy of these actions to resolve the adverse impact from these scenarios. The results of the IST process are aligned with the bank's risk appetite setting at an entity and group level. The Bank incorporates the post-MMA IST results to complete its ICAAP.

Based on its ICAAP assessment, the Group maintains adequate levels of capital buffers to meet its business growth over the planning horizon as well as withstand extreme but plausible stress.

Annual Planning Cycle

Our annual budget results in an assessment of RWA and capital requirements to support the Bank's growth plans and compares this with the available Capital. The annual budget, the 3 year forecasts and the ICAAP are approved by the Board. Regular assessments of RWA, Capital resources and the capital ratios are monitored and reported to the Board.

Capital Allocation

The responsibility for Group's capital allocation principles rests with the Group's Asset & Liability Management Committee. The capital allocation disciplines are enforced through the Group Balance Sheet Management function that operates under the oversight of the Group Chief Financial Officer. Through our internal governance processes, we seek to maintain discipline over our investment and capital allocation decisions and seek to ensure that returns on capital meet the Group's management objectives. Our strategy is to allocate capital to businesses and entities to support growth objectives where above hurdle returns are identified based on their regulatory and economic capital needs.

We manage our business returns with a Risk Adjusted Return on Capital (RAROC) measure to drive higher returns while balancing risks.

7. Related party transactions

Related parties represent associated companies, major shareholders, directors and key management personnel of the Group and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's senior management and are based on arm's length rationale. Details of the transactions and balances with related parties have been disclosed in Note 13 of the interim condensed consolidated financial statements for the six-month period ended 30 June 2025.

In addition to note 13, exposures to related parties as of 30 June 2025 are as follows:

	US $ Millions
Claims on shareholders*	214
Claims on directors & senior management	5
Claims on staff	38

**Unfunded exposures after applying CCF.*

Liabilities to related parties

Connected deposits	3,915

The interest expense in respect of connected deposits is US$ 108 million.

8. Repurchase and resale agreements

Proceeds from assets sold under repurchase agreements as at 30 June 2025 amounted to US$ 9,566 million. The carrying value of securities sold under repurchase agreements at the period end amounted to US$ 9,797 million.

Amounts paid for assets purchased under resale agreements at the period end amounted to US$ 1,255 million and relate to customer product and treasury activities. The market value of the securities purchased under resale agreements at the period end amounted to US$ 1,420 million.

9. Material transactions

Transactions requiring approval by the Board include large credit transactions, related party transactions and any other significant strategic, investment or major funding decisions in accordance with Board approved policies and procedures.

APPENDIX I – REGULATORY CAPITAL DISCLOSURES

PD 1: Post 1 January 2019 disclosure template

	Basel III Common Disclosure Template	PIR as at 30 June 2025	Reference
	Common Equity Tier 1 capital: instruments and reserves		
1	Directly issued qualifying common share capital plus related stock surplus	3,104	A
2	Retained earnings	1,361	B
3	Accumulated other comprehensive income (and other reserves)	(458)	c1+c2+c3+c4+c5
4	*Not applicable*	-	
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	274	D
6	**Common Equity Tier 1 capital before regulatory adjustments**	**4,281**	
	Common Equity Tier 1 capital: regulatory adjustments		
7	Prudential valuation adjustments	-	
8	Goodwill (net of related tax liability)	25	
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	149	E
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	16	F
11	Cash-flow hedge reserve	-	
12	Shortfall of provisions to expected losses	-	
13	Securitisation gain on sale (as set out in paragraph 562 of Basel II framework)	-	
14	Not applicable	-	
15	Defined-benefit pension fund net assets	34	c6
16	Investments in own shares	-	
17	Reciprocal crossholdings in common equity	-	
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	-	

APPENDIX I – REGULATORY CAPITAL DISCLOSURES (continued)

PD 1: Post 1 January 2019 disclosure template (continued)

	Basel III Common Disclosure Template	PIR as at 30 June 2025	Reference
	Common Equity Tier 1 capital: regulatory adjustments (continued)		
20	Mortgage servicing rights (amount above 10% threshold)	-	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	
22	Amount exceeding the 15% threshold	-	
23	of which: significant investments in the common stock of financials	-	
24	of which: mortgage servicing rights	-	
25	of which: deferred tax assets arising from temporary differences	-	
26	CBB specific regulatory adjustments	-	
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	
28	**Total regulatory adjustments to Common equity Tier 1**	**224**	
29	**Common Equity Tier 1 capital (CET1)**	**4,057**	
	Additional Tier 1 capital: instruments		
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	390	
31	of which: classified as equity under applicable accounting standards	390	
32	of which: classified as liabilities under applicable accounting standards	-	
33	*Directly issued capital instruments subject to phase out from Additional Tier 1*	-	
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in Group AT1)	159	g
35	*of which: instruments issued by subsidiaries subject to phase out*	-	
36	**Additional Tier 1 capital before regulatory adjustments**	**549**	
	Additional Tier 1 capital: regulatory adjustments		
37	Investments in own Additional Tier 1 instruments	-	
38	Reciprocal crossholdings in Additional Tier 1 instruments	-	

APPENDIX I – REGULATORY CAPITAL DISCLOSURES (continued)

PD 1: Post 1 January 2019 disclosure template (continued)

	Basel III Common Disclosure Template	PIR as at 30 June 2025	Reference
	Additional Tier 1 capital: regulatory adjustments (continued)		
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
41	CBB specific regulatory adjustments	-	
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
43	**Total regulatory adjustments to Additional Tier 1 capital**	**-**	
44	**Additional Tier 1 capital (AT1)**	**549**	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**4,606**	
	Tier 2 capital: instruments and provisions		
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	-	
47	*Directly issued capital instruments subject to phase out from Tier 2*	-	
48	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)	100	i
49	*of which: instruments issued by subsidiaries subject to phase out*	-	
50	Provisions	241	h
51	**Tier 2 capital before regulatory adjustments**	**341**	
	Tier 2 capital: regulatory adjustments		
52	Investments in own Tier 2 instruments	-	
53	Reciprocal crossholdings in Tier 2 instruments	-	
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	-	

APPENDIX I – REGULATORY CAPITAL DISCLOSURES (continued)

PD 1: Post 1 January 2019 disclosure template (continued)

	Basel III Common Disclosure Template	PIR as at 30 June 2025	Reference
	Tier 2 capital: regulatory adjustments (continued)		
55	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
56	National specific regulatory adjustments	-	
57	**Total regulatory adjustments to Tier 2 capital**	-	
58	**Tier 2 capital (T2)**	**341**	
59	**Total capital (TC = T1 + T2)**	**4,947**	
60	**Total risk weighted assets**	**31,127**	
	Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	13.0%	
62	Tier 1 (as a percentage of risk weighted assets)	14.8%	
63	Total capital (as a percentage of risk weighted assets)	**15.9%**	
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB buffer requirement, expressed as a percentage of risk weighted assets)	2.5%	
65	of which: capital conservation buffer requirement	2.5%	
66	of which: bank specific countercyclical buffer requirement	N/A	
67	of which: G-SIB buffer requirement	N/A	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	4.0%	
	National minima including CBB (where different from Basel III)		
69	CBB Common Equity Tier 1 minimum ratio	9%	
70	CBB Tier 1 minimum ratio	10.5%	
71	CBB total capital minimum ratio	12.5%	
	Amounts below the thresholds for deduction (before risk weighting)		
72	Non-significant investments in the capital of other financials	22	
73	Significant investments in the common stock of financials	33	

APPENDIX I – REGULATORY CAPITAL DISCLOSURES (continued)

PD 1: Post 1 January 2019 disclosure template (continued)

Basel III Common Disclosure Template		PIR as at 30 June 2025	Reference
Amounts below the thresholds for deduction (before risk weighting) (continued)			
74	Mortgage servicing rights (net of related tax liability)	-	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	190	
Applicable caps on the inclusion of provisions in Tier 2			
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	241	h
77	Cap on inclusion of provisions in Tier 2 under standardised approach	340	
78	N/A		
79	N/A		
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2019 and 1 Jan 2023)			
80	*Current cap on CET1 instruments subject to phase out arrangements*	N/A	
81	*Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)*	N/A	
82	*Current cap on AT1 instruments subject to phase out arrangements*	N/A	
83	*Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)*	N/A	
84	*Current cap on T2 instruments subject to phase out arrangements*	N/A	
85	*Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)*	N/A	

APPENDIX I – REGULATORY CAPITAL DISCLOSURES (continued)

PD 2: Reconciliation of Regulatory Capital

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

US$ million

	Balance sheet as in published financial statements	Consolidated PIR data
Liquid funds	2,724	-
Cash and balances at central banks	-	2,792
Placements with banks and similar financial institutions	2,202	3,390
Reverse repurchase agreements and other similar secured lending	1,255	-
Financial assets at fair value through P&L	1,075	1,075
Non-trading investments	16,074	-
Investment at Amortised Cost	-	8,520
Investments at FVOCI	-	7,565
Loans and advances	20,824	21,035
Investment properties	-	-
Interest receivable	-	631
Other assets	3,582	2,744
Investments in associates and joint ventures	-	33
Goodwill and intangible assets	-	174
Property, plant and equipment	233	233
TOTAL ASSETS	**47,969**	**48,192**
Deposits from banks	4,369	7,501
Deposits from customers	24,353	21,221
Certificate of deposits issued	273	273
Repurchase agreements and other similar secured borrowing	9,480	9,480
Interest payable	-	1,070
Taxation	72	-
Other liabilities	3,037	2,021
Borrowings	1,517	1,246
Subordinated liabilities	-	-
Additional Tier 1 Instrument	390	661
TOTAL LIABILITIES	**43,491**	**43,473**
Paid-in share capital	3,110	3,110
Treasury shares	(6)	(6)
Reserves	869	869
Non - controlling interest	505	505
Expected credit losses	-	241
TOTAL SHAREHOLDERS' EQUITY	**4,478**	**4,719**

APPENDIX I – REGULATORY CAPITAL DISCLOSURES (continued)

PD 2: Reconciliation of Regulatory Capital (continued)

ii) Step 2: Expansion of the Balance Sheet under Regulatory scope of Consolidation

US$ million

ASSETS	Balance sheet as in published financial statements	Consolidated PIR data	Reference
Liquid funds	2,724	-	
Cash and balances at central banks	-	2,792	
Placements with banks and similar financial institutions	2,202	3,390	
Reverse repurchase agreements and other similar secured lending	1,255	-	
Financial assets at fair value through P&L	1,075	1,075	
Loans and advances	20,824	21,035	
Non-trading investments	16,074	16,085	
Of which investment NOT exceeding regulatory threshold	-	*16,085*	
Interest receivable	-	631	
Other assets	3,582	2,744	
Of which deferred tax assets arising from carryforwards of unused tax losses, unused tax credits and all other	-	*16*	*F*
Of which deferred tax assets arising from temporary differences	-	*190*	
Investments in associates and joint ventures	-	33	
Of which Significant investment exceeding regulatory threshold	-	-	
Of which Significant investment NOT exceeding regulatory threshold	-	*33*	
Goodwill and intangible assets	-	174	
Of which goodwill	-	*25*	
Of which other intangibles (excluding MSRs) phased in at 100%	-	*149*	*E*
Of which MSRs	-	-	
Property, plant and equipment	233	233	
TOTAL ASSETS	**47,969**	**48,192**	

APPENDIX I – REGULATORY CAPITAL DISCLOSURES (continued)

PD 2: Reconciliation of Regulatory Capital (continued)

ii) Step 2: Expansion of the Balance Sheet under Regulatory scope of Consolidation (continued)

US$ million

LIABILITIES & SHAREHOLDERS' EQUITY	**Balance sheet as in published financial statements**	**Consolidated PIR data**	**Reference**
Deposits from banks	4,369	7,501	
Deposits from customers	24,353	21,221	
Certificate of deposits issued	273	273	
Repurchase agreements and other similar secured borrowing	9,480	9,480	
Interest payable	-	1,070	
Taxation	72	-	
Other liabilities	3,037	2,021	
Borrowings	1,517	1,246	
Subordinated liabilities	-	-	
Of which amount eligible for TII	-	-	
Of which amount Ineligible	-	-	
Additional Tier 1 Instrument	390	661	
Of which amount eligible for AT1	-	101	G
Of which amount eligible for TII	-	24	I
Of which amount Ineligible	-	*536*	
TOTAL LIABILITIES	**43,491**	**43,473**	
Paid-in share capital	3,110	3,110	
Treasury shares	(6)	(6)	
Of which form part of CET1			
Ordinary Share Capital	3,110	3,110	a
Treasury shares	(6)	(6)	A
Reserves	869	869	
Of which form part of CET1			
Retained earnings/(losses) brought forward	*1,361*	*1,361*	*b*
Net profit for the current year	*152*	*152*	*c1*
Legal reserve	*598*	*598*	*c2*
General (disclosed) reserves	*100*	*100*	*c3*
Fx translation adjustment	*(1,339)*	*(1,339)*	*c4*
Cumulative changes in fair value	*31*	*31*	*c5*
Pension fund reserve	*(34)*	*(34)*	*c6*
Non - controlling interest	505	505	
Of which amount eligible for CETI	-	*274*	*d*
Of which amount eligible for ATI	-	*58*	*g*
Of which amount eligible for TII	-	*76*	*I*
Of which amount ineligible	-	*97*	
Expected credit losses	-	241	
Of which amount eligible for TII (Maximum 1.25% of RWA)	-	*241*	*h*
Of which amount Ineligible	-	-	
TOTAL SHAREHOLDERS' EQUITY	**4,478**	**4,719**	

APPENDIX I – REGULATORY CAPITAL DISCLOSURES (continued)

PD 3: Main features of regulatory capital instruments

Disclosure template for main features of regulatory capital instruments					
1	Issuer	Arab Banking Corporation	Arab Banking Corporation	Banco ABC Brasil	Banco ABC Brasil
2	Unique identifier	ABC	XS2426192261	LFSC19000 (series with various suffixes)	LFSC24000 (series with various suffixes)
3	Governing law(s) of the instrument	Laws of Bahrain	English and Bahrain Law	Laws of the Federative Republic of Brazil	Laws of the Federative Republic of Brazil
Regulatory treatment					
4	Transitional CBB rules	Common Equity Tier 1	N/A	N/A	N/A
5	Post-transitional CBB rules	Common Equity Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1
6	Eligible at solo/group/group & solo	Group & Solo	Group& Solo	Group	Group
7	Instrument type (types to be specified by each jurisdiction)	Common equity shares	Perpetual NC 6 Additional Tier 1 Capital Securities	Perpetual NC 5, Sub-ordinated to all except Shareholders' Equity	Perpetual NC 5, Sub-ordinated to all except Shareholders' Equity
8	Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date)	US$ 3,110	US$ 390	BRL 539 million (of which US$ 39 million equivalent eligible for AT1)	BRL 1,067 million (of which US$ 62 million equivalent eligible for AT1)
9	Par value of instrument	1	1	300,000	300,00
10	Accounting classification	Shareholders equity	Shareholders equity	Liability- Amortized cost	Liability- Amortized cost
11	Original date of issuance	Various	28th March 2022	Various	Various
12	Perpetual or dated	Perpetual	Perpetual	Perpetual	Perpetual
13	Original maturity date	No maturity	No maturity	No maturity	No maturity
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	N/A	28th March 2028 and every interest payment date thereafter	Yes	Yes
16	Subsequent call dates, if applicable	N/A	Every interest payment date after the first call date	N/A	N/A
Coupons / dividends					
17	Fixed or floating dividend/coupon	Floating (Dividend as decided by the shareholders)	Fixed	Floating	Floating
18	Coupon rate and any related index	N/A	N/A	1.25 times the current Selic Rate of 14.92% p.a.	1.09 times the current Selic Rate of 12.15% p.a.
19	Existence of a dividend stopper	N/A	Yes	No	No

APPENDIX I – REGULATORY CAPITAL DISCLOSURES (continued)

PD 3: Main features of regulatory capital instruments (continued)

Disclosure template for main features of regulatory capital instruments					
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Partly discretionary (Insufficiency of profits)	Partly discretionary (Insufficiency of profits)	Partly discretionary (Insufficiency of profits)
21	Existence of step up or other incentive to redeem	No	No	No	No
22	Non-cumulative or cumulative	N/A	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	N/A	Convertible	Non convertible	Non convertible
24	If convertible, conversion trigger (s)	N/A	Non-Viability Event	N/A	N/A
25	If convertible, fully or partially	N/A	Fully	N/A	N/A
26	If convertible, conversion rate	N/A	Conversion Price as defined	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	Mandatory	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	Ordinary Shares	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	ABC	N/A	N/A
30	Write-down feature	No	No	Yes	Yes
31	If write-down, write-down trigger(s)	N/A	N/A	CET 1 at 5.125% or below*	CET 1 at 5.125% or below*
32	If write-down, full or partial	N/A	N/A	Fully discretionary	Fully discretionary
33	If write-down, permanent or temporary	N/A	N/A	Permanent	Permanent
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated to all depositors and creditors (including subordinated debt) of the Bank	Subordinated to all senior obligations of the bank and in priority to the Junior obligations (such as equity shares).	AT1 capital bills	AT1 capital bills
36	Non-compliant transitioned features	No	No	No	No
37	If yes, specify non-compliant features	N/A	N/A	N/A	N/A

*AT 1 instrument issued by the subsidiary has a trigger of 5.125% of CET 1 ratio (of the subsidiary) for permanent extinction in compliance with the Brazilian local regulations and Basel Standards. The equivalent trigger under CBB rules stands at 7%.