



## Contents

1.	Introduction .....	5
1.1	About the Bank .....	5
1.2	Regulatory Framework.....	5
1.3	Minimum Capital Requirement .....	6
2.	Overview of risk management and RWA.....	7
2.1	Bank Risk Management Approach (OVA) .....	7
2.1.1.	Corporate Governance .....	7
2.1.2.	Risk Governance Framework .....	11
2.2.	Key metrics (KM1).....	15
2.3.	Overview of RWA (OV1).....	16
3.	Linkages between financial statements and regulatory exposures.....	17
3.1.	Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories (LI1) .....	17
3.2.	Main sources of differences between regulatory exposure amounts and carrying values in financial statements (LI2).....	18
3.3.	Explanations of differences between accounting and regulatory exposure amounts (LIA).....	19
4.	Composition of capital (CC) .....	19
4.1.	Main features of regulatory capital instruments (CCA).....	19
4.2.	Composition of regulatory capital (CC1).....	20
4.3.	Reconciliation of regulatory capital to balance sheet (CC2).....	23
5.	Leverage ratio (LR) .....	24
5.1.	Summary comparison of accounting assets vs leverage ratio exposure (LR1).....	24
5.2.	Leverage ratio common disclosure template (LR2) .....	25
6.	Liquidity.....	26
6.1.	Liquidity risk management (LIQA).....	26
6.1.1.	Overview and Governance of liquidity risk management .....	26
6.1.2.	Management of liquidity risk.....	26
6.1.3.	Stress testing.....	27
6.1.4.	Contingency Planning .....	27
6.1.5.	Maturity Gap Analysis.....	28
6.2.	ELAR: Eligible Liquid Assets Ratio.....	29
6.3.	Advances to Stables Resource Ratio .....	29
7.	Credit risk.....	30

7.1.	General qualitative information about credit risk (CRA) .....	30
7.2.	Credit quality of assets (CR1) .....	32
7.3.	Changes in stock of defaulted loans and debt securities (CR2) .....	33
7.4.	Additional disclosure related to the credit quality of assets (CRB) .....	33
7.4.1.	Definitions of 'past due' and 'impaired' exposures for accounting purposes .....	33
7.4.3.	Staging .....	34
7.4.4.	Significant increase in credit risk (SICR) .....	34
7.4.5.	Rescheduling and Restructuring of Credit facilities .....	35
7.5.	Gross Credit Exposure by Geographical Distribution.....	35
7.6.	Gross Credit Exposure by Industry Segment .....	36
7.7.	Exposure by Residual Contract Maturity (Including Loans & Facilities, Investment and Due from Banks) 36	
7.8.	Impaired Loans by Industry Segment .....	36
7.9.	Impaired Loans by Geographical Distribution .....	37
7.10.	Breakdown of restructured exposures .....	37
7.11.	Qualitative disclosure requirements related to credit risk mitigation techniques (CRC) .....	37
7.12.1	Credit Risk Mitigation .....	37
7.12.2	Collateral Management Module.....	38
7.12.	Credit risk mitigation techniques (CR3) .....	39
7.13.	Qualitative disclosures on banks' use of external credit ratings under the standardized approach for credit risk (CRD).....	39
7.14.	Standardized approach - credit risk exposure and Credit Risk Mitigation (CRM) effects (CR4) ...	40
7.15.	Standardized approach - exposures by asset classes and risk weights (CR5).....	41
8	Counterparty Credit Risk (CCRA).....	42
8.1.	Analysis of counterparty credit risk (CCR) exposure by approach (CCR1) .....	42
8.2.	Credit valuation adjustment (CVA) capital charge (CCR2) .....	42
8.3.	Standardized approach - CCR exposures by regulatory portfolio and risk weights (CCR3).....	43
9.	Market risk .....	44
9.1.	General qualitative disclosure requirements related to market risk (MRA) .....	44
9.2.	Market risk under the standardized approach (MR1) .....	45
10.	Interest rate risk in the banking book (IRRBB).....	46
10.1	Interest rate risk in the banking book (IRRBB 1) .....	46
11.	Operational Risk (OR1).....	47
11.1.	Bank's policies, frameworks, and guidelines for the management of operational risk .....	47
11.2.	Structure and organization of their operational risk management and control function.....	48

11.3. Operational Risk Measurement System .....48

11.4. Scope and main context of their reporting framework on operational risk to executive management and to the board of directors. ....48

11.5. The risk mitigation and risk transfer used in the management of operational risk .....49

12. Remuneration Policy (REMA).....50

12.1. Remuneration policy .....50

12.2. Remuneration awarded during the financial year (REM1) .....52

12.3. Special payments (REM2) .....52

12.4. Deferred remuneration (REM3).....52

## 1. Introduction

This document presents the Pillar III disclosures of Invest Bank P.S.C (“the Bank” or “Invest Bank” or “IB”) on a consolidated basis as of 31<sup>st</sup> December 2024. The purpose of Pillar III disclosures is to allow market participants to assess key pieces of information about the Bank’s capital, risk exposures and risk assessment process.

The Bank is regulated by the Central Bank of UAE (“CBUAE”) and follows the Pillar III disclosure requirements as stated in the CBUAE guidelines on the implementation of Basel III standards, issued in November 2020 with subsequent updates in December 2022. The Pillar III disclosures provided in this document should be read and analyzed in conjunction with the Audited Financial Statements of the Invest Bank P.S.C. for the year ended 31 December 2024.

### 1.1 About the Bank

Invest Bank P.S.C. is a public shareholding company with limited liability which was incorporated in 1975 by an Emiri Decree issued by His Highness Dr. Sheikh Sultan bin Mohammed Al Qassimi, Ruler of Sharjah. The registered address of the Bank is at Al Zahra Street, P.O. Box 1885, Sharjah, United Arab Emirates (“UAE”).

The Bank is primarily engaged in corporate and retail banking activities through its branch network located across the Emirates of Sharjah, Dubai, and Abu Dhabi. Additionally, the Bank also has a branch in Beirut, Lebanon; however, due to the ongoing financial and economic crisis in the Beirut, the Board and Management have assessed the situation and are in the process of liquidating the Beirut branch, following formal approval from the Central Bank of Lebanon.

The Bank’s shares are listed on the Abu Dhabi Securities Exchange (ADX). As of the reporting date, the Government of Sharjah holds a 70.06% ownership stake, while Sharjah Social Security Fund holds 18%, and International Private Group LLC owns 5%.

The Bank also has two wholly owned subsidiaries:

- Sharjah Expo Hotel L.L.C, a company engaged in the hotel business (part of the repossessed asset portfolio of the Bank)
- Ethraa Real Estate LLC SP, established on 27 June 2024 and engaged in management of repossessed real estate assets of the Bank.

### 1.2 Regulatory Framework

The Bank assesses its capital adequacy based on the updated Basel III regulations. The framework is structured around the following three Pillars:

- Pillar I - Minimum Capital Requirements
- Pillar II - Supervisory Review Process
- Pillar III - Market Discipline

Pillar III disclosures outline the comprehensive mechanisms the Bank employs to communicate, enforce, and manage the risk culture within the Bank. These mechanisms are foundation to the

Bank's commitment to transparency, robust risk management, operational integrity and regulatory compliance.

### 1.3 Minimum Capital Requirement

The Pillar I stipulates the minimum capital requirements to cover risks associated with credit, market, and operations. Invest Bank applies a standardized method to evaluate the risk-weighted assets (RWA) for Credit and Market Risk while basic indicator approach for Operational Risk.

Standardized approach to calculating Counter Party Credit Risk (CCR) and simple alternative approach to calculate credit valuation adjustment (CVA). This involves using risk weights and parameters defined by the regulators to calculate the minimum capital requirements under Pillar I.

The CBUAE has established the following minimum regulatory capital ratios:

- Common Equity Tier 1 (CET1) must be at least 7.0% of RWA.
- Tier 1 Capital must be at least 8.5% of RWA.
- Total Capital, combining Tier 1 and Tier 2 Capital<sup>1</sup>, must be a minimum of 10.5% of RWA.

In addition to these minimum requirements, the CBUAE mandated Invest Bank to maintain a Capital Conservation Buffer (CCB) of 2.5%. However, the Countercyclical Buffer (CCyB) is currently set at zero percentage.

These requirements are summarized in the table below:

Capital Element	Requirement
Minimum Common Equity Tier 1 Ratio	7.0%
Minimum Tier 1 Capital Ratio	8.5%
Minimum Capital Adequacy Ratio	10.5%
Capital Conservation Buffer	2.5%

The capital ratios for the Bank as of 31 December 2024 are given below.

Common Equity Tier 1 Ratio	27.55%
Tier 1 Capital Ratio	27.55%
Tier 2 Capital Ratio	1.17%
Capital Adequacy Ratio	28.72%

<sup>1</sup>The Bank includes only general provisions as part of Tier 2 Capital. For more details on capital composition, refer to paragraph 4.2 & 4.3.

## **2. Overview of risk management and RWA**

### **2.1 Bank Risk Management Approach (OVA)**

The Bank is committed to strong and proactive risk management as a fundamental pillar for achieving its strategic objectives and maintaining financial soundness. While risk is an inherent part of banking operations, the Bank manages these exposures through continuous identification, assessment, and monitoring, supported by well-defined controls and limits. Effective risk management is embedded across the organization, with clear accountability assigned to all relevant stakeholders.

The Bank's Risk Management approach covers different types of material risks, including but not limited to, credit, market, liquidity, operational, market conduct, fraud, IT and cybersecurity. The risk approach starts from origination and evaluation through ongoing monitoring, mitigation, and reporting.

The Bank utilizes a range of methodologies and systems to measure risk exposures and establish internal limits. These methodologies include both quantitative models and professional judgment-based assessments, which are fully aligned with the Bank's risk appetite framework and embedded in the limit-setting process. Furthermore, the Bank conducts scenario analysis and stress testing as integral components of its capital planning and internal Capital Adequacy Assessment Process (ICAAP). These exercises cover all material risk types and serve as effective tools in supporting capital forecasting, informing strategic portfolio growth decisions, and identifying vulnerabilities across the Bank's risk profile.

Furthermore, the governance framework clearly defines the roles of the Board of Directors, Executive Management, and specialized committees, along with independent functions such as risk, compliance, and internal audit.

#### **2.1.1. Corporate Governance**

##### **2.1.1.1. Overview**

The Bank has implemented and continues to improve the necessary Corporate Governance infrastructure. This includes an appropriate Board and Senior Management oversight and responsibility framework.

The Bank is committed to upholding the highest standards of Corporate Governance in its operations. The Bank strives to comply with the statutory requirements and has formulated and adhered to strong Corporate Governance practices. The Bank believes in high standard of ethical values, transparencies and disciplined approach to achieve performance excellence in its pursuit of stakeholder value creation including shareholders, customers, Government and economy at large.

Policies and procedures are being regularly reviewed and changes incorporated as appropriate. The Bank has identified that responsibility for maintaining high standards of governance lies with the Bank's Board of Directors and various Committees of the Board, and they are empowered to

monitor implementation of the best Corporate Governance practices including making necessary disclosures within the framework of legal and regulatory provisions and Banking conventions.

#### **2.1.1.2. Board of Directors**

The Board of Directors (BOD) is responsible for the overall management of the Bank. This includes, but not limited to, determination of key strategies, providing guidance and direction to Senior Management; reviewing and ensuring that the Bank-wide control function is robust and that it conforms to industry practices.

##### **2.1.1.2.1. Board Level Committees**

The Board of Directors has identified different areas of strategic and material importance to the Bank. Keeping in consideration CBUAE guidelines on Corporate Governance and Risk Management, the Board has constituted and delegated authority to various Board level sub-committees to look into these identified areas and to assist in effective implementation of its responsibilities. The key committees and their mandate relevant to risk management functions have been detailed below:

##### **2.1.1.2.2. Board Risk Committee (BRC)**

- Oversight of Bank's Risk Appetite, risk strategy and risk policies.
- Oversee management of risks in the Bank's asset and liability portfolio.
- Identification and management of all financial and non-financial risks including information security of the Bank.
- Oversee development and implementation of risk management strategies, tools and limits.
- Ensure compliance with applicable regulatory requirements relating to risk management.
- Ensure independence and effectiveness of risk management function throughout the Bank.

The detailed responsibilities of the Board Risk Committee are enlisted in the BRC Charter of the Bank.

##### **2.1.1.2.3. Board Credit Committee (BCC)**

- Review and approval of credit applications within the limits set in the Delegation of Authority (DOA) matrix and recommending credit applications above their limits to the Board for approval.
- Review and approve exposures to Sovereigns, Countries, FI and NBFIs.
- Review and approve credit, investment and lending strategies and policies of the Bank in line with the Risk Appetite Statement.
- BCC has delegated some of its authority to the Management Credit Committee (MCC) to expedite review and approval of credit proposals under the BCC's overview.
- Review minutes of MCC

##### **2.1.1.2.4. Board Audit & Compliance Committee (BACC)**

- Oversight of the integrity of the Bank's financial statements.
- Oversight of qualifications, independence and performance of the Bank's external auditors and internal audit department.

- Review Bank's internal controls, including internal controls over financial reporting and disclosure.

#### **2.1.1.2.5. Board Special Assets Committee (BSAC)**

The purpose of the Board Special Assets Committee is to enable the Board to fulfil its responsibilities in relation to

- Review and approve Special Assets Credit Proposals including Debt Restructuring and settlement requests within the limits set in the DOA and recommend credit proposals above its authority to the Board for approval.
- Review and approve request for Write-off/write down as per DOA
- Oversee the functioning of the Special Assets Department to accomplish targeted objectives of recovery over the short, medium and long term.

#### **2.1.1.2.6. Board Nomination and Remuneration Committee**

The Committee is mandated to enable the Board to fulfil its responsibilities in relation to the oversight of:

- Appropriate composition of the Board.
- Nomination of appropriate directors to the Board and Committees.
- Assessment of the performance of the Board and of individual directors and senior management.
- Succession plans for Board Members and Senior Management.
- Bank's public reporting on remuneration matters; and
- Bank's HR strategy (including Emiratization).

#### **2.1.1.3. Management Committees**

The Management committees, as delegated by the Board, are responsible for the implementation of the Bank's strategy as laid down by the Board of directors as well as providing inputs to the Board on the efficacy of the implemented strategies.

The Management Committees are mandated and are thus responsible for the approval of operational frameworks and guidelines for day-to-day functioning of the Bank in its respective domain of operations. The Management committees are critical for efficient functioning of the business, effective monitoring and timely mitigation of the risks.

The performance of the Bank is monitored by the Senior management and its various Management committees, on an ongoing basis through a process of regular assessment and benchmarking of performance statistics, prior periods figures and peer Bank information. Amongst the various management committees, the key committees which oversee the implementation of risk management strategies within IB include:

##### **2.1.1.3.1. Management Credit Committee (MCC)**

- The MCC is the primary credit forum at the Bank. It is responsible for approving large credit commitments, including underwriting on behalf of the Bank within the Delegated authority.

- Regularly reviewing the quality and performance of the Bank's credit portfolio, including that on the Retail Lending portfolio.

#### **2.1.1.3.2. Asset and Liability Committee (ALCO)**

- The ALCO's main functions are to measure, manage and control liquidity, interest rate, foreign exchange and equity risks, capital adequacy issues and profit planning in light of the Bank's lending and funding activities.
- The ALCO is responsible for reporting to the BRC on the adequacy of the firm's processes and controls for managing Asset-Liability mismatch risk, and for recommending any changes or improvements, as necessary.

#### **2.1.1.3.3. Risk Committee (RC)**

- Review and oversee the implementation of the Bank's Risk Management framework linking all relevant risk elements and highlighting the Bank-wide high-level risks that need to be identified, measured, monitored, and controlled.
- Review, Monitor and Recommend the methodology, measures, targets, and tolerances associated with the risk appetite to the BRC.
- Provide risk-related input to the Board as well as with the Board Risk Committee and other Board sub-committees as and when required, to ensure adherence to the Bank's Risk Management Framework.
- Oversee the implementation of Bank's Risk Governance framework and instilling risk culture in day-to-day operations of the Bank.
- Review and monitor all material risks including but not limited to Credit Risk, Operational Risk, IT & Cyber Security, and other relevant risks
- Oversee the implementation of the Business Continuity Planning (BCP) across the Bank covering all the aspects including disaster and functional recovery planning, business impact analysis, contingency planning as well as any certification required.
- Periodically review and monitor all qualitative risks including reputational risks, strategic risk, HR risks, market conduct risks and recommend necessary corrective steps to ensure risks within acceptable levels.
- Review and discuss all compliance related matters as presented by the compliance department.
- Oversee risk assessment, product control and related MIS processes.

#### **2.1.1.3.4. Operation Risk and Information Security (INFOSEC) Sub-committee**

- The Operational Risk Committee recommends to RC specific Operational risk and cyber security risk, strategy, framework, policy directives and guidelines of the Bank.
- Furthermore, the Operational Risk committee acts as a governance body and provides governance oversight for setting operational risk objectives, risk monitoring and assessment reviews, risk treatment, risk communication and reporting. Coverage of this extends to Business continuity, Outsourcing and Data protection.
- Finally, the Operational risk committee ensures the Bank always remains within its Operational risk appetite and escalate breaches to the Risk Committee.

#### 2.1.1.3.5. Model Oversight Committee

- Design and recommend the Bank's appetite of Model risk for BOD approval.
- Evaluate the appropriateness of models used in various business areas, including risk management, financial forecasting, and other important decision-making processes.
- Review and assess the adequacy and effectiveness of the Bank's model development, validation, and implementation processes.
- Review and recommend model development and implement methodologies for Tier I models while approving the model development and related assumption for Tier II models. Nevertheless, the committee shall inform the BRC of the decisions undertaken.
- Evaluate and recommend significant changes to the BRC for existing Tier I models. The committee shall review and approve changes in Tier II Models and inform the BRC about its decisions.
- Communicate and collaborate with relevant stakeholders, including Senior management, risk officers, data scientists and IT personnel.
- Recommend and escalate material modelling decisions throughout the model life cycle.
- Monitoring and evaluating model risk and proposing mitigation strategies.

#### 2.1.1.3.6. Special Assets and Provision Committee

- Ensuring that comprehensive policies, systems, processes, and controls are established and maintained to identify, monitor, and manage the ECL requirement in accordance with IFRS 9 and regulatory requirements.
- Ensuring that provisions made for credit losses are adequate and reflect the Bank's exposure to credit risk, in line with regulatory requirements, IFRS9, and the Bank's internal policies.
- Review ECL parameters, including PD and LGD, as well as associated risk models, to verify their accuracy and compliance. The committee is also responsible for reviewing the regular recalibration and validation of these models, ensuring their ongoing effectiveness and alignment with evolving standards. The committee will recommend changes to the ECL model (after review by the Model Oversight Committee) to the BRC for review and approval.
- Review performance of Special Assets Management Unit.

### 2.1.2. Risk Governance Framework

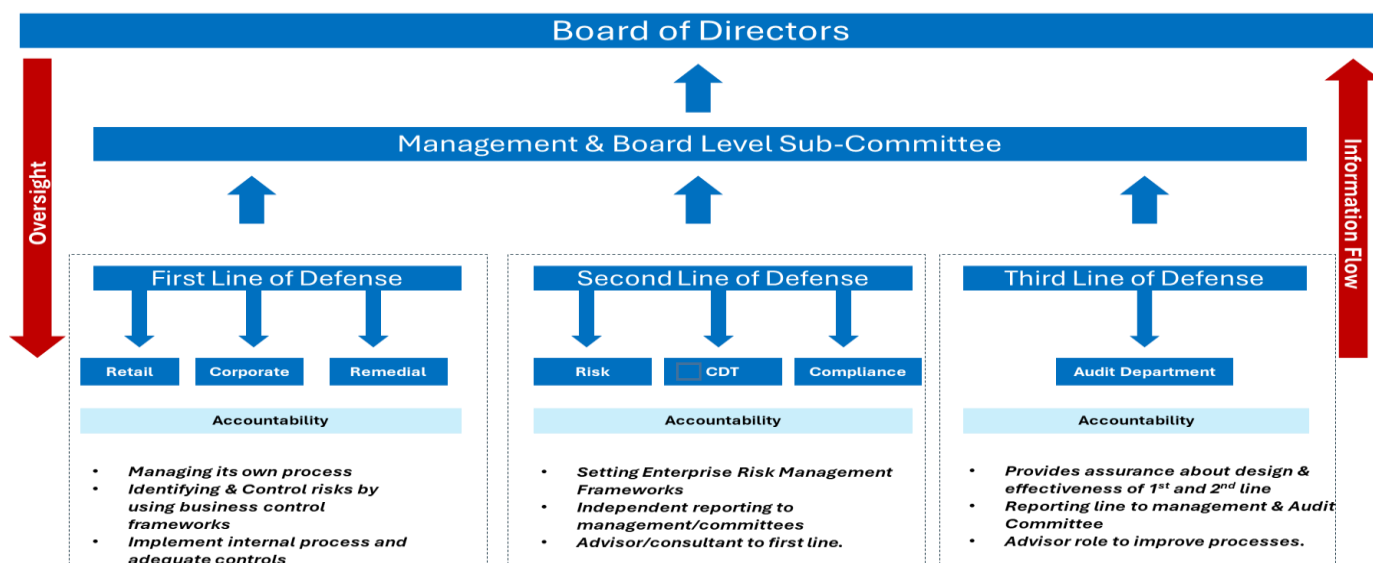
#### 2.1.2.1. Three Lines of Defense Model

The Bank employs a "Three Lines of Defense" model to ensure effective risk control:

**First Line of Defense:** Business units are responsible for identifying, assessing, and managing risks within their operations.

**Second Line of Defense:** Risk, Compliance, Finance, and Credit departments provide oversight, set policies, and monitor adherence to internal and regulatory standards.

**Third Line of Defense:** Internal Audit conducts independent reviews of the risk management and control environment, reporting directly to the Board Audit Committee.



\*CDT: Credit Department

#### 2.1.2.2. Risk Structure Hierarchy

- The existing Bank framework provides a clear definition of roles and allocation of responsibilities regarding the ownership and management of risks to avoid overlaps and/or gaps in risk governance. Additionally, the Bank has also defined clear hierarchy within the risk organization aided by transparent definition of reporting relationship and MIS mechanism.
- The Board of Directors and senior management are either directly involved or provide indirect supervision vide participation through the committee meetings. Additionally, the Bank has established a Board Risk Committee (BRC) at Board level and focused committees at the executive level, for institutionalizing material risk processes and for provision of periodic oversight and guidance to the risk management function (department).
- Risk Management Dept. (RMD) is responsible for risk oversight of the Bank, development of frameworks, policy and methodology formulation, monitoring of key risks and reporting. ICAAP and Stress testing forms an integral part of its function to identify, assess and mitigate risk that the Bank is exposed to.

#### 2.1.2.3. Risk Policies and Procedures

The Bank has policies covering various risks and is further enhancing the policies, procedures and standards to create consistency throughout the organization. Guidelines are defined to clearly articulate minimum process and procedural requirements and reinforce strong risk management culture within the organizational set-up. Senior Management is responsible for ensuring policies, procedures and standards are implemented and adhered to. Policies, procedures and standards are planned to be regularly reviewed and updated via the relevant management committees to reflect changes in markets, products and emerging best practices.

#### 2.1.2.4. Key Areas of Risk Governance

RMD is responsible for risk oversight of the Bank, development of frameworks, policy, and methodology formulation, monitoring of key risks and reporting and ensuring an independent

control process. It is a nerve center for collecting data, analysis of risk drivers, interpretation of outcomes and dissemination of information to relevant committees for risk management.

The Chief Risk Officer (CRO) is responsible for the overall Risk Governance and Supervision and shall ensure effective implementation of an enterprise-wide risk management framework and risk culture through various risk policies, processes, thresholds, and controls that would enable prompt risk identification, accurate risk measurement and effective risk mitigation.

CRO is also responsible for risk compliance and monitoring as well as reviewing and presenting various risk reports, policies, and dashboards to BRC and Board. Further, various independent unit(s) under the CRO such as Enterprise Risk Management, Credit Risk, Market & Liquidity Risk, Operational Risk, Information Security, Portfolio Management, Credit Administration and Fraud Risk & investigations are responsible for review, monitoring and reporting of all risk control parameters and taking appropriate corrective actions where necessary. These Units under the supervision of respective heads shall also be responsible for ensuring compliance with internal policies and regulatory guidelines.

1. **Information Security:** Dedicated to safeguarding the Bank digital infrastructure against cyber threats, data breaches, and ensuring the confidentiality of customer and bank data.
2. **Fraud Risk Management:** Focused on identifying, preventing, and mitigating fraudulent activities that could affect the Bank customers and the Bank's reputation.
3. **Operational Risk Management:** Manages risks arising from internal processes, people, systems, or external events, implementing controls and measures to minimize losses.
4. **Portfolio Management:** This unit is responsible for the continuous monitoring and management of the Bank loan portfolios, ensuring diversification and compliance with risk limits.
5. **Credit Risk Management:** Focuses on managing exposure from lending and other credit-related activities, including assessment of credit transactions and continuous monitoring of credit exposures.
6. **Market & Liquidity Risk Management:** Addresses risks arising from market fluctuations in interest rates, foreign exchange rates, and other market variables as well as addresses the liquidity and funding risk
7. **Risk Analytics:** Employs advanced data analytics for risk assessment, predictive analysis, and decision-making support, enhancing the Bank risk identification and management capabilities.
8. **Regulatory Reporting:** Ensures compliance with all regulatory requirements, including accurate and timely reporting of the Bank risk positions and financial health.
9. **Model Validation:** Ensures the integrity, accuracy, and performance of models used across the Bank. It provides independent assurance that models are conceptually sound, appropriately implemented, and performing within acceptable parameters, and comply with regulatory requirements
10. **Credit Administration:** The team is responsible for managing the documentation and limits monitoring, ensuring compliance with regulatory requirements and internal policies. They support the credit process by maintaining accurate records and facilitating loan approvals.

**Risk Appetite**

- Risk appetite is defined by considering the synergies of all business units, operations and activities, availability of management and other resources, and the fit of the activity with the Bank's longer-term strategic objectives.
- The philosophy of Bank's risk management framework is to define the optimum risk appetite for each risk type, take risks knowingly in accordance with the Board approved risk appetite statement and ensure that the returns match the risks taken.
- The Board has analyzed the business strategies and market conditions and developed the risk appetite within which the Bank is comfortable in carrying out its operations.
- Risk Appetite Statement (RAS) is not a mere statement but has been defined by way of Targets and Benchmarks i.e. it has been defined in a quantifiable structured manner appropriately linking it to Business Plan, Capital Planning and Liquidity Risk.
- RAS is also cascaded to individual Business Units to have better governance and monitoring

## 2.2. Key metrics (KM1)

All numbers in AED 000s

		a	b	c	d	e
		Dec'24	Spet'24	Jun'24	Mar'24	Dec'23
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1)	1,476,496	1,776,367	1,762,806	1,745,340	1,662,100
1a	Fully loaded ECL accounting model	1,476,496	1,776,367	1,762,806	1,745,340	1,662,100
2	Tier 1	1,476,496	1,776,367	1,762,806	1,745,340	1,662,100
2a	Fully loaded ECL accounting model Tier 1	1,476,496	1,776,367	1,762,806	1,745,340	1,662,100
3	Total capital	1,539,220	1,831,026	1,813,705	1,798,610	1,713,440
3a	Fully loaded ECL accounting model total capital	1,539,220	1,831,026	1,813,705	1,798,610	1,713,440
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	5,359,318	4,689,578	4,404,249	4,593,881	4,440,352
	Risk-based capital ratios as a percentage of RWA					
5	Common Equity Tier 1 ratio (%)	27.55%	37.88%	40.03%	37.99%	37.43%
5a	Fully loaded ECL accounting model CET1 (%)	27.55%	37.88%	40.03%	37.99%	37.43%
6	Tier 1 ratio (%)	27.55%	37.88%	40.03%	37.99%	37.43%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	27.55%	37.88%	40.03%	37.99%	37.43%
7	Total capital ratio (%)	28.72%	39.04%	41.18%	39.15%	38.59%
7a	Fully loaded ECL accounting model total capital ratio (%)	28.72%	39.04%	41.18%	39.15%	38.59%
	Additional CET1 buffer requirements as a percentage of RWA					
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.50%	2.50%	2.50%	2.50%	2.50%
9	Countercyclical buffer requirement (%)	0.00%	0.00%	0.00%	0.00%	0.00%
10	Bank D-SIB additional requirements (%)	0.00%	0.00%	0.00%	0.00%	0.00%
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9+ row 10)	2.50%	2.50%	2.50%	2.50%	2.50%
12	CET1 available after meeting the Bank's minimum capital requirements (%)	18.22%	28.54%	30.68%	28.65%	28.09%
	Leverage Ratio					
13	Total leverage ratio measure	13,263,020	13,076,996	13,377,922	13,232,673	13,980,511
14	Leverage ratio (%) (row 2/row 13)	11.13%	13.58%	13.18%	13.19%	11.89%
14a	Fully loaded ECL accounting model leverage ratio (%) (row 2A/row 13)	11.13%	13.58%	13.18%	13.19%	11.89%
14b	Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	0.00%	0.00%	0.00%	0.00%	0.00%
	ELAR					
15	Total HQLA	1,409,568	1,948,084	2,457,337	2,168,409	1,665,184
16	Total liabilities	9,304,356	9,193,367	9,242,094	9,223,720	10,258,653
17	Eligible Liquid Assets Ratio (ELAR) (%)	15.15%	21.19%	26.59%	23.51%	16.23%
	ASRR					
18	Total available stable funding	8,538,239	8,822,208	9,008,503	8,508,583	9,398,246
19	Total Advances	5,782,979	5,482,362	5,108,958	5,058,284	4,888,951
20	Advances to Stable Resources Ratio (%)	67.73%	62.14%	56.71%	59.45%	52.02%

**2.3. Overview of RWA (OV1)**

All numbers in AED 000s

		RWA		Minimum capital requirements
		Dec'24	Dec'23	Dec'24
1	Credit risk (excluding counterparty credit risk)	5,009,964	4,101,903	526,046
2	Of which: standardized approach (SA)	5,009,964	4,101,903	526,046
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)	3,982	2,644	418
7	Of which: standardized approach for counterparty credit risk	3,982	2,644	418
8	Of which: Internal Model Method (IMM)			
9	Of which: other CCR			
10	Credit valuation adjustment (CVA)	3,982	2,644	418
11	Equity positions under the simple risk weight approach	-	-	-
12	Equity investments in funds - look-through approach			
13	Equity investments in funds - mandate-based approach			
14	Equity investments in funds - fallback approach			
15	Settlement risk	-	-	-
16	Securitization exposures in the banking book	-	-	-
17	Of which: securitization internal ratings-based approach (SEC-IRBA)			
18	Of which: securitization external ratings-based approach (SEC-ERBA)			
19	Of which: securitization standardized approach (SEC-SA)	-	-	-
20	Market risk	32,374	48,411	3,399
21	Of which: standardized approach (SA)	32,374	48,411	3,399
22	Of which: internal models' approach (IMA)			
23	Operational risk	309,016	284,749	32,447
24	Amounts below thresholds for deduction (subject to 250% risk weight)	-	-	-
25	Floor adjustment	-	-	-
26	<b>Total (1+6+10+11+12+13+14+15+16+20+23)</b>	<b>5,359,318</b>	<b>4,440,352</b>	<b>562,728</b>

*Base capital requirement as per CBUAE guidelines is 10.5% for total capital adequacy ratio and after including the CCB of 2.5% the requirements increase to 13%*

### 3. Linkages between financial statements and regulatory exposures

#### 3.1. Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories (LI1)

All numbers in AED 000s

	a	B	c	d	e	f	g
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items:				
			Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitization framework	Subject to market risk framework	Not subject to capital requirements or subject to deduction from capital
Assets (On Balance Sheet)							
Cash and deposits with central banks	1,118,555	1,118,555	1,118,555	-	-	-	-
Due from banks	846,915	846,915	846,915	-	-	-	-
Investment securities	1,274,122	1,274,122	1,274,122	-	-		-
Loans and advances	4,491,465	4,491,465	4,491,465	-	-	-	-
Other assets*	3,052,017	2,890,488	2,890,488	-	-	-	-
Total assets	10,783,074	10,621,545	10,621,545	-	-	-	-
Liabilities							
Due to banks	258	258	-	-	-	-	258
Deposits from customers	8,722,156	8,722,156	-	-	-	-	8,722,156
Other liabilities	581,942	420,413	-	-	-	-	420,413
Net Equity	1,478,718	1,478,718	-	-	-	-	1,478,718
Total liabilities	10,783,074	10,621,545	-	-	-	-	10,621,545

\*Acceptance reported under off-balance sheet items for regulatory requirements purpose at 100% CCF and for financial statement Acceptance is considered as on balance sheet under Other Assets.

### 3.2. Main sources of differences between regulatory exposure amounts and carrying values in financial statements (LI2)

All numbers in AED 000s

		a	b	c	d	e
		Total	Items subject to:			
			Credit risk framework	Securitization framework	Counterparty credit risk framework	Market risk framework
1	Asset carrying value amount under scope of regulatory consolidation (as per template LI1)	10,621,545	10,621,545	-	-	-
2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	-	-	-	-	-
3	Total net amount under regulatory scope of consolidation	10,621,545	10,621,545	-	-	-
4	Off-balance sheet amounts*	3,632,216	3,632,216	-	-	-
5	Differences in valuations	-	-	-	-	-
6	Differences due to different netting rules, other than those already included in row 2	-	-	-	-	-
7	Differences due to consideration of provisions	8,029,389	8,029,389	-	-	-
8	Differences due to prudential filters	-	-	-	-	-
9	Exposure amounts considered for regulatory purposes	22,283,150	22,283,150	-	-	-

*\*Acceptance reported under Off-balance sheet items for regulatory requirements purpose at 100% CCF and for financial statement Acceptance is considered as on balance sheet under Other Assets.*

### 3.3. Explanations of differences between accounting and regulatory exposure amounts (LIA)

The Bank's audited financial statements are prepared in accordance with IFRS and UAE Federal law. In contrast, the Pillar 3 disclosures are prepared from a regulatory perspective, in line with the Basel III Standardized Approach as implemented by the Central Bank of the UAE (CBUAE) guidelines and standards updated in December 2022.

From a calculation and value recognition basis, the financial statements disclose credit risk based on IFRS, with loans reported net of impairments and off-balance sheet exposures without applying CCF. In contrast, Pillar 3 disclosures report loans on a gross basis, and off-balance sheet items are shown post-CCF, with market and operational risks also included for regulatory capital requirements.

For valuation purposes the Bank applies marks to market or mark-to-model valuation methods as applicable.

- The Mark- to- Model approach is utilized for the valuation of those investments where market prices are not readily available or when the investments are not actively traded. This method allows us to estimate fair value based on projected future cash flows and market data, ensuring that the Bank valuations are reflective of current market conditions and investment prospects across the Bank portfolio to ensure the accuracy and integrity of the Bank investment valuations.
- Mark-to-Market Valuation utilized for investments that are actively traded in the financial markets, the Bank employs the mark-to-market (MTM) valuation method. This approach ensures that the Bank investment valuations reflect current market conditions and prices, providing an active price in the market (as provided by a reliable 3<sup>rd</sup> party to source the prices).

## 4. Composition of capital (CC)

### 4.1. Main features of regulatory capital instruments (CCA)

The bank's capital structure consists solely of common equity as capital instruments, with issued and paid-up capital of 263.2 billion shares of AED 0.0122 each amounting to AED 3.2 billion.

## 4.2. Composition of regulatory capital (CC1)

All numbers in AED 000s

		a	b
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
<b>Common Equity Tier 1 capital: instruments and reserves</b>			
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	3,202,493	Same as (a) + (b) from CC2 template
2	Retained earnings	(1,701,718)	
3	Accumulated other comprehensive income (and other reserves)	(22,057)	
4	<i>Directly issued capital subject to phase-out from CET1 (only applicable to non-joint stock companies)</i>	-	
5	Common share capital issued by third parties (amount allowed in group CET1)	-	
6	Common Equity Tier 1 capital before regulatory deductions	1,478,718	
<b>Common Equity Tier 1 capital regulatory adjustments</b>			
7	Prudent valuation adjustments	-	
8	Goodwill (net of related tax liability)	-	
9	Other intangibles including mortgage servicing rights (net of related tax liability)	2,222	
10	Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of related tax liability)	-	
11	Cash flow hedge reserve	-	
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)	-	
16	Reciprocal crossholdings in CET1, AT1, Tier 2	-	
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	CBUAE specific regulatory adjustments	-	
24	Total regulatory adjustments to Common Equity Tier 1	2,222	
25	Common Equity Tier 1 capital (CET1)	1,476,496	

	Additional Tier 1 capital: instruments	Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
26	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	-	
27	Of which: classified as equity under applicable accounting standards	-	
28	Of which: classified as liabilities under applicable accounting standards	-	
29	<i>Directly issued capital instruments subject to phase-out from additional Tier 1</i>	-	
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	<i>Of which: instruments issued by subsidiaries subject to phase-out</i>	-	
32	Additional Tier 1 capital before regulatory adjustments	-	
<b>Additional Tier 1 capital: regulatory adjustments</b>			
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	CBUAE specific regulatory adjustments	-	
37	Total regulatory adjustments to additional Tier 1 capital	-	
38	Additional Tier 1 capital (AT1)	-	
39	Tier 1 capital (T1= CET1 + AT1)	1,476,496	
<b>Tier 2 capital: instruments and provisions</b>			
40	Directly issued qualifying Tier 2 instruments plus related stock surplus	-	
41	<i>Directly issued capital instruments subject to phase-out from Tier 2</i>	-	
42	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 30) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	-	
43	<i>Of which: instruments issued by subsidiaries subject to phase-out</i>	-	
44	Provisions	62,724	
45	Tier 2 capital before regulatory adjustments	62,724	
<b>Tier 2 capital: regulatory adjustments</b>			
46	Investments in own Tier 2 instruments	-	
47	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)	-	
48	Significant investments in the capital, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
49	CBUAE specific regulatory adjustments	-	
50	Total regulatory adjustments to Tier 2 capital	-	
51	Tier 2 capital (T2)	62,724	
52	Total regulatory capital (TC = T1 + T2)	1,539,220	
53	Total risk-weighted assets	5,359,318	
<b>Capital ratios and buffers</b>			
54	Common Equity Tier 1 (as a percentage of risk-weighted assets)	27.55%	
55	Tier 1 (as a percentage of risk-weighted assets)	27.55%	
56	Total capital (as a percentage of risk-weighted assets)	28.72%	

		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
57	Institution specific buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus higher loss absorbency requirement, expressed as a percentage of risk-weighted assets)	2.5%	
58	Of which: capital conservation buffer requirement	2.5%	
59	Of which: bank-specific countercyclical buffer requirement	0.0%	
60	Of which: higher loss absorbency requirement (e.g. DSIB)	0.0%	
61	Common Equity Tier 1 (as a percentage of risk-weighted assets) available after meeting the Bank's minimum capital requirement.	18.22%	
The CBUAE Minimum Capital Requirement			
62	Common Equity Tier 1 minimum ratio	7.0%	
63	Tier 1 minimum ratio	8.5%	
64	Total capital minimum ratio	10.5%	
Amounts below the thresholds for deduction (before risk weighting)			
65	Non-significant investments in the capital and other TLAC liabilities of other financial entities	-	
66	Significant investments in the common stock of financial entities	-	
67	Mortgage servicing rights (net of related tax liability)	-	
68	Deferred tax assets arising from temporary differences (net of related tax liability)	-	
Applicable caps on the inclusion of provisions in Tier 2			
69	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	147,987	General Provisions (Total Stage 1 and stage 2 Loan Loss reserve)
70	Cap on inclusion of provisions in Tier 2 under standardized approach	62,724	1.25% of CRWA
71	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	
72	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)			
73	<i>Current cap on CET1 instruments subject to phase-out arrangements</i>	-	
74	<i>Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)</i>	-	
75	<i>Current cap on AT1 instruments subject to phase-out arrangements</i>	-	
76	<i>Amount excluded from AT1 due to cap (excess after redemptions and maturities)</i>	-	
77	<i>Current cap on T2 instruments subject to phase-out arrangements</i>	-	
78	<i>Amount excluded from T2 due to cap (excess after redemptions and maturities)</i>	-	

**4.3. Reconciliation of regulatory capital to balance sheet (CC2)**

All numbers in AED 000s

	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	Dec'24	Dec'24	
<b>Assets</b>			
Cash and deposits with central banks	1,118,555	1,118,555	
Due from banks	846,915	846,915	
Investment securities	1,274,122	1,274,122	
Loans and advances to customers	4,491,465	4,491,465	
Property and Equipment	67,537	67,537	
Other Assets *	2,984,480	2,822,951	
<b>Total assets</b>	<b>10,783,074</b>	<b>10,621,545</b>	
<b>Liabilities</b>			
Due to banks	258	258	
Deposits from customers	8,722,156	8,722,156	
Other Liabilities	581,942	420,413	
<b>Total liabilities</b>	<b>9,304,356</b>	<b>9,142,827</b>	
<b>Shareholders' equity</b>			
Paid-in share capital		-	
Of which: amount eligible for CET1	3,202,493	3,202,493	(a)
Shares at Discount	-	-	(b)
Fair value reserve	(43,722)	(43,722)	
Foreign currency translation reserve	21,665	21,665	
Accumulated losses	(1,701,718)	(1,701,718)	
<b>Total shareholders' equity</b>	<b>1,478,718</b>	<b>1,478,718</b>	
<b>Total liabilities and equity</b>	<b>10,783,074</b>	<b>10,621,545</b>	

The distinction between shareholders' equity and regulatory capital lies in their components. Regulatory capital comprises Common Equity Tier 1 (CET 1), Additional Tier 1 capital, and Tier 2 capital. The bank has tier 2 capital amounting to AED 62.7 million, comprises a general reserve. This reserve represents 1.25% of the total credit risk weight.

*\*Acceptance reported under Off-balance items for regulatory requirements purpose at 100% CCF and for financial statement Acceptance is included under Other Assets.*

**5. Leverage ratio (LR)****5.1. Summary comparison of accounting assets vs leverage ratio exposure (LR1)**

All numbers in AED 000s

		Amount
1	Total consolidated assets as per published financial statements	10,783,074
2	Adjustments 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 securitized 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 recognized 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	5,142
9	Adjustment for securities financing transactions (i.e., repos and similar secured lending)	-
10	Adjustments for off-balance sheet items (i.e., conversion to credit equivalent amounts of off-balance sheet exposures)	2,313,122
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	-
12	Other adjustments	161,683
13	<b>Leverage ratio exposure measure</b>	<b>13,263,020</b>

## 5.2. Leverage ratio common disclosure template (LR2)

All numbers in AED 000s

		a	b
		Dec'24	Dec'23
<b>On-balance sheet exposures</b>			
1	On balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	11,028,304	12,203,308
2	Gross-up for derivatives collateral provided where deducted from balance sheet assets pursuant to the operative accounting framework	-	-
3	(Deductions of receivable assets for cash variation margin provided in derivatives transactions)	-	-
4	(Adjustment for securities received under securities financing transactions that are recognized as an asset)	-	-
5	(Specific and general provisions associated with on-balance sheet exposures that are deducted from Tier 1 capital)	-	-
6	(Asset amounts deducted in determining Tier 1 capital)	(2,222)	-
7	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)	11,026,082	12,203,308
<b>Derivative exposures</b>			
8	Replacement cost associated with <i>all</i> derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	3,573	895
9	Add-on amounts for PFE associated with <i>all</i> derivatives transactions	1,568	2,078
10	(Exempted CCP leg of client-cleared trade exposures)	-	-
11	Adjusted effective notional amount of written credit derivatives	-	-
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
13	Total derivative exposures (sum of rows 8 to 12)	7,198	4,162
<b>Securities financing transactions</b>			
14	Gross SFT <i>assets</i> (with no recognition of netting), after adjusting for sale accounting transactions	-	-
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
16	CCR exposure for SFT assets	-	-
17	Agent transaction exposures	-	-
18	Total securities financing transaction exposures (sum of rows 14 to 17)	-	-
<b>Other off-balance sheet exposures</b>			
19	Off-balance sheet exposure at gross notional amount	6,441,505	4,424,807
20	(Adjustments for conversion to credit equivalent amounts)	(4,211,765)	(2,651,766)
21	(Specific and general provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital)	-	-
22	Off-balance sheet items (sum of rows 19 to 21)	2,229,740	1,773,041
<b>Capital and total exposures</b>			
23	Tier 1 capital	1,476,496	1,662,100
24	Total exposures (sum of rows 7, 13, 18 and 22)	13,263,020	13,980,511
<b>Leverage ratio</b>			
25	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)	11.13%	11.89%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	N/A	N/A
26	CBUAE minimum leverage ratio requirement	3.00%	3.00%
27	Applicable leverage buffers		

## 6. Liquidity

### 6.1. Liquidity risk management (LIQA)

#### 6.1.1. Overview and Governance of liquidity risk management

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations associated with its financial liabilities as they become due and at a reasonable cost. Liquidity risk can be segregated into three categories:

- (i) **Mismatch or structural liquidity risk:** the risk in the Group's current consolidated statement of financial position structure due to maturity transformation in the cash flows of individual positions.
- (ii) **Contingency liquidity risk:** the risk that future events may require a significantly larger amount of cash than what the Group's projections allow. This can arise due to unusual deviations of timing of cash flows (term liquidity risk), e.g., non-contractual prolongation of loans, or unexpected draw downs on committed loan facilities (call/ withdrawal liquidity risk); and
- (iii) **Market liquidity risk:** the risk that the Group cannot easily offset or eliminate a position at the market price because of market disruption or inadequate market depth.

The Bank's BOD has overall responsibility for ensuring that the liquidity risk of the Bank is effectively managed. The BRC is responsible for providing effective oversight and control of liquidity risk. At the management level, the ALCO is responsible for ongoing liquidity risk management. The risk management department is responsible for day-to-day monitoring of the liquidity position of the Bank and monitoring the risk appetite and limits.

#### 6.1.2. Management of liquidity risk

Liquidity risk management has remained at the control of risk management and receives close attention of the BOD. The Bank's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. All liquidity policies are subject to review and approval by the ALCO & Board. The group is strengthening its Liquidity and Market Risk Framework, including setting up a limits management framework and monitoring Financial Institutions Limits. The key elements of the Group's liquidity strategy are as follows:

- I. Maintaining a diversified funding base consisting of customer deposits (both retail and corporate), wholesale market deposits, maintaining contingency facilities, annual budgeting and planning exercise forms the basis for developing the Bank's funding strategy.
- II. Carrying a portfolio of high-quality liquid assets, diversified by counterparty and maturity.
- III. Monitoring liquidity ratios (Eligible Liquid Asset Ratio, Advance to Stable Resource Ratio, Loan to Deposit) maturity mismatches, behavioral characteristics of the Group's financial assets and liabilities, and the extent to which the Group's assets are encumbered and hence not available as potential collateral for obtaining funding.
- IV. Carrying out stress testing of the Bank's liquidity position.
- V. Maintaining adequate liquidity buffers.
- VI. Active communication with the CBUAE regarding liquidity requirements and requesting liquidity support with respect to those requirements.

### 6.1.3. Stress testing

As part of its liquidity risk management framework, the Bank conducts regular liquidity stress testing to assess its ability to meet short-term and long-term funding needs during adverse conditions. These stress tests are built on severe but plausible scenarios, which reflect a range of idiosyncratic shocks (e.g., large deposit withdrawals, credit line drawdowns, or operational disruptions) as well as market-wide events (e.g., sudden tightening of market liquidity or systemic banking stress).

The scenarios are carefully designed to reflect the Bank's business model, funding profile, and exposure to key risk drivers. The stress testing framework helps evaluate the Bank's resilience under stressed environments and supports the calibration of internal limits, contingency planning, and decision-making.

Results of the stress testing are reviewed periodically and integrated into the Bank's liquidity risk management, ICAAP, and recovery planning processes, while ensuring ongoing compliance with regulatory ratios such as the Eligible Liquid Assets Ratio (ELAR) and other supervisory expectations.

### 6.1.4. Contingency Planning

The Bank has established a Contingency Funding Plan (CFP) as part of its liquidity risk management framework to ensure preparedness for potential liquidity stress events. The CFP outlines a structured escalation process, which is triggered based on early warning indicators or breaches of predefined liquidity thresholds.

Once triggered, the plan defines a set of graduated response actions, including enhanced monitoring, internal liquidity mobilization, asset sales, access to backup funding lines, and communication protocols.

The escalation path involves the Financial Market Department, Risk Management, and ultimately the ALCO, with further escalation to the Board, depending on the severity of the situation.

The CFP is reviewed and tested periodically to ensure operational effectiveness, alignment with the Bank's risk appetite, and compliance with regulatory expectations, including those issued by the Central Bank of the UAE.

## 6.1.5. Maturity Gap Analysis

	Less than 3 months	3 months to 1 year	1 year and above	Total
	AED'000	AED'000	AED'000	AED'000
<b>31 December 2024</b>				
<b>Assets</b>				
Cash and deposits with central banks	763,510	355,045	-	1,118,555
Due from banks	136,400	345,661	364,854	846,915
Investment securities	14,673	96,038	1,163,411	1,274,122
Loans and advances to customers	744,864	1,362,341	2,384,260	4,491,465
Reimbursement asset	-	-	2,068,501	2,068,501
Customers' indebtedness for acceptances	18,173	99,443	43,913	161,529
Other assets	28,681	139,360	653,946	821,987
<b>Total assets</b>	<b>1,706,301</b>	<b>2,397,888</b>	<b>6,678,885</b>	<b>10,783,074</b>
<b>Liabilities</b>				
Due to banks	258	-	-	258
Deposits from customers	4,893,395	3,117,234	711,527	8,722,156
Liabilities under acceptances	18,173	99,443	43,913	161,529
Other liabilities	242,140	132,372	45,901	420,413
<b>Total liabilities</b>	<b>5,153,966</b>	<b>3,349,049</b>	<b>801,341</b>	<b>9,304,356</b>
<b>Net liquidity positions</b>	<b>(3,447,665)</b>	<b>(951,161)</b>	<b>5,877,544</b>	<b>1,478,718</b>

	Less than 3 months	3 months to 1 year	1 year and above	Total
<b>31 December 2023</b>				
<b>Assets</b>				
Cash and deposits with central banks	921,182	271,460	-	1,192,642
Due from banks	279,277	331,667	-	610,944
Investment securities	2,000,000	87,630	280,209	2,367,839
Loans and advances to customers	775,083	1,479,349	1,997,650	4,252,082
Reimbursement asset	-	-	2,600,000	2,600,000
Customers' indebtedness for acceptances	85,248	25,948	-	111,196
Other assets <sup>1</sup>	57,124	121,527	3,318,822	3,497,473
<b>Total assets</b>	<b>4,117,914</b>	<b>2,317,581</b>	<b>5,596,681</b>	<b>12,032,176</b>
<b>Liabilities</b>				
Due to banks	375,830	-	-	375,830
Deposits from customers	6,559,136	2,647,977	354,052	9,561,165
Liabilities under acceptances	85,248	25,948	-	111,196
Other liabilities	184,673	91,311	38,425	314,409
<b>Total liabilities</b>	<b>7,204,887</b>	<b>2,765,236</b>	<b>392,477</b>	<b>10,362,600</b>
<b>Net liquidity positions</b>	<b>(3,086,973)</b>	<b>(447,655)</b>	<b>5,204,204</b>	<b>1,669,576</b>

Deposits from customers in “Less than 3 months” bucket include AED 2,321 million of current and savings account deposits (2023: AED 3,085 million).

**6.2. ELAR: Eligible Liquid Assets Ratio**

All numbers in AED 000s

1	High Quality Liquid Assets	Nominal amount	Eligible Liquid Asset
1.1	Physical cash in hand at the Bank and balances with the CBUAE	1,047,905	
1.2	UAE Federal Government Bonds and Sukuks	30,000	
	Sub Total (1.1 to 1.2)	1,077,905	1,077,905
1.3	UAE local governments publicly traded debt securities	699,988	
1.4	UAE Public sector publicly traded debt securities	0	
	Sub Total (1.3 to 1.4)	699,988	331,663
1.5	Foreign Sovereign debt instruments or instruments issued by their respective central banks	0	0
1.6	<b>Total</b>	<b>1,777,893</b>	<b>1,409,568</b>
2	Total liabilities		9,304,356
3	<b>Eligible Liquid Assets Ratio (ELAR)</b>		<b>15.15%</b>

**6.3. Advances to Stables Resource Ratio**

All numbers in AED 000s

	Items	Amount
<b>1</b>	<b>Computation of Advances</b>	
1.1	Net Lending (gross loans - specific and collective provisions + interest in suspense)	4,067,517
1.2	Lending to non-banking financial institutions	571,535
1.3	Net Financial Guarantees & Stand-by LC (issued - received)	272,500
1.4	Interbank Placements	871,427
1.5	<b>Total Advances</b>	<b>5,783,979</b>
<b>2</b>	<b>Calculation of Net Stable Resources</b>	
2.1	Total capital + general provisions	1,624,483
	Deduct:	
2.1.1	Goodwill and other intangible assets	2,222
2.1.2	Fixed Assets	648,246
2.1.3	Funds allocated to branches abroad	83,124
2.1.5	Unquoted Investments	0
2.1.6	<b>Investment in subsidiaries, associates, and affiliates</b>	<b>78,374</b>
2.1.7	<b>Total deduction</b>	<b>811,966</b>
2.2	<b>Net Free Capital Funds</b>	<b>812,517</b>
2.3	<b>Other stable resources:</b>	<b>0</b>
2.3.1	Funds from the head office	0
2.3.2	Interbank deposits with remaining life of more than 6 months	0
2.3.3	Refinancing of Housing Loans	0
2.3.4	Borrowing from non-Banking Financial Institutions	563,263
2.3.5	Customer Deposits	7,162,459
2.3.6	Capital market funding/ term borrowings maturing after 6 months from reporting date	0
2.3.7	<b>Total other stable resources</b>	<b>7,725,722</b>
2.4	<b>Total Stable Resources (2.2+2.3.7)</b>	<b>8,538,239</b>
<b>3</b>	<b>Advances to Stable Resources Ratio (1.6/ 2.4*100)</b>	<b>67.73</b>

## 7. Credit risk

The Bank's credit risk profile is shaped by its strategic focus on core sectors, prudent underwriting standards, and portfolio diversification. Credit risk arises primarily from the Bank's lending for both companies and individuals, investment in financial markets (Bonds and Sukuk), and off-balance sheet activities including derivatives activities.

The Bank's business model drives credit origination practices and governed by the Bank risk appetites, with clear alignment between targets and risk.

### 7.1. General qualitative information about credit risk (CRA)

#### 7.1.1. Definition

Credit risk refers to the potential for financial loss to the Bank if a borrower, counterparty, or obligor fails to meet their contractual obligations. This risk arises primarily from the Bank's lending activities, including loans and advances, trade finance, and treasury exposures, as well as investments in debt instruments and off-balance sheet exposures such as guarantees, letters of credit, and derivatives.

#### 7.1.2. Credit Risk Management

Bank is primarily engaged in business of corporate banking with gradual growing for the retail business. Credit risk represents the single largest risk element to the Bank and hence is the area of focus of risk management. The credit policy has been formulated in consultation with all relevant stakeholders including business units, credit, risk, and internal audit.

The policy covers all aspects related to credit assessment, collateral requirements, risk grading and reporting, classification and provisioning requirements etc., and in compliance with regulatory requirements.

The credit risk framework and associated policies cover the entire spectrum of business lines and products. The bank has taken strict measures to define its credit underwriting standards. Timely review of accounts with detailed analysis of financial and non-financial risks are carried out.

The bank has an internal rating system in place to grade / rate the client, which is part of the credit review process. Based on the minimum requirements, Management steers its lending decisions while maintaining desired levels of risk. The adequacy of documentation is also reviewed. Renewals and reviews of facilities are also subject to the same rigorous review process.

The Credit Department is entrusted with the responsibility of underwriting and engaging in credit reviews. Credit Administration (CAD) ensures the documentation and limits entered to the system are in line with the credit approvals for the said granted facilities.

#### 7.1.3. Credit Approval and Governance Structure

The following committees are involved in the credit approval process in accordance with the approved credit delegation authority.

- Management Credit Committee (MCC)
- Board Credit Committee (BCC)/ Board Special Asset Committee (BSAC)
- Board of Directors (BoD)

**Role of Chief Credit Officer (CCO)**

In line with the Bank's credit underwriting procedures, the CCO is empowered to further delegate approval authority to qualified and experienced credit managers, ensuring an efficient and controlled credit decision-making process.

The CCO is responsible for overseeing all aspects of credit underwriting process. This includes ensuring that credit decisions are made in accordance with the Bank's policies, risk appetite, and regulatory requirements.

The CCO is supported by a team of credit managers who hold delegated authority to evaluate and approve credit transactions within pre-defined risk thresholds.

**Role of the Chief Risk Officer (CRO)**

CRO serves on the management credit committee as a non-voting member but holds veto power, ensuring that all risk concerns are thoroughly addressed prior to advancing any credit transactions. The CRO's responsibilities align with New Credit Risk Management Standards issued in 2024.

**Board and Committee Oversight**

The BCC or BSAC exercises control over credit proposals that exceed MCC's delegated authority. The BCC is also responsible for monitoring the Bank's credit risk profile in relation to the approved Risk Appetite Statement, ensuring that exposure remain within strategic and regulatory limits. However, for the credit proposals related to the Special Asset Management Unit BSAC will control and oversight these type of credit proposals

In parallel, the Board Risk Committee (BRC) provides an oversight of the Bank's credit portfolio. This includes reviewing the sector and obligor concentration levels, credit quality trends, and adherence to portfolio limits as defined in the Bank's risk appetite framework.

**Management Level Monitoring**

To enhance portfolio oversight at the executive level, the Bank has established the Early Alert Committee (EAC). The EAC is tasked with identifying and reviewing potentially problematic exposures at an early stage and recommending appropriate remedial actions.

Additionally, the Special Assets and Provisions Committee (SAP) plays a critical role in aligning credit portfolio assessments with the IFRS 9 framework. The SAP oversees the identification of Significant Increases in Credit Risk (SICR) and ensures that staging and provisioning decisions reflect updated risk assessments.

**7.1.4. Ongoing Monitoring and Portfolio Oversight**

The Board is in ultimate control of the Bank and bears ultimate responsibility for ensuring that there is a comprehensive risk governance framework appropriate to the risk profile, nature, size and complexity of the Banks business and structure.

They define the overall risk appetite which is cascaded to the business units. Credit approval authorities are governed by the Delegation of Authority as approved by the Board which provides risk-based delegation to various levels of management starting from Business Unit to Credit Department to Management Credit Committee and all the way up to the Board Credit Committee.

The Risk Management Department (headed by CRO) is separate and independent from the Credit Department (Chief Credit Officer). It is responsible for monitoring and reviewing the performance of the portfolio post disbursement as well as other aspects including classification and provisioning. Furthermore, Risk Management includes a dedicated credit risk unit tasked with reviewing credit transactions.

The Compliance function is responsible for ensuring adherence to the regulations and guidelines. They also perform due diligence around KYC and AML requirements as well as insider trading.

Internal Audit is responsible for providing independent assurance to the Board as the third line of defense.

All four functions, viz. Credit Department, Risk Management, Compliance, and Internal Audit, are independent functions. The CRO reports to the BRC whereas the Head of Internal Audit reports to the BACC. The Chief Compliance Officer has indirect reporting for the BACC.

#### 7.1.5. Credit Risk Reporting

The Risk Management function provides regular reporting on credit risk exposures to both Management and Board committees, including RC, MCC, BRC, BCC.

The scope of reporting includes a comprehensive view of the credit portfolio, covering:

- Portfolio distribution by segment, sector, and geography
- Concentration analysis, including top exposures and economic Sectors
- Credit portfolio growth trends and performance movements over time
- Collateral coverage and asset quality indicators
- Monitoring exposures against the Risk Appetite Statement,

Additionally, the report includes a credit quality overview, which provides insights into the distribution of exposures by internal credit rating, and key asset quality measures, such as stage migration, non-performing loans, and provision coverage. These reports are used to support strategic decision-making and ensure effective governance and oversight of credit risk across the Bank.

#### 7.2. Credit quality of assets (CR1)

All numbers in AED 000s

		A	B	C	D	E	F
		Gross carrying values of		Allowances/ Impairments	Of which ECL accounting provisions for credit losses on SA exposures		Net values (a+b-c)
		Defaulted exposures	Non-defaulted exposures		Allocated in regulatory category of Specific	Allocated in regulatory category of General	
1	Loans	7,729,571	4,636,043	7,471,421	7,471,421	-	4,894,193
2	Debt securities	-	1,268,272	-	-	-	1,268,272
3	Off-balance sheet exposures	312,465	3,319,751	244,910	244,910	-	3,387,306
4	<b>Total</b>	<b>8,042,037</b>	<b>9,224,064</b>	<b>7,716,331</b>	<b>7,716,331</b>	<b>-</b>	<b>9,549,771</b>

**7.3. Changes in stock of defaulted loans and debt securities (CR2)**

All numbers in AED 000s

	Amount
1 Defaulted loans and debt securities at the end of the previous reporting period (Q2 2024)*	7,971,408
2 Loans and debt securities that have defaulted since the last reporting period (Q2 2024)*	23,529
3 Returned to non-default status	(51,432)
4 Amounts written off	(213,934)
5 Other changes	-
6 Defaulted loans and debt securities at the end of the reporting period (1+2-3-4±5)	7,729,571

\*the above table is required for semi annual submissions

**7.4. Additional disclosure related to the credit quality of assets (CRB)****7.4.1. Definitions of 'past due' and 'impaired' exposures for accounting purposes**

Bank follows CBUAE guidelines as per the new credit standards issued during 2024.

The Bank defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

1. Quantitative criteria: The obligor is more than 90 days past due on its contractual obligation to the Bank (including criteria for Overdraft facility days past due more than 90 days in last 6 months. It is notable that “An OD is considered overdue when the account exceeds the approved limit”)
2. Qualitative criteria: The Bank considers a default to have occurred with regard to particular obligors when either one of the following events have taken place:
  - 2.1. The Bank considers that the obligor is unlikely to pay its credit obligation in full without recourse by the Bank to actions like realizing security (if held).
  - 2.2. The Bank puts the credit obligation on a non-accrual status.
  - 2.3. The Bank makes a charge-off or account-specific provision resulting from a perceived decline in credit quality after the Bank takes on the exposure.
  - 2.4. The Bank sells part of the credit obligation at a material credit-related economic loss.
  - 2.5. The Bank consents to a distressed restructuring of the credit obligation where this is likely to result in a diminished financial obligation caused by the material forgiveness or postponement of principal, interest and other fees.
  - 2.6. Default with other banks.
  - 2.7. Legal action against the customer.

The criteria above have been applied to all financial instruments held by the Bank and are consistent with the definition of default used for internal credit risk management purposes.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria and curing period as per regulation.

**7.4.2. Impairment of Financial Assets**

Financial assets that are measured at amortized cost are assessed for impairment and Expected Credit Loss (ECL) requirement at each reporting date.

In line with IFRS 9 requirements, Bank applies a three-stage expected loss-based approach to measure allowance for credit losses, for the following categories of financial instruments that are measured at amortized cost:

- Loans and Advances to the customers,
- Investments in Debt Securities in Amortized Cost,

- Due from Banks,
- Balances with Central Banks,
- Financial guarantees,
- Off balance sheet instruments,
- Loan Commitments

#### 7.4.3. Staging

**Stage 1** – Where there has not been a Significant Increase in Credit Risk (SICR) since initial recognition of a financial instrument, an amount equal to 12 months expected credit loss is recorded. The expected credit loss is computed using the probability of default occurring over the next 12 months. For those instruments with a remaining maturity of less than 12 months, a probability of default corresponding to remaining term to maturity is used.

**Stage 2** – When a financial instrument experiences a SICR after origination but is not considered to be defaulted / impaired, it is considered in Stage 2. The ECL is estimated based on the probability of default over the remaining estimated life of the financial instrument.

**Stage 3** – Financial instruments that are defaulted / impaired are included in this stage.

The bank incorporates forward-looking information into 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 has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

#### 7.4.4. Significant increase in credit risk (SICR)

The Bank considers if a financial asset to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

##### 7.4.4.1. Quantitative criteria

##### Corporate Loans:

For corporate loans, if the borrower experiences a significant increase in probability of default, which can be triggered by the following quantitative factors:

- A credit risk rating (CRR) downgrade of 2 or more notches is considered significant in case the origination rating is below BBB+; hence the related facility shall be classified at Stage 2. Facilities with rating movement between AAA+ and A- are not subject to these criteria on account of low credit risk.
- If the origination rating is B+ (6+) and below (inclusive), a CRR downgrade of 1 or more notches is considered significant, hence the related facility shall be classified at Stage 2 since the movement of related PD is higher.
- Loan facilities restructured in the last 12 months.
- Loan facilities that are past due for 30 days and above but less than 90 days.
- Any facility of a performing customer being Stage 3.

##### Retail:

For Retail portfolio, if the borrowers meet one or more of the following criteria:

- Loan rescheduling before 30 days past due.
- Accounts are overdue between 30 and 90 days.

##### Treasury:

- Significant increase in probability of default on the underlying treasury instrument.

- Significant change in the financial instruments' expected performance and behavior of borrower.

#### 7.4.4.2. Qualitative criteria

##### **Corporate Loans:**

For corporate loans, if the borrower experiences a significant increase in probability of default, which can be triggered by the following qualitative factors:

- Net worth erosion
- Fraudulent activity
- Distressed restructuring
- Financial covenants breach
- Significant operations disruption
- Bad news in public domain
- Significant reputation damage
- Subject of material litigation

#### 7.4.4.3. Backstop:

A backstop is applied, and the financial asset is considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due to its contractual payments.

#### 7.4.5. Rescheduling and Restructuring of Credit facilities

A restructured loan refers to a loan whose terms have been altered due to the financial situation of the borrower. In such cases, the Bank may need to account for a decrease in either interest or principal. This restructuring can lead to an economic loss for the Bank, as it involves granting concessions to the clients. If there is no economic loss incurred, the process is considered rescheduling.

### 7.5. Gross Credit Exposure by Geographical Distribution

	AED'000		
	Loans and advances	Debt securities	Due from banks
United Arab Emirates	12,110,361	1,049,882	68,952
Other G.C.C.	54,714	216,561	307,241
Other Arab countries	200,539	-	37,028
Western Europe and others	-	1,829	434,840
<b>Total</b>	<b>12,365,614</b>	<b>1,268,272</b>	<b>848,061</b>

**7.6. Gross Credit Exposure by Industry Segment**

			AED'000
Industry	Loans and advances	Debt securities	Due from banks
Agriculture, fishing, and related activities	4	-	-
Mining & Quarrying	158	-	-
Manufacturing	2,497,479	-	-
Construction	3,831,530	25,712	-
Real Estate	962,593	-	-
Trade	1,497,807	-	-
Transport, Storage and Communication	145,349	-	-
Financial Institutions	1,189,481	440,469	848,061
Other Services	638,374	-	-
Government	731,681	802,091	-
Individuals	220,815	-	-
High Net Worth Individuals	610,377	-	-
All others	39,965	-	-
<b>Total</b>	<b>12,365,614</b>	<b>1,268,272</b>	<b>848,061</b>

**7.7. Exposure by Residual Contract Maturity (Including Loans & Facilities, Investment and Due from Banks)**

					AED'000
	Less than 3 months	3 months to 1 year	1 year and above	Total	
Due from banks	136,400	345,661	364,854	846,915	
Investment securities	14,673	96,038	1,163,411	1,274,122	
Loans and advances to customers	744,864	1,362,341	2,384,260	4,491,465	

**7.8. Impaired Loans by Industry Segment**

All numbers in AED 000s

Industry Segment	Overdue / Impaired Amount
Agriculture, fishing and related activities	4
Mining and Quarrying	158
Manufacturing	2,323,611
Construction	3,362,124
Real Estate	525,336
Trade	905,965
Transport, Storage and Communication	54,783
Financial Institutions	80,846
Other Services	256,181
Government	-
Loans to Individuals	22,851
Loans to high-net-worth Individuals	171,346
Others	26,366
<b>Total</b>	<b>7,729,571</b>

## 7.9. Impaired Loans by Geographical Distribution

All numbers in AED 000s

Geographical Region	Overdue/Impaired Amount
United Arab Emirates	7,556,656
Other Countries	172,915
<b>Total</b>	<b>7,729,571</b>

## 7.10. Breakdown of restructured exposures

All numbers in AED 000s

Performing/non-performing	Total
Performing Loans	249,802
Non-Performing Loans	307,314
<b>Total</b>	<b>557,116</b>

## 7.11. Qualitative disclosure requirements related to credit risk mitigation techniques (CRC)

### 7.12.1 Credit Risk Mitigation

Effective “Collateral Management” is an integral part of Credit Risk Management. Credit Risk Mitigation (CRM) is a method of reducing credit risk in an exposure, at a facility level, by a safety net of realizable securities including third-party guarantees etc. Such mitigates would compensate the Bank in the event of credit risk related loss.

Potential credit losses from any given account, customer or portfolio are mitigated using a range of tools. Additional support in the form of collateral and guarantee is obtained where required. The reliance that can be placed on these credit mitigation resources is carefully assessed in light of issues such as legal enforceability, market value and counterparty risk of the guarantor. Collateral types which are eligible for risk mitigation include: cash; residential, commercial, and industrial property; fixed assets such as motor vehicles, plant and machinery; marketable securities and bank guarantees etc. Risk mitigation policies control the approval of collateral types.

For Counterparty Credit Risk the Bank engages in netting practices only when permitted by the Central Bank. The Central Bank Standards mandate that netting should be applied by a bank only after demonstrating to the Central Bank that such practices are appropriate, based on specific criteria outlined in the Standards. It's crucial to acknowledge that meeting these requirements might be challenging, especially for trades within jurisdictions where netting does not have clear legal recognition. Currently, this is the situation in the UAE.

Should netting not be recognized, it is still necessary to utilize netting sets for exposure calculations. However, given that each netting set can only include transactions eligible for netting, it's likely that many netting sets will comprise only a single transaction. Despite this, the calculation of Exposure at Default (EAD) is still feasible, albeit simplified.

Furthermore, it's possible to have multiple netting sets for a single counterparty. In such instances, Credit Counterparty Risk (calculations must be carried out for each netting set separately. These individual calculations may then be consolidated at the counterparty level for reporting purposes or other requirements.

**Collateral Framework vis-à-vis Basel III Approaches**

Under the Basel framework, collaterals are segregated into Eligible Collateral & Ineligible Collateral and there are two approaches for recognizing Collateral Mitigation viz. Simple Approach and Comprehensive Approach.

The bank follows a simple approach to reach for Final credit risk weight. The following are the Eligible Financial Collaterals under Simple Approach.

- Cash
- Gold
- Debt Securities rated / unrated (details are available in Basel III Guidelines)
- Equities included on a main index and Mutual Funds.

Bank currently uses the Simple Approach for credit risk mitigation under the Standardized Approach for Credit Risk RWA calculation. The treatment under the regulatory assessment under Basel will be different from the collateral recognition under ECL assessment for IFRS 9.

Under Simple Approach all Eligible Collaterals carry a risk weight, except cash which is “0” risk weight. Accordingly, the Risk Weight of exposures covered by eligible Collaterals will be substituted with the Risk Weight of Collaterals. However, there is a minimum applicable floor rate of 20% for all Collaterals except for cash held in the home currency. Exposures supported with collaterals having relatively less risk weights than the risk weight of exposures, will attract lower risk weights, resulting in reduced capital charge.

**7.12.2 Collateral Management Module**

Bank has implemented a Collateral Management module which aids in recording and maintenance of collateral details as well as for integration of collateral data in the process for calculation of risk weighted assets. This module assists in uniformity and standardization and has eliminated the manual process, whilst facilitating effective control and ongoing monitoring by the Credit Administration department. The module is constantly reviewed for enhancements and improvements.

**7.12. Credit risk mitigation techniques (CR3)**

All numbers in AED 000s

		a	B	c	d	E	f	g
		Exposures unsecured: carrying amount	Exposures secured by collateral	Exposures secured by collateral of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1	Loans	3,420,231	1,216,339	1,216,339	257,623	257,623	-	-
2	Debt securities	1,277,006	-	-	-	-	-	-
3	<b>Total</b>	<b>4,697,237</b>	<b>1,216,339</b>	<b>1,216,339</b>	<b>257,623</b>	<b>257,623</b>	-	-
4	Of which defaulted	3,120	1,090	1,090	257,623	257,623	-	-

**7.13. Qualitative disclosures on banks' use of external credit ratings under the standardized approach for credit risk (CRD)**

In accordance with CBUAE Basel III guidelines under standard credit risk approach, the Bank uses only median rating based on Credit Ratings assigned by Fitch, Moody's and Standard and Poor's (S&P) for determining the risk weights of Sovereigns, Public Sector Entities, Multilateral Development Banks, Banks and Securities Firms. In cases where external rating is not available the exposure is considered as "unrated".

Bank is using its internal rating model for rating all exposures based on scorecard to rate its customers into Financial, Industry, Delinquent, Management and Collateral risks. Furthermore, for Loans and Advances portfolio internal rating models are used which are mapped to Moody's rating scale. wherever external rating is available, Bank uses the rating for all internal and regulatory purposes.

Finally, the internal rating framework that aligns with the alphanumeric methodology commonly used by external credit rating agencies. This approach enhances consistency, comparability, and the integration of internal ratings into broader risk and capital management processes.

### 7.14. Standardized approach - credit risk exposure and Credit Risk Mitigation (CRM) effects (CR4)

All numbers in AED 000s

		a	b	c	d	e	f
		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	RWA	RWA density
1	Sovereigns and their central banks	2,591,834	-	2,438,858	-	87,728	4%
2	Public Sector Entities	409,580	50,000	409,580	10,000	401,005	96%
3	Multilateral development banks	37,454	-	37,454	-	18,727	50%
4	Banks	1,254,943	68,968	1,254,943	14,358	799,478	63%
5	Securities firms	-	-	-	-	-	0%
6	Corporates	3,245,681	3,152,867	2,163,942	1,089,448	3,229,490	99%
7	Regulatory retail portfolios	144,674	47,914	102,482	6,350	83,267	77%
8	Secured by residential property*	69,894	-	65,850	-	23,378	36%
9	Secured by commercial real estate	92,188	-	87,251	-	87,251	100%
10	Equity Investment in Funds (EIF)	-	-	-	-	-	0%
11	Past-due loans	261,834	67,555	3,120	-	4,125	132%
12	Higher-risk categories	586,402	-	-	-	-	0%
13	Other assets	2,333,820	-	2,333,820	-	279,497	12%
14	<b>Total</b>	<b>11,028,304</b>	<b>3,387,304</b>	<b>8,897,300</b>	<b>1,120,156</b>	<b>5,013,946</b>	<b>50%</b>

\* Mainly related to the retail mortgage loans

**7.15. Standardized approach - exposures by asset classes and risk weights (CR5)**

All numbers in AED 000s

<div> <div>Risk weight</div> <div>Asset Class</div> </div>		a	b	c	d	e	f	g	h	i
		0%	20%	35%	50%	75%	100%	150%	Others*	Total credit exposures amount (post CCF and post-CRM)
1	Sovereigns and their central banks	2,367,597	82,338	-	-	-	71,261	-	-	2,521,196
2	Public Sector Entities	-	-	-	37,151	-	382,429	-	-	419,580
3	Multilateral development banks	-	-	-	37,454	-	-	-	-	37,454
4	Banks	-	1,362	-	937,468	-	330,471	-	-	1,269,301
5	Securities firms	-	-	-	-	-	-	-	-	-
6	Corporates	1,624,212	174,193	-	900	-	2,530,190	75,833	647,367	5,052,695
7	Regulatory retail portfolios	61,716	4,195	-	-	105,615	3,217	-	-	174,743
8	Secured by residential property	2,391	1,653	65,850	-	-	-	-	-	69,894
9	Secured by commercial real estate	4,936	-	-	-	-	87,251	-	-	92,187
10	Equity Investment in Funds (EIF)	-	-	-	-	-	-	-	-	-
11	Past-due loans	39,847	13	-	15	-	1,130	1,991	-	42,996
12	Higher-risk categories	-	-	-	-	-	-	-	-	-
13	Other assets	2,091,775	-	-	-	-	167,142	74,903	-	2,333,820
14	<b>Total</b>	<b>6,192,474</b>	<b>263,754</b>	<b>65,850</b>	<b>1,012,988</b>	<b>105,615</b>	<b>3,573,091</b>	<b>152,727</b>	<b>647,367</b>	<b>12,013,866</b>

*\*Corporate SME Risk Weighted at 85% updated under others column*

## 8 Counterparty Credit Risk (CCRA)

Counterparty credit risk (CCR) is the risk that the Bank exposure in a foreign exchange, interest rate, commodity, equity, or credit derivative defaults prior to the maturity date of the contract and that the Bank at that time has a claim on the counterparty.

CCR limits are set for individual counterparties, including central clearing counterparties. Individual limits are set on Potential Future Exposure (PFE).

The Bank's Credit Risk Policy Manual comprehensively addresses CCR, outlining the treatment of exposures, risk mitigation techniques, and controls related to guarantees, collateral, and netting arrangements (where applicable & eligible). The manual also incorporates guidance on managing wrong-way risk, ensuring consistency with regulatory expectations and internal governance standards.

### 8.1. Analysis of counterparty credit risk (CCR) exposure by approach (CCR1)

All numbers in AED 000s

		a	B	c	d	e	f
		Replacement cost	Potential future exposure	EEPE	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
1	SA-CCR (for derivatives)	3,573	1,568		1.4	7,198	3,982
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	VaR for SFTs					-	-
6	Total						3,982

### 8.2. Credit valuation adjustment (CVA) capital charge (CCR2)

The Bank follows a simple alternative approach, under which a bank with an aggregate notional amount of non-centrally cleared derivatives less than or equal to AED 400 Bn may calculate RWA for CVA by setting it equal to the Bank's counterparty credit risk (CCR) RWA.

All numbers in AED 000s

		a	b
		EAD post-CRM	RWA
1	All portfolios subject to the Standardized CVA capital charge*	-	-
2	All portfolios subject to the Simple alternative CVA capital charge	7,198	3,982

**8.3. Standardized approach - CCR exposures by regulatory portfolio and risk weights (CCR3)**

All numbers in AED 000s

<div> <div>Risk weight</div> <div>Asset classes</div> </div>	a	b	c	d	e	f	g	h
	0%	20%	50%	75%	100%	150%	Others	Total credit exposure
Sovereigns	-	-	-	-	-	-	-	-
Public Sector Entities (PSEs)	-	-	-	-	-	-	-	-
Multilateral development banks (MDBs)	-	-	-	-	-	-	-	-
Banks	-	3,052	-	-	-	-	-	3,052
Securities firms	-	-	-	-	-	-	-	-
Corporates	-	-	-	-	-	-	930	930
Regulatory retail portfolios	-	-	-	-	-	-	-	-
Secured by residential property	-	-	-	-	-	-	-	-
Secured by commercial real estate	-	-	-	-	-	-	-	-
Equity Investment in Funds (EIF)	-	-	-	-	-	-	-	-
Past-due loans	-	-	-	-	-	-	-	-
Higher-risk categories	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-
<b>Total</b>	-	<b>3,052</b>	-	-	-	-	<b>930</b>	<b>3,982</b>

## 9. Market risk

### 9.1. General qualitative disclosure requirements related to market risk (MRA)

Market Risk is the risk that changes in market prices - such as interest rates, equity prices and foreign exchange rates - will affect the Bank's profit or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters to ensure the Bank's solvency while optimizing the return on risk.

The Bank does have significant trading activity, prioritizing a cautious approach towards market risk, which primarily stems from fluctuations in interest rates and their potential impact on the Bank's financial position. Despite this conservative stance towards trading, the Bank has instituted a robust investment and market risk policy that defines limits for various asset classes, ensuring a structured approach to managing market risks.

A key component of the Bank's risk management framework is the independent Market Risk unit, dedicated to monitoring all facets of market risk against established limits.

The ALCO plays a significant role in this ecosystem, receiving comprehensive reports on market risks and advising on necessary actions to mitigate these risks effectively.

When it comes to hedging strategies, the Bank engages in straightforward ('plain vanilla') products either to hedge its own book or to provide hedging advice to clients. The selection and approval of these hedging products involve all stakeholders to ensure the alignment of interests and risk mitigation.

Moreover, the valuation of these products is performed independently and validated by the Market Risk unit to ensure accuracy and reliability.

Any financial impact from these activities, whether beneficial or adverse, is carefully assessed and reflected in the Profit & Loss (P&L) statement or Other Comprehensive Income, in line with the appropriate accounting classification.

For hedging related to the bank's own book, the Bank conduct hedge effectiveness testing in compliance with IFRS 9 requirements and the industry's best practices. However, the Bank does not have such a position at this stage.

The Market Risk unit updates all business units every day on all open FX risk positions. Additionally, a comprehensive monthly report detailing open-investment positions and other relevant factors is sent to the ALCO for discussion and to determine any necessary actions as well as all Market Risk reports presented to BRC.

#### **Market Risk Governance Framework:**

Market Risk is governed by overall risk management framework, risk appetite and related policies and procedures. As part of the overall responsibility of managing risk, BRC as Board sub-committees overseeing the implementation of market risk management framework.

Financial Market Department with assistance of Risk Management involve in the day-to-day management of the risk with the ALCO being management level committee overseeing all the activities.

The risk management framework for Market Risk encompasses the following activities.

- Risk Identification
- Risk Measurement
- Risk Monitoring & Management
- Risk Reporting & MIS

Bank's overall exposure to market risk is very limited since the Bank conducts very limited trading activities. As banks have no exposure to commodities, the definition is limited to foreign exchange risk, interest rate risk and equity price risk.

## 9.2. Market risk under the standardized approach (MR1)

All numbers in AED 000s

		RWA Dec'24	RWA Dec'23
1	General Interest rate risk (General and Specific)	-	-
2	Equity risk (General and Specific)	-	3,240
3	Foreign exchange risk	32,374	45,171
4	Commodity risk	-	-
	Options	-	-
5	Simplified approach	-	-
6	Delta-plus method	-	-
7	Scenario approach	-	-
8	Securitization	-	-
9	<b>Total</b>	<b>32,374</b>	<b>48,411</b>

## 10. Interest rate risk in the banking book (IRRBB)

Interest rate risk is defined as the potential negative impact on a bank's financial stability due to fluctuations in market interest rates. Such changes primarily affect the bank's Net Interest Income (NII) in the short term, while the long-term effect is seen in the variation of the economic value of the bank's assets, liabilities, and off-balance sheet items.

The Bank adheres to the requirements set forth by the CBUAE and the Basel Committee. The Bank applies the standardized approach as outlined in the relevant regulatory guidelines. Given that the Bank's balance sheet is comprised predominantly of plain vanilla products without embedded optionality or complex structures, the standard approach is considered appropriate and sufficient for measuring and managing IRRBB.

This variation in market interest rates can significantly influence the bank's net worth. As the Bank IRRBB is managed through the application of interest rate gap analysis, also known as re-pricing gap analysis, alongside established limits. The limits are carefully established for both interest rate gaps and changes in the economic value of the Bank positions.

These limits are regularly reviewed and presented to the ALCO on a monthly basis, as well as to the BRC at periodic intervals.

While the Bank's primary focus has been on the effect of a 200-basis point shift, other scenarios are also considered to ensure a comprehensive risk assessment.

**Steepening or Flattening of Yield Curve:** This scenario examines the impact of a changing shape of the yield curve, where short and long-term interest rates move in opposite directions. A steepening curve can affect the returns on longer-term investments differently compared to short-term liabilities, and vice versa for a flattening curve.

**Non-Parallel Shifts in the Interest Rate Curve:** Instead of a uniform shift, this scenario considers non-parallel movements in the interest rate curve, where different maturities may experience varying degrees of change.

Moreover, the Bank is committed to adhering to best practices and accounting requirements when conducting hedge effectiveness testing. By applying these rigorous standards, the Bank ensures that its hedging strategies are both effective in managing risks and compliant with the relevant accounting and regulatory requirements, thereby safeguarding the Bank's financial health and keeping its responsibilities to stakeholders.

### 10.1 Interest rate risk in the banking book (IRRBB 1)

In reporting currency (AED)	ΔEVE		ΔNII	
Period	Dec'24	Dec'23	Dec'24	Dec'23
Parallel up	(36,411)	(14,903)	(6,888)	(19,816)
Parallel down	(41,006)	(33,538)	(10,898)	(11,343)
Steeper	(28,225)	(21,475)		
Flattener	-	-		
Short rate up	(14,222)	(4,264)		
Short rate down	(41,577)	(34,094)		
Maximum	(41,577)	(34,094)		
Period	Dec'24	Dec'23		
Tier 1 capital	1,476,496	1,662,100		

## **11. Operational Risk (OR1)**

### **11.1. Bank's policies, frameworks, and guidelines for the management of operational risk**

Operational risk can arise from a wide range of different external events, ranging from power failures to floods or earthquakes to terrorist attacks, etc. Similarly, operational risk can arise due to internal events such as the potential for failures or inadequacies in any of the firm's processes and systems (e.g., its IT, risk management or human resources management processes and systems), or those of its outsourced service providers, or still those emanating out of the treatment of, and performance by, employees.

The Bank's vision and mission drive the Bank's operational risk management strategy, which is aligned with the Bank's strategy. It supports the Bank's overall intent of contributing to the UAE's national growth and prosperity through the effective management of risks relating to the failure of internal processes, people, and systems, or from external events.

IB's Operational Risk principles are aligned to the Basel Committee on Banking Supervision (BCBS) document (Principles for the Sound Management of Operational Risk, 2011, revised in March 2021), CB UAE Regulation No. 163/2018, and reflect the standards designed to shape the Bank's operational risk management behavior.

The Bank has "Risk & Control Self-Assessment" (RCSA) and Operational Risk & Control Assessment (ORCA) as part of its overall Risk Assessment plan, KRI Framework as part of Risk Monitoring and reasonable Internal Loss Event / incident reporting to continuously build up its internal loss database. The Bank has put in place a comprehensive Operational Risk Framework including Operational Risk policy and procedure for the effective management of Operational Risk Management.

The Bank conducts regular Operational risk awareness training sessions across the Bank to foster the Bank's risk culture.

The Bank also ensures that the implementation of "new" Products, Processes, systems and risk-bearing initiatives are thoroughly risk-assessed and mitigated. There is also ongoing monitoring of risks by Business departments and the Operational Risk department via Risk Appetite and Key Risk Indicator thresholds.

The Bank has implemented the full-scope Conduct Risk management framework in line with the regulator's expectations.

In addition, the Bank has established consumer protection oversight through the newly created department, Consumer Protection Governance Unit, to ensure the Bank deliver fair customer outcomes and meet its regulatory obligations.

The Operational risk appetite of the Bank is applied during risk-decision-making and monitoring of operational risk exposures across the Bank through the implementation of robust policies and procedures.

It also emphasizes Bank's risk culture and lays out standards, procedures and programs that are designed and undertaken to enhance the Bank's risk culture, embed this culture deeply within the organization, and give employees tools to make sound and ethical risk decisions appropriately.

**11.2. Structure and organization of their operational risk management and control function**

The Bank has implemented the Three Lines of Defense approach to risk management as part of its Risk Governance framework. This is in accordance with the Basel recommendation in their BCBS publications.

The First Line of Defense is made up of business teams and enabling functions. Supporting the First Line of Defense teams are Control functions including Information Security function, Investigations and Fraud function, Credit Administration function, Human resources, Finance and other functions.

The Second Line of Defense team is made up of the Operational Risk Management function within the Risk Management division, headed by the Chief Risk Officer, and the Compliance function headed by the Chief Compliance Officer. They are collectively responsible for designing, implementing, coordinating, reporting and facilitating effective Operational Risk Management on a group-wide basis.

The operational risk governance recognizes that Business Units are the owners of risk and hence are responsible for identifying and managing risks inherent in their products, services and activities, within their departments.

The Third Line of Defense is composed of the Internal Audit team which is responsible for independently assessing the effectiveness and efficiency of Bank-wide internal controls and independently validating and providing an independent assurance to the Board Audit Committee on the adequacy and effectiveness of the Operational Risk Management Framework.

The Board, through the Board Risk Committee, has overall responsibility for managing operational risk at the Bank and ensures that the Three Lines of Defense approach are implemented and operated in an appropriate and acceptable manner.

**11.3. Operational Risk Measurement System**

The Bank is using an operational risk system to handle and manage Bank-wide Operational Risk incidents. While the current system is sufficient and meets regulatory requirements to manage operational risk events, the Bank is currently planning to enhance the system.

**11.4. Scope and main context of their reporting framework on operational risk to executive management and to the board of directors.**

As part of its governance structure, the Bank has constituted the “Operational Risk and Information Security Management” committee as a principal forum for discussing, communicating and “fixing” Bank-wide Operational Risk issues, initiatives and decisions with respect to Operational Risk. Further, the committee escalates all its highly critical matters to the risk committee constituting of senior management and later to the Board Risk Committee for approval and board ratifications, where required.

The Operational Risk department further submits monthly Risk reports to the Bank’s Risk Committee. On a quarterly basis, the department submits risk report/information to the Board Risk Committee for their information and approvals, where required.

The key information shared with both committees includes the following:

- Risk Appetite breaches

- Key Risk Indicator breaches
- Operational Loss data
- Business Continuity Management updates and escalations
- Conduct Risk Management updates and escalations
- Annual Conduct Risk Management Report to the Board via the Board Risk Committee
- Escalated Open material action items from risk assessments.

Items shared with the Board Risk Committee for approval include the following:

- Risk Assessments ratings beyond appetite
- Risk Appetite Statement (Operational Risk)
- Operational Risk Policy
- Operational Risk Framework
- Conduct Risk policy and framework
- Business Continuity Plan
- Crisis Management Plan
- Business Continuity Policy

#### **11.5. The risk mitigation and risk transfer used in the management of operational risk**

The Operational Risk Management Framework at the Bank is a set of interrelated tools and processes that are used to identify, assess, measure, monitor and remediate operational risks. Its components have been designed to operate together to provide a comprehensive approach to managing the Bank's most material operational risks.

Each new product introduced is subject to a risk review (PPA/ORAP) and sign-off process, where all relevant risks are identified, assessed, and measured by departments independent of the risk-taking unit proposing the product.

Variations of existing products are also subject to a similar process. Business and support units are responsible for managing operations risk in their respective functional areas. They operate within the Operational Risk Management framework and ensure that risk is being dealt with within their respective business units via the nominated Business Operational Risk Manager (BORMs) and Governance Heads / Managers.

The day-to-day management of Operational Risk is done by Business and Support Units through the maintenance of a comprehensive set of controls, supported by robust systems and procedures to monitor transactions, positions, capital management and documentation, as well as the maintenance of key backup procedures, Insurance and Business Continuity Planning.

## 12. Remuneration Policy (REMA)

### 12.1. Remuneration policy

The Bank's Board Nomination and Compensation Committee – HRC (BNCC) is responsible for developing and governing the Bank's remuneration framework including but not limited to review and approval of the Bank's remuneration policy alongside overseeing all compensation matters. The HRC (BNCC) is comprised of three Board Members:

1. Ms. Halima Humaid Ali Al Awais (Chairperson of NBCC)
2. Mr. Mohamed Obaid Rashid Al Shamsi (Member)
3. Mr. Abdalla Ibrahim Abdalla Deaifis Al Mheiri (Member)

The key mandate of the BNCC is described below:

- Appropriate composition of the Board,
- Nomination of appropriate directors to the Board and its committees,
- Assessment of the Board performance and of individual directors and senior management,
- Succession plans for Board members and senior management,
- Bank's public reporting on remuneration matters, and
- Bank's HR strategy (including Emiratization)

The CEO and Executive Management are responsible for other staff remuneration framework, policy and its execution.

The Bank's remuneration policy is equally applicable to all employees of the Bank including the CEO, Senior Management and all staff across functions.

Senior Management includes the CEO, Chief Financial Officer, Chief Human Resources Officer, Chief Risk Officer, Chief Compliance Officer, Chief Credit Officer, Head of Financial markets, Chief Wholesale Banking, Head of Retail Banking, Chief Technology Officer, Head of Operations and Chief Internal Auditor.

The CEO and Senior Management are responsible for oversight of the Bank's key business lines. Material Risk Takers are those categories of employees that have or may have a material impact on the Bank's risk profile. The classification of Material Risk Takers is based on several criteria such as the job role, approving authority on matters that may have a material impact on the Bank's risk profile and the responsibilities within the organization. These include but are not limited to:

- Staff, individually or as part of a committee, with authority to approve new business products or to commit credit risk exposures and market risk transactions above certain levels
- Staff whose duties involve the assumption of risk or the taking of exposures on behalf of the Bank.

The Bank's remuneration policy reflects the aspirations of its business strategy and growth plans. Some of the key features and objectives of the policy are:

- To align with the Bank strategy, risk appetite, objectives, corporate values and long-term interests of the Bank while operating under clear and transparent governance through efficient corporate governance structure.
- To ensure Total Rewards remain competitive within the market by adopting best practices in the UAE in banking sectors while relating the pay to the job and recognize differences in skill levels and job value.

- To link Total Rewards to individual performance by annually setting KPI and achievement of annual appraisals scores and appropriate to the goals of the company.
- To uphold the principles of equity, comply with all legal and regulatory requirements and maintain high standards of corporate governance.

The remuneration arrangements have been designed in a manner that is consistent with and promotes sound and effective risk management. The Bank has a robust performance management process and systems in place by which Employees can understand what is expected of them in their roles and how their performance relates to the success of the unit and the organization.

The performance metrics for the Corporate and Commercial Team are based on Balanced Scorecard and divided into five distinct perspectives and competencies metrics.

- Financial metrics that focus on key financial targets under one's control or influence and generally include total income, return on assets, net profit etc.
- Internal Business metrics focus on contribution to overall growth of the business through execution of excellent business methods such as completion of KYC and internal governance.
- Customer metrics that focus on activities that deliver a high-quality service to both internal and external customers such as customer satisfaction rate, customer retention rate, new customer acquisition, market share, net promoter score, turnover time on customer complaints, average handling time of customer complaints etc.
- Innovation & Learning metrics focus on adherence to on job learning and eagerness to learn with external training.
- Competencies metrics that focus on behavior, Customer Happiness, Excellence, Problem Solving, Accountability, Multi-Tasking, Teamwork, and Effective communication.

The performance metrics for the rest of the staff are broken into two distinct perspectives: Objective and Key Results (OKR) and competencies metrics.

- OKR that focuses on key targets and objective setting each year at the start of the year and measured bi-annually.
- Competencies metrics that focus on behavior, Customer Happiness, Excellence, Problem Solving, Accountability, Multi-Tasking, Teamwork, and Effective communication.

The total compensation offered to Employees includes only fixed compensation. Basic Salary and Fixed Allowances are the two major components of our compensation. The fixed compensation is a non-discretionary payment made to Employee based on their job role and responsibilities and is independent of the Bank's performance.

The Bank's Performance Management System ensures there is a transparent and objective link between performance and rewards. At the end of each performance cycle, all employees are rated against a five-point rating scale based on the KPIs achieved by the employee. Employees who are rated 'Unsatisfactory' for the performance year under consideration are not eligible to receive a bonus.

Qualitative measures are in the form of non-sales parameters such as disciplinary action, complaints/errors, KYC completion etc.

The Bank does not have a policy on deferral and variable remuneration.

**12.2. Remuneration awarded during the financial year (REM1)**

All numbers in AED 000s

			a	b
		Remuneration Amount	Senior Management	Other Material Risk-takers
1	Fixed Remuneration	Number of employees	13	-
2		Total fixed remuneration (3 + 5 + 7)	18,787	-
3		Of which: cash-based	17,895	-
4		Of which: deferred		-
5		Of which: shares or other share-linked instruments		-
6		Of which: deferred		-
7		Of which: other forms	892	-
8		Of which: deferred		-
9	Variable Remuneration	Number of employees	13	-
10		Total variable remuneration (11 + 13 + 15)	2,599	-
11		Of which: cash-based	2,599	-
12		Of which: deferred		-
13		Of which: shares or other share-linked instruments		-
14		Of which: deferred		-
15		Of which: other forms		-
16		Of which: deferred	-	-
17	Total Remuneration (2+10)		21,386	-

**12.3. Special payments (REM2)**

All numbers in AED 000s

Special Payments	Guaranteed Bonuses		Sign on Awards		Severance Payments	
	Number of employees	Total amount	Number of employees	Total amount	Number of employees	Total amount
Senior Management	0	0	0	0	3	614
Other material risk-takers	-	-	-	-	-	-

**12.4. Deferred remuneration (REM3)**

Not applicable to the Bank