



البنك العربي المتحد
UNITED ARAB BANK

Basel III Pillar 3 Disclosures

31 DECEMBER 2024





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1. Introduction

This document provides Pillar 3 disclosures for United Arab Bank PJSC ("UAB" or "the Bank") as at 31 December 2024 with the objective of allowing market participants to assess key information on 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 3 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 3 disclosures contain both quantitative and qualitative information and are to be read in conjunction with the Audited Financial Statements as at 31 December 2024.

The Basel Committee on Banking Supervision (BCBS) Basel III Capital Adequacy Framework consists of three pillars. Pillar 1 provides a framework for measuring minimum capital requirements for credit, market and operational risks faced by banks. Pillar 2 allows banks and supervisors to take a view on whether the bank should hold additional capital to cover the three Pillar 1 risks and additionally to cover other material risks, where required. Pillar 3 requires banks to publish a range of disclosures, mainly covering risk, capital, leverage, liquidity and remuneration.

The capital requirements are computed using the Basel III framework of the Basel Committee on Banking Supervision, after applying the amendments advised by the CBUAE, within national discretion.

The report is prepared as per the enhanced Pillar 3 Disclosure requirements guidelines issued by CBUAE in November 2020 with subsequent updates in December 2022 and are effective for the year ended 31 December 2022. The enhanced Pillar 3 disclosures focus on regulatory measures required under Pillar 1 of the Basel framework for measuring credit, market and operational risks and their associated resulting risk-weighted assets (RWA) and capital requirements. In some instances, Pillar 3 also requires supplementary information to be disclosed to improve the understanding of underlying risks.

The CBUAE issued Basel III capital regulations, which came into effect from 1 February 2017 introducing minimum capital requirements at three levels, namely Common Equity Tier 1 (CET1), Additional Tier 1 (AT1) and Total Capital. Additional capital buffers include Capital Conservation Buffer and Countercyclical Capital Buffer, with a maximum up to 2.5% for each buffer, over and above the minimum CET1 requirement of 7.0% and minimum Total Capital Ratio of 10.5%.

CBUAE requires the Pillar 2 Supervisory Review Process to focus on each bank's Internal Capital Adequacy Assessment Process (ICAAP) in addition to Pillar 1 Capital calculations. The ICAAP should include a risk based forward looking view of, but not limited to, Credit, Market and Operational Risk Capital.

The purpose of Pillar 3, Market Discipline, is to complement the minimum capital requirements (Pillar 1) and the supervisory review process (Pillar 2). The CBUAE supports the enhanced market discipline through a set of disclosure requirements which will allow market participants to assess key information regarding capital adequacy of the Bank through various views such as the scope of application, capital, risk exposure and risk assessment process.

The revised Pillar 3 disclosures, based on a common framework, are an effective means of informing the market about the risks faced by the Bank, and provide a consistent and understandable disclosure framework that enhances transparency and improves comparability and consistency.



In compliance with the CBUAE Basel III standards and guidelines, these disclosures include qualitative and quantitative information on the Bank's risk management objectives and policies, risk assessment processes, capital management and capital adequacy.

The Pillar 3 Disclosures for the year 2024 have been appropriately reviewed by the management and internal audit.



2. About the Bank

United Arab Bank P.J.S.C. (the “Bank”) was incorporated in 1975 as a Private Joint Stock Company in the Emirate of Sharjah. The legal form of the Bank was converted to a public company with limited liability in 1982 by a decree of His Highness The Ruler of Sharjah and has been registered as a Public Joint Stock Company under the UAE Commercial Companies Law No. (8) of 1984 (as amended). The Bank’s registered office is located in the Emirate of Sharjah, United Arab Emirates.

The address of the registered office is PO Box 25022, Sharjah, United Arab Emirates. The Bank carries out the business of commercial banking through its offices and branches in the United Arab Emirates. The Bank also carries out Islamic banking operations through Islamic banking windows at selected branches. The Bank does not have any subsidiaries and accordingly there is no consolidation.

3. OVA: Overview of Risk Management and Risk Weighted Assets (RWA)

UAB recognizes the importance of effective risk management in achieving its strategic goals and maintaining its stability and resilience. Risk is inherent in all the Bank's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability and everyone within the Bank is accountable for the risk exposures relating to their responsibilities.

Risk Management covers all risks including strategic, capital, credit, market & liquidity, operational, fraud, information technology and information security, reputation risks, etc., and processes from origination and assessment of risks to ongoing monitoring, control, review, maintenance, and reporting of risks. It also covers roles and responsibilities of Board and Management level committees, and authorities and processes relating to risk management, internal controls, compliance, and internal audit functions.

The Bank's Risk Management Strategy includes comprehensive Enterprise-wide Risk and Compliance Risk Frameworks, which are fully aligned with our Bank's Vision to drive consistent value for all stakeholders. The key strategic imperatives that drive Bank's vision include the following:

- **Sound fundamentals and strong risk bearing capacity with efficient risk-reward considered deployment:** Sound financial fundamentals and a strong capacity to bear risk underpin the Bank's risk management philosophy. This encompasses capital adequacy, liquidity, interest rate, asset quality, and enterprise resilience, with a focus on balancing risk and reward effectively.
- **Strategic Alignment and Enduring Partnership with Business Lines:** A risk management approach that is strategically aligned with business goals ensures a close partnership between risk management and business units to effectively manage risks.
- **Regulatory and Market Expectations Fulfilment:** UAB is committed to fulfilling regulatory requirements and market expectations, including those related to credit ratings and investor relations. Risk management at the Bank involves an adaptive stance, ensuring compliance with the latest regulatory directives and market dynamics, and integrating these into the Bank's risk framework.
- **Comprehensive and Integrated Corporate & Risk Governance Framework:** A robust corporate and risk governance framework ensures effective risk management, independent oversight, and accountability.
- **Resilient Risk Infrastructure and Strong Risk Culture:** A strong risk infrastructure and culture promotes transparency, accountability, and a proactive approach to risk management.

Strong and Robust Governance

UAB has a strong and robust governance framework in place to ensure that its risk management framework is effective and that risks are managed in a controlled and transparent manner. This is achieved through the different Governance levers in the Bank that includes committees at Board and Management levels, clear rules and directions, policies and procedures, regular reporting and monitoring, and independent oversight from internal and external stakeholders

Corporate Governance Framework

Corporate Governance framework is a set rules, processes, policies and practices by which an organization is managed and controlled by its Board of Directors (BoD) and Senior Management.

Implementation and maintenance of good corporate governance helps robust decision-making and improves Strategy, Performance, Compliance and Accountability supported by ongoing monitoring and assessment. Sound corporate governance plays a fundamental role in the culture and business practices of the Bank. The Bank's corporate governance framework relates to the way the business activities of the Bank are directed and managed considering all stakeholders and role of the bank in the community. The Bank has a well-considered and established corporate governance framework which facilitates effective decision making and builds a strong relationship with stakeholders through a transparent structure that supports high quality and timely disclosures.

3.1. Risk Management Framework (Three Lines of Defence)

The Bank's risk management framework is built on three lines of defence, which work together to ensure that risks are effectively identified, assessed, monitored, and controlled:

- The **First line of defence** is the business unit, which is responsible for identifying, assessing, and managing risks in its day-to-day activities.
- The **Second line of defence** provides oversight and support to the business units in managing risks.
- The **Third line of defence** is the internal audit function, which independently assesses the effectiveness of the Bank's risk management framework and provides recommendations for improvement.

As part of the three lines of defence, the Board and Management committees are further supplemented by functions who are responsible for day-to-day monitoring of risk.

3.1.1. First Line of Defence

The first line of defence is responsible for identifying risks as part of their day-to-day business operations. This includes assessing the risks associated with each of the Bank's business lines and implementing policies and procedures to manage those risks.

3.1.2. Second Line of Defence

The second line of defence serves as a crucial support system for business units, helping them identify, assess, and manage risks effectively while ensuring compliance with relevant laws, regulations, and internal policies. Their oversight and guidance contribute to the overall resilience and sustainability of the organization in the face of various risks and challenges.

3.1.2.1 Risk Management Department

The Risk Management Department is responsible for implementing and maintaining risk related procedures to ensure an independent control process. It works closely with the First Line to support their activities, while safeguarding the risk profile of the Bank. It institutes prudent risk monitoring and control mechanisms (processes and systems) to ensure compliance of individual risk assets and portfolios to agreed terms and policy parameters.

3.1.2.2 Credit Department

The Credit Department is responsible for spearheading overall credit strategy of the Bank, reviewing and approving credit proposals, ensuring compliance with credit policies and procedures, and providing assistance in ongoing monitoring of credit risk.

3.1.2.3 Compliance Department

The Compliance Department is responsible for implementing and maintaining financial crime compliance, regulatory compliance and compliance assurance related policies and procedures to ensure an independent oversight, monitoring and control processes are embedded. It works closely with all three lines of defence to support their activities, while safeguarding the compliance profile of the Bank. It institutes prudent compliance monitoring and control mechanisms (processes and systems) to ensure compliance with the applicable laws and regulations and Global best practices.

3.1.2.4 Finance Department

Finance Department's key responsibilities as part of Second Line of Defence include monitoring and controlling financial risks, ensuring regulatory compliance, and facilitating effective risk reporting. The finance function supports a strong risk management culture within the organization by proactively identifying, measuring, and managing risks.

3.1.3. Third Line of Defence - Internal Audit

Risk management processes throughout the Bank are audited annually by the internal audit function that examines both the adequacy of, and the Bank's compliance with, its procedures. Internal Audit discusses the results of all assessments with management and reports its findings and recommendations to the Board Audit Committee.

3.2. Role of the Board and the Executive Management

The Board of Directors is responsible for the stewardship of the Bank and providing effective leadership to supervise the Management of the bank to grow value in a profitable and sustainable manner. The Board is collectively responsible for the short term and long-term success of the Bank and delivery of sustainable value to the shareholders and wider stakeholders. It sets the strategy and the risk appetite for the Bank and approves capital and operating plans presented by Management for the achievement of strategic objectives set by the Board. The Board of Directors also define the risk tolerance of the Bank, its primary business activities and its overall strategy and plan.

3.2.1. Board Level Committees

The Board of Directors are ultimately responsible for identifying and controlling risks; however, there are separate board sub-committees responsible for managing and monitoring risks.

3.2.2. Board Credit Committee (BCC)

The Board Credit Committee (BCC) has the responsibility to establish credit strategy and monitor the overall credit process within the Bank for maintaining a diversified portfolio, avoiding undesired risk concentrations, improving the overall asset quality of the portfolio, and complying with Credit Policy and regulatory guidelines.

3.2.3. Governance & Remuneration Committee (GRC)

The Governance & Remuneration Committee (GRC) acts on behalf of the Board on all matters related to governance, remuneration, nomination and strategic plans, except for those powers and actions that are restricted to the Board on the basis of legal provisions or the Articles. The GRC is responsible for supporting the Board in overseeing the remuneration scheme, in order to ensure that the subject remuneration is appropriate and consistent with the Bank's culture, long-term business and risk appetite, performance and control environment as well as with any legal or regulatory requirement.

3.2.4. Board Risk & Compliance Committee (BRCC)

The Board Risk & Compliance Committee (BRCC) has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, and policies for enhancing the Bank's risk and compliance management framework to best practices standards. This includes, but is not limited to, ensuring effective control structures and the monitoring of aggregate risk exposures (including but not limited to credit, market, liquidity, operational, and legal). Additionally, the BRCC is accountable for fostering a culture of compliance, including financial crime compliance matters and overseeing adherence to relevant regulatory requirements, ethical standards, and internal policies.

3.2.5. Board Audit Committee (BAC)

The Board Audit Committee (BAC) is responsible for monitoring, reviewing and reporting to the Board on the formal arrangements relating to the financial and narrative reporting of the Bank, internal controls, compliance and internal / external audit processes.

3.3. Internal Shari'ah Supervision Committee (ISSC)

The ISSC is the central independent committee which is responsible for the overall monitoring of and compliance by the Islamic Financial Institution with Islamic Shari'ah and resolutions, fatwas, regulations and standards issued by HSA. The ISSC, accordingly, is responsible for supervising and approving all businesses, activities, products, services, contracts, documents and codes of conduct of the Bank pertaining to Islamic activities. ISSC must monitor, through internal Shari'ah control division or section and internal Shari'ah audit, the Bank's compliance with Islamic Shari'ah.

3.4. Management Level Committees

The Board level committees are further supplemented by key management committees to ensure comprehensive risk management and governance. These committees include:

3.4.1. Management Committee (MANCOM)

Management Committee (ManCom) assists the Board, Board committees and CEO in fulfilling its responsibilities towards setting and execution of overall strategy of the Bank and ensuring that the Bank's values are embedded in its day-to-day activities to ensure sustained growth, profitability and commensurate returns for its stakeholders.

3.4.2. Asset Liability Committee (ALCO)

Asset Liability Committee (ALCO) assists the Board in fulfilling its responsibility towards ensuring a strong and stable balance sheet and to oversee Bank's Asset and Liability Management (ALM) strategies. The objective of ALCO will also be to maintain vigilant oversight of liquidity risk and interest rate risk with the primary goal of achieving optimal return while ensuring adequate levels of liquidity within an effective risk control framework.

3.4.3. Credit Portfolio Committee (CPC)

The Credit Portfolio Committee (CPC) is responsible for developing and establishing credit strategy, credit policies, setting risk acceptance criteria for underwriting and monitoring the portfolio to ensure it remains within acceptable risk levels and address any emerging credit issues or trends. The CPC works in conjunction with and assists the Board and BCC to manage credit strategy, policies, and procedures.

3.4.4. Credit Committee (CC)

The Credit Committee (CC) is responsible for making credit-related decisions. The CC is charged with:

- Reviewing and approving loan proposals, taking into account factors such as the borrower's creditworthiness, repayment capacity, and collateral.
- Ensuring compliance with credit policies and procedures as part of ongoing underwriting process.

3.4.5. Risk Committee (RC)

The Risk Committee (RC) assists the Board and Board Risk and Compliance Committee ("BRCC") towards ensuring a sound risk profile of the Bank and instilling a culture of risk optimized decision making through implementation of comprehensive and integrated risk framework, embedding a strong internal control mechanism and ensuring compliance with all applicable regulatory requirements (including Higher Shari'ah Authority regulations).

3.4.6. Compliance Committee

The Compliance Committee assists the Board and the BRCC towards ensuring a strong compliance culture and adherence to all applicable compliance requirements.

3.4.7. Business Technology Steering Committee (BTSC)

The Business Technology Steering Committee (BTSC) assists the Board in fulfilling its responsibilities pertaining to outlining and execution of overall IT strategy and managing IT related and projects, related budgets, expenditures and service operation status.

3.4.8. Human Capital Committee (HCC)

The Human Capital Committee (HCC) assists the Governance and Remuneration Committee (GRC) in fulfilling its responsibilities relating to the outline and monitor matters related to the Bank's people strategy which includes Emiratisation strategy, performance and rewards, talent acquisition, management and succession planning, learning & development, HCM policies & procedures, people risk, corporate governance and statutory matters etc.

3.5. Charity Committee

The Charity Committee assists the Board and Internal Shari'ah Supervisory Control (ISSC) in fulfilling its responsibilities in managing activities pertaining to Charity.

3.6. Management Subcommittees

UAB has following management subcommittees to assist management committees and senior management in discharging their duties and responsibilities:

3.6.1. Client Experience Forum (CEF)

The Customer Experience Forum (CEF) supports the ManCom towards ensuring achievement of Bank's desired customer experience levels and fulfilment of related regulatory norms. The CEF is responsible for:

- Overseeing the Bank's customer service policies and procedures, including the measurement and monitoring of customer satisfaction levels.
- Monitoring customer feedback and using this information to make recommendations for improvements to the Bank's products and services.
- Ensuring that the Bank's customer service standards are met and addressing any customer complaints in a timely and effective manner.

3.6.2. Investment Committee (IMCO)

The Investment Committee (IMCO) supports the Asset Liability Committee (ALCO) and is responsible for overseeing Bank's investment strategy and execution. The IMCO is charged with:

- Reviewing and approving investment proposals, ensuring that they align with the Bank's overall investment strategy and risk tolerance.
- Monitoring the performance of the Bank's investments, including returns, market conditions, and economic indicators.
- Ensuring that the Bank's investment policies and procedures are in compliance with all applicable regulations and are regularly updated to reflect changes in the market or regulatory environment.
- Overseeing the management of investment risks, including interest rate, credit, and market risks, and ensuring that the Bank's investment portfolio is well-diversified.

3.6.3. ERM Committee (ERMC)

The ERM Committee (ERMC) supports the Risk Committee (RC) by implementing and overseeing the Bank's enterprise risk management framework. The ERMC is charged with:

- Overseeing the Bank's risk management framework, including the identification, assessment, and management of risks across the Bank.
- Reviewing and approving risk limits for various types of risks, including credit, capital, market & liquidity, strategic & reputational risk etc.
- Monitoring the Bank's risk exposure and ensuring that it remains within acceptable levels, considering economic conditions, market trends, and internal controls.
- Ensuring that the Bank's risk management policies and procedures are in compliance with all applicable regulations and are regularly updated to reflect changes in the market or regulatory environment.

3.6.4. Provisioning Committee (PC)

The Provisioning Committee supports the Risk Committee (RC) and Credit Portfolio Committee (CPC) by reviewing and approving the provisions based on SICR criteria, transition of ratings, necessary overlays and over-rides, macro-economic variables as per IFRS 9 etc. in compliance with regulatory guidelines and credit / IFRS 9 policy. The Provisioning Committee also recommends the accounts proposed for write off as applicable, in compliance with regulatory guidelines and credit policy.

3.6.5. Operational Risk Management Committee (ORMC)

The Operational Risk Management Committee (ORMC) supports the Risk Committee (RC) and assists the RC in fulfilling its objectives of overseeing Bank's operational and fraud risk management strategy, initiatives, profile and ensuring sound business continuity. The ORMC is responsible for:

- Monitoring operational and fraud risks to ensure they are within acceptable levels.
- Overseeing the implementation of operational and fraud risk management policies and procedures.
- Ensuring that operational and fraud risks are identified and addressed in a timely manner.
- Ensuring that Bank's business continuity strategy and plans are conducted in an effective manner.

3.6.6. IT Risk and Information Security Committee

The IT Risk and Information Security Committee supports the Risk Committee (RC) and assists the RC towards ensuring that Bank's information technology systems and data are secure. This includes:

- Overseeing the Bank's information security policies and procedures to ensure they are effective.
- Monitoring cyber threats and ensuring the Bank's systems are protected against them.
- Ensuring that the Bank's information technology systems are secure and operate effectively.

3.6.7. Model Risk Management Committee (MRMC)

The Model Risk Management Committee supports the Risk Committee (RC) and assists the RC in overseeing Bank's model risk management framework. This includes:

- Responsible for defining and implementing the Model Risk Management framework for the Bank.
- Review and approve the methodology, processes and governance framework for the development, implementation, use and maintenance of models.
- Ensure models are developed, validated, and used in compliance with the regulatory and internal standards.
- Monitor and report on the effectiveness of model risk management and provide recommendations for improvement.

3.6.8. Sustainability Committee

The Sustainability Committee is under formation. The Sustainability Committee will support the Management Committee (ManCom) and UAB Board of Directors (the Board) by overseeing and advising on sustainability-related strategies, practices, and policies. The Committee is committed to:

- Advancing UAB's sustainability objectives,
- Ensuring that the Bank operates in an environmentally responsible and socially conscious manner while considering the governance aspects that align with UAB's corporate strategy and risk management framework.

3.6.9. Disciplinary Committee (DC)

The Disciplinary Committee (DC) supports the Human Capital Committee (HCC) towards dealing with employee misconduct and violations of Bank's policies and procedures. The DC reviews the investigation findings, evaluates employee misconduct, and approves commensurate disciplinary action as per HR policy. The DC ensures that the disciplinary process is fair, transparent, and consistent and provides guidance and support to the HCM department on disciplinary matters. The DC ensures that the Bank's disciplinary policies and procedures are followed and that employees are held accountable for their actions.

3.7. Risk Measurement and Reporting Systems

Monitoring and controlling risks is primarily performed based on limits established by the Bank. These limits reflect both the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept, with additional emphasis on selected industries. In addition, the Bank monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

Information compiled from all the businesses is examined and processed in order to identify, analyze and control at an early stage. The Board receives a comprehensive credit risk report once a quarter which is designed to provide all the necessary information to assess and conclude on the credit related risks of the Bank. The report includes aggregate credit exposure, hold limit exceptions, liquidity ratios

and risk profile changes. Senior management assesses the appropriateness of the allowance for credit losses on a quarterly basis.

For all levels throughout the Bank, specifically tailored risk reports are prepared and distributed in order to ensure all business divisions have access to extensive, necessary and up-to-date information.

Regular briefings are given to the Chief Executive Officer, Risk Committee and all other relevant members of management on all aspects of risk taken by the Bank including the utilization of limits, proprietary investments and liquidity, plus any other risk developments.

3.8. Risk Mitigation

The Bank has implemented a comprehensive risk mitigation framework that aims to minimize the impact of potential risks on its operations, financial performance, and reputation. This includes identifying and evaluating risk, implementing risk mitigation strategies, and regularly monitoring the effectiveness of these strategies.

The Bank actively uses collateral to reduce its credit risks. Also, as part of its overall risk management, the Bank uses derivatives and other instruments to manage exposures resulting from changes in interest rates and foreign currencies.

3.9. Risk Appetite Framework

The Bank has established a risk appetite framework to ensure that its risk-taking activities are aligned with its strategic goals and risk tolerance. The framework includes clear definitions of the Bank's risk appetite and limits for various types of risks, as well as regular monitoring and reporting to ensure that these limits are not exceeded.

Monitoring and Management of Breaches

Compliance with the Risk Appetite Framework is reported to RC and BRCC along with management action plans for exceptions. The risk appetite metrics and thresholds are reviewed periodically to align with the bank's business and regulatory landscape.

3.10. Robust Business Continuity Framework

The Bank's well-structured Business Continuity Framework and Policy, along with our comprehensive Crisis Management Framework and supplementary emergency plans and incident response protocols, provide a strong foundation of organizational resilience against major disruptions or unexpected events, such as the recent COVID-19 pandemic. These frameworks and procedures are subjected to regular testing, with a minimum frequency of annual assessments, to guarantee their effectiveness and readiness in such scenarios.

3.11. Stress Testing

UAB conducts regular stress tests and scenario analyses based on a comprehensive stress testing policy, governed by the ICAAP Policy and the Stress Testing Methodology, approved by the BRCC. The stress test exercises consider various macroeconomic and idiosyncratic stress to assess impact of adverse market conditions under stress scenarios on the capital adequacy. Stress tests and scenario analyses cover the entire asset book to project capital needs and capital levels under various stress

scenarios by considering key risks such as credit risk, market risk, operational risk, liquidity risk, interest rate risk, concentration risk, etc.

The bank conducts stress testing exercises mandated by the Financial Stability Unit (FSU) of the Central Bank of UAE. Stress tests are also conducted as part of the ICAAP on an annual basis along with internal stress testing conducted on a quarterly basis and on ad-hoc basis based on requirements from management.

3.12. Business Segments

The Bank is organised into three segments:

Wholesale Banking - principally handling loans and other credit facilities and deposit and current accounts for corporate and institutional customers. This segment also includes Financial Markets which is principally involved in providing money market, trading and treasury services, as well as the management of the Bank's funding operations; and

Retail Banking - principally handling individual customers' deposits, and providing consumer type loans, overdrafts, credit card facilities and funds transfer facilities as well as Islamic banking services

Treasury & Capital Markets - actively manages investments in debt securities held in the banking book. Investments are distributed across Held to Maturity (HTM) and Available for Sale (AFS) category. Investments are selectively hedged to manage interest rate risks using Interest Rate derivative instruments.

Transactions between segments are conducted at estimated market rates on an arm's length basis. Interest is charged / credited to business segments based on a pool rate which approximates the marginal cost of funds.

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Bank's total revenue in 2024.

The Bank operates in only one geographic area, the Middle East and hence, no geographical analysis is given.

3.13. UAB's Approach to Pillar 1

Pillar 1 Risks	Pillar 1 Approach
Credit Risk	The Bank uses the Standardized Approach for calculating regulatory capital requirements for Credit Risk. This approach allows the use of external ratings from designated credit-rating agencies wherever available in determining the appropriate risk weights. The risk weights are determined by the asset class and the external rating of the counterparty. The net exposure incorporates off balance sheet exposures after applying the credit conversion (CCF) and credit risk mitigation (CRM) factors.
Market Risk	The Bank uses the Standardized Approach for calculating regulatory capital requirements for Market Risk.
Operational Risk	The Bank uses the Basic Indicator Approach for calculating regulatory capital requirements for Operational Risk.

3.14. KM1: Overview of Risk Management, Key Prudential Metrics and RWA

31 December 2024		AED 000s				
	Available capital (amounts)	31 Dec 2024	30 Sep 2024	30 Jun 2024	31 Mar 2024	31 Dec 2023
1	Common Equity Tier 1 (CET1)	1,976,037	2,005,983	1,844,728	1,775,187	1,731,234
1a	Fully loaded ECL accounting model	1,976,037	2,005,983	1,844,728	1,775,187	1,731,234
2	Tier 1	2,526,912	2,556,858	2,395,603	2,326,062	2,279,460
2a	Fully loaded ECL accounting model Tier 1	2,526,912	2,556,858	2,395,603	2,326,062	2,279,460
3	Total capital	2,708,957	2,726,575	2,562,194	2,483,545	2,428,919
3a	Fully loaded ECL accounting model total capital	2,708,957	2,726,575	2,562,194	2,483,545	2,428,919
Risk-weighted assets (amounts)						
4	Total risk-weighted assets (RWA)	15,556,994	14,534,310	14,244,382	13,510,113	12,805,366
Risk-based capital ratios as a percentage of RWA						
5	Common Equity Tier 1 ratio (%)	12.7%	13.8%	13.0%	13.1%	13.5%
5a	Fully loaded ECL accounting model CET1 (%)	12.7%	13.8%	13.0%	13.1%	13.5%
6	Tier 1 ratio (%)	16.2%	17.6%	16.8%	17.2%	17.8%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	16.2%	17.6%	16.8%	17.2%	17.8%
7	Total capital ratio (%)	17.4%	18.8%	18.0%	18.4%	19.0%
7a	Fully loaded ECL accounting model total capital ratio (%)	17.4%	18.8%	18.0%	18.4%	19.0%
Additional CET1 buffer requirements as a percentage of RWA						
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.5%	2.5%	2.5%	2.5%	2.5%
9	Countercyclical buffer requirement (%)	0.0%	0.0%	0.0%	0.0%	0.0%
10	Bank D-SIB additional requirements (%)	0.0%	0.0%	0.0%	0.0%	0.0%
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9+ row 10)	2.5%	2.5%	2.5%	2.5%	2.5%
12	CET1 available after meeting the bank's minimum capital requirements (%)	5.7%	6.8%	6.0%	6.1%	6.5%
Leverage Ratio						
13	Total leverage ratio measure	23,764,086	22,405,230	22,189,127	19,696,429	19,507,908
14	Leverage ratio (%) (row 2 / row 13)	10.6%	11.4%	10.8%	11.8%	11.7%
14a	Fully loaded ECL accounting model leverage ratio (%) (row 2A / row 13)	10.6%	11.4%	10.8%	11.8%	11.7%
14b	Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	10.6%	11.4%	10.8%	11.8%	11.7%
Liquidity Coverage Ratio						

15	Total HQLA					
16	Total net cash outflow					
17	LCR ratio (%)					
	Net Stable Funding Ratio					
18	Total available stable funding					
19	Total required stable funding					
20	NSFR ratio (%)					
	ELAR					
21	Total HQLA	3,196,278	2,670,656	3,316,883	2,419,114	3,061,138
22	Total liabilities	18,809,842	17,345,664	17,292,964	15,462,440	15,268,617
23	Eligible Liquid Assets Ratio (ELAR) (%)	17.0%	15.4%	19.2%	15.6%	20.0%
	ASRR					
24	Total available stable funding	15,315,813	14,262,877	13,924,708	12,822,243	12,815,694
25	Total Advances	11,562,136	10,606,907	10,512,129	9,719,848	9,704,860
26	Advances to Stable Resources Ratio (%)	75.5%	74.4%	75.5%	75.8%	75.7%

Note 1: "Fully Loaded" means bank's regulatory capital compared with a situation where the transitional arrangement had not been applied. CBUAE introduced transitional arrangements as per circular no. 04 / 2020 "Regulation Regarding Accounting Provisions and Capital Requirements - Transitional Arrangements". UAB has not used the transitional arrangement.

3.15. OV1: Overview of Risk Weighted Assets

		Risk Weighted Assets		Minimum Capital Requirements
		31 Dec 2024	30 Sep 2024	31 Dec 2024
1	Credit risk (excluding counterparty credit risk)	14,124,453	13,314,131	1,483,068
2	Of which: standardised approach (SA)	14,124,453	13,314,131	1,483,068
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)	88,504	71,075	9,293
7	Of which: standardised approach for counterparty credit risk	88,504	71,075	9,293
8	Of which: Internal Model Method (IMM)			
9	Of which: other CCR			
10	Credit valuation adjustment (CVA)	350,624	192,154	36,816
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 - fall-back approach	-	-	-
15	Settlement risk	-	-	-
16	Securitisation exposures in the banking book	-	-	-
17	Of which: securitisation internal ratings-based approach (SEC-IRBA)			
18	Of which: securitisation external ratings-based approach (SEC-ERBA)	-	-	-
19	Of which: securitisation standardised approach (SEC-SA)	-	-	-
20	Market risk	10,312	12,387	1,083
21	Of which: standardised approach (SA)	10,312	12,387	1,083
22	Of which: internal models approach (IMA)			
23	Operational risk	983,100	944,564	103,225
24	Amounts below thresholds for deduction (subject to 250% risk weight)			
25	Floor adjustment			
26	Total (1+6+10+11+12+13+14+15+16+20+23)	15,556,994	14,534,310	1,633,484

*The minimum capital requirements applied is 10.5%

4. Linkages between financial statements and regulatory exposures

4.1. Summary of differences between Pillar 3 disclosures and disclosures in the audited financial statements

Topic	Risk review in the audited annual financial statements	Pillar 3 disclosures
Basis of requirements	The Bank's audited annual financial statements is prepared in accordance with the requirements of IFRS and UAE Federal Law No. 2 of 2015.	The Bank's Pillar 3 disclosures provide details on risk from a regulatory perspective as required by the Basel 3 Standardized approach requirements, which have been implemented in the UAE through the Central Bank of the UAE standards / guidelines issued in November 2020 with subsequent updates in December 2022. The capital supply is determined based on Basel 3 requirements, which have been implemented in the UAE through the Central Bank of the UAE guidelines issued in February 2017 and standards / guidance issued in December 2022.
Basis of preparation	The disclosures in the credit risk management section are set out based on IFRS. Loans and advances are reported net of impairments and interest in suspense. Off balance sheet exposures are reported without applying CCF.	Provides details from a regulatory perspective on credit, market and operational risk. The capital calculation and the disclosures are based on the Standardized approach as required by the Central Bank of the UAE. Loans and advances are reported at gross levels and off balance sheet exposures are disclosed at post-CCF levels. Market risk and operational risk disclosures are based on the capital required.

4.2. LI1: Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

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AED 000s

	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 securitisation framework	Subject to market risk framework	Not subject to capital requirements or subject to deduction from capital
Assets							
Cash and balances at central bank	2,225,224	2,225,224	2,225,224	-	-	-	-
Due from banks	585,146	585,146	585,146	-	-	-	-
Loans and advances and Islamic financing receivables	11,526,357	11,526,357	11,526,357	-	-	-	-
Investments and Islamic instruments	6,004,981	6,004,981	6,004,981	-	-	-	-
Property, equipment and capital work-in-progress	179,634	179,634	179,634	-	-	-	-
Goodwill and other intangible assets	24,573	24,573	24,573	-	-	-	-
Customer Acceptances	422,990	422,990	422,990	-	-	-	-
Other assets	492,575	492,575	441,307	51,268	-	-	-
Total Assets	21,461,480	21,461,480	21,410,212	51,268	-	-	-
Liabilities							
Due to banks	3,596,354	3,596,354	-	-	-	-	-
Customers' deposits	13,577,035	13,577,035	-	-	-	-	-
Medium Term Liabilities	734,600	734,600	-	-	-	-	-
Customer Acceptances	422,990	422,990	-	-	-	-	-
Other liabilities	579,016	579,016	-	-	-	-	-
Total Liabilities	18,909,995	18,909,995	-	-	-	-	-
Shareholder's Equity							
Share Capital	2,062,550	2,062,550	-	-	-	-	-
Treasury Shares	(3,008)	(3,008)	-	-	-	-	-
Tier 1 Instrument	550,875	550,875	-	-	-	-	-
Special Reserve	78,118	78,118	-	-	-	-	-
Statutory Reserve	107,042	107,042	-	-	-	-	-
General Reserve	9,311	9,311	-	-	-	-	-
Cumulative changes in Fair Value	(98,231)	(98,231)	-	-	-	-	-
Accumulated losses	(155,172)	(155,172)	-	-	-	-	-
Net shareholders' equity	2,551,485	2,551,485	-	-	-	-	-
Total Liabilities and shareholders' equity	21,461,480	21,461,480	-	-	-	-	-

31 December 2023

AED 000s

	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 securitisation framework	Subject to market risk framework	Not subject to capital requirements or subject to deduction from capital
Assets							
Cash and balances at central bank	2,001,080	2,001,080	2,001,080	-	-	-	-
Due from banks	456,567	456,567	456,567	-	-	-	-
Loans and advances and Islamic financing receivables	9,357,293	9,357,293	9,357,293	-	-	-	-
Investments and Islamic instruments	5,089,861	5,089,861	5,089,861	-	-	-	-
Property, equipment and capital work-in-progress	181,351	181,351	181,351	-	-	-	-
Other assets	561,696	561,696	504,214	57,482	-	-	-
Total Assets	17,647,848	17,647,848	17,590,366	57,482	-	-	-
Liabilities							
Due to banks	3,729,435	3,729,435	-	-	-	-	-
Customers' deposits and Islamic customer deposits	10,237,502	10,237,502	-	-	-	-	-
Other liabilities	734,600	734,600	-	-	-	-	-
Total Liabilities	15,358,103	15,358,103	-	-	-	-	-
Shareholder's Equity							
Share Capital	2,062,550	2,062,550	-	-	-	-	-
Treasury Shares	(3,885)	(3,885)	-	-	-	-	-
Tier 1 Instrument	548,226	548,226	-	-	-	-	-
Special Reserve	48,022	48,022	-	-	-	-	-
Statutory Reserve	76,946	76,946	-	-	-	-	-
General Reserve	9,311	9,311	-	-	-	-	-
Cumulative changes in Fair Value	(119,170)	(119,170)	-	-	-	-	-
Accumulated losses	(332,255)	(332,255)	-	-	-	-	-
Net shareholders' equity	2,289,745	2,289,745	-	-	-	-	-
Total Liabilities and shareholders' equity	17,647,848	17,647,848	-	-	-	-	-

4.3. LI2: Main sources of differences between regulatory exposure amounts and carrying values in financial statements

31 December 2024		AED 000s				
		Total	Items subject to:			
			Credit risk framework	Securitisation framework	Counterparty credit risk framework	Market risk framework
1	Asset carrying value amount under scope of regulatory consolidation (as per template LI1)	21,461,480	21,410,212	-	51,268	-
2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	-	-	-	-	-
3	Total net amount under regulatory scope of consolidation	21,461,480	21,410,212	-	51,268	-
4	Off-balance sheet amounts	6,149,692	5,952,678	-	197,014	-
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	Differences due to prudential filters	-	-	-	-	-
9	Exposure amounts considered for regulatory purposes	27,611,172	27,362,890	-	248,282	

31 December 2023		AED 000s				
		Total	Items subject to:			
			Credit risk framework	Securitisation framework	Counterparty credit risk framework	Market risk framework
1	Asset carrying value amount under scope of regulatory consolidation (as per template LI1)	17,647,848	17,647,848	-	57,482	-
2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	-	-	-	-	-
3	Total net amount under regulatory scope of consolidation	17,647,848	17,647,848	-	57,482	-
4	Off-balance sheet amounts	4,939,841	4,939,841	-	-	-
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	Differences due to prudential filters	-	-	-	-	-
9	Exposure amounts considered for regulatory purposes	22,587,689	22,530,207	-	57,482	-

4.4. LIA: Main sources of differences between regulatory exposure amounts and carrying values in financial statements

UAB does not have any subsidiaries and hence there are no differences between carrying values as reported in published financial statements and carrying values under scope of regulatory consolidation disclosed in LI1.

As of 31 December 2024, material assets requiring daily valuation are a) Fixed Income Securities, and b) Derivative Instruments. Both these instruments get marked-to-market valuations. The Bank uses price available on Bloomberg terminal to MTM the securities and derivatives on daily basis.



5. Prudential Valuation

5.1. Adjustment PV1: Prudential valuation adjustments (PVA)

This disclosure is not applicable as the Bank does not have any prudential valuation adjustments.

6. CC1: Composition of Capital

		AED 000s		
		31 Dec 2024	31 Dec 2023	Reference
Common Equity Tier 1 capital: instruments and reserves				
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	2,062,550	2,062,550	CC2 (f)
2	Retained earnings	(155,172)	(332,255)	CC2(g)
3	Accumulated other comprehensive income (and other reserves)	96,240	15,109	CC2 (h)+(i)+(j)+(k)
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	2,003,618	1,745,404	
Common Equity Tier 1 capital regulatory adjustments				
7	Prudent valuation adjustments	-	-	
8	Goodwill (net of related tax liability)	24,573	10,285	CC2 (b)
9	Other intangibles including mortgage servicing rights (net of related tax liability)	(7,309)	-	CC2 (b)-(e)
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	Securitisation 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)	3,008	3,885	
16	Reciprocal cross-holdings 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	27,581	14,170	
25	Common Equity Tier 1 capital (CET1)	1,976,037	1,731,234	
Additional Tier 1 capital: instruments				
26	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	550,875	548,226	CC2 (I)
27	<i>Of which: classified as equity under applicable accounting standards</i>	550,875	548,226	
28	<i>Of which: classified as liabilities under applicable accounting standards</i>	-	-	
29	Directly issued capital instruments subject to phase-out from additional Tier 1	-	-	
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	550,875	548,226	
Additional Tier 1 capital: regulatory adjustments				
33	Investments in own additional Tier 1 instruments	-	-	
34	Investments in capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	
35	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	
36	CBUAE specific regulatory adjustments	-	-	
37	Total regulatory adjustments to additional Tier 1 capital	-	-	
38	Additional Tier 1 capital (AT1)	550,875	548,226	
39	Tier 1 capital (T1= CET1 + AT1)	2,526,912	2,279,460	
Tier 2 capital: instruments and provisions				
40	Directly issued qualifying Tier 2 instruments plus related stock surplus	-	-	
41	Directly issued capital instruments subject to phase-out from Tier 2	-	-	
42	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 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	182,045	149,459	
45	Tier 2 capital before regulatory adjustments	182,045	149,459	
Tier 2 capital: regulatory adjustments				
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)	182,045	149,459	
52	Total regulatory capital (TC = T1 + T2)	2,708,957	2,428,919	
53	Total risk-weighted assets	15,556,994	12,805,366	
Capital ratios and buffers				
54	Common Equity Tier 1 (as a percentage of risk-weighted assets)	12.7%	13.5%	
55	Tier 1 (as a percentage of risk-weighted assets)	16.2%	17.8%	
56	Total capital (as a percentage of risk-weighted assets)	17.4%	19.0%	
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%	2.5%	
58	Of which: capital conservation buffer requirement	2.5%	2.5%	
59	Of which: bank-specific countercyclical buffer requirement	0.0%	0.0%	
60	Of which: higher loss absorbency requirement (e.g. DSIB)	0.0%	0.0%	
61	Common Equity Tier 1 (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirement.	6.5%	6.5%	
The CBUAE Minimum Capital Requirement				
62	Common Equity Tier 1 minimum ratio	7.0%	7.0%	
63	Tier 1 minimum ratio	8.5%	8.5%	
64	Total capital minimum ratio	10.5%	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 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 standardised approach (prior to application of cap)	270,763	352,924	
70	Cap on inclusion of provisions in Tier 2 under standardised approach	182,045	149,459	
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 2023)				
cr 73	Current cap on CET1 instruments subject to phase-out arrangements	-	-	
74	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	-	
75	Current cap on AT1 instruments subject to phase-out arrangements	-	-	
76	Amount excluded from AT1 due to cap (excess after redemptions and maturities)	-	-	
77	Current cap on T2 instruments subject to phase-out arrangements	-	-	
78	Amount excluded from T2 due to cap (excess after redemptions and maturities)	-	-	

6.1. CC2: Reconciliation of regulatory capital to balance sheet

The following table enables users to identify the differences between the scope of accounting balance sheet and the scope of regulatory balance sheet, and to show the link between the bank's balance sheet in its published financial statements and the numbers that are used in the composition of capital disclosure template set out in Template CC1. Variances between the financial and regulatory balance sheets are consistent with LI1 disclosure.



31 December 2024

AED 000s

	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
Assets			
Cash and balances at central banks	2,225,224	2,225,224	
Loans and advances to banks	585,146	585,146	
Loans and advances to customers	11,526,356	11,526,356	
Financial investments designated at amortised cost	1,702,425	1,702,425	
Available for sale financial investments (Includes FVOCI)	4,302,556	4,302,556	
Derivative financial instruments	51,268	51,268	
Current and deferred tax assets	-	-	
Prepayments, accrued income and other assets	441,307	441,307	
Goodwill and other intangible assets	24,572	24,572	
Of which: goodwill		-	(a)
Of which: intangibles (excluding MSRs)	24,573	24,573	(b)
Of which: MSRs	-	-	(c)
Customer Acceptances	422,990	422,990	
Property, plant and equipment	179,635	179,635	
Total assets	21,461,480	21,461,480	
Liabilities			
Deposits from banks	2,361,908	2,361,908	
Items in the course of collection due to other banks	-	-	
Customer accounts	13,577,035	13,577,035	
Repurchase agreements and other similar secured borrowing	1,234,446	1,234,446	
Medium Term Borrowing	734,600	734,600	
Derivative financial instruments	12,149	12,149	
Accruals, deferred income and other liabilities	391,441	391,441	
Current and deferred tax liabilities	31,882	31,882	
Of which: DTLs related to goodwill	-	-	
Of which: DTLs related to intangible assets (excluding MSRs)	31,882	31,882	
Of which: DTLs related to MSRs	-	-	
Customer Acceptances	422,990	422,990	
Provisions	100,150	100,150	
Retirement benefit liabilities	21,697	21,697	
Total liabilities	18,909,995	18,909,995	
Shareholders' equity			
Paid-in share capital	2,062,550	2,062,550	(f)
Of which: amount eligible for CET1	2,062,550	2,062,550	
Of which: amount eligible for AT1	-	-	
Accumulated Losses	(155,172)	(155,172)	(g)
Accumulated other comprehensive income	(98,231)	(98,231)	(h)
Special Reserve	78,118	78,118	(i)
Statutory Reserve	107,042	107,042	(j)
General Reserve	9,311	9,311	(k)
Treasury Shares	(3,008)	(3,008)	
Tier 1 instrument	550,875	550,875	(l)
Total shareholders' equity	2,551,485	2,551,485	

6.2. CCA: Main features of regulatory capital instruments

The authorised paid-up share capital of the Bank is 2,750,067,532 (2023: 2,750,067,532) shares of AED 1 each. The issued and fully paid-up share capital of the Bank comprises 2,062,550,649 (2023: 2,062,550,649) shares of AED 1 each.

31 December 2024		AED 000s	
1	Issuer	United Arab Bank PJSC	United Arab Bank PJSC
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	AEU000601010	XS2575866699
3	Governing law(s) of the instrument	United Arab Emirates	English Law
	Regulatory treatment		
4	Transitional arrangement rules (i.e. grandfathering)	N/A	N/A
5	Post-transitional arrangement rules (i.e. grandfathering)	N/A	N/A
6	Eligible at solo/group/group and solo	Solo	Solo
7	Instrument type (types to be specified by each jurisdiction)	Ordinary Shares	Equity
8	Amount recognized in regulatory capital (currency in millions, as of most recent reporting date)	AED 2,062	USD 150
9	Nominal amount of instrument	N/A	USD 150
9a	Issue price	N/A	USD 150
9b	Redemption price	As per Market Value	USD 150
10	Accounting classification	Shareholder's Equity	Additional Tier 1 Capital
11	Original date of issuance	N/A	30-Mar-2023
12	Perpetual or dated	N/A	Perpetual
13	Original maturity date	N/A	N/A
14	Issuer call subject to prior supervisory approval	N/A	Yes
15	Optional call date, contingent call dates and redemption amount	N/A	30-Mar-2028
16	Subsequent call dates, if applicable	N/A	N/A
	Coupons / dividends		
17	Fixed or floating dividend/coupon	N/A	Fixed for first 5 years
18	Coupon rate and any related index	N/A	8.060%
19	Existence of a dividend stopper	N/A	N/A
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Full discretionary	Full discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Full discretionary	Full discretionary
21	Existence of step-up or other incentive to redeem	N/A	N/A
22	Non-cumulative or cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	N/A	Non-convertible
24	Writedown feature	N/A	Yes
25	If writedown, writedown trigger(s)	N/A	Non viability event
26	If writedown, full or partial	N/A	Full
27	If writedown, permanent or temporary	N/A	Full
28	If temporary write-own, description of writeup mechanism	N/A	N/A
28a	Type of subordination	N/A	Junior Subordinated
29	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned).	N/A	Junior to all senior obligations
30	Non-compliant transitioned features	N/A	N/A
31	If yes, specify non-compliant features	N/A	N/A

7. Macro Prudential

CCyB1: Geographical distribution of credit exposures used in the countercyclical buffer

Counter-cyclical capital buffer (CCyB) requirement is determined by based on country-specific CCyB rates to the Bank's qualifying credit exposures on a weighted average basis. Majority of the bank's exposures are in UAE with limited exposures contributing to CCyB requirement. The bank's current CCyB requirement is 1 basis point.

8. Leverage Ratio

The Basel 3 leverage ratio is calculated by dividing the tier 1 capital by the leverage ratio exposure. The Leverage Ratio Exposure consists of IFRS on-balance sheet assets and off-balance sheet items. Derivative exposures are calculated by including replacement value, Potential Future Exposures (PFE) and eligible cash variation margin netting, the current exposure method add-on and net notional amounts for written credit derivatives. The table on the next page shows the difference between total IFRS assets per IFRS consolidation scope and the BCBS total on balance sheet exposures. Those exposures are the starting point for calculating the BCBS Leverage Ratio Exposure, as shown in the LR2 table. The difference is due to the application of the regulatory scope of consolidation for the purpose of the BCBS calculation. In addition, carrying amounts for derivative financial instruments and securities financing transactions (SFTs) are deducted from IFRS total assets. They are measured differently under BCBS leverage ratio rules and are therefore added back in separate exposure line items in the LR2 table.

8.1. LR1: Summary Comparison of Accounting Assets Vs Leverage Ratio Exposure

		AED 000s	
		31 Dec 2024	31 Dec 2023
1	Total consolidated assets as per published financial statements	21,461,480	17,647,848
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 securitised exposures that meet the operational requirements for the recognition of risk transference	-	-
4	Adjustments for temporary exemption of central bank reserves (if applicable)	-	-
5	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-	-
6	Adjustments for regular-way purchases and sales of financial assets subject to trade date accounting	-	-
7	Adjustments for eligible cash pooling transactions	-	-
8	Adjustments for derivative financial instruments	115,186	21,533
9	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	182,055	-
10	Adjustments for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	2,005,365	1,838,527
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	-	-
12	Other adjustments	-	-
13	Leverage ratio exposure measure	23,764,086	19,507,908

8.2. LR2: Leverage Ratio Common Disclosure Template

		AED 000s	
		31 Dec 2024	31 Dec 2023
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	21,410,212	17,590,366
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)	(220)	(1,700)
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	-	-
5	(Specific and general provisions associated with on-balance sheet exposures that are deducted from Tier 1 capital)	-	-
6	(Asset amounts deducted in determining Tier 1 capital)	(24,573)	(10,285)
7	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)	21,385,418	17,578,382
Derivative exposures			
8	Replacement cost associated with <i>all</i> derivatives transactions (where applicable net of eligible cash variation margin and / or with bilateral netting)	15,645	4,283
9	Add-on amounts for PFE associated with <i>all</i> derivatives transactions	120,960	60,716
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 (1.4 x (rows 8+9) + sum of rows 10 to 12)	191,028	91,000
Securities financing transactions			
14	Gross SFT <i>assets</i> (with no recognition of netting), after adjusting for sale accounting transactions	1,384,350	-
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	(1,202,296)	-
16	CCR exposure for SFT assets	-	-
17	Agent transaction exposures	-	-
18	Total securities financing transaction exposures (sum of rows 14 to 17)	182,055	-
Other off-balance sheet exposures			
19	Off-balance sheet exposure at gross notional amount	4,568,327	4,776,857
20	(Adjustments for conversion to credit equivalent amounts)	(2,562,962)	(2,938,330)
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)	2,005,365	1,838,527
Capital and total exposures			
23	Tier 1 capital	2,526,912	2,281,931
24	Total exposures (sum of rows 7, 13, 18 and 22)	23,764,086	19,507,908
Leverage ratio			
25	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)	10.6%	11.7%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	10.6%	11.7%
26	CBUAE minimum leverage ratio requirement	3.0%	3.0%
27	Applicable leverage buffers	7.6%	8.7%

9. Liquidity Risk Management

9.1. LIQA: Liquidity risk management

Liquidity risk is the risk that the Bank does not have sufficient liquidity to meet its financial obligations when they are due. Liquidity risk can materialize from the trading book (market liquidity risk) and banking book (funding liquidity risk) positions.

Liquidity risk can arise from several factors, such as:

- Failure to recognize or address changes in market conditions that effects the ability to liquidate assets quickly and with minimum loss in value;
- Concentration of facilities from one source due to insufficient diversification of types of funding between different products and types of customers;
- Maturity mismatch where long term assets being funded with short-term liabilities;
- External rating downgrade / adverse publicity may decrease alternate source of funds;
- Unexpected funding required for off-balance sheet items, such as payment to beneficiaries under letter of credit or guarantees; or
- Operating in different currencies which create a funding requirement and liquidity risk in each currency.

Liquidity Risk Management in the Bank is governed by the Liquidity Risk Management policy and the Risk Appetite Framework approved by the Bank's Board of Directors. The Board has delegated the responsibility of managing the liquidity risk of the Bank to the Board Risk & Compliance Committee (BRCC). BRCC and Risk Committee (RC) review liquidity risk policy, liquidity risk appetite and tolerance limits proposed by Risk Management for the Bank in line with the Bank's objectives, strategy and overall risk appetite. RC reviews annually the risk policies to manage and monitor liquidity risk in the Bank and recommend them to the BRCC for approval.

Risk Limits are recommended by the Asset and Liability Committee (ALCO). The Financial Market Department is primarily responsible for managing liquidity for the Bank. Risk Management and Finance teams are responsible for the measurement and monitoring of liquidity metrics stipulated in the policy and updating ALCO, RC and BRCC on issues pertaining to liquidity risk.

As per the Central Bank of the UAE (CBUAE) regulations, the Bank is required to monitor and maintain the following ratios

- Eligible Liquid Asset (ELAR) Ratio
- Advanced to Stable Funding (ASF) Ratio

Additionally, as per the Bank's internal Risk Appetite Statement (RAS) is required to monitor Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). These metrics are complemented by internal metrics like, concentration and maturity mismatch analyses. Liquidity Risk policy includes the Contingency Funding Plan ("CFP") which can be triggered in the event of a major liquidity problem, either due to bank specific or market wide / systematic triggers.

The Bank adopts a conservative strategy to manage its liquidity and funding positions, maintaining liquidity levels higher than the required regulatory ratios of ELAR and ASF.

Financial Market Department under the ALCO supervision and in coordination with Finance participates in the annual business planning / budgeting exercise, analyses overall funding requirements for the coming year(s) and provides funding strategy / fund raising plans.

The funding profile along with available tools are presented frequently to ALCO for seeking their inputs and opinion.

Liquidity risk mitigation techniques

The Bank has adopted a proactive approach in identifying and assessing, measuring and monitoring liquidity risks. Risk Management conducts regular and ad-hoc risk analyses (such as stress tests) and reports, findings and recommendations, to Bank ALCO.

Following are some of the key controls and risk management strategies for Liquidity Risk:

- Comprehensive Risk Appetite Framework and Policy.
- Liquidity profile along with available avenues for raising liquidity and utilization.
- Maintaining a diverse, yet stable pool of potential funding
- Maintaining sufficient liquidity buffers, pool of readily saleable and repo-eligible liquid assets
- Regular monitoring of liquidity risk exposures.

A compressive framework along with reporting structure are in place and continuously updated and shared with relevant committee.

Stress Testing

The Risk Management function, in conjunction with the Chief Risk Officer and other Executive management, finalize the key risk scenarios which could have an impact on the Bank's liquidity. The scenarios will be reviewed on an ongoing basis and will be aligned with UAE Central Bank guidelines. These scenarios will be the basis for carrying out detailed stress testing of the Bank's liquidity positions.

Potential scenarios may include:

- Bank's specific stress situation - a significant reputational risk leading to:
 - Two or Three notch downgrade of the institution's credit rating
 - Partial to severe loss of deposits
 - Loss of unsecured wholesale funding
 - Drying up of short-term liquidity from the inter-bank market
- Market wide Stress situation - a general deterioration of the business environment caused by one or more of the following:
 - recession / global economic conditions (e.g. Euro situation) / local property market downturn / liquidity crisis / political unrest/ Pandemic. Impact of these may include:
 - Increases in derivative collateral calls.
 - Substantial calls on contractual and non-contractual off-balance sheet exposures, including liquidity facilities.
 - Need to fund balance sheet growth arising from non-contractual obligations honoured in the interest of mitigating reputational risk.
 - Significant increase in use of committed credit lines.

Stress testing results are presented to ALCO at least on a quarterly basis and shall assess impact on various aspects of liquidity and on key regulatory ratios. Stress testing may be carried out on a more frequent basis if ALCO opines that market conditions warrant the need for more frequent stress testing.

Contingency funding plans

The Contingency Funding Plan (CFP) sets out the Bank's strategies for responding to a severe disruption in its liquidity or funding position due to internal or external events. The plan designates the CFP Team, which will be activated in the event of a liquidity crisis and establishes allocation of roles within the Team. The CFP includes a set of early warning triggers consisting of internal and external indicators, which are monitored by bank's ALCO and updated to the BRCC. The plan includes identification, invocation and escalation procedures and details potential actions, available sources of liquidity, mitigations and specifies a communication plan, which could be implemented based on the severity of the liquidity crisis.

ALCO is the governing body for activation and monitoring of CFP. Once the CFP is activated, the same is required to be notified to the Board and Central Bank of UAE.

9.2. LIQ1: Liquidity Coverage Ratio (LCR)

We are not subject to the Liquidity Coverage Ratio (LCR) reporting requirements mandated by CBUAE. The LCR is a regulatory measure designed to ensure that financial institutions maintain sufficient liquid assets to cover short-term liquidity needs during times of financial stress. However, due to our status as a small bank, we are exempt from this requirement. However, we remain committed to maintaining prudent liquidity management practices to safeguard the stability and resilience of our operations.

9.3. LIQ2: Net Stable Funding Ratio (NSFR)

The NSFR is a measure implemented to ensure that banks maintain a stable funding profile over the longer term relative to the liquidity of their assets and off-balance-sheet activities. However, given our status as a small bank, we are exempt from this reporting obligation by CBUAE.

9.4. ELAR: Eligible Liquid Assets Ratio

31 December 2024

AED 000s

1	High Quality Liquid Assets	Nominal amount	Eligible Liquid Asset
1.1	Physical cash in hand at the bank + balances with the CBUAE	2,225,224	
1.2	UAE Federal Government Bonds and Sukuks	308,421	
	Sub Total (1.1 to 1.2)	2,533,645	2,533,645
1.3	UAE local governments publicly traded debt securities	779,520	
1.4	UAE Public sector publicly traded debt securities	-	
	Sub Total (1.3 to 1.4)	779,520	662,633
1.5	Foreign Sovereign debt instruments or instruments issued by their respective central banks	-	-
1.6	Total	3,313,165	3,196,278
2	Total liabilities		18,809,842
3	Eligible Liquid Assets Ratio (ELAR)		17.0%

31 December 2023

AED 000s

1	High Quality Liquid Assets	Nominal amount	Eligible Liquid Asset
1.1	Physical cash in hand at the bank + balances with the CBUAE	2,420,609	
1.2	UAE Federal Government Bonds and Sukuks	-	
	Sub Total (1.1 to 1.2)	2,420,609	2,420,609
1.3	UAE local governments publicly traded debt securities	782,037	
1.4	UAE Public sector publicly traded debt securities	-	
	Sub Total (1.3 to 1.4)	782,037	640,529
1.5	Foreign Sovereign debt instruments or instruments issued by their respective central banks	-	-
1.6	Total	3,202,646	3,061,138
2	Total liabilities		15,268,617
3	Eligible Liquid Assets Ratio (ELAR)		20.0%

9.5. ASRR: Advances to Stable Resources Ratio

			AED 000s	
		Items	31 Dec 2024	31 Dec 2023
1		Computation of Advances		
	1.1	Net Lending (gross loans - specific and collective provisions + interest in suspense)	9,456,230	8,303,654
	1.2	Lending to non-banking financial institutions	310,591	236,809
	1.3	Net Financial Guarantees & Stand-by LC (issued - received)	56,777	112,390
	1.4	Interbank Placements	1,738,538	1,052,007
	1.5	Total Advances	11,562,136	9,704,860
2		Calculation of Net Stable Resources		
	2.1	Total capital + general provisions	2,771,034	2,589,904
		Deduct:		
	2.1.1	Goodwill and other intangible assets	-	-
	2.1.2	Fixed Assets	366,528	240,331
	2.1.3	Funds allocated to branches abroad	-	-
	2.1.5	Unquoted Investments	924	-
	2.1.6	Investment in subsidiaries, associates and affiliates	-	542
	2.1.7	Total deduction	367,452	240,873
	2.2	Net Free Capital Funds	2,403,582	2,349,031
	2.3	Other stable resources:		
	2.3.1	Funds from the head office	-	-
	2.3.2	Interbank deposits with remaining life of more than 6 months	1,034,600	1,292,057
	2.3.3	Refinancing of Housing Loans	-	-
	2.3.4	Borrowing from non-Banking Financial Institutions	1,128,804	354,311
	2.3.5	Customer Deposits	10,748,828	8,820,295
	2.3.6	Capital market funding / term borrowings maturing after 6 months from reporting date	-	-
	2.3.7	Total other stable resources	12,912,232	10,466,663
	2.4	Total Stable Resources (2.2+2.3.7)	15,315,813	12,815,694
3		Advances TO STABLE RESOURCES RATIO (1.6/ 2.4*100)	75.5%	75.7%

10. Credit Risk

10.1. CRA: General qualitative information about credit risk

a) How the business model translates into the components of the bank's credit risk profile

Credit risk is one of the most significant and prevalent risks faced by financial institutions. It arises when a counterparty fails to honour or discharge their obligations, potentially leading to financial losses for the bank. Credit risk underwriting, monitoring, and control are jointly managed by the Wholesale Banking Credit and Risk departments. To effectively monitor and mitigate credit risk, UAB has established a robust three-lines-of-defence model. This model ensures adequate segregation of duties, promoting independence and preventing conflicts of interest while supporting the Bank's business objectives and strategy. UAB maintains high standards of governance and adheres to sound credit principles, incorporating industry best practices to eliminate ambiguities in roles and responsibilities.

To mitigate excessive concentrations of risk, the Bank's policies and procedures include specific guidelines under the Credit Risk Management Regulation & Standards, designed to ensure the maintenance of a diversified portfolio. These guidelines focus on limiting exposure to individual customers, sectors, geographic regions, and other factors that may lead to concentrated risk. By enforcing these diversification strategies, the Bank aims to reduce the potential impact of adverse events affecting specific areas or counterparties, thereby enhancing the overall stability and resilience of its portfolio. Any identified concentrations of credit risk are carefully controlled and managed, with approvals from the Board Credit Committee or, when necessary, directly by the Board. The Bank's Risk Appetite Statement, approved by the Board, aligns the Bank's risk strategy with its business strategy, ensuring that portfolio growth and risk profiles remain within acceptable limits.

b) Criteria and approach used for defining credit risk management policy and for setting credit risk limits

Approval, disbursement, administration, and rating classification for both wholesale and retail portfolios are governed by the Bank's overarching Risk Appetite Policy and Credit Policies. Additionally, the Distressed Credit Policy regulates the restructuring, recoveries, and write-offs. The scope of these policies covers all major products and lines of business.

The Bank actively manages credit risk by setting limits and controlling concentrations wherever they are identified, particularly with regard to individual customers and groups, as well as industries and countries. The underwriting standards also define the minimum quality required for onboarding new customers.

The policies, guidelines, and processes outlined in the Credit Policy govern the entire spectrum of the Bank's credit and asset portfolios. These policies are applicable to all Business Units and Departments involved in originating, maintaining, managing, and/or reviewing related credit portfolios, as defined under the Credit Risk Management Regulation & Standards. The objective is to ensure consistent and effective management of credit risk across the Bank, with clear procedures for portfolio origination, monitoring, and review, aligning with the Bank's overall risk appetite and regulatory requirements.

The delegation of credit approval authorities and the scope of delegated responsibilities are governed by the Delegation of Authority (DOA), which is approved by the Board.

c) Structure and organization of the credit risk management and control function

UAB has aligned the internal structure and governance criteria in line with the recent Credit Risk Management Regulation / Standards issued by the CBUAE. Internal framework outlines the roles, responsibilities, and processes necessary to identify, assess, monitor, and mitigate credit risk across the Bank's operations. It ensures that credit risk management is integrated throughout the Bank, with clear accountability at each level, from origination to ongoing monitoring and review. The structure supports the Bank's ability to manage credit risk effectively, align with regulatory requirements, and maintain a strong risk control environment.

All credit proposals for Wholesale Banking and Financial Institutions (FI) are independently reviewed by the Credit Department and recommended to the appropriate approval authority, as defined in the Delegation of Authority (DoA) and the Bank's Credit Policies. For Retail, the Bank has established necessary approval procedures in line with the Delegation of Authority. The Credit Committee, the Board Credit Committee (BCC) and the Board hold ultimate responsibility for approving credit decisions as defined in the Delegation of Authority (DoA).

The underwriting and risk control functions are clearly separated to maintain independence. These functions report to the Chief Risk Officer (CRO), who independently reports to the Board Risk & Compliance Committee (BRCC). The Credit function, responsible for underwriting and credit review, is led by the Chief Credit Officer (CCO), who reports directly to the CEO.

d) Relationships between the credit risk management, risk control, compliance and internal audit functions

All credit proposals submitted are independently reviewed by the Credit Department before subsequent approvals to the management Credit Committee / Board Credit Committee / BoD as per the DoA.

The Compliance team ensures adherence to guidelines throughout the due diligence process, covering aspects such as Know Your Customer (KYC), Anti-Money Laundering (AML), and handling of Politically Exposed Persons (PEPs), related parties, and insider trading. These processes are conducted in strict accordance with established guidelines.

Once final approval is granted, and all documentation and conditions precedent are met, the Credit Administration Department makes the credit limits available for customer utilization. At this stage, transactions can be executed by the customer through the operations team.

As part of the Internal Audit plan, the Internal Audit team, acting as the third line of defense, reviews the credit approval process and submits its findings to the Board Audit Committee for review.

e) Scope and main content of the reporting on credit risk exposure and on the credit risk management function to the executive management and to the Board of Directors

The scope and main content of reporting on credit risk exposure and the credit risk management function to the Executive Management and Board of Directors in the Bank are aligned with the guidelines issued by the CBUAE. These reports are critical for ensuring that senior leadership and the Board are fully informed about the bank's credit risk profile, exposures, and the effectiveness of the credit risk management framework.

The comprehensive Portfolio Reporting with a wide range of information, including but not limited to: loans and advances, total investment book size, trends, risk ratings, sectoral breakdown, past due accounts, restructured information, and geographic concentrations. These reports also cover retail product-wise exposures and performance, large exposure concentrations, top watch list exposures, top non-performing loan (NPL) exposures, and write-offs. The reports are regularly presented to the Provisioning Committee, Risk Committee, and Board Risk and Compliance Committee along with the Credit Portfolio Committee and Board Credit Committee.

These reports provide an in-depth overview of the status of exposures, detailing recoveries (if any), collateral, provisions held against the accounts, and the action plans for regularizing or recovering outstanding dues. At the Board level, the Board Risk and Compliance Committee oversees the Risk Management function.

10.2. CR1: Credit quality of assets

31 December 2024

AED 000s

		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	465,234	11,608,894	547,771	328,174	219,597	11,526,357
2	Debt securities	-	6,006,298	31,502	-	31,502	5,974,796
3	Off-balance sheet exposures	105,167	2,532,883	100,150	80,486	19,664	2,537,899
4	Total	570,400	20,148,075	679,423	408,660	270,763	20,039,052

31 December 2024

AED 000s

		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	496,662	9,515,273	654,642	354,432	300,210	9,357,293
2	Debt securities	-	5,092,103	31,502	-	31,502	5,060,601
3	Off-balance sheet exposures	134,646	2,057,685	89,667	68,606	21,061	2,102,664
4	Total	631,308	16,665,061	775,811	423,038	352,773	16,520,558

10.3. CR2: Changes in stock of defaulted loans and debt securities

31 December 2024

AED 000s

1	Defaulted loans and debt securities at the end of the previous reporting period	496,662
2	Loans and debt securities that have defaulted since the last reporting period	116,418
3	Returned to non-default status	(2,664)
4	Amounts written off	(65,919)
5	Other changes	(79,263)
6	Defaulted loans and debt securities at the end of the reporting period (1+2-3-4±5)	465,234

31 December 2023

AED 000s

1	Defaulted loans and debt securities at the end of the previous reporting period	673,806
2	Loans and debt securities that have defaulted since the last reporting period	129,737
3	Returned to non-default status	(7,027)
4	Amounts written off	(98,588)
5	Other changes	(201,266)
6	Defaulted loans and debt securities at the end of the reporting period (1+2-3-4±5)	496,662

10.4. CRB: Additional disclosure related to the credit quality of assets

- a) The scope and definitions of 'past due' and 'impaired' exposures for accounting purposes and the differences, if any, between the definition of past due and default for accounting and regulatory purposes. A Default, as defined in the Wholesale Banking Credit policy & IFRS 9 Policy, is considered to have occurred with respect to a particular Obligor when either or both of the following events take place:

Non-payment

The Obligor fails to meet its contractual payment obligations, such as interest or principal, within the agreed-upon period. Once the Obligor has been past due for more than 90 days on any significant credit obligation to the Bank classified as default and impaired.

Unlikelihood to pay

The Obligor is deemed unlikely to be able to meet its financial obligations, based on an assessment of its financial condition, including factors like deteriorating creditworthiness, a significant decline in asset value, or other indicators of financial distress. An Obligor is classified as 'default' based on evaluation on a comprehensive assessment of the Obligor's creditworthiness, supported by factual evidence.

- b) Description of methods used for determining accounting provisions for credit losses. In addition, banks that have adopted an ECL accounting model must provide information on the rationale for categorization of ECL accounting provisions in general and specific categories for standardized approach exposures.

Impairment of Financial Assets

Financial assets measured at amortized cost are assessed for impairment at each reporting date. The Bank adopts a three-stage approach to measure the allowance for credit losses, using an Expected Credit Loss (ECL) model in accordance with IFRS 9. This approach applies to the following categories of financial instruments measured at amortized cost:

- Financing and investing assets, including investments in Bonds/Sukuks
- Off-balance sheet instruments issued
- Financial guarantee contracts issued
- Due from banks and financial institutions
- Balances with Central Banks
- Other financial assets, such as receivables, loans, and advances

Financial assets migrate through the three stages based on the change in credit risk since initial recognition. No impairment loss is recognized on equity investments.

Expected Credit Loss impairment model

ECL model contains a three-stage approach which is based on the change in credit quality of financial assets since initial recognition. Expected credit losses reflect the present value of all cash shortfalls related to default events either (i) over the following twelve months or (ii) over the expected life of a financial instrument depending on credit deterioration from inception.

- Under Stage 1, where there has not been a significant increase in credit risk since initial recognition, an amount equal to 12 months ECL will be recorded. The 12 months ECL is calculated as the portion of life time ECL that represents the ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12 months ECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original effective interest rate.
- Under Stage 2, where there has been a significant increase in credit Risk since initial recognition but the financial instruments are not considered credit impaired, an amount equal to the default probability weighted lifetime ECL will be recorded. The PD and LGD are estimated over the lifetime of the instrument and the expected cash shortfalls are discounted by an approximation to the original effective interest rate.
- Under the Stage 3, where there is objective evidence of impairment at the reporting date these financial instruments will be classified as credit impaired and an amount equal to the lifetime ECL will be calculated for the financial assets, with the PD set at 100%. The ECL is then based on the present value of the expected shortfalls in cash flows if the financing is drawn down. The expected cash shortfalls are discounted at an approximation to the expected effective interest rate on the financing. Stage 3 provisioning is as per the minimum requirements established by CRMS.

The Bank's liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognized in the income statement, and the ECL provision. For this purpose, the Bank estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the Risk-adjusted rate relevant to the exposure. The ECL model is forward looking and requires the use of reasonable and supportable forecasts of future economic conditions in the determination of significant increase in credit risk and measurement of ECL.

Assessment of significant increase in Credit Risk

Assessment of a significant increase in Credit Risk (SICR), as per the Credit Risk Management Standards (CRMS), involves evaluating whether the credit quality of an exposure has worsened significantly since initial recognition. To assess whether the Credit Risk on a financial asset has increased significantly since origination, the Bank compares the Risk of default occurring over the expected life of the financial assets at the reporting date to the corresponding Risk of default at origination or last review as per bank's IFRS 9 Policy, using key Risk indicators that are used in the Bank's existing Risk management processes. At each reporting date, the assessment of a change in Credit Risk will be individually assessed for those considered individually significant and at the segment level for retail exposures.

The exposure will be moved from stage 1 to stage 2 if:

- The changes in rating notch since initial recognition are beyond the Bank's established threshold as per the Bank's IFRS 9 Policy;
- Restructuring of account;
- An instrument is past due beyond 30 days; and
- An instrument's Credit Risk is considered higher based on qualitative criteria.

The instruments moved to stage 2 from stage 1 remain in the stage until they perform for a sustained period as per Bank's policy and CBUAE guideline. Movement from stage 2 to stage 3 are based on whether the financial assets are Credit impaired at the reporting date.

Experienced Credit judgment

The Bank's ECL allowance methodology requires the use of experienced Credit judgment to incorporate the estimated impact of factors not captured in the modelled ECL results, in all reporting periods. Default definition followed by the Bank for impairment assessment remains in line with the guidelines of IFRS 9, without any recourse to the assumptions, and consistent with regulatory requirements. Provisioning subcommittee is the ultimate authority in downgrading the wholesale banking account to Stage 3.

Expected life

When measuring expected credit loss, the Bank considers the maximum contractual period over which the Bank is exposed to Credit Risk along with repayment till maturity.

c) The bank's own definition of a restructured approach

a. Distressed restructuring: A credit facility must be regarded as a distressed restructuring if any of its terms are formally amended in a context of financial difficulty of the obligor, and in order for the obligor to obtain concessions for economic or legal reasons. This includes restructuring that commences or concludes after a credit facility becomes past due more than 90 days or falls within the unlikeliness to pay status. The assessment of financial difficulty must incorporate at a minimum the same criteria as outlined in this Regulation and the accompanying Standards for the assessment of Significant Increase in Credit Risk (SICR), and in particular the number of deferrals as revealed in the next section related to "Classification and Provisioning".

b. Non-distressed restructuring: A credit facility must be regarded as a non-distressed restructuring if any of its terms are formally amended for commercial or regulatory reasons, including the intention to mitigate future financial difficulties, but excluding situations of financial distress at the time of restructuring. Such type of restructuring includes credit facilities for which the contractual obligations and repayments have been made, without any history of past dues on the credit facility.

d) Breakdown of exposures by geographical areas, industry and residual maturity

Geographical Distribution of Exposure

31 December 2024					AED 000s
Country	Wholesale Banking	Retail Banking	Unfunded	Debt Securities	Total
UAE	7,019,976	2,069,674	2,584,870	2,627,171	14,301,691
Turkey	583,695	-	150	176,046	759,892
Qatar	419,310	-	6,000	18,194	443,504
Supranationals	378,232	-	-	15,634	393,866
Saudi Arabia	251,808	-	-	335,136	586,945
Bahrain	212,106	-	-	510,372	722,477
Oman	187,671	-	1,890	422,997	612,558
India	165,263	-	-	201,057	366,320
Kuwait	146,900	-	-	125,351	272,251
Egypt	146,900	-	10	177,810	324,719
Vietnam	110,175	-	-	-	110,175
United Kingdom	91,899	-	27,123	520,039	639,061
Togo	91,813	-	-	-	91,813



Mauritius	90,527	-	-	27,574	118,101
South Africa	55,088	-	-	-	55,088
Nigeria	36,725	-	-	-	36,725
Bangladesh	16,255	-	-	-	16,255
Marshall Islands	110	-	-	-	110
China	-	-	3,915	-	3,915
France	-	-	13,076	70,216	83,292
Germany	-	-	448	-	448
Switzerland	-	-	92	118,571	118,663
Brazil	-	-	-	104,930	104,930
Jordan	-	-	-	91,085	91,085
Mexico	-	-	-	214,612	214,612
Netherlands	-	-	-	113,705	113,705
Spain	-	-	-	135,798	135,798
Cyprus	-	-	475	-	475
Total	10,004,454	2,069,674	2,638,049	6,006,298	20,718,475

Exposure by Industry Sector

31 December 2024					AED 000s
Industry	Wholesale Banking	Retail Banking	Unfunded	Debt Securities	Total
Financial institutions	2,766,930	-	130,908	2,325,044	5,222,883
Real Estate	1,958,608	-	113	-	1,958,721
Services	1,797,360	-	71,491	900,806	2,769,657
Retail Mortgage	-	1,603,185	-	-	1,603,185
Trade	987,788	94	378,653	-	1,366,535
Government and public sector	743,584	-	-	2,672,259	3,415,843
Manufacturing	719,213	-	305,857	86,059	1,111,129
Transport and communication	427,433	-	43,155	22,131	492,719
Personal loans (retail and business)	422,906	426,367	13,328	-	862,601
Construction	150,265	-	1,618,162	-	1,768,427
Others	30,366	40,027	76,277	-	146,670
Agriculture	-	-	105	-	105
Total	10,004,454	2,069,674	2,638,049	6,006,298	20,718,475

Funded Exposure by Residual Maturity

31 December 2024			AED 000s
Tenor Bracket	Wholesale Banking	Retail Banking	Total
0-1 Y	4,443,439	36,637	4,480,076
1-3 Y	1,630,781	123,443	1,754,223
3-5 Y	1,375,941	263,611	1,639,553
5-7 Y	1,443,352	46,777	1,490,129
7-10 Y	561,190	75,661	636,852
>10 Y	549,751	1,523,545	2,073,296
Total	10,004,454	2,069,674	12,074,128

- e) Amounts of impaired exposures (according to the definition used by the bank for accounting purposes) and related allowances and write-offs, broken down by geographical area and industry

Impaired Exposure by Industry Sector

31 December 2024		AED 000s
Economic Sector	Gross Exposure	Specific Provision
Trade	64,401	64,358
Personal loans (retail and business)	22,414	20,285
Manufacturing	24,144	23,919
Construction	20,207	20,207
Services	2,740	2,737
Financial institutions	0	0
Transport and communication	7,493	6,358
Agriculture	0	0
Real Estate	295,595	172,741
Retail Mortgage	28,241	17,569
Total	465,234	328,174

Impaired Exposure by Geography

31 December 2024						AED 000s
Country	WB Exposure	WB Specific Provision	RB Exposure	RB Specific Provision	Total Exposure	Total Provision
UAE	428,061	303,904	37,173	24,270	465,234	328,174

- f) Ageing analysis of accounting past-due but not impaired exposures

					AED 000s
FY 2024	Less than 30 days	31 to 60 days	61 to 90 days	More than 91 days	Total
Loans and advances	32,780	269	628	224	33,901
FY 2023	Less than 30 days	31 to 60 days	61 to 90 days	More than 91 days	Total
Loans and advances	30,025	281	325	1,742	32,374

- g) Breakdown of restructured exposures between impaired and not impaired exposures

31 December 2024				AED 000s
Renegotiated Loans & advances	Outstanding	Stage 1	Stage 2	Stage 3
Loans & advances whose terms have been renegotiated	332,673	36,224	107,749	188,699
Provision	217,223	8,627	65,037	143,559

10.5. CRC: Qualitative disclosure requirements related to credit risk mitigation techniques

- a) Core features of policies and processes for, and indication of the extent to which the bank makes use of, on- and off-balance sheet netting

The Credit Risk Management Standards (CRMS) outlines the policies and processes that govern the use of on- and off-balance sheet netting to manage and mitigate credit risk. These policies are designed to ensure that the Bank properly accounts for its exposures, optimizes its risk management practices, and complies with regulatory standards.

Financial assets and liabilities are offset and reported on a net basis in the financial position only when there is a legally enforceable right to set off the recognized amounts, and the Bank intends to either settle on a

net basis or simultaneously realize the asset and settle the liability. Income and expenses are presented on a net basis only when permitted by accounting standards or for gains and losses arising from a group of similar transactions, such as those in the Bank's trading activities.

The Bank is involved in various arrangements, including master netting agreements, that provide it with the right to offset financial assets and liabilities. However, when the Bank does not intend to settle the amounts on a net basis or simultaneously, the related assets and liabilities are presented on a gross basis.

Credit – Related Commitments Risks

The products offered by the Bank include Letter of Guarantees and Letters of Credit to beneficiaries, on behalf of the obligor. In such product offering, Bank commits to pay the beneficiary in an event of default of obligor. This exposes the Bank to a similar Risk to financing and investing assets and these are mitigated by the same control processes and policies.

b) Core features of policies and processes for collateral evaluation and management

Security is defined as all cash or near-cash items, including cash margin, fixed deposits under lien, unconditional financial guarantees from acceptable banks, negotiable instruments such as bankers' checks, demand drafts, bills of exchange issued by prime banks, pledge over listed shares and certain government securities or bonds

Collateral refers to additional security that backs the Bank's exposure in case the primary source of repayment or the liquidity of the security above is insufficient to fully settle the Bank's exposure. Collateral is eligible for risk mitigation when the Bank holds the first right of legally enforceable lien and meets the minimum requirements outlined herein. Examples of such collateral include property mortgages, pledges of blue-chip quoted and listed company shares, and mortgages on plant, machinery, and vehicles.

The Credit Risk Management Standards (CRMS) outlines a robust framework for collateral evaluation and management, designed to mitigate credit risk by ensuring that collateral is appropriately valued, monitored, and managed throughout the life of the exposure. Bank's policies and processes for collateral evaluation and management are as prescribed by CRMS.

The credit policy defines acceptable practices for asset valuation and establishes the frequency based on the type of asset. Rigorous collateral management and valuation policies are in place to ensure a fair assessment of credit risk mitigation (CRM). A list of approved valuation firms is maintained for conducting these assessments. The Bank has defined processes and systems to identify, store, measure, and monitor all collateral and guarantees associated with financial instruments that generate credit risk.

c) Information about market or credit risk concentrations under the credit risk mitigation instruments used (i.e., by guarantor type, collateral and credit derivative providers)

Concentrations of credit risk arise when multiple customers are involved in similar business activities, operate in the same geographic region, or share similar economic characteristics that could make their ability to meet contractual obligations similarly vulnerable to changes in economic, political, or other conditions. These concentrations highlight the Bank's relative sensitivity to developments affecting specific industries or regions.

In accordance with the Credit Risk Management Standards (CRMS), the Bank's policies and procedures are structured to assess and manage concentrations of market or credit risk that arise from the utilization of credit risk mitigation (CRM) instruments, which include:

a) Credit Risk Mitigation – Comprehensive information covering all types of collaterals, guarantees, and other forms of CRM instruments accepted by the Bank.

b) Credit Risk Mitigation from a Counterparty Credit Risk Perspective – Detailed information on collaterals and margins related to derivative transactions (DX), as well as securities pledged and margins associated with repurchase (Repo) transactions.

These risk concentrations may arise when the Bank's exposure to a single type of CRM instrument, such as guarantees from certain types of counterparties, or a particular form of collateral, is disproportionately large, potentially leading to a concentration of risk in the event of counterparty defaults or market disruptions. The CRMS framework helps in identifying, monitoring, and managing such concentrations to minimize the Bank's overall risk.

The Bank manages its credit risk exposure by diversifying its financing activities to prevent undue concentration of risk with individuals, groups of customers, or specific geographic areas or economic sectors. This is achieved through the establishment of Risk Appetite thresholds, Target Market Criteria, and Risk Acceptance Criteria.

To further manage credit risk, the Bank sets limits on the amount of risk it is willing to accept in relation to individual customers, customer groups, and economic segments. Additionally, credit risk is mitigated by securing exposures with tangible collateral and guarantees.

10.6. Credit – Related Commitments Risks

The products offered by the Bank include Letter of Guarantees and Letters of Credit to beneficiaries, on behalf of the obligor. In such product offering, Bank commits to pay the beneficiary in an event of default of obligor. This exposes the Bank to a similar Risk to financing and investing assets and these are mitigated by the same control processes and policies.

Security is defined as all cash or near cash items, such as cash margin, fixed deposits under lien, unconditional financial guarantees from acceptable banks, negotiable instruments like bankers' check, demand draft, bills of exchange issued by prime banks and certain government securities / bonds.

Collateral means additional security, which secures the bank's exposure in case the primary source of repayment and liquidity of security stated above is not sufficient to settle in full the bank's exposure.

Example of such collaterals are mortgage of property, pledge of blue-chip quoted and listed company shares, mortgage of plant, machinery and vehicles etc. Credit policy defines the acceptable practice for valuation and frequency based on the type of asset. A list of approved valuation firms is maintained to conduct such valuation.

Concentrations of credit risks arise when a number of customers are engaged in similar business activities, activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risks indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographical location.

The Bank seeks to manage its credit risk exposure through diversification of its financing to ensure there is no undue concentration of risks with to individuals or groups of customers in specific geographical locations or economic sectors, which is achieved through Risk Appetite thresholds, Target Market Criteria and Risk Acceptance Criteria.

The Bank manages credit risk by placing limits on the amount of risk accepted in relation to individual customers, customer groups and economic segments. Credit risk is also mitigated by securing the exposure using tangible collaterals and guarantees.

10.7. CRD: Qualitative disclosures on banks' use of external credit ratings under the standardised approach for credit risk

(A) Names of the external credit assessment institutions (ECAIs) and export credit agencies (ECAs) used by the bank, and the reasons for any changes over the reporting period.

The Standardized Approach for computation of Credit RWA, as described in the CBUAE issued Standards re Capital Adequacy of Banks in the UAE, allows the use of risk assessments by External Credit Assessment Institutions (ECAIs) to determine the risk weights applied to externally rated counterparties. The Bank uses risk assessments by CBUAE approved ECAIs - Moody's Investors Service, Standard & Poor's and Fitch Ratings - to determine the risk weights for externally rated counterparties within the following asset classes: Sovereigns, PSEs, MDBs, Banks, Securities Firms and Corporates

(B) The asset classes for which ECAI and ECA is used;

Risk assessments by External Credit Assessment Institutions (ECAIs) used to determine the risk weights for externally rated counterparties within the following asset classes—Sovereigns, Public Sector Entities (PSEs), Multilateral Development Banks (MDBs), Banks, Securities Firms, and Corporates—typically the following approach is used, based on the guidelines provided by regulatory frameworks.

(C) A description of the process used to transfer the issuer to issue credit ratings onto comparable assets in the banking book; and

The process of transferring issuer credit ratings onto comparable assets in the banking book involves several steps to ensure that credit risk is accurately assessed and that appropriate risk weights are applied to those assets. Here's a detailed description of this process:

1. Issuer Credit Rating Assignment

The first step is to assess the creditworthiness of the issuer (e.g., a sovereign, corporate, or financial institution). This involves using external credit ratings provided by External Credit Assessment Institutions (ECAIs) or internal credit ratings assigned by the bank's credit risk assessment processes. The issuer's credit rating reflects its ability to meet its debt obligations and serves as the basis for determining the risk weight for exposures related to the issuer.

2. Asset Identification and Categorization

The bank identifies assets in its banking book that are directly or indirectly linked to the issuer. These could include loans, bonds, or other forms of credit exposure to the issuer. These assets are categorized based on the nature of the underlying issuer (e.g., Sovereign, Corporate, PSE, Bank, etc.).

- For Sovereign Assets: If the asset is related to a sovereign issuer, its risk weight will depend on the credit rating assigned to that sovereign.
- For Corporate or Financial Institution Assets: The assets linked to corporates or financial institutions are similarly assigned a risk weight based on the issuer's credit rating.

3. Mapping Issuer Credit Rating to Asset Class

Once the credit rating for the issuer is determined, the next step is to map this rating to the appropriate risk weight for the specific asset class in the banking book. This process typically follows regulatory guidelines such as those outlined in Basel III, where each credit rating is associated with a predetermined risk weight.

(D) The alignment of the alphanumerical scale of each agency used with the risk buckets (except where the relevant supervisor publishes a standard mapping with which the bank has to comply)

When determining risk weights for counterparties based on credit ratings, banks often rely on external credit rating agencies, typically ranging from the highest rating (e.g., AAA) to the lowest (e.g., D or default). To ensure consistency and alignment with regulatory requirements, these alphanumerical ratings are mapped to specific risk buckets (risk weight categories) for the purposes of determining the required capital charge.

This process ensures that credit risk is calculated in a standardized way making it easier to compare risk levels. The MRA Rating System is used by the bank to internally assess credit risk and ensure consistent risk-weighting across all exposures. The actual mapping between external credit ratings and MRA ratings may vary depending on the bank's internal policies, but the general principle remains consistent with the regulatory guidelines set by supervisory authorities.

10.8. CR3: Credit risk mitigation techniques – overview

31 December 2024

AED 000s

		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	10,443,058	1,631,070	651,710	-	-	-	-
2	Debt securities	6,006,298	-	-	-	-	-	-
3	Total	16,449,356	1,631,070	651,710	-	-	-	-
4	Of which defaulted	408,115	57,119	845	-	-	-	-

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

31 December 2024

AED 000s

		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	5,806,279	16,800	5,806,279	16,800	1,681,924	29%
2	Public Sector Entities	1,785,727	-	1,785,727	0	1,062,658	60%
3	Multilateral development banks	393,866	-	393,866	0	258,658	66%
4	Banks	4,088,507	873,206	4,088,507	872,228	2,728,956	55%
5	Securities firms	6,069	743,869	6,069	743,869	18,492	2%
6	Corporates	5,027,919	4,409,645	4,211,713	2,470,854	5,176,735	77%
7	Regulatory retail portfolios	372,714	-	372,714	0	279,535	75%
8	Secured by residential property	1,614,472	-	1,614,472	0	793,697	49%
9	Secured by commercial real estate	1,667,297	113	1,634,494	32,916	1,634,497	98%
10	Equity Investment in Funds (EIF)	-	-	-	0	-	0%
11	Past-due loans	527,145	105,167	132,991	24,885	143,091	91%
12	Higher-risk categories	57,841	-	36,040	0	54,060	150%
13	Other assets	842,260	892	751,460	876	380,655	51%
14	Total	22,190,095	6,149,692	20,834,331	4,162,429	14,212,957	

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

31 December 2024

AED 000s

	Risk Weight	0%	20%	35%	50%	75%	85%	100%	150%	Others	Total credit exposures amount (post CCF and post-CRM)
Asset Class											
1	Sovereigns and their central banks	3,841,842	240,009	-	214,612	-	-	1,526,616	-	-	5,823,079
2	Public Sector Entities	-	646,456	-	411,807	-	-	727,463	-	-	1,785,727
3	Multilateral development banks	-	-	-	270,416	-	-	123,450	-	-	393,866
4	Banks	535,715	742,643	-	2,203,903	-	-	1,478,474	1	-	4,960,735
5	Securities firms	666,581	77,288	-	6,069	-	-	-	-	-	749,938
6	Corporates	1,049,045	367,250	-	261,483	-	214,968	4,789,821	-	-	6,682,567
7	Regulatory retail portfolios	-	-	-	-	372,714	-	-	-	-	372,714
8	Secured by residential property	-	-	1,262,731	-	-	-	351,741	-	-	1,614,472
9	Secured by commercial real estate	32,913	-	-	-	-	-	1,634,497	-	-	1,667,410
10	Equity Investment in Funds (EIF)									-	-
11	Past-due loans	15,210	-	-	-	-	-	141,817	849	-	157,876
12	Higher-risk categories	-	-	-	-	-	-	-	36,040	-	36,040
13	Other assets	227,624	180,649	-	-	-	-	343,138	924	-	752,336
14	Total	6,368,931	2,254,294	1,262,731	3,368,290	372,714	214,968	11,117,018	37,815	-	24,996,760

11. Counterparty Credit Risk

Counterparty credit risk that the counterparty to a transaction could default before the final settlement of the transaction in cases where there is a bilateral risk of loss. The bilateral risk of loss is the key concept on which counterparty risk is calculated. Broad definition of counterparty credit risk includes wrong way risk. The Bank calculates the counterparty credit risk charge for all exposures that give risk to counterparty credit risk. The categories of transaction that give risk to counterparty credit risk are:

- Over the counter (OTC) derivatives
- Exchange traded derivative
- Long settlement transaction
- Securities financing transaction

The transactions listed above generally exhibit the following abstract characteristics:

- The transactions generate a current exposure or market value
- The transactions have an associated random future market value based on market variable

11.1. CCRA: Qualitative disclosure related to counterparty credit risk

Counterparty credit risk (CCR) is the risk that the bank's counterparty to a derivative transaction could default before the final settlement of the transaction's cash flows and bank will incur loss if the transaction has a positive economic value at the time of counterparty default.

SA-CCR method is used for estimation of capital for CCR, where Exposure at Default (EAD) is calculated as sum of Replacement Cost (RC) & Potential Future Exposure (PFE) scaled using the multiplier defined by regulator. RC estimates current replacement cost of the derivatives transactions by considering the current market value along with netting and margining agreements. PFE estimates future exposure calculated by multiplying the notional with add-on defined by regulator. The size of the add-on depends on the remaining maturity of the derivative transaction and the underlying asset.

CCR risk is mitigated using International Swaps and Derivatives Association (ISDA) Master Agreement and Credit Support Annex (CSA) or equivalent agreements in place with all counterparties. Counterparty limits based on counterparty risk profile are in place for all derivatives counterparties.

11.2. CCR1: Analysis of counterparty credit risk (CCR) exposure by approach

31 December 2024

AED 000s

		Replacement cost	Potential future exposure	EEPE	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
1	SA-CCR (for derivatives)	19,764	120,960		1.4	197,014	88,504
2							
3	Simple Approach for credit risk mitigation (for SFTs)						
4	Comprehensive Approach for credit risk mitigation (for SFTs)						
5	VaR for SFTs						
6	Total						88,504

11.3. CCR2: Credit Valuation Adjustment (CVA) capital charge

31 December 2024

AED 000s

		EAD post-CRM	RWA
1	All portfolios subject to the Standardised CVA capital charge*	250,092	350,624
2	All portfolios subject to the Simple alternative CVA capital charge	-	-

11.4. CCR3: Standardized approach - CCR exposures by regulatory portfolio and risk weights

31 December 2024

AED 000s

Risk weight	0%	20%	50%	75%	100%	150%	Others	Total credit exposure
Regulatory Portfolio								
Sovereigns	-	-	-	-	-	-	-	-
Public Sector Entities (PSEs)	-	-	-	-	-	-	-	-
Multilateral development banks (MDBs)	-	-	-	-	-	-	-	-
Banks	-	6,719	64,835	-	15,535	-	-	87,088
Securities firms	-	-	-	-	-	-	-	-
Corporates	-	-	-	-	1,416	-	-	1,416
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	-	-	-	-	-	-	-	-
Total	-	6,719	64,835	-	16,950	-	-	88,504

11.5. CCR5: Composition of collateral for CCR exposure

31 December 2024

AED 000s

	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash - domestic currency	-	-	-	-	-	-
Cash - other currencies	-	-	-	-	-	-
Domestic sovereign debt	-	-	-	-	-	-
Government agency debt	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	-	-	-	-	-	-

11.6. CCR6: Credit derivative exposures

This disclosure is not applicable as the Bank does not have any exposure to credit derivatives.

11.7. CCR8: Exposures to central counterparties

This disclosure is not applicable as the Bank does not have any exposure to central counterparties.



12. Securitization

This disclosure is not applicable as the Bank does not hold any securitisation positions.

13. Market Risk

13.1. MRA: General qualitative disclosure requirements related to market risk

Market Risk is the risk that the Bank's earnings or capital, or its ability to meet business objectives, will be adversely affected by changes in the level or volatility of market rates or prices such as foreign exchange rates, interest / profit rates, credit spreads, equity and sukuk / bond market prices etc. The Bank, keeping in view the size and scale, doesn't encourage proprietary trading activities. The Bank has a low appetite for market risk exposure(s) guided by approved tolerances. The Bank provides hedging solutions to its customers to mitigate their market risk on their underlying commitments and not for any speculative purposes. The Bank allows limited products for hedging purposes. These positions are monitored and reported on a regular basis. The Bank squares off its customer deals with the interbank counterparties in order to not carry any significant market risk on these positions.

Market Risk is governed by the Enterprise Risk Management Framework, Risk Appetite Framework and the Market Risk Policy approved by the Bank's Board of Directors. The Board has delegated the responsibility of managing Market risk of the Bank to the Board Risk & Compliance Committee (BRCC). BRCC & Risk Management Committee (RC) reviews Market risk policy, Market risk appetite and tolerance limits proposed by Risk Management for the Bank in line with the Bank's objectives, strategy and overall risk appetite. ERM framework and the Market Risk Policy are reviewed annually and changes / enhancements if any are approved by the RC and BRCC. Asset Liability Committee (ALCO) monitors the market risk positions, Head of ERM will report related management information to ALCO for necessary discussion, resolutions and decisions. The Market Risk function folds under Enterprise Risk Management Unit under Risk Management and reports to the Chief Risk Officer. MRM department reviews the framework periodically and ensure that it remains aligned with changing market conditions and updates in regulatory guidelines that impact operations of the Bank.

The Bank calculates market risk capital requirements using Basel III Standardized Approach. As the Bank was not holding any trading positions as of 31 December 2024, market risk capital charge was applicable only for foreign exchange risk.

Following are the key reports used in Market Risk:

- Limit Monitoring across product, asset class
- Market Intelligence and alerts reporting
- Market to Market and valuation report
- Hedge Effectiveness Reports (IRS Deals) & Hedge Ratio calculation
- Monitoring Country Limit and CDS / Rating
- DV01 Balance and Trading Portfolio
- Interest Rate mismatch report
- NII, EVE Report
- Stress Testing

13.2. MR1: Market risk under the Standardized approach (SA)

31 December 2024		AED 000s
		RWA
1	General Interest rate risk (General and Specific)	-
2	Equity risk (General and Specific)	-
3	Foreign exchange risk	10,312
4	Commodity risk	-
	Options	
5	Simplified approach	-
6	Delta-plus method	-
7	Scenario approach Scenario approach	
8	Securitisation	-
9	Total	10,312

13.3. Interest Rate Risk in Banking Book

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Bank is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off-balance sheet instruments that mature or reprice in a given period. The Board has established limits on the interest rate gaps for stipulated periods. Positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within the established limits. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for re-pricing bands. ALCO is the monitoring body for compliance with these limits and is assisted by Financial Market in its day to day monitoring activities.

Economic Value of Equity (EVE)

Measurement of the Bank's IRRBB through Economic Value of Equity:

Interest rate sensitive banking book positions are distributed based on repricing cash flows. Commercial margins are not included in the cash flows and discounting curves.

Δ EVE is determined for each of the following six Basel prescribed interest rate shock scenarios for each significant currency.

- Parallel shock up;
- Parallel shock down;
- Steeper shock (short rates down and long rates up);
- Flattener shock (short rates up and long rates down);
- Short rates shock up; and
- Short rates shock down.

Add-ons for changes in the value of options are added to the delta EVE. IRRBB Δ EVE is computed as the maximum of worst Δ EVE across all the six Basel prescribed stress scenarios.

Earnings at Risk (EaR)

Measurement of the Bank's IRRBB through earnings based measure, ΔNII , is similar to ΔEVE measure with the exception that earnings based measures are limited to a shorter time horizon.

Interest rate sensitive banking book positions are distributed based on repricing cash flows. All notional repricing cash flows are distributed in the respective time buckets. All notional repricing cash flows within a given time bucket are netted to form a single long or short position. For each time bucket, ΔNII is computed for each stress scenario and currency as product of long or short position and the assumed change in interest rate.

Banking book positions without a fixed maturity are distributed with various maturity profiles. Early withdrawal risk on term deposits and prepayment risk on loans with fixed rate in the banking book are not considered to be material. interest rate risk in the banking book is managed using interest rate swaps to some extent.

Key assumptions used in IRRBB computations

- The Bank has exposure to multiple currencies. For IRRBB calculation, the exposures have been grouped as "AED and Others" and USD", based on materiality.
- Overdrafts have been bucketed as per behavioural assumptions for NMDs as defined in the liquidity policy. In line with regulatory cap of 60% for exposures in maturity bucket of greater than 1 year, any excess has been reallocated proportionately as per weights to the cash flow bucket of less than 1 year.
- NMDs have been bucketed in line with regulatory cap of 60% for exposures in maturity buckets of greater than 1 year. Any excess has been reallocated proportionately as per weights to the cash flow buckets of less than 1 year.

Average repricing maturity assigned to NMDs: 0.5 years

Longest repricing maturity assigned to NMDs: 4.5 years

13.4. IRRBB1: Quantitative information on IRRBB

Impact of shock on interest rate is as follows:

AED 000s				
	31 Dec 2024	31 Dec 2024	31 Dec 2023	31 Dec 2023
	ΔEVE	ΔNII	ΔEVE	ΔNII
Parallel up	(359,338)	(4,047)	(217,189)	2,337
Parallel down	420,276	4,047	257,319	(2,337)
Steepener	(140,930)		(87,813)	
Flattener	60,376		39,710	
Short rate up	(102,614)		(60,015)	
Short rate down	107,981		62,970	
Maximum	359,338		(217,189)	
Tier 1 Capital	2,526,912		2,279,460	

14. Operational Risk

Operational risk is the risk of loss arising from inadequate or failed internal processes, people and systems or from external events, it includes legal risk, but excluding strategic and reputational risk. Operational risk is inherent in all departments of the Bank, including all banking products, channels, processes and systems. Therefore, the effective management of operational risk is a fundamental element of the Bank's risk management program. The Board assumes an overall responsibility for operational risk management in the bank defining the tone at the top. The Bank has an established Operational Risk framework consisting of policies and procedures to ensure identification, assessment, reporting & monitoring of controls towards management of operational risk. Where appropriate, risk transfer in the form of insurance has also been looked into as part of risk mitigation. Ongoing management of operational risk is reviewed and monitored by dedicated Operational Risk Champions across the bank. The Operational Risk Management unit continues to lead the effort to embed the Operational Risk Management Framework ('ORMF') across the Bank. The ORMF (RCSA, KRI, Control Testing and Incident reporting) is currently being embedded into bank's people, process and systems which enables an end-to-end view of non-financial risks, facilitating focus on the risks that are critical to achieving the Bank's strategic objectives. It provides a platform to drive forward-looking risk awareness and assisting management focus.

Risk identification, monitoring and reporting

The risk identification and assessment process involves risk assessment of all new activities which has impact on process, system, customer and people, which may include products, processes, systems, third party, outsourcing engagements or strategic alliances etc. Risk assessment methodology employs a more detailed and objective assessment of operational risk exposures for material risks identified through the risk identification processes, which enables us to prioritize risks and related mitigating actions. A robust manual and system controls that are commensurate with the level of operational risks to be managed are in place. Review of existing controls through testing process helps the bank to identify gaps proactively and facilitate timely remedial action. The timely reporting of issues and Risk events is a critical component of the Bank's operational risk management process. Monitoring and reporting processes are in place for periodic status update of key operational risks. Risk profiles are generated for each unit. The unit also assists in conducting Outsourcing risk assessment in line with Outsourcing Risk Policy and obtaining relevant approval either internally or externally while engaging vendors for underlying services. The reports are submitted to the Board Risk and Compliance Committee (BRCC) and also to Risk Committee members (RC) for information, approval and resolutions.

Fraud risk management

The Bank has adopted a 'zero tolerance' policy towards fraud, bribery and corruption and takes disciplinary and / or legal action against those who perpetrate, are involved in, or assist with fraudulent or suspicious activities. The Fraud Risk Management and Investigations (FRM) unit manages the fraud risk and investigations for the Bank. The unit monitors transactions originating from Cards, POS, ATM and Retail and Wholesale Banking Digital channels through outsourced vendor arrangements. The unit is also responsible for managing incidents and conducting investigations across the Bank and maintenance of Fraud Risk register and recommendations register. Proactive and preventive approach adopted for fraud-risk management is a key success factor in combating the

increasing frauds perpetrated against financial institutions in UAE and internationally keeping in line with the fraud trends. Fraud monitoring has been strengthened through implementation of rules with defined thresholds following preventive and detective approach. The Bank continued to strengthen its anti-fraud measures by centralizing its fraud management capabilities, conducting timely fraud risk assessments, increased fraud awareness to the employees and customers, as well as initiating various projects to drive fraud prevention through use of technology and systems to strengthen the controls in digital channels.

Business Continuity Management

The safety of employees and the ability to recover from a crisis in a timely manner are of utmost importance to the Bank. To appropriately handle crisis situations, Business Continuity Management Policy, emergency response procedures and business continuity plans (BCPs) have been prepared, following BIA/RA methodology. As a part of Business Continuity Management initiatives, the Bank has taken necessary actions to ensure effective measures in case of a crisis situation, e.g. evacuation drills, call tree testing, testing of critical systems and applications from the Business Alternate and Disaster Recovery site. The Bank has the capability to ensure that critical banking processes and applications are tested to ascertain availability during such situations with minimal disruption to business-as-usual activities.

Capital Risk Management

For operational risk measurement and determination of the amount that the bank needs to hold to absorb potential operational losses, the bank follows the Basic Indicator Approach under Basel III.

15. Remuneration Policy

UAB aims to attract, retain and reward talented individuals by offering compensation that is competitive within the industry, motivates them to achieve the Bank's goals, and encourages high level of performance. To achieve these objectives and have an effective governance of our remuneration policies, the remuneration implementation is overseen by the Governance & Remuneration Committee (GRC).

Board GRC

The Board Governance & Remuneration Committee (GRC) provides oversight to the Bank's Human Resources policies and is the main body that oversees remuneration for the Bank, on behalf of the Board of Directors. The GRC has an independent oversight and control to review and approve HCM policies endorsed by the Bank's Management Committee (ManCom) or the Chief Executive Officer (CEO). Board has approved the Reward and Remuneration policy mid 2023 and has been kept aware of all the changes in line with the approved DOA of the Bank. No significant structural changes were made to the policy since then. Minor refinement were introduced to the policy post the approved implementation by GRC of the Rationalization of Compensation (replaced Education and Airfare allowances by Benefits Allowance).

Key elements of the Remuneration Policy

UAB's compensation approach is to provide a Total Reward offering to employees based on a fair, transparent and performance driven culture ensuring that our compensation practices are aligned with our business strategy, risk management objectives and long term sustainability. The policy clearly outlines risk considerations to ensure that remuneration practices do not incentivize excessive risk taking and are aligned with UAECB regulations. These risks are factored into performance assessments and reflect on variable pay components which are subject to malus, claw back and deferral to mitigate excessive risk and ensure alignment with long term sustainability.

Our principles are:

- Pay for performance, based on balanced risk taking and good business conduct as measured on a performance appraisal rating process
- Attract, retain top performers, talent and business critical resources and motivate all employees to achieve results with integrity and fairness
- Monitor compensation trends and practices in the relevant markets
- Comply with Corporate Governance guidelines and regulatory requirements

The compensation in UAB is based on the role (assessed through Job Evaluation), the individual performance and the employee's potential and capabilities. UAB has established a robust framework to link Performance with remuneration, ensuring that compensation reflects both financial and non financial performance metrics at individual and business level over a period of time. Employees are assessed based on a balanced scorecard that includes individual performance, department objectives, adherence to risk and compliance standards. UAB incorporates long term performance considerations into its remuneration framework to promote sustainable value creation and align with the interests of stakeholders. For senior executives and material risk takers, part of the variable remuneration is deferred and subject to continued performance, behavior and risk alignment over the deferral period. The deferred components are subject to claw back and malus and may be reduced or forfeited if future performance doesn't align with expectations.

Control functions such as Risk, Compliance and Audit are remunerated independently from the Bank's performance. In these control functions, the Fixed Pay to Variable Pay ratio is higher than other functions.

Key compensation elements

Fixed Pay – UAB aim to attract and retain employees by offering a fixed salary that is competitive with the market. Fixed pay shall be determined based on job responsibilities, experience required and market benchmark

Benefits – Out of salary benefits are provided to employees in accordance with market benchmarks. This includes, but not limited to, UAE and GC pension, medical insurance, life insurance and other cash allowances related to the nature of the role. These benefits will be reviewed regularly to ensure they remain competitive with market rates

Variable Pay – Employees may be eligible for variable pay in the form of performance-based bonus or incentives. The amount of variable pay shall be based on the employee, function and Bank's performances and aligned with the Bank's risk management objectives

Senior Managers and Material Risk Takers (MRTs)

UAB have identified the CEO and his Direct Reports (Exc. Administrative staff) as senior managers of the Bank responsible for the sound and prudent management of UAB.

In compliance with the Corporate Governance Regulations and Standards (Circular no. 83/2019) issued by the UAE Central Bank for banks, UAB's Reward and Remuneration Framework covers the remuneration principles incorporating the Risk and Reward alignment. These principles prescribe specific requirements that are applicable to all employees, however primarily targeting employees in high-risk roles taking critical and strategic decisions for the Bank, who are identified as Material Risk Takers (MRTs).

The risk and reward alignment is meant to ensure that potential risks and rewards of the Bank are aligned with its overall strategic goals and objectives and therefore its shareholders' interests.

MRT Compensation Structure

The total compensation structure of an MRT will comply with the requirements set out in the CBUAE regulations on remuneration. The Reward and Remuneration Framework will provide mechanisms to adjust variable compensation, including through in-year adjustment, Malus or Clawback arrangements, which can reduce variable compensation after it is awarded or paid.

Malus and Clawback criteria for MRTs:

- Malus means the adjustment, reduction, cancellation, forfeiture and/or the prevention of vesting in any other way of any unvested Variable Pay awards granted to an employee
- Clawback means action taken by the Bank to enforce the repayment of a paid Variable Pay Award

The GRC will, in accordance with the principles set out in the Policy, apply Malus to all or part of the unvested Variable Pay awards granted to employee(s) under the Plans and Clawback to all paid Variable Pay awards wherever applicable.

15.1. REM1: Remuneration awarded during the financial year

AED 000s

			31 Dec 2024		31 Dec 2023	
	Remuneration Amount		Senior Management	Other Material Risk-takers	Senior Management	Other Material Risk-takers
1	Fixed Remuneration	Number of employees	13	-	13	-
2		Total fixed remuneration (3 + 5 + 7)	20,082	-	19,620	-
3		Of which: cash-based	20,082	-	19,620	-
4		Of which: deferred	-	-	-	-
5		Of which: shares or other share-linked instruments	-	-	-	-
6		Of which: deferred	-	-	-	-
7		Of which: other forms	-	-	-	-
8		Of which: deferred	-	-	-	-
9	Variable Remuneration	Number of employees	11	-	13	-
10		Total variable remuneration (11 + 13 + 15)	13,584	-	9,845	-
11		Of which: cash-based	13,584	-	9,845	-
12		Of which: deferred	4,800	-	3,395	-
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)		33,666	-	29,465	-

15.2. REM2: Special payments

31 December 2024

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	1	60	1	480
Other material risk-takers	0	0	0	0	0	0

31 December 2023

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	3	1,984	0	0
Other material risk-takers	0	0	0	0	0	0

Severance payments includes payments towards retirements.

15.3. REM3: Deferred payments

31 December 2024

AED 000s

Deferred and retained remuneration	Total amount of outstanding deferred remuneration	Of which: Total amount of outstanding deferred and retained remuneration exposed to ex post explicit and / or implicit adjustment	Total amount of amendment during the year due to ex post explicit adjustments	Total amount of amendment during the year due to ex post implicit adjustments	Total amount of deferred remuneration paid out in the financial year
Senior management	7,063	0	0	0	1,584
Cash	7,063	0	0	0	1,584
Shares	0	0	0	0	0
Cash-linked instruments	0	0	0	0	0
Other	0	0	0	0	0
Other material risk-takers	0	0	0	0	0
Cash	0	0	0	0	0
Shares	0	0	0	0	0
Cash-linked instruments	0	0	0	0	0
Other	0	0	0	0	0
Total	7,063	0	0	0	1,584

31 December 2023

Deferred and retained remuneration	Total amount of outstanding deferred remuneration	Of which: Total amount of outstanding deferred and retained remuneration exposed to ex post explicit and / or implicit adjustment	Total amount of amendment during the year due to ex post explicit adjustments	Total amount of amendment during the year due to ex post implicit adjustments	Total amount of deferred remuneration paid out in the financial year
Senior management	3,395	0	0	0	0
Cash	3,395	0	0	0	0
Shares	0	0	0	0	0
Cash-linked instruments	0	0	0	0	0
Other	0	0	0	0	0
Other material risk-takers	0	0	0	0	0
Cash	0	0	0	0	0
Shares	0	0	0	0	0
Cash-linked instruments	0	0	0	0	0
Other	0	0	0	0	0
Total	3,395	0	0	0	0