UNITED ARAB BANK

Basel III Pillar 3 Disclosures

31 DECEMBER 2022

Contents

1. Introduction

This document provides Pillar 3 disclosures for United Arab Bank PJSC ("UAB" or "the Bank") as at 31 December 2022 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 2022.

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 2022 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)

The Bank recognizes the importance of effective risk management in achieving its strategic goals and maintaining its stability and resilience. Risk is inherent in all of 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 each individual 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:** Maintaining strong financial and operational fundamentals serves as a foundation for effective risk management and supports risk bearing capacity.
- **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.
- **Efficient Deployment of Capital, Liquidity and Provisioning:** Efficient deployment of capital, liquidity, and provisioning supports sustainable growth and minimizes risks.
- **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.

3.1. Strong Governance

The Bank has a strong 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 includes committees at Board and Management levels, clear policies and procedures, regular reporting and monitoring, and independent oversight from internal and external stakeholders.

Board 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.

(a) Board Credit Committee

The Board Credit Committee (BCC) has the responsibility to establish credit risk 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.

(b) Board Audit Committee

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.

(c) Board Risk Committee

The Board Risk Committee (BRC) has the overall responsibility for the development of the risk strategy and implementing principles, frameworks and policies for enhancing the Bank's risk 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).

(d) Governance & Remuneration Committee

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 requirements.

(e) Joint Board Audit and Board Risk Committee

Joint Meeting between the Board Audit Committee (BAC) and the Board Risk Committee (BRC) is held regularly in accordance with the Central Bank of the UAE (CBUAE) guidelines to ensure effective coordination and collaboration between the two committees in managing risks. This joint meeting enhances the overall risk management framework by providing a platform for robust discussions and effective decision-making in matters relating to risk management.

Management Committees

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

(a) Management Committee

The Management Committee provides overall strategic direction for the organization, including the management of risk, by reviewing and recommending for approval the organization's risk appetite, risk tolerance, and risk management framework, and providing overall oversight of the risk management process.

(b) Credit Committee

The Credit Committee is responsible for reviewing and approving credit proposals, ensuring compliance with credit policies and procedures, and providing ongoing monitoring of credit risk.

(c) Asset Liability Committee

The Asset and Liability Committee (ALCO) is instrumental in the management of the organization's interest rate and liquidity risk. It makes recommendations to ensure an adequate level of liquidity while operating within a robust risk control framework. This enables effective management of these risks.

(d) Risk Committee

The Risk Committee supports the Board and Management in fulfilling their responsibilities related to risk management. It evaluates the effectiveness of the internal control system for managing bank-wide risks, ensures compliance with legal and regulatory requirements, and reviews the performance of the risk function. The Committee provides impartial oversight of the risk management framework and processes, and regularly reports on risk management activities to the Board and Management.

(e) Business Technology Steering Committee

The Business Technology Steering Committee provides oversight of the organization's technology-related risks, including information security and technology resilience.

(f) Customer Experience Committee

The Customer Experience Committee ensures that the organization's customer-facing activities are aligned with its risk appetite and that the risks associated with customer interactions are effectively managed.

3.2. 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.

3.3. Sustainability

The Bank is committed to incorporating sustainability considerations into its risk management framework, including environmental, social, and governance (ESG) risks. The Bank has established processes for assessing and managing ESG risks, and regularly monitors its exposure to these risks.

3.4. 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 is the risk management function, which 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 risks:

(a) 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 commercial organization to support their activities, while safe-guarding 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. It reviews and presents all credit risk submissions, risk policy and portfolio management reports to the Risk Committee and the Board Risk Committee.

(b) 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.

(c) Financial Markets

Financial Markets department is responsible for managing the Bank's assets and liabilities and the overall financial structure. It is also primarily responsible for managing the funding and liquidity risks of the Bank.

(d) Internal Audit

Risk management processes throughout the Bank are audited 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.

From 2019 till 2022, UAE Central Bank has issued a number of standards and regulations on the various elements of overall Risk Management, Consumer Protection Regulation, Anti-Money Laundering, Capital adequacy and Capital Management Framework. The standards and regulations including but not limited to financial reporting, external audit, internal controls, compliance & internal audit, operational, country and transfer risk, market risk and interest rate and rate of return risk have been effected in 2019. The Bank had taken measures to adhere to the aforementioned standards and regulations to ensure compliance from the effective implementation date.

3.5. 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, analyse 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 utilisation of limits, proprietary investments and liquidity, plus any other risk developments.

3.6. 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.

3.7. 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.

3.8. Business Segments

The Bank is organised into two 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

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 2022 or 2021.

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

3.9. 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.

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

31 December 2022 **AED 000s**

	Available capital (amounts)	31 Dec 2022	30 Sep 2022	30 Jun 2022	31 Mar 2022	31 Dec 2021
1	Common Equity Tier 1 (CET1)	1,486,444	1,383,030	1,401,594	1,500,581	1,507,681
1a	Fully loaded ECL accounting model	1,486,444	1,383,030	1,401,594	1,500,581	1,507,681
2	Tier 1	1,486,444	1,383,030	1,401,594	1,500,581	1,507,681
2a	Fully loaded ECL accounting model Tier 1	1,486,444	1,383,030	1,401,594	1,500,581	1,507,681
3	Total capital	1,616,112	1,512,888	1,536,921	1,633,494	1,644,239
3a	Fully loaded ECL accounting model total capital	1,616,112	1,512,888	1,536,921	1,633,494	1,644,239
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	11,171,151	11,201,723	11,673,757	11,444,483	11,924,386
	Risk-based capital ratios as a percentage of RWA					
5	Common Equity Tier 1 ratio (%)	13.31%	12.35%	12.01%	13.11%	12.64%
5a	Fully loaded ECL accounting model CET1 (%)	13.31%	12.35%	12.01%	13.11%	12.64%
6	Tier 1 ratio (%)	13.31%	12.35%	12.01%	13.11%	12.64%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	13.31%	12.35%	12.01%	13.11%	12.64%
7	Total capital ratio (%)	14.47%	13.51%	13.17%	14.27%	13.79%
7a	Fully loaded ECL accounting model total capital ratio (%)	14.47%	13.51%	13.17%	14.27%	13.79%
	Additional CET1 buffer requirements as a percentage of RWA					
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.50%	2.50%	2.50%	2.50%	2.50%
9	Countercyclical buffer requirement (%)	0.00%	0.00%	0.00%	0.00%	0.00%
10	Bank D-SIB additional requirements (%)	0.00%	0.00%	0.00%	0.00%	0.00%
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9+ row 10)	2.50%	2.50%	2.50%	2.50%	2.50%
12	CET1 available after meeting the bank's minimum capital requirements (%)	3.97%	3.01%	2.67%	3.77%	3.29%
	Leverage Ratio					
13	Total leverage ratio measure	16,261,118	16,162,354	16,806,624	16,171,153	17,155,160
14	Leverage ratio (%) (row 2 / row 13)	9.14%	8.56%	8.34%	9.28%	8.79%
14a	Fully loaded ECL accounting model leverage ratio (%) (row 2A / row 13)	9.14%	8.56%	8.34%	9.28%	8.79%
14b	Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	9.14%	8.56%	8.34%	9.28%	8.79%
	Liquidity Coverage Ratio					

15	Total HQLA	2,991,747	2,877,501	2,994,849	2,934,746	3,077,935
16	Total net cash outflow	2,524,912	2,084,202	2,379,342	2,799,669	3,216,771
17	LCR ratio (%)	**118.49%**	**138.06%**	**125.87%**	**104.82%**	**95.68%**
	Net Stable Funding Ratio					
18	Total available stable funding	6,371,774	6,926,440	7,203,724	6,926,440	7,582,284
19	Total required stable funding	6,947,855	7,546,566	7,514,756	7,546,566	8,838,073
20	NSFR ratio (%)	**91.71%**	**91.78%**	**95.86%**	**91.78%**	**85.79%**
	ELAR					
21	Total HQLA	2,193,241	2,184,653	2,030,972	2,008,422	2,588,923
22	Total liabilities	12,494,130	12,583,272	13,248,446	12,426,425	13,571,925
23	Eligible Liquid Assets Ratio (ELAR) (%)	**17.55%**	**17.36%**	**15.33%**	**16.16%**	**19.08%**
	ASRR					
24	Total available stable funding	9,193,735	9,573,610	10,754,456	10,495,562	10,962,743
25	Total Advances	7,991,641	8,408,128	8,901,444	8,442,147	8,843,830
26	Advances to Stable Resources Ratio (%)	**86.92%**	**87.83%**	**82.77%**	**80.44%**	**80.67%**

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.

3.11. OV1: Overview of Risk Weighted Assets

		Risk Weighted Assets					Minimum Capital Requirements
		31 Dec 2022	30 Sep 2022	30 Jun 2022	31 Mar 2022	31 Dec 2021	31 Dec 2022
1	Credit risk (excluding counterparty credit risk)	10,034,109	10,279,295	10,761,585	10,541,951	10,838,749	1,053,581
2	Of which: standardised approach (SA)	10,034,109	10,279,295	10,761,585	10,541,951	10,838,749	1,053,581
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)	297,733	109,328	64,603	91,044	85,852	31,262
7	Of which: standardised approach for counterparty credit risk	297,733	109,328	64,603	91,044	85,852	31,262
8	Of which: Internal Model Method (IMM)						
9	Of which: other CCR						
10	Credit valuation adjustment (CVA)	41,572	22,720	12,640	0	0	4,365
11	Equity positions under the simple risk weight approach						
12	Equity investments in funds - look-through approach	0	0	0	0	0	0
13	Equity investments in funds - mandate-based approach	0	0	0	0	0	0
14	Equity investments in funds - fall-back approach	0	0	0	0	0	0
15	Settlement risk	0	0	0	0	0	0
16	Securitisation exposures in the banking book	0	0	0	0	0	0
17	Of which: securitisation internal ratings-based approach (SEC-IRBA)						
18	Of which: securitisation external ratings-based approach (SEC-ERBA)	0	0	0	0	0	0
19	Of which: securitisation standardised approach (SEC-SA)	0	0	0	0	0	0
20	Market risk	2,940	5,078	39,547	3,465	2,835	309
21	Of which: standardised approach (SA)	2,940	5,078	39,547	3,465	2,835	309
22	Of which: internal models approach (IMA)						
23	Operational risk	794,797	808,022	808,022	808,022	996,951	83,454
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)**	**11,171,151**	**11,201,723**	**11,673,757**	**11,444,483**	**11,924,386**	**1,172,971**

*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

31 December 2022 **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	1,207,589	1,207,589	1,207,589	0	0	0	0
Due from banks	302,837	302,837	302,837	0	0	0	0
Loans and advances and Islamic financing receivables	7,604,300	7,604,300	7,604,300	0	0	0	0
Investments and Islamic instruments	3,887,476	3,887,476	3,887,476	0	0	0	0
Property, equipment and capital work-in-progress	295,696	295,696	295,696	0	0	0	0
Other assets	782,589	782,589	661,803	84,786	0	0	0
Total Assets	**14,080,487**	**14,080,487**	**13,995,701**	**84,786**	0	0	**0**
Liabilities							
Due to banks	3,272,443	3,272,443	0	0	0	0	0
Customers' deposits and Islamic customer deposits	8,568,587	8,568,587	0	0	0	0	0
Other liabilities	740,121	740,121	0	0	0	0	0
Total Liabilities	**12,581,151**	**12,581,151**	0	0	0	0	0
Shareholder's Equity							
Share Capital	2,062,550	2,062,550	0	0	0	0	0
Special Reserve	22,491	22,491	0	0	0	0	0
Statutory Reserve	51,415	51,415	0	0	0	0	0
General Reserve	9,311	9,311	0	0	0	0	0
Cumulative changes in Fair Value	(153,621)	(153,621)	0	0	0	0	0
Accumulated losses	(492,810)	(492,810)	0	0	0	0	0
Net shareholders' equity	**1,499,336**	**1,499,336**	0	0	0	0	0
Total Liabilities and shareholders' equity	**14,080,487**	**14,080,487**	0	0	0	0	0

31 December 2021 | **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	2,009,565	2,009,565	2,009,565	0	0	0	0
Due from banks	378,735	378,735	378,735	0	0	0	0
Loans and advances and Islamic financing receivables	8,213,350	8,213,350	8,213,350	0	0	0	0
Investments and Islamic instruments	3,530,217	3,530,217	3,530,217	0	0	0	0
Property, equipment and capital work-in-progress	303,271	303,271	303,271	0	0	0	0
Other assets	744,904	744,904	728,850	16,054	0	0	0
Total Assets	**15,180,042**	**15,180,042**	**15,180,042**	0	0	0	0
Liabilities							
Due to banks	2,410,988	2,410,988	0	0	0	0	0
Customers' deposits and Islamic customer deposits	10,406,425	10,406,425	0	0	0	0	0
Other liabilities	850,737	850,737	0	0	0	0	0
Total Liabilities	**13,668,150**	**13,668,150**	0	0	0	0	0
Shareholder's Equity							
Share Capital	2,062,550	2,062,550	0	0	0	0	0
Special Reserve	7,019	7,019	0	0	0	0	0
Statutory Reserve	35,943	35,943	0	0	0	0	0
General Reserve	9,311	9,311					
Cumulative changes in Fair Value	7,656	7,656					
Accumulated losses	(610,587)	(610,587)					
Net shareholders' equity	**1,511,892**	**1,511,892**	0	0	0	0	0
Total Liabilities and shareholders' equity	**15,180,042**	**15,180,042**	0	0	0	0	0

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

AED 000s

31 December 2022		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)**	14,080,487	13,995,701	0	84,786	0
2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	0	0	0	0	0
3	Total net amount under regulatory scope of consolidation	14,080,487	13,995,701		84,786	0
4	Off-balance sheet amounts	2,367,938	2,367,938		0	
5	*Differences in valuations*	0	0	0	0	0
6	*Differences due to different netting rules, other than those already included in row 2*	0	0	0	0	0
7	*Differences due to consideration of provisions*	0	0	0	0	0
8	*Differences due to prudential filters*	0	0	0	0	0
9	**Exposure amounts considered for regulatory purposes**	**16,448,425**	**16,363,639**	**0**	**84,786**	**0**

31 December 2021		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)**	15,180,042	15,163,988	0	16,054	0
2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	0	0	0	0	0
3	Total net amount under regulatory scope of consolidation	15,180,042	15,163,988	0	16,054	0
4	Off-balance sheet amounts	2,664,034	2,664,034		0	0
5	*Differences in valuations*	0	0	0	0	0
6	*Differences due to different netting rules, other than those already included in row 2*	0	0	0	0	0
7	*Differences due to consideration of provisions*	0	0	0	0	0
8	*Differences due to prudential filters*	0	0	0	0	0
9	**Exposure amounts considered for regulatory purposes**	**17,844,076**	**17,828,022**	**0**	**16,054**	**0**

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 2022, 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 2022	31 Dec 2021
	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
2	Retained earnings	(492,810)	(610,587)
3	Accumulated other comprehensive income (and other reserves)	(70,404)	55,718
4	*Directly issued capital subject to phase-out from CET1 (only applicable to non-joint stock companies)*	0	0
5	Common share capital issued by third parties (amount allowed in group CET1)	0	0
6	**Common Equity Tier 1 capital before regulatory deductions**	**1,499,336**	**1,507,681**
	Common Equity Tier 1 capital regulatory adjustments		
7	Prudent valuation adjustments	0	0
8	Goodwill (net of related tax liability)	0	0
9	Other intangibles including mortgage servicing rights (net of related tax liability)	12,892	0
10	Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of related tax liability)	0	0
11	Cash flow hedge reserve	0	0
12	Securitisation gain on sale	0	0
13	Gains and losses due to changes in own credit risk on fair valued liabilities	0	0
14	Defined benefit pension fund net assets	0	0
15	Investments in own shares (if not already subtracted from paid-in capital on reported balance sheet)	0	0
16	Reciprocal cross-holdings in CET1, AT1, Tier 2	0	0
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)	0	0
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)	0	0
19	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	0	0
20	Amount exceeding 15% threshold	0	0
21	Of which: significant investments in the common stock of financials	0	0
22	Of which: deferred tax assets arising from temporary differences	0	0
23	CBUAE specific regulatory adjustments	0	0
24	**Total regulatory adjustments to Common Equity Tier 1**	12,892	**0**
25	**Common Equity Tier 1 capital (CET1)**	**1,486,444**	**1,507,681**
	Additional Tier 1 capital: instruments		
26	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	0	0
27	*Of which: classified as equity under applicable accounting standards*	0	0
28	*Of which: classified as liabilities under applicable accounting standards*	0	0

29	Directly issued capital instruments subject to phase-out from additional Tier 1	0	0
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)	0	0
31	*Of which: instruments issued by subsidiaries subject to phase-out*	0	0
32	Additional Tier 1 capital before regulatory adjustments	0	0
	Additional Tier 1 capital: regulatory adjustments		
33	Investments in own additional Tier 1 instruments	0	0
34	Investments in capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation	0	0
35	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation	0	0
36	CBUAE specific regulatory adjustments	0	0
37	Total regulatory adjustments to additional Tier 1 capital	0	0
38	**Additional Tier 1 capital (AT1)**	**0**	**0**
39	**Tier 1 capital (T1= CET1 + AT1)**	**1,486,444**	**1,507,681**
	Tier 2 capital: instruments and provisions		
40	Directly issued qualifying Tier 2 instruments plus related stock surplus	0	0
41	Directly issued capital instruments subject to phase-out from Tier 2	0	0
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)	0	0
43	*Of which: instruments issued by subsidiaries subject to phase-out*	0	0
44	Provisions	129,668	136,558
45	**Tier 2 capital before regulatory adjustments**	**129,668**	**136,558**
	Tier 2 capital: regulatory adjustments		
46	Investments in own Tier 2 instruments	0	0
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)	0	0
48	Significant investments in the capital, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	0	0
49	CBUAE specific regulatory adjustments	0	0
50	**Total regulatory adjustments to Tier 2 capital**	0	0
51	**Tier 2 capital (T2)**	**129,668**	**136,558**
52	**Total regulatory capital (TC = T1 + T2)**	**1,616,114**	**1,644,239**
53	**Total risk-weighted assets**	**11,171,151**	**11,924,386**
	Capital ratios and buffers		
54	**Common Equity Tier 1 (as a percentage of risk-weighted assets)**	**13.31%**	**12.64%**
55	**Tier 1 (as a percentage of risk-weighted assets)**	**13.31%**	**12.64%**
56	**Total capital (as a percentage of risk-weighted assets)**	**14.47%**	**13.79%**
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)**	**2.50%**	**2.50%**
58	**Of which: capital conservation buffer requirement**	**2.50%**	**2.50%**
59	**Of which: bank-specific countercyclical buffer requirement**	**0.00%**	**0.00%**

60	**Of which: higher loss absorbency requirement (e.g. DSIB)**	**0.00%**	**0.00%**
61	**Common Equity Tier 1 (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirement.**	**3.97%**	**3.29%**
	The CBUAE Minimum Capital Requirement		
62	Common Equity Tier 1 minimum ratio	7.00%	7.00%
63	Tier 1 minimum ratio	8.50%	8.50%
64	Total capital minimum ratio	10.50%	10.50%
	Amounts below the thresholds for deduction (before risk weighting)		
65	Non-significant investments in the capital and other TLAC liabilities of other financial entities	0	0
66	Significant investments in common stock of financial entities	0	0
67	Mortgage servicing rights (net of related tax liability)	0	0
68	Deferred tax assets arising from temporary differences (net of related tax liability)	0	0
	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)	155,601	163,869
70	Cap on inclusion of provisions in Tier 2 under standardised approach	129,668	136,558
71	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	0	0
72	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	0	0
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
73	*Current cap on CET1 instruments subject to phase-out arrangements*	0	0
74	*Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)*	0	0
75	*Current cap on AT1 instruments subject to phase-out arrangements*	0	0
76	*Amount excluded from AT1 due to cap (excess after redemptions and maturities)*	0	0
77	*Current cap on T2 instruments subject to phase-out arrangements*	0	0
78	*Amount excluded from T2 due to cap (excess after redemptions and maturities)*	0	0

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 2022 **AED 000s**

	Balance sheet as in published financial statements	Under regulatory scope of consolidation
Assets		
Cash and balances at central banks	1,207,589	1,207,589
Items in the course of collection from other banks	-	-
Equity Investments	654	654
Financial investments designated at amortised cost	827,134	827,134
Derivative financial instruments	84,786	84,786
Loans and advances to banks	302,837	302,837
Loans and advances to customers	7,604,300	7,604,300
Reverse repurchase agreements / other similar secured lending	-	-
Available for sale financial investments (Includes FVOCI)	3,059,688	3,059,688
Current and deferred tax assets	-	-
Prepayments, accrued income and other assets	697,803	697,803
Investments in associates and joint ventures	-	-
Goodwill and other intangible assets	12,892	12,892
Of which: goodwill	-	-
Of which: intangibles (excluding MSRs)	12,892	12,892
Of which: MSRs	-	-
Property, plant and equipment	282,804	282,804
Total assets	**14,080,487**	**14,080,487**
Liabilities		
Deposits from banks	3,272,443	3,272,443
Items in the course of collection due to other banks	-	-
Customer accounts	8,568,587	8,568,587
Repurchase agreements and other similar secured borrowing	-	-
Trading portfolio liabilities	-	-
Financial liabilities designated at fair value	-	-
Derivative financial instruments	-	-
Debt securities in issue	-	-
Accruals, deferred income and other liabilities	634,892	634,892
Current and deferred tax liabilities	-	-
Of which: DTLs related to goodwill	-	-
Of which: DTLs related to intangible assets (excluding MSRs)	-	-
Of which: DTLs related to MSRs	-	-
Subordinated liabilities	-	-
Provisions	87,983	87,983
Retirement benefit liabilities	17,246	17,246
Total liabilities	**12,581,151**	**12,581,151**
Shareholders' equity		
Paid-in share capital	2,062,550	2,062,550
Of which: amount eligible for CET1	2,062,550	2,062,550
Of which: amount eligible for AT1	-	-
Retained earnings	(492,810)	(492,810)
Accumulated other comprehensive income	(153,621)	(153,621)
Special Reserve	22,491	22,491
Statutory Reserve	51,415	51,415
General Reserve	9,311	9,311
Total shareholders' equity	**1,499,336**	**1,499,336**

31 December 2021 | **AED 000s**

	Balance sheet as in published financial statements	Under regulatory scope of consolidation
Assets		
Cash and balances at central banks	2,009,565	2,009,565
Items in the course of collection from other banks	-	-
Equity Investments	695	695
Financial investments designated at amortised cost	108,934	108,934
Derivative financial instruments	16,054	16,054
Loans and advances to banks	378,735	378,735
Loans and advances to customers	8,213,350	8,213,350
Reverse repurchase agreements and other similar secured lending	-	-
Available for sale financial investments (Includes FVOCI)	3,420,588	3,420,588
Current and deferred tax assets	-	-
Prepayments, accrued income and other assets	728,850	728,850
Investments in associates and joint ventures	-	-
Goodwill and other intangible assets	-	-
Of which: goodwill	-	-
Of which: intangibles (excluding MSRs)	-	-
Of which: MSRs	-	-
Property, plant and equipment	303,271	303,271
Total assets	**15,180,042**	**15,180,042**
Liabilities		
Deposits from banks	2,410,988	2,410,988
Items in the course of collection due to other banks	-	-
Customer accounts	10,406,425	10,406,425
Repurchase agreements and other similar secured borrowing	-	-
Trading portfolio liabilities	-	-
Financial liabilities designated at fair value	-	-
Derivative financial instruments	-	-
Debt securities in issue	-	-
Accruals, deferred income and other liabilities	730,792	730,792
Current and deferred tax liabilities	-	-
Of which: DTLs related to goodwill	-	-
Of which: DTLs related to intangible assets (excluding MSRs)	-	-
Of which: DTLs related to MSRs	-	-
Subordinated liabilities	-	-
Provisions	100,722	100,722
Retirement benefit liabilities	19,223	19,223
Total liabilities	**13,668,150**	**13,668,150**
Shareholders' equity		
Paid-in share capital	2,062,550	2,062,550
Of which: amount eligible for CET1	2,062,550	2,062,550
Of which: amount eligible for AT1	-	-
Retained earnings	(610,587)	(610,587)
Accumulated other comprehensive income	7,656	3,445
Special Reserve	7,019	7,019
Statutory Reserve	35,943	35,943
General Reserve	9,311	9,311
Total shareholders' equity	**1,511,892**	**1,507,681**

6.2. CCA: Main features of regulatory capital instruments

The authorized paid up share capital of the Bank is 2,750,067,532 (2021: 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 (2021: 2,062,550,649) shares of AED 1 each.

7. Macro Prudential

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

Currently CCyB is not applicable in UAE. UAB does not have branches in other countries and hence, this reporting is not applicable for the Bank.

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 2022	30 Sep 2022	30 Jun 2022	31 Mar 2022	31 Dec 2021
1	Total consolidated assets as per published financial statements	14,080,487	14,065,946	14,748,396	14,020,671	15,180,042
2	Adjustments for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	0	-	-	-	
3	Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference	0	-	-	-	
4	Adjustments for temporary exemption of central bank reserves (if applicable)	0	-	-	-	
5	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	0	-	-	-	
6	Adjustments for regular-way purchases and sales of financial assets subject to trade date accounting	0	-	-	-	
7	Adjustments for eligible cash pooling transactions	0	-	-	-	
8	Adjustments for derivative financial instruments	271,512	54,980	38,963	27,190	(34,124)
9	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	0	-	-	-	
10	Adjustments for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	1,909,120	2,041,428	2,019,265	2,123,291	2,009,242
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	0	-	-	-	
12	Other adjustments	0	-	-	-	
13	**Leverage ratio exposure measure**	**16,261,118**	**16,162,354**	**16,806,624**	**16,171,153**	**17,155,160**

8.2. LR2: Leverage Ratio Common Disclosure Template

AED 000s

		31 Dec 2022	30 Sep 2022	30 Jun 2022	31 Mar 2022	31 Dec 2021
On-balance sheet exposures						
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	13,982,796	13,967,609	14,705,960	14,000,288	15,163,988
2	Gross-up for derivatives collateral provided where deducted from balance sheet assets pursuant to the operative accounting framework	0	0	0	0	0
3	(Deductions of receivable assets for cash variation margin provided in derivatives transactions)	0	(38,411)	(30,481)	(30,893)	(119,778)
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	0	0	0	0	0
5	(Specific and general provisions associated with on-balance sheet exposures that are deducted from Tier 1 capital)	0	0	0	0	0
6	(Asset amounts deducted in determining Tier 1 capital)	0	0	0	0	0
7	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)**	**13,982,796**	**13,929,198**	**14,675,479**	**13,969,395**	**15,044,210**
Derivative exposures						
8	Replacement cost associated with *all* derivatives transactions (where applicable net of eligible cash variation margin and / or with bilateral netting)	32,494	76,522	27,562	20,384	16,054
9	Add-on amounts for PFE associated with *all* derivatives transactions	231,222	60,427	52,352	35,664	56,595
10	(Exempted CCP leg of client-cleared trade exposures)	0	0	0	0	0
11	Adjusted effective notional amount of written credit derivatives	0	0	0	0	0
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0	0	0	0	0
13	**Total derivative exposures (1.4 x (rows 8+9) + sum of rows 10 to 12)**	**369,202**	**191,728**	**111,880**	**78,467**	**101,708**
Securities financing transactions						
14	Gross SFT *assets* (with no recognition of netting), after adjusting for sale accounting transactions	0	0	0	0	0
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0	0	0	0	0
16	CCR exposure for SFT assets	0	0	0	0	0

17	Agent transaction exposures	0	0	0	0	0
18	**Total securities financing transaction exposures (sum of rows 14 to 17)**	**0**	**0**	**0**	**0**	**0**
Other off-balance sheet exposures						
19	Off-balance sheet exposure at gross notional amount	4,663,560	4,977,316	4,822,220	5,158,985	4,951,009
20	(Adjustments for conversion to credit equivalent amounts)	(2,754,440)	(2,935,888)	(2,802,956)	(3,035,693)	(2,941,767)
21	(Specific and general provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital)	0	0	0	0	0
22	**Off-balance sheet items (sum of rows 19 to 21)**	**1,909,120**	**2,041,428**	**2,019,265**	**2,123,291**	**2,009,242**
Capital and total exposures						
23	**Tier 1 capital**	**1,486,444**	**1,383,030**	**1,401,594**	**1,500,581**	**1,507,681**
24	**Total exposures (sum of rows 7, 13, 18 and 22)**	**16,261,118**	**16,162,354**	**16,806,624**	**16,171,153**	**17,155,160**
Leverage ratio						
25	**Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)**	**9.14%**	**8.56%**	**8.34%**	**9.28%**	**8.79%**
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	9.14%	8.56%	8.34%	9.28%	8.79%
26	CBUAE minimum leverage ratio requirement	3.00%	3.00%	3.00%	3.00%	3.00%
27	**Applicable leverage buffers**	**6.14%**	**5.56%**	**5.34%**	**6.28%**	**5.79%**

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 Committee (BRC). BRC & 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 BRC 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 BRC 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 BRC. 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)

31 December 2022 | **AED 000s**

		Total unweighted value (average)	Total weighted value (average)
High-quality liquid assets			
1	Total HQLA		2,991,747
Cash outflows			
2	**Retail deposits and deposits from small business customers, of which:**	3,762,872	215,568
3	Stable deposits	-	-
4	Less stable deposits	3,762,872	215,568
5	**Unsecured wholesale funding, of which:**		
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	55,920	13,980
7	Non-operational deposits (all counterparties)	4,079,781	2,629,672
8	Unsecured debt	-	-
9	**Secured wholesale funding**		
10	**Additional requirements, of which:**		
11	Outflows related to derivative exposures and other collateral requirements	-	-
12	Outflows related to loss of funding of debt products	-	-
13	Credit and liquidity facilities	500,000	150,000
14	**Other contractual funding obligations**	418,922	-
15	**Other contingent funding obligations**	215,318	10,766
16	**TOTAL CASH OUTFLOWS**		**3,019,986**
Cash inflows			
17	**Secured lending (e.g. reverse repo)**	-	-
18	**Inflows from fully performing exposures**	840,095	420,047
19	**Other cash inflows**	75,026	75,026
20	**TOTAL CASH INFLOWS**		495,073
			Total adjusted value
21	**Total HQLA**		**2,991,747**
22	**Total net cash outflows**		**2,524,912**
23	**Liquidity coverage ratio (%)**		**118.49%**

31 December 2021 **AED 000s**

		Total unweighted value (average)	Total weighted value (average)
High-quality liquid assets			
1	Total HQLA		
Cash outflows			
2	**Retail deposits and deposits from small business customers, of which:**	**1,880,150**	**117,367**
3	Stable deposits	0	0
4	Less stable deposits	1,880,150	117,367
5	**Unsecured wholesale funding, of which:**	**3,930,782**	**2,370,704**
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	5,847	1,462
7	Non-operational deposits (all counterparties)	3,924,935	2,369,242
8	Unsecured debt	0	0
9	**Secured wholesale funding**		0
10	**Additional requirements, of which:**	**2,619,941**	**730,737**
11	Outflows related to derivative exposures and other collateral requirements	0	0
12	Outflows related to loss of funding of debt products	0	0
13	Credit and liquidity facilities	2,619,941	730,737
14	**Other contractual funding obligations**	**113,743**	**0**
15	**Other contingent funding obligations**	**365,508**	**18,275**
16	**TOTAL CASH OUTFLOWS**		**3,237,084**
Cash inflows			
17	**Secured lending (e.g. reverse repo)**	-	-
18	**Inflows from fully performing exposures**	234,665	120,922
19	**Other cash inflows**	-100,609	-100,609
20	**TOTAL CASH INFLOWS**	134,055	20,312
			Total adjusted value
21	**Total HQLA**		3,077,935
22	**Total net cash outflows**		3,216,771
23	**Liquidity coverage ratio (%)**		**95.68%**

9.3. LIQ2: Net Stable Funding Ratio (NSFR)

31 December 2022 **AED 000s**

	(In currency amount)	Unweighted value by residual maturity				Weighted value
		No maturity*	**<6 months**	**6 months to <1 year**	**≥1 year**	
Available stable funding (ASF) item						
1	Capital:	-	-	-	1,616,112	1,616,112
2	*Regulatory capital*	-	-	-	1,616,112	1,616,112
3	*Other capital instruments*	-	-	-	-	-
4	Retail deposits and deposits from small business customers:	-	1,364,327	420,490	120,846	1,726,733
5	*Stable deposits*	-	-	-	-	-
6	*Less stable deposits*	-	1,364,327	420,490	120,846	1,726,733
7	Wholesale funding:	-	8,652,521	1,262,809	46,677	3,028,927
8	*Operational deposits*	-	55,920	-	-	27,960
9	*Other wholesale funding*	-	8,596,601	1,262,809	46,677	3,000,967
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	-	-	-	-	-
12	*NSFR derivative liabilities*					
13	*All other liabilities and equity not included in the above categories*					
14	**Total ASF**					6,371,772
Required stable funding (RSF) item						
15	Total NSFR high-quality liquid assets (HQLA)					91,259
16	Deposits held at other financial institutions for operational purposes	-	296,376	-	-	148,188
17	Performing loans and securities:	-	225,911	170,005	3,031,862	3,150,751
18	*Performing loans to financial institutions secured by Level 1 HQLA*	-	-	-	-	-
19	*Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions*	-	225,911	170,005	3,031,862	3,150,751
20	*Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:*	-	2,507,911	339,465	-	1,423,688
21	*With a risk weight of less than or equal to 35% under the standardised approach for credit risk*	-	-	-	-	
22	*Performing residential mortgages, of which:*	-	-	-	757,412	501,488
23	*With a risk weight of less than or equal to 35% under the standardised approach for credit risk*	-	-	-	711,761	462,645

24	*Securities that are not in default and do not qualify as HQLA, including exchange-traded equities*	-	-	-	542	461
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	Other assets:	-	3,697,495	-	1,019,016	1,632,020
27	*Physical traded commodities, including gold*					
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*					
29	*NSFR derivative assets*					
30	*NSFR derivative liabilities before deduction of variation margin posted*					
31	*All other assets not included in the above categories*		-	-	1,019,016	1,019,016
32	Off-balance sheet items		3,697,495	-	-	613,004
33	***Total RSF***					**6,947,855**
34	***Net Stable Funding Ratio (%)***					**91.71%**

* Items to be reported in the “no maturity” time bucket does not have a stated maturity. These may include, but are not limited to, items such as capital with perpetual maturity, non-maturity deposits, short positions, open maturity positions, non-HQLA equities and physical traded commodities.

9.4. ELAR: Eligible Liquid Assets Ratio

31 December 2022 **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	1,698,145	
1.2	UAE Federal Government Bonds and Sukuks	0	
	Sub Total (1.1 to 1.2)	1,698,145	1,698,145
1.3	UAE local governments publicly traded debt securities	600,888	
1.4	UAE Public sector publicly traded debt securities	176,445	
	Sub Total (1.3 to 1.4)	777,333	495,096
1.5	Foreign Sovereign debt instruments or instruments issued by their respective central banks	0	0
1.6	**Total**	**2,475,478**	**2,193,241**
2	Total liabilities		12,494,130
3	**Eligible Liquid Assets Ratio (ELAR)**		**17.55%**

31 December 2021

1	High Quality Liquid Assets	Nominal amount	Eligible Liquid Asset
1.1	Physical cash in hand at the bank + balances with the CBUAE	2,014,063	
1.2	UAE Federal Government Bonds and Sukuks	0	
	Sub Total (1.1 to 1.2)	2,014,063	2,014,063
1.3	UAE local governments publicly traded debt securities	669,026	
1.4	UAE Public sector publicly traded debt securities	191,212	
	Sub Total (1.3 to 1.4)	860,238	574,860
1.5	Foreign Sovereign debt instruments or instruments issued by their respective central banks	0	0
1.6	**Total**	**2,874,301**	**2,588,923**
2	Total liabilities		13,571,925
3	**Eligible Liquid Assets Ratio (ELAR)**		**19.08%**

9.5. ASRR: Advances to Stable Resources Ratio

AED 000s

		Items	31 Dec 2022	31 Dec 2021
1		**Computation of Advances**		
	1.1	Net Lending (gross loans - specific and collective provisions + interest in suspense)	7,238,223	7,716,960
	1.2	Lending to non-banking financial institutions	135,428	160,719
	1.3	Net Financial Guarantees & Stand-by LC (issued - received)	119,256	427,281
	1.4	Interbank Placements	498,734	538,561
	1.5	**Total Advances**	**7,991,641**	**8,843,521**
2		**Calculation of Net Stable Resources**		
	2.1	Total capital + general provisions	1,837,848	1,772,008
		Deduct:		
	2.1.1	Goodwill and other intangible assets		0
	2.1.2	Fixed Assets	365,606	460,008
	2.1.3	Funds allocated to branches abroad		0
	2.1.5	Unquoted Investments	76	76
	2.1.6	Investment in subsidiaries, associates and affiliates		0
	2.1.7	**Total deduction**	**365,682**	**460,084**
	2.2	**Net Free Capital Funds**	**1,472,166**	**1,311,924**
	2.3	**Other stable resources:**		
	2.3.1	Funds from the head office		0
	2.3.2	Interbank deposits with remaining life of more than 6 months	185,175	418,665
	2.3.3	Refinancing of Housing Loans		0
	2.3.4	Borrowing from non-Banking Financial Institutions	2,527,886	2,177,575
	2.3.5	Customer Deposits	5,008,508	7,052,929
	2.3.6	Capital market funding / term borrowings maturing after 6 months from reporting date		0
	2.3.7	**Total other stable resources**	**7,721,569**	**9,649,169**
	2.4	**Total Stable Resources (2.2+2.3.7)**	**9,193,735**	**10,961,093**
3		**Advances TO STABLE RESOURCES RATIO (1.6/ 2.4*100)**	**86.92%**	**80.68%**

10. Credit Risk

10.1. CRA: General qualitative information about credit risk

Credit risk is the most materially significant and prevalent risk. Credit risk arise from the risk that the counterparty dealing with financial institutions will fail to honour / discharge their obligation causing bank to incur a financial loss. Credit risk underwriting, credit risk monitoring and control are jointly performed by Credit and Risk department.

In order to effectively monitor the credit risk, UAB has put in place the effective three lines mechanism (lines of defence). Adequate segregation of duties is followed, so as to ensure independence and avoid conflict of interest in pursuit of the Bank's business objectives and strategy. The Bank maintains high governance standards and credit principles, and adopt industry accepted practices to avoid undesirable effects of unclear roles and responsibilities. In order to avoid excessive concentrations of risk, the Bank's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly and approved by Board Credit committee or directly by the Board. The Risk Appetite Statement of the Bank which is approved by the Board reflects the Risk Strategy translated to the Business Strategy to manage growth and profile of the portfolio within acceptable tolerances.

Approval, disbursements, administration, rating classification for wholesale and retail portfolio are governed by the Bank's Credit Policies. Similarly, distressed assets policy governs the restructuring, recoveries and write-offs. The policies are drafted by risk management department and approved by the Board via the Board Risk Committee (BRC). The policy scope covers all the major products and line of business. The Bank manages limits and controls concentrations of credit risk wherever they are identified – in particular, to individual customers and groups, and to industries and countries. The underwriting standards also define the minimum quality for new on-boarding of customers.

The policies, guidelines and processes outlined in the Credit Policy cover the entire spectrum of Bank's credit / assets portfolio. The policy applies to all Business Units / Departments which are engaged in the process of originating; maintaining, managing and / or reviewing the related credit portfolio(s).

Identifying the credit approval authorities and the scope of delegated authorities is governed by delegation of authority (DOA) which is approved by Board.

All Wholesale Banking and FI (Financial Institutions) credit proposals are independently reviewed by Credit Department and recommended to appropriate approval authority as defined in the DoA and Credit Policies of the Bank. For Retail, the Bank has in place necessary approval in line with Delegation of Authority. Board Credit Committee (BCC) and Board is ultimately responsible for approving the credit.

The underwriting and risk control functions are separated from each other. Risk management is responsible for credit administration, credit control and portfolio management post disbursement. These functions report to the Chief Risk Officer (CRO,), who reports independently to the BRC. Credit function is responsible for underwriting and engaging in credit review and is headed by the Chief Credit Officer (CCO) who reports to the CEO.

All Wholesale Banking Credit proposals submitted by Wholesale Banking Group are independently reviewed by Credit Department, before they are approved by the Head of Credit or, under the DoA to

Credit Committee (comprising of CCO, CRO and CEO) and, if required, recommendation to the appropriate level committee Board Credit Committee (BCC) for final approval.

Compliance team ensures that guidelines are complied with, in the due diligence process for KYC and AML among others, such as dealing with PEPs and related parties or insider trading. This is done by following the strict guidelines in-place for all these aspects.

Only after final approval and fulfilment of documentation and conditions precedent, that Credit Administration Department makes the limits available for utilization by the customer. At this point, transactions can be executed by the customer through operations.

As part of Internal Audit plan, Internal Audit team acting as the assurance provider (third line of defence) reviews the Credit Approval Process and submits its findings to Management and Board Audit Committee for its review. Although they work very closely with Risk Management, Compliance and Internal Audit are both independent from Credit Department.

Comprehensive Portfolio reports include but are not limited to: Loans and Advances, Sukuk and investment book total size, trends, risk rating, sector, past due, restructured information and geographic concentrations, retail product-wise exposures and performance, large exposure concentrations, top watch list exposures, top NPL exposures, write-offs etc. This is presented to the Provisioning Committee (previously Special Asset Management Committee), Risk Committee and Board Risk Committee on a regular basis. The report highlights the status of the exposure, recoveries, if any, collaterals, provisions held against these accounts and the action plan to regularize/recover the dues from these accounts.

At the Board level, the Board Risk Committee has oversight of Risk Management function.

10.2. CR1: Credit quality of assets

31 December 2022 **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	673,806	7,565,829	635,335	296,825	338,510	7,604,300
2	Debt securities		3,889,064	31,502		31,502	3,857,562
3	Off-balance sheet exposures	137,295	2,230,643	87,918	32,529	55,389	2,280,020
4	**Total**	**811,101**	**13,685,536**	**754,755**	**329,354**	**425,401**	**13,741,882**

31 December 2021								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	1,034,082	7,879,660	700,392	544,709	260,116	8,213,350
2	Debt securities	-	3,531,764	25,502	-	25,502	3,506,262
3	Off-balance sheet exposures	208,211	2,455,823	87,947	47,033	40,914	2,576,087
4	**Total**	**1,346,234**	**13,867,739**	**918,274**	**591,742**	**326,532**	**14,295,699**

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

31 December 2022 — AED 000s

1	**Defaulted loans and debt securities at the end of the previous reporting period**	1,034,082
2	Loans and debt securities that have defaulted since the last reporting period	153,656
3	Returned to non-default status	(218,635)
4	Amounts written off	(197,322)
5	Other changes	(97,975)
6	**Defaulted loans and debt securities at the end of the reporting period (1+2-3-4±5)**	**673,806**

31 December 2021

1	**Defaulted loans and debt securities at the end of the previous reporting period**	1,499,636
2	Loans and debt securities that have defaulted since the last reporting period	674,183
3	Returned to non-default status	-
4	Amounts written off	(934,430)
5	Other changes	(205,309)
6	**Defaulted loans and debt securities at the end of the reporting period (1+2-3-4±5)**	**1,034,082**

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

An account or relationship that hits 90 DPD is proposed for 'Default' grade with downgrade to relevant rating. All customers which are in default i.e. where the principal payment or accrued interest / profit is in arrears for a period of 90 days or more are generally classified as 'Default' and considered non-performing. Business or Credit may propose for downgrade (with immediate transfer to SAM) prior to 90 DPD in the event of a drastic deterioration in quality due to financial or non-financial reasons.

For retail portfolio, an account / relationship that hits 90 DPD is proposed for 'Default' grade.

The term 'classified asset' refers to an exposure rated Substandard, Doubtful or Loss.

AED 20,463,944 is overdue past 90 days and not classified as NPL. These exposures are classified as Stage 2 as they are fully secured by tangible collateral.

10.5. Impairment of Financial Assets

Financial assets that are measured at amortized cost are assessed for impairment at each reporting date. The Bank applies a three-stage approach to measure allowance for credit losses, using an expected credit loss approach as required under IFRS 9, for the following categories of financial instruments that are measured at amortized cost:

- Financing and investing assets and investment in Bonds/ Sukuks;
- Off-balance sheet instruments issued;
- Financial guarantee contracts issued;
- Due from banks and financial institutions;
- Balances with Central Banks; and
- Other financial assets (Receivable loan and advances)

Financial assets migrate through 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

The Expected Credit Loss (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; and
- 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 recorded 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.

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

The assessment of a significant increase in Credit Risk is done on a relative basis. 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 beyond the Bank's established threshold related to the initial recognition or last review as per the Bank's IFRS 9 Policy;
- Restructuring and Rescheduling of account;
- An instrument is past due beyond 30 days; and
- An instrument's Credit Risk is considered higher based on qualitative criteria of the Bank (e.g. Abandoned Segment of Retail Portfolio).).

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 (i.e. 12 months). 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 NPL. Wherever required; significant credit judgment is applied in case of transfer between Stage 1 and stage 2.

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.

Refinancing and restructuring policies

Refinancing: The replacement of an obligor's existing credit facilities from another Bank with new credit facilities from UAB or consolidation of an obligor's existing credit facilities within UAB provided such facilities are not in default or likely to lead to a default.

Restructuring: The material revision or alteration of the terms and conditions of an obligor's existing credit facilities which may include reduced or deferred repayments, extended terms, reduced interest

/ profit rates or interest / profit roll-up or forgiveness, relaxation of covenants or terms and conditions, or relaxed collateral / security requirements. In such circumstances, failure to agree to such a restructuring is likely to lead to a credit event in the immediate or near term.

The definitions are updated in the relevant policies of the bank aligned with guidelines from CBUAE.

- The Bank may consider the refinancing of an existing credit facility from another Bank where the obligor is not in financial distress.
- Proposals for refinancing of existing credit facilities which meet the above "refinancing" definition should follow the existing credit approval process for new and existing facilities.
- If an account exhibits early warning signs (assessed based on Bank's internal early warning indicators) that may lead to potential default event, the Bank places the account on watch list for early remediation / action. The relevant approving authority shall review credit facilities exhibiting indicators which may lead to a credit event and decide whether a downgrade and the restructuring of the facility are required.
- Restructuring of existing credit facilities is usually contemplated by the Bank to avoid an impending default, address an existing payment default, or rehabilitate delinquent debt and is usually considered as a better alternative than accelerating towards legal redress.

Existing credit facilities which are being considered for restructuring may have one or more of the following features:

- Interest / profit payments are more than 90 days past due
- Principal payments are more than 90 days past due
- The obligor is in serious financial difficulties
- Sources of repayment or ability to repay or service the debt are uncertain
- The value or recoverability of supporting security is in doubt
- The principal is at serious risk of substantial or full capital loss
- A previous rescheduling has been unsuccessful
- In any other circumstance where CCO / CRO deems appropriate

The terms and conditions of the restructured credit facilities may have one or more of the following characteristics:

- Reduced cash pay interest / profit rate
- Reduced fees
- Interest / profit waiver (non-recovery of accrued interest / profit)
- Reduced or rescheduled principal payments
- Extended tenor
- Haircut on principal repayment
- Weakened financial covenants and / or conditions
- A mechanism to provide the Bank with additional reward upon a successful outcome e.g. success fees or non-cash pay interest / profit – PIK (payment in kind)
- Significantly reduced LTV due to a reduction in the value of the collateral

Overall credit assessment of the obligor's credit status and ability to repay will continue to be a matter of judgment and this will inform both the nature of the restructured facilities and the subsequent risk rating attributable to the obligor both before and after the revised facilities being operative Accounts will be closely monitored to assess source of repayment and ability to repay. Manual override of rating may be applied under revised facility structure until satisfactory repayment of obligation is met.

When considering restructuring proposals of existing credit facilities, particular emphasis should be given to the following areas when assessing the financial position of the obligor, the obligor's ability to repay, and the overall credit risk:

- Current and future financial performance, understanding assumptions and key sensitivities
- Visibility and sustainability of current and future cash flows
- Availability and access to free cash flow
- Full details of funded and unfunded facilities from other lenders, repayment profiles and any personal or corporate guarantees
- Details of trade or other creditors including details of post-dated cheques issued
- Full details of both current and fixed assets together with details of security to other lenders
- Current assessment of the value and recoverability of existing collateral and potential for value appreciation or deterioration over time. If the information made available is either incomplete, insufficiently detailed or is not robust, consideration should be given to involving external advisors to support the obligor and obtain an independent assessment of the situation to better inform the Bank.

Refinancing, as defined above, is subject to the normal credit process and the obligor's risk rating will be assessed based upon the criteria as set out in the policy.

Where credit facilities have been restructured and fall within "Non-performing credit facilities" as defined by CB UAE's instructions, the credit is considered to be "Substandard".

Rescheduling & restructuring may involve extending the payment arrangements and the agreement of revised terms and conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

Rescheduled facilities are those facilities with renegotiated terms that do not result in NPV loss to the Bank as compared to the original facility.

Restructured facilities are those facilities with renegotiated terms that result in NPV loss to the Bank as compared to the original facility. This NPV loss can occur due to various reasons, such as a haircut of the principal, reduction in the interest / profit rate, extension in the tenor or such other consequential terms and conditions.

Breakdown of credit exposures by geographical areas (country of residence)

31 December 2022 **AED 000s**

Country	FY 2022	
	On Balance sheet Assets	**Contingent Assets and Unused Commitments**
United Arab Emirates	11,961,011	4,580,897
Other Middle East countries	1,106,209	11,772
Europe	192,180	14,748
USA	237,585	0
Rest of the world	804,184	56,142
TOTAL	**14,301,169**	**4,663,559**

Breakdown of loan & advances (funded exposures) by geographical areas (country of residence)

31 December 2022 **AED 000s**

Country	Wholesale Banking	Retail Banking	Total
United Arab Emirates	6,349,520	1,341,125	7,690,645
Bahrain	32,790	-	32,790
Bangladesh	47,743	-	47,743
Burundi	24,380	-	24,380
China	-	-	-
Cyprus	-	-	-
Egypt	140,875	-	140,875
France	-	-	-
Germany	-	-	-
Jordan	75,286	-	75,286
Mauritius	55,088	-	55,088
Nigeria	56,297	-	56,297
Oman	50,199	-	50,199
Qatar	-	-	-
Saudi Arabia	999	-	999
Switzerland	-	-	-
Turkey	46,972	-	46,972
Vietnam	18,363	-	18,363
Total	**6,898,510**	**1,341,125**	**8,239,635**

Amounts of impaired exposures (according to the definition used by the bank for accounting purposes) and related allowances, broken down by industry

31 December 2022 **AED 000s**

Sector wise impaired loans		
Economic Sector	**Total**	**Provision**
Government and public sector	-	-
Trade	104,486	78,857
Personal loans (retail and business)	335,144	92,542
Manufacturing	143,158	75,265
Construction	3,081	619
Services	8,919	2,308
Financial institutions	79,019	47,234
Transport and communication	0	0
Agriculture	-	-
Others	-	-
Total	**673,806**	**296,825**

Ageing analysis of accounting past-due but not impaired exposures

AED 000s

FY 2022	Less than 30 days	31 to 60 days	61 to 90 days	More than 91 days	Total
Loans and advances	48,061	492	245	3,710	52,508
FY 2021	Less than 30 days	31 to 60 days	61 to 90 days	More than 91 days	Total
Loans and advances	42,396	8,144	710	125	51,375

Breakdown of restructured exposures (net) between impaired and not impaired exposures

AED 000s

31 December 2022			31 December 2021		
Restructured Exposures	Impaired	Not impaired	Restructured Exposures	Impaired	Not impaired
576,241	335,749	240,492	624,847	467,153	157,694

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

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

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions such as in the Bank trading activity.

The Bank is party to a number of arrangements, including master netting agreements, that give it the right to offset financial assets and financial liabilities but where it does not intend to settle the amounts net or simultaneously and therefore the assets and liabilities concerned are presented on a gross basis.

10.7. 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.

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

The Standardised 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.

10.9. CR3: Credit risk mitigation techniques – overview

31 December 2022 **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	8,239,635	1,857,105	759,597	0	0	0	0
2	Debt securities	3,889,064	0	0	0	0	0	0
3	**Total**	**12,128,699**	**1,857,105**	**759,597**	**0**	**0**	**0**	**0**
4	Of which defaulted	673,806	33,531	548	0	0	0	0

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

31 December 2022 **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	3,906,351	64,421	3,906,351	3,082	915,116	8.9%
2	Public Sector Entities	1,593,588	80,000	1,593,588	0	864,648	8.4%
3	Multilateral development banks	99,039	0	99,039	0	49,520	0.5%
4	Banks	1,090,719	382,627	1,090,719	376,751	812,429	7.9%
5	Securities firms	0	613	0	613	613	0.0%
6	Corporates	4,607,426	4,314,141	3,857,654	2,350,889	5,100,269	49.4%
7	Regulatory retail portfolios	515,378	78,415	511,870	6	400,631	3.9%
8	Secured by residential property	760,376	0	758,956	0	281,518	2.7%
9	Secured by commercial real estate	739,899	45,842	725,510	10,110	725,620	7.0%
10	Equity Investment in Funds (EIF)	0	0	0	0	552,984	5.4%
11	Past-due loans	748,574	138,893	385,578	84,051	11,145	0.1%
12	Higher-risk categories	24,495	0	7,430	0	617,349	6.0%
13	Other assets	733,989	1,048	724,947	702	0	0.0%
14	**Total**	**14,819,834**	**5,106,000**	**13,661,642**	**2,826,205**	**10,331,841**	**100.0%**

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

31 December 2022 **AED 000s**

	Asset Class / Risk Weight	0%	20%	35%	50%	75%	100%	150%	Others	Total credit exposures amount (post CCF and post-CRM)
1	Sovereigns and their central banks	2,857,438	171,099	0	0	0	880,896	0	0	3,909,433
2	Public Sector Entities	0	657,147	0	406,445	0	529,996	0	0	1,593,588
3	Multilateral development banks	0	0	0	99,039	0	0	0	0	99,039
4	Banks	0	377,218	0	706,534	0	383,716	1	0	1,467,470
5	Securities firms	0	0	0	0	0	613	0	0	613
6	Corporates	1,069,833	0	0	0	0	4,882,437	0	256,273	6,208,543
7	Regulatory retail portfolios	6	0	0	0	444,957	66,913	0	0	511,877
8	Secured by residential property	0	0	727,127	0	19,219	12,609	0	0	758,956
9	Secured by commercial real estate	10,000	0	0	0	0	725,620	0	0	735,620
10	Equity Investment in Funds (EIF)	0	0	0	0	0	0	0	0	0
11	Past-due loans	9,774	0	0	0	0	273,598	186,257	0	469,629
12	Higher-risk categories	0	0	0	0	0	0	7,430	0	7,430
13	Other assets	108,572	0	0	0	0	616,535	542	0	725,650
14	**Total**	**4,055,623**	**1,205,464**	**727,127**	**1,212,019**	**464,176**	**8,372,934**	**194,231**	**256,273**	**16,487,847**

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

This disclosure is not applicable as the Bank does not have any exposures to CCP.

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

31 December 2022 **AED 000s**

		Replacement cost	Potential future exposure	EEPE	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
1	SA-CCR (for derivatives)	84,807	231,222		1.4	442,440	297,732
2	[redacted]						
3	Simple Approach for credit risk mitigation (for SFTs)						
4	Comprehensive Approach for credit risk mitigation (for SFTs)						
5	VaR for SFTs						
6	**Total**						**297,732**

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

31 December 2022 **AED 000s**

Risk weight / Regulatory Portfolio	0%	20%	50%	75%	100%	150%	Others	Total credit exposure
Sovereigns	3,082	0	0	0	0	0	0	3,082
Public Sector Entities (PSEs)	0	0	0	0	0	0	0	0
Multilateral development banks (MDBs)	0	0	0	0	0	0	0	0
Banks	0	14,994	259,263	0	5,622	0	0	279,878
Securities firms	0	0	0	0	613	0	0	613
Corporates	0	0	0	0	158,867	0	0	158,867

Regulatory retail portfolios	0	0	0	0	0	0	0	0
Secured by residential property	0	0	0	0	0	0	0	0
Secured by commercial real estate	0	0	0	0	0	0	0	0
Equity Investment in Funds (EIF)	0	0	0	0	0	0	0	0
Past-due loans	0	0	0	0	0	0	0	0
Higher-risk categories	0	0	0	0	0	0	0	0
Other assets	0	0	0	0	0	0	0	0
Total	**3,082**	**14,994**	**259,263**	**0**	**165,101**	**0**	**0**	**442,440**

11.4. CCR5: Composition of collateral for CCR exposure

31 December 2022 **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	0	0	0	0	0	0
Cash - other currencies	0	0	0	0	0	0
Domestic sovereign debt	0	0	0	0	0	0
Government agency debt	0	0	0	0	0	0
Corporate bonds	0	0	0	0	0	0
Equity securities	0	0	0	0	0	0
Other collateral	0	0	0	0	0	0
Total	**0**	**0**	**0**	**0**	**0**	**0**

11.5. CCR6: Credit derivative exposures

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

11.6. 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 Committee (BRC). BRC & 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 BRC. 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 2022, 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)

		RWA
1	General Interest rate risk (General and Specific)	0
2	Equity risk (General and Specific)	0
3	Foreign exchange risk	2,940
4	Commodity risk	0
	Options	
5	Simplified approach	0
6	Delta-plus method	0
7	Scenario approach	
8	Securitisation	0
9	**Total**	**2,940**

14. 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.

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

i. Parallel shock up;
ii. Parallel shock down;
iii. Steepener shock (short rates down and long rates up);
iv. Flattener shock (short rates up and long rates down);
v. Short rates shock up; and
vi. Short rates shock down.

Add-ons for changes in the value of options are added to the delta EVE. IRRBB ΔEVE is computed as the maximum of worst ΔEVE 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: 2.8 years

Longest repricing maturity assigned to NMDs: 4 years

14.1. IRRBB1: Quantitative information on IRRBB

Impact of shock on interest rate is as follows:

AED 000s

	31 Dec 2022	31 Dec 2022	31 Dec 2021	31 Dec 2021
	ΔEVE	ΔNII	ΔEVE	ΔNII
Parallel up	(50,941)	(40,404)	(37,530)	155,184
Parallel down	78,403	40,404	89,931	(155,184)
Steepener	(12,259)		(471)	
Flattener	824		(75,134)	
Short rate up	19,723		(22,764)	
Short rate down	24,709		-	
Maximum	**78,403**		**(75,134)**	
Tier 1 Capital	**1,486,444**		**1,507,681**	

15. 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 divisions of the Bank, including all banking products, processes, sub-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. This also includes defining risk appetite for operational risk, approval of the Operational Risk Management Framework, senior management oversight to ensure that strategies, policies and processes are reviewed and implemented effectively at all levels.

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 bank wide. 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 with coordination from Operational Risk Management (ORM) department. 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 and associated controls. 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 and people, which may include products, processes, systems, third party 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. The reports are submitted to the Board (as part of CRO update) and also to Risk Committee members (RC) for information and resolution.

Fraud risk management

The Bank has adopted a 'zero tolerance' policy towards fraud, bribery and corruption and as such will seek to take disciplinary and / or legal action against those who perpetrate, are involved in, or assist with fraudulent or improper 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 and other Digital channels, either internally or through outsourcing arrangements.

The unit is also responsible for managing Incidents and conducting investigations across the Bank and maintenance of Operational Loss Database.

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 in the market. The Bank continued to strengthen its anti-fraud measures by centralizing its fraud management capabilities, increased fraud awareness to the employees and customers, as well as initiating various projects to drive fraud prevention through use of technology and systems.

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, emergency response procedures and business continuity plans (BCPs) have been prepared.

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 Disaster Recovery site. The Bank has the capability to ensure that critical Banking processes 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, bank follows the Basic Indicator approach under Basel III.

16. 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 Board Governance & Remuneration Committee (GRC).

Board GRC

The Board Governance & Remuneration Committee (GRC) provides oversight to the bank's Human Capital 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 Human Capital Committee (HCC), Management Committee (ManCom) or the Chief Executive Officer (CEO).

Senior Managers and Material Risk Takers (MRTs)

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

In line with the CBUAE Corporate Governance Regulations and Corporate Governance Standards published in September 2019, UAB is currently in a process of defining and identifying the Material Risk Takers based on appropriate quantitative and qualitative criteria. MRTs will be communicated of their MRT status by mid-2023.

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. 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.

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

(a) 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

(b) Benefits

Out of salary benefits are provided to employees in accordance with market benchmarks. This includes, but not limited to, UAE and GCC 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

(c) 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.

16.1. REM1: Remuneration awarded during the financial year

AED 000s

			31 Dec 2022		31 Dec 2021	
	Remuneration Amount		**Senior Management**	**Other Material Risk-takers**	**Senior Management**	**Other Material Risk-takers**
1	Fixed Remuneration	Number of employees	14	0	14	0
2		Total fixed remuneration (3 + 5 + 7)	17,778	0	16,154	0
3		Of which: cash-based	17,778	0	16,154	0
4		Of which: deferred	0	0	0	0
5		Of which: shares or other share-linked instruments	0	0	0	0
6		Of which: deferred	0	0	0	0
7		Of which: other forms	0	0	0	0
8		Of which: deferred	0	0	0	0
9	Variable Remuneration	Number of employees	6	0	0	0
10		Total variable remuneration (11 + 13 + 15)	3,740	0	0	0
11		Of which: cash-based	3,740	0	0	0
12		Of which: deferred	0	0	0	0
13		Of which: shares or other share-linked instruments	0	0	0	0
14		Of which: deferred	0	0	0	0
15		Of which: other forms	0	0	0	0
16		Of which: deferred	0	0	0	0
17	**Total Remuneration (2+10)**		**21,518**	**0**	**16,154**	**0**

16.2. REM2: Special payments

31 December 2022 **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	2	1,872	10	4,900
Other material risk-takers	0	0	0	0	0	0

31 December 2021

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

Severance payments includes payments towards retirements.

16.3. REM3: Deferred payments

31 December 2022 **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	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
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	0	0	0	0	0

31 December 2021

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	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
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	0	0	0	0	0