البنك العربي المتحد
UNITED ARAB BANK

INTEGRATED REPORT 2023

Your Trusted Partner in UAE **Since 1975**

His Highness
Sheikh Mohammed bin Zayed Al Nahyan

President of the United Arab Emirates and Ruler of Abu Dhabi

His Highness
Sheikh Mohammed bin Rashid Al Maktoum

Vice-President of the United Arab Emirates and Ruler of Dubai

His Highness
Dr. Sheikh Sultan bin Mohammed Al Qasimi

Supreme Council Member and Ruler of Sharjah

Content

DIRECTORS' REPORT

DIRECTORS' REPORT – YEAR ENDED 31 DECEMBER 2023

On behalf of the Board of Directors of United Arab Bank (UAB), I am pleased to present to the shareholders of the Bank our Annual Report for the year ended 31 December 2023.

UAB posted a Net Profit of AED 255 million for the year ended 2023, as compared to a net profit of AED 155 million in 2022 representing an increase of 65%. The considerable growth in net profit is a result of quality growth in the Bank's total assets leading to increase in core income and a prudent approach to risk management which resulted in a lower cost of risk as the successful execution of the Bank's Transformation Strategy paved the way for a return to sustainable profitability.

The Bank's total assets increased by 25% to AED 17.6 billion as at 31 December 2023 compared to AED 14.1 billion as at 31 December 2022 driven by strong growth in loans, advances, Islamic financing and investments.

Augmented by the issuance of Additional Tier 1 capital (AT1) amounting to AED 551m in 1Q23, the Bank maintained adequate levels of capital with a capital adequacy ratio of 19.0% and a CET1 ratio of 13.5% both of which remain well above the regulatory requirements currently applicable. The Bank's NPL ratio improved from 8.2% in FY 2022 to 5.0% in FY 2023 and coverage ratio improved from 94% in FY 2022 to 132% in FY 2023.

The Board and the Management Team continues to focus on strengthening the Bank's revenues with new portfolio underwriting in higher quality assets and thereby improvising its profitability across Wholesale Banking, Retail Banking and Treasury & Capital Markets businesses whilst moving towards a more agile operating model incorporating digital solutions and capabilities, thereby positioning itself as the partner of choice among all its chosen client segments.

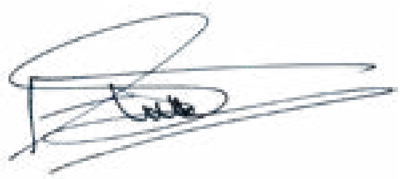
The Board of Directors recommend the following appropriations for the year ended 31 December 2023:

	2023 AED '000	2022 AED'000
Opening balance in Accumulated Losses at 1 January	**(492,810)**	**(610,587)**
Net Profit for the year	255,309	154,721
Balance available for appropriation	**(237,501)**	**(455,866)**
Directors remuneration	(10,722)	(6,000)
Coupon payable to Tier 1 instrument holders	(33,300)	-
Treasury shares acquired	330	-
Transfer to Special Reserve	(25,531)	(15,472)
Transfer to Statutory Reserve	(25,531)	(15,472)
Closing balance in Accumulated Losses at 31 December	**(332,255)**	**(492,810)**

The financial information included in the report fairly presents in all material respects the financial condition, results of operation and cash flows of the Bank as of, and for, the periods presented in the accompanied financial statements for the year ended 31 December 2023.

On behalf of the Board of Directors whose unwavering commitment and guidance remain invaluable, my sincere appreciation goes to our valued customers and shareholders for their patronage, the top management and the employees for their commitment and dedication, and to the Central Bank of UAE for regulating and supporting the UAE banking sector.

In conclusion, we wish to express our appreciation to the President of the United Arab Emirates, His Highness Sheikh Mohammed Bin Zayed Al Nahyan for his leadership, vision and support. We also wish to thank His Highness Sheikh Mohammed Bin Rashid Al Maktoum, UAE Vice President, Prime Minister and Ruler of Dubai and Deputy Supreme Commander of the UAE Armed Forces and His Highness Sheikh Dr. Sultan Bin Mohammed Al Qassimi, Ruler of Sharjah for their support and guidance.



Sheikh Faisal Bin Sultan Bin Salem Al Qassimi
Chairman
8 February 2024

CORPORATE GOVERNANCE REPORT 2023

TABLE OF CONTENT

1. INTRODUCTION

Sound Corporate Governance plays a fundamental role in the culture and business practices of UAB. The Bank's Corporate Governance framework relates to the way the business and activities of the Bank are directed and managed taking into account all stakeholders and the role of the Bank in the community we have served since 1975.

2. UAB's CORPORATE GOVERNANCE FRAMEWORK

Adopting the applicable regulatory requirements and following the best practices in corporate governance are the key elements of United Arab Bank's sustained track record of healthy financial and operational performance. It is the cornerstone of our Bank's growth strategy and ambition for the future. It ensures that our organisation follows the processes and relevant controls, and monitoring is embedded, and that we have an adequate oversight. UAB is committed to continuously reviewing and enhancing our corporate governance approach to ensure we remain at the forefront of best practice, adapting to changes as per the regulatory expectations and the market that we serve.

Our focus in 2023 was on assuring that the Corporate Governance Framework and policies were reviewed and revamped. This initiative was supported by providing continuous education and training too. The Board and Board Committee charters were updated and standardised ensuring alignment with the Bank's new Management Committee structure as well as current best practices (for example the enhanced focus on sustainability).

The Governance Framework ensures adequate Board oversight over the risks inherent to our business. It focuses on the separation of the Board of Directors, the Executive Management's duties and responsibilities, the effectiveness of the Board and Management Committees, role of the external and internal auditors, and the transparency, accuracy and timely disclosure of information. In addition, it aids cooperation with supervisory and regulatory authorities to ensure full compliance with applicable regulations.

UAB has a strong Board with extensive corporate leadership experience, diverse skill sets, a disciplined approach to governance and a deep understanding of the market and banking industry. The Bank also benefits from an experienced and committed Executive Management team, with a strong track record of operational excellence and embedding a compliance culture across the organisation.

We understand this approach reinforces the trust and confidence in our shareholders, customers, partners and the community we serve.

3. TRANSPARENCY AND DISCLOSURE

As part of our efforts to continuously enhance disclosures and transparency, the delivery of accurate and timely information to our stakeholders represents a key priority of the Bank. Information about the Bank is distributed through a number of channels including media, press releases and other various avenues.

A dedicated Head of Investor Relations has been appointed this year, in addition to all material disclosures being made available on the Bank's website (www.uab.ae) through which financial and non-financial reports are cascaded.

Financial reports include published annual reports and financial statements, both, in English and Arabic. Other important documents and information to shareholders such as the Memorandum and Articles of Association, shareholder structure, share price performance and latest credit ratings are also available on the Bank's website.

4. UAB's BOARD OF DIRECTORS

H.E. Sheikh Faisal bin Sultan bin Salem Al Qassimi

Chairman, Non-Executive

First elected to the Board: 1975; Re-elected to the Board in 2021 for a term of 3 years

Founder of United Arab Bank, H.E. Sheikh Faisal bin Sultan bin Salem Al Qassimi has served as the Chairman of the Board of Directors since the Bank's inception in 1975 and has since then remained the largest single individual shareholder of the Bank.

Beyond his instrumental role at UAB, H.E. Sheikh Faisal is currently the Chairman of the Board of Directors of a number of private companies. He also formerly served as the Chairman of the Board of Arab Organisation of Industries and Establishment.

H.E. served in the UAE Armed Forces in different capacities prior to retiring at the rank of Major General including Under Secretary of the Ministry of Defense, Chief of Staff, and Chairman of the Court of Crown Prince at the time – H.H. Sheikh Khalifa bin Zayed Al Nahyan.

H.E. Sheikh Faisal bin Sultan bin Salem Al Qassimi graduated from the Jordanian Officer Cadet School and Mons Officer Cadet School in UK.

External Board Appointments:
- Chairman – GIBCA Group of Companies
- Chairman – Faisal Holding LLC
- Chairman – Grand Stores
- Chairman – Hospitality Management Holdings LLC

Mr. Omar Hussain Alfardan

Vice Chairman, Non-Executive

Chairman - Board Governance and Remuneration Committee

First elected to the Board: 2007; Re-elected to the Board in 2021 for a term of 3 years

Mr. Alfardan is serving as Vice Chairman of the Board of Directors and represents The Commercial Bank (P.S.Q.C.), the largest corporate shareholder of United Arab Bank.

Mr. Alfardan holds a Bachelor's Degree in Business Administration and a Master's Degree in Finance from Webster University in Geneva, Switzerland.

External Board Appointments:
- Chairman of the Board of Directors at Alternatif Bank in Turkey
- Managing Director – The Commercial Bank (P.S.Q.C.)
- President and CEO – Alfardan Group and its subsidiaries (Automotive, Property, Hospitality, Jewelry, Investment, Marine services and Medical sector)
- Board Member – Qatar Red Crescent
- Advisory Board Member - Qatar Financial Centre Authority
- Managing Director at Marsa Arabia
- Member of the Board of Trustees of Hamad Bin Khalifa University
- Founder and Board Member of Family Business Council Gulf
- Vice Chairman of the Gulf Qatari Classic Cars Association
- Member of the Qatari Businessmen Association

H.E. Sheikh Abdullah bin Ali bin Jabor Al Thani

Director, Non-Executive

Chairman – Board Risk and Compliance Committee (until 21 Aug 2023)

Re-elected to the Board in 2021 for a term of 3 years

Sheikh Abdullah has served on the Board of Directors of United Arab Bank since February 2008 as a representative of The Commercial Bank (P.S.Q.C.), the largest corporate shareholder of UAB. He was re-appointed in 2011, 2015 and 2018 by the Annual General Assembly.

He holds a BA in Social Science from Qatar University.

External Board Appointments:
- Chairman – The Commercial Bank (P.S.Q.C.)
- Deputy Chairman – National Bank of Oman

Other External Appointments:
- Owner – Vista Trading Company, Qatar
- Partner – Integrated Intelligence Services, Qatar

H.E. Sheikh Mohammed bin Faisal Al Qassimi

Director, Non-Executive

Chairman – Board Credit Committee

Member - Board Governance and Remuneration Committee

First elected to the Board: 2011; Re-elected to the Board in 2021 for a term of 3 years

H.E. Sheikh Mohammed bin Faisal Al Qassimi is the founder of MANAFA LLC, a holding company with diversified activities in the fields of hospitality, real estate, private equity and Equity investment.

H.E. Sheikh Mohammed bin Faisal Al Qassimi holds key directorships and senior positions at various business groups and associations including the Italian Chamber of Commerce in the UAE and the GCC and Faisal Holding Co LLC.

H.E. Sheikh Mohammed bin Faisal Al Qassimi graduated from Webster University in Business Administration and Accounting.

H.E. Sheikh Mohammed is a member of CMA and the Society of Technical Analysts of UK.

Ms. Najla Al Midfa

Director, Independent

Chairperson – Board Audit Committee

Member – Board Governance and Remuneration Committee

First elected to the Board: 2012; Re-elected to the Board in 2021 for a term of 3 years

Najla Ahmed Al-Midfa is the Chief Executive Officer of the Sharjah Entrepreneurship Center (Sheraa), a government- supported entity launched in 2016, with a mandate to build the entrepreneurial ecosystem in Sharjah, and support entrepreneurs as they build and grow innovative startups that will contribute positively to the region's economy.

Launched in January 2016, under the chairmanship of H.E. Sheikha Bodour bint Sultan Al Qasimi, Sheraa has become the foundation of Sharjah's startup ecosystem. Having helped conceive the vision for Sheraa, Najla has been involved from inception: forming a prominent advisory board, building a high performing team, and structuring partnerships with key corporates and government entities in the ecosystem to support startups. Today, Sheraa has a loyal community of over seven thousand entrepreneurs and ecosystem players, and offers a full-stack program ranging from ideation and incubation through to acceleration and growth. To date, over 300 ideas have been validated and over 70 startups have graduated from Sheraa's programs. Having raised over $14m in seed investment, these startups continue to generate over $19m in recurring sales. The first Sheraa Hub was inaugurated at the American University of Sharjah (AUS), and the second hub at the University of Sharjah (UOS) was inaugurated in September 2018.

In 2017, Najla spearheaded the creation of the annual Sharjah Entrepreneurship Festival (SharjahEF). The event brings together over 2,000 entrepreneurs, investors, mentors, and ecosystem supporters to celebrate the power of entrepreneurship and inspire further innovation.

Najla is also founder of Khayarat, a platform that empowers young, high-potential Emiratis to make informed career choices, and enables them to succeed in the private sector. With a community of over one thousand young Emiratis, and over 70 placements in leading international private sector companies, the platform is influencing the next generation of Emiratis to raise their ambitions and fulfill their potential.

In her previous role as Senior Manager at Khalifa Fund for Enterprise Development, Najla led a team of business counselors through the due diligence process of selecting ventures for financing. She also set up and operated the Northern Emirate branch of Khalifa Fund, covering Ajman, Dubai, and Sharjah.

Prior to joining Khalifa Fund, Najla was a senior associate at McKinsey and Company's New York once, primarily serving clients across the financial institutions sector. Her experience also includes roles within PricewaterhouseCoopers and Shell.

She is Vice-Chairperson of Young Arab Leaders, and a fellow of the Aspen Institute's Middle East Leadership Initiative. Najla holds an MBA from Stanford University.

Mr. Ahmed Mohamad Bakheet Khalfan

Director, Non-Executive

Member – Board Credit Committee

Member - Board Governance and Remuneration Committee

Member - Board Risk and Compliance Committee (until 6 Jun 2023)

First elected to the Board: 1995; Re-elected to the Board in 2021 for a term of 3 years

Mr. Khalfan previously served as the Deputy General Manager of Emirates Industrial Bank and was Chairman of the Board of Directors of Emirates Modern Poultry Company and Vice Chairman of Emirates Rawabi. He also served as Board Member for various companies in the UAE including ALICO, Gulf Glass, and Takaful Re.

Mr. Khalfan graduated with a Bachelor of Science in Economics with honor from the North Eastern University, Boston.

Mr. Joseph Abraham

Director, Non-Executive

Member - Board Governance and Remuneration Committee

Member - Board Audit Committee

First elected to the Board: 2017; Re-elected to the Board in 2021 for a term of 3 years

Mr. Abraham has extensive banking experience across both developed and emerging markets. Before joining Commercial Bank in June 2016, he was CEO of ANZ Indonesia (Australia and New Zealand Banking Group) based in Jakarta, a position he served in from 2008 to 2016.

Mr. Abraham has an MBA from the Graduate School of Business, Stanford University, California and has worked in Indonesia, Singapore, Hong Kong, Ghana, UK and India in various country and regional banking roles with a successful track record covering general management, corporate banking, strategy, product management as well as acquisitions and integrations.

External Board Appointments:
- Group Chief Executive Officer of The Commercial Bank (P.S.Q.C)
- Vice Chairman of the Board of Alternatif Bank, Turkey
- Director, National Bank of Oman

Mr. Fahad Abdulrahman Badar

Director, Non-executive

Member - Board Credit Committee

Member - Board Risk and Compliance Committee

First elected to the Board: 2016; Re-elected to the Board in 2021 for a term of 3 years

Mr. Fahad Badar is a member of the Bank's Board of Directors and joined in July 2016. Mr. Badar's career at The Commercial Bank (P.S.Q.C.) spans over 18 years.

Prior to his current role as Executive General Manager, International Banking, Mr. Badar held a number of key roles in the International Banking, the Government and Public Sector Relations and the Wholesale Banking Divisions.

Mr. Badar holds an MBA from Durham University, United Kingdom and a Bachelors of Arts degree in Banking & Finance from the University of Wales.

External Board Appointments:
- Executive General Manager, International Banking - The Commercial Bank (P.S.Q.C.)
- Board Member – National Bank of Oman (NBO), Oman

H.E. Dr. Mohamed Omar Abdulla

Director, Non-executive

Chairman - Board Risk & Compliance committee (BRCC)

First elected to the Board: 2023

H.E. Dr. Mohamed Omar Abdulla is a highly respected industry veteran who has held key positions with government authorities in Abu Dhabi, UAE, and serves as a board member for various organisations.

With over four decades of experience and expertise in areas such as economic development, human resources, and banking, H.E Dr. Mohamed Omar Abdulla is well-known in government, diplomatic, and corporate circles.

He previously served as the UAE Ambassador to Singapore, where he played a crucial role in promoting bilateral relations between the two countries. Prior to that, he served the Abu Dhabi Department of Economic Development, the Abu Dhabi Chamber of Commerce and Industry, the National Bank of Abu Dhabi, and the National Drilling Company.

H.E. Dr. Mohamed Omar Abdulla holds a Doctorate in Philosophy from the University of Northampton in the UK. He also co-authored the book "Smart Transformation: A Roadmap for World Class Government" in March 2011.

Ms. Asma Alqaseer

Director, Non-Executive

Member - Board Audit Committee

First elected to the Board: 2023

Ms. Asma Alqaseer is an accomplished Emirati professional with extensive experience in investments, tech startups, portfolio management, and fund management. She excels in spearheading projects that require strategic partnerships and investments in the technology sector.

Ms. Alqaseer specialises in portfolio management, deal structuring and execution, macro analysis, investor relations, fund management, leadership, and strategic mentorship. She possesses exceptional research and analytical capabilities and has cultivated an extensive network of entrepreneurs and investors across the region.

Ms. Alqaseer served leading institutions in different capacities prior to joining UAB. She represented Sallis, Société Générale, Emirates Investment Authority, BNP Paribas, and Twofour54.

Ms. Asma Alqaseer holds a degree in Business Administration with a major in Management and a minor in Psychology from the American University of Sharjah.

Other External Appointments:
- Beyond View – A San Francisco based software company

Mr. Nureddin S. Sehweil

Director, Non-Executive

Member - Board Credit Committee

Member – Board Risk and Compliance Committee

First elected to the Board: 2023

Nureddin Sehweil serves as the President and Chief Executive Officer of Uni-Arab Group and its subsidiaries and partnerships in the Oil and Gas Engineering, Services and Supplies. He also serves as a board member of several companies, including Sprint Oil & Gas, New Line Oil & Gas Services, New Line & Soosan ENS, New Line & Orbitech Technical Support Services, New Line & Orion Nuclear E&C and Aqua Treat Water Technology. Technical experience extends more than 48 years in the E&P areas. He started his oil & gas career with Mobil Oil Corporation and Consolidated Natural Gas in the Gulf of Mexico area and has experience of over 10 years in the Nuclear Power generation business and Water Technology. Served on the Board of Dana Gas and a member of the Audit & Compliance Committee, the Corporate Governance, Remuneration & Nominations Committee and the Reserves Committee.

Served on the Board of Gulf Navigation and a member of the Investment Committee, the Corporate Governance Committee and the Audit & Compliance Committee. Nureddin Sehweil holds a BSC Degree in Petroleum Engineering & Economics from Louisiana State University, USA.

5. ROLE OF THE BOARD OF DIRECTORS

The Board of Directors are empowered, under the Bank's Articles of Association, with the widest powers necessary to carry out the activities and functions required to fulfill the objectives of the Bank and is the principal decision-making forum.

The Board responsibilities outlined in the Board Charter include establishing the Bank's strategy, annual budget, organisation structure and ensuring that the Bank manages risk effectively through approving and monitoring the Bank's risk appetite and risk strategy.

Adopting the Bank's Corporate Governance framework and corporate value falls within the responsibilities of the Board to help ensure the implementation of solid internal controls and disclosures, the establishment of adequate policies and procedures necessary for the Bank's sound operations and compliance with applicable regulatory and statutory requirements at all times. The Terms of Reference of the Board of Directors and all Board Committees, set out their respective process, duties and responsibilities. Moreover, the Board is responsible for providing oversight and effective challenge to senior management across a range of matters including its execution of the agreed strategy and risk management. The Board is also responsible for Board and executive management succession planning.

6. DIRECTORS' OBLIGATIONS AND DUTIES

Board Members commit to the following obligations in carrying out their duties as Directors of the Board, in accordance with the highest Corporate Governance standards:
- In line with the Bank's Articles of Association, the directors shall assume the necessary powers, responsibilities and authorities for management of the Bank. The exercising of Directors duties and responsibilities is subject to integrity, honesty, credibility, loyalty and prioritisation of the Bank's and its shareholders' interests as well as the keenness to comply in content and form with all regulations governing authorised person's business.
- Protect shareholder rights and achieve rewarding and regular return. A Board director represents all shareholders; he shall undertake any action to secure the Bank's interests in general, but not his personal interests or the interests of the group he represents or the person who voted in favor of his appointment on the Board of Directors.
- Observe and comply in form and spirit with all rules and regulations, legislations and guidelines organising the business in the United Arab Emirates.
- Observe confidentiality, conflict of interest and transparency requirements when assuming their responsibilities as Directors.
- Not being convicted of any crime or felony or a crime involving moral turpitude;
- Disclose any direct or indirect interests that they may have in connection with the Bank and which could conflict with the proper performance of their duties; and
- To manage the bank with full faith, honesty and loyalty and devote the time to attend regularly and participating effectively in Board & Committee meetings and general meetings of the shareholders.

7. BOARD COMPOSITION AND NOMINATION

The Board is composed of 11 non-executive Board members[1]. 3 new members were elected in 2023 ensuring regulatory compliance with the applicable laws and regulations.

Existing members were re-elected at the Annual General Assembly in April 2021. Members are eligible for re-election.

4 members represent The Commercial Bank, being the major shareholder, , 1 member represents the founders of the Bank with the remaining representing the private sector and minority shareholders.

The Board collectively possesses professional knowledge, business expertise, industry knowledge, diversity and financial awareness to carry out its oversight responsibilities. All Board members are in regular attendance of the meetings.

Board of Directors' Transactions in the bank's Securities

The following table shows the shares of the Bank held by the members of the Board during 2023:

Director name	Shares held as at Dec 31 2023	Total sale transactions	Total purchase transactions
HE Sheikh Faisal bin Sultan bin Salem Al Qassimi	229,515,634	-	-
Mr. Omar Hussain Alfardan	-	-	-
HE Sheikh Abdullah bin Ali bin Jabor Al Thani	-	-	-
HE Sheikh Mohammed bin Faisal Al Qassimi	1,621,533	-	-
Mr. Ahmed Mohamad Bakheet Khalfan	-	-	-
Ms. Najla Al Midfa	4,543,059	-	-
Mr. Fahad Abdulrahman Badar	-	-	-
H.E. Dr. Mohamed Omar Abdulla	-	-	-
Mr. Joseph Abraham	-	-	-
Ms. Asma Alqaseer	-	-	-
Mr. Nureddin S.Sehweil	-	-	-

1: A non-executive director is a member of a company's board of directors who does not hold an executive office. Non-executive directors act as independent advisors and are not responsible for the daily operations of the company.

8. BOARD OF DIRECTORS' REMUNERATION

- The Board of Directors were paid a remuneration of AED 6.0 million for 2022.
- The Board of Directors were paid a total of AED 790,000 as an allowance for attending the Board committees in 2022.
- The Board of Directors will be paid a remuneration of AED 10.7 million for 2023 subject to AGM approval (as per the below table).
- The Board of Directors will be paid a total of AED 1.2 million as an allowance for attending the Board committees in 2023 subject to AGM approval (as per the below table).

Board Member	Committee	Director's Remuneration (AED '000)	Attendance Fees (AED '000)	Attendance (%)
HE Sheikh Faisal bin Sultan bin Salem Al Qassimi	BOD	1,159	-	100%
Mr. Omar Hussain Alfardan	GRC	1,159	60	100%
HE Sheikh Mohammed bin Faisal Al Qassimi	BCC, GRC	1,159	210	93%
HE Sheikh Abdullah bin Ali bin Jabor Al Thani	BRCC	1,159	30	73%
Mr. Ahmed Mohamad Bakheet Khalfan	BCC, GRC, BRCC	1,159	280	88%
Ms Najla Al Midfa	BAC, GRC	1,159	130	94%
Mr. Fahad Abdulrahman Badar	BCC, BRCC	1,159	240	100%
Mr. Joseph Abraham	BAC,	1,159	140	100%
H.E. Dr. Mohamed Omar Abdulla *	BRCC	483	30	100%
Mr. Nureddin S.Sehweil *	BCC, BRCC	483	60	89%
Ms. Asma Alqaseer *	BAC	483	50	100%
Total		**10,721**	**1,230**	

** Director's remuneration pro-rated based on joining dates of August 2023*

9. BOARD ACTIVITIES IN 2022

The Board of Directors met 6 times in 2023 and received information in between meetings on regular basis from the Board and Management Committees in relation to the Bank's business developments.

2023 Board Meetings Calendar

09th February 2023	Board of Directors meeting to discuss and approve FY 2022 financial results
18th April 2023	Board meeting to discuss and approve 1st Quarter financial results
24th July 2023	Board meeting to discuss and approve 2nd Quarter financial results
13th September 2023	Board meeting to review, discuss and approve various routine and business matters on the agenda
24th October 2023	Board meeting to discuss and approve 3rd Quarter financial results
14th December 2023	Board meeting to review, discuss and approve various routine and business matters on the agenda

2023 Board membership and number of meetings held

Board Member	BOD	GRC	BAC	BCC	BRCC
HE Sheikh Faisal bin Sultan bin Salem Al Qassimi	C				
Mr. Omar Hussain Alfardan	VC	C			
HE Sheikh Abdullah bin Ali bin Jabor Al Thani	M				
HE Sheikh Mohammed bin Faisal Al Qassimi	M	M		C	
Mr. Ahmed Mohamad Bakheet Khalfan	M	M		M	
Ms. Najla Al Midfa	M	M	C		
Mr. Fahad Abdulrahman Badar	M			M	M
Mr. Joseph Abraham	M	M	M		
H.E. Dr. Mohamed Omar Abdulla	M				C
Ms. Asma Alqaseer	M		M		
Mr. Nureddin S. Sehweil	M			M	M
Number of Meetings in 2023	**6**	**6**	**6**	**17**	**5**

During 2023, there were two (2)Joint BAC-BRCC meetings and four (4) Internal Shari'ah Supervision Committee meetings held
C: Chairman, VC: Vice Chairman M: Member, BOD: Board of Directors, GRC: Board Governance & Remuneration Committee, BAC: Board Audit Committee, BCC: Board Credit Committee, BRCC: Board Risk & Compliance Committee

10. SUMMARY OF BOARD RESOLUTIONS BY CIRCULATION IN 2023

There were no Board resolutions taken up for review or approval by circulation in 2023.

11. BOARD COMMITTEES

The Board of Directors established Board Committees to assist the Board in carrying out its duties and obligations and offer a more detailed review of important areas of business and control.

Board Governance & Remuneration Committee (GRC)

Board 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.

GRC shall provide recommendations to the Board for new Board and Senior Management members. GRC will also provide support and directions to the Board in terms of strategic and budgetary initiatives, plans and decisions.

GRC is required to meet at least four (4) times a year. The committee held six (6) meetings in 2023.

Committee members:

- Mr. Omar Alfardan - Chairman
- Sh. Mohammed Bin Faisal Al Qassimi - Member
- Mr. Ahmed Khalfan - Member
- Mr. Joseph Abraham - Member
- Ms. Najla Al Midfa - Member

Board Audit Committee (BAC)

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

The internal audit function has a direct reporting line to the BAC.

BAC is required to meet at least four (4) times a year. The committee held six (6) meetings in 2023.

Committee members:

- Ms. Najla Al Midfa - Chairperson
- Mr. Joseph Abraham - Member
- Ms. Asma Alqaseer - Member

Board Credit Committee (BCC)

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

BCC held seventeen (17) meetings in 2023.

Committee members:

- Sh. Mohammed Bin Faisal Al Qassimi - Chairman
- Mr. Ahmed Khalfan - Member
- Mr. Fahad Abdulrahman Badar - Member
- Mr. Nureddin Sehweil - Member

Board Risk & Compliance Committee (BRCC)

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

BRCC is required to meet at least four (4) times a year. The committee held five (5) meetings in 2023.

Committee members:

- H.E. Dr. Mohamed Omar Abdulla - Chairman
- Mr. Fahad Abdulrahman Badar - Member
- Mr. Nureddin Sehweil - Member

Joint Board Audit and Board Risk & Compliance Committee

Additionally, joint meetings between the Board Audit Committee (BAC) and the Board Risk & Compliance Committee (BRCC) 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.

There were two (2) such joint meetings held in 2023.

12. RELATED PARTY TRANSACTIONS DURING 2023

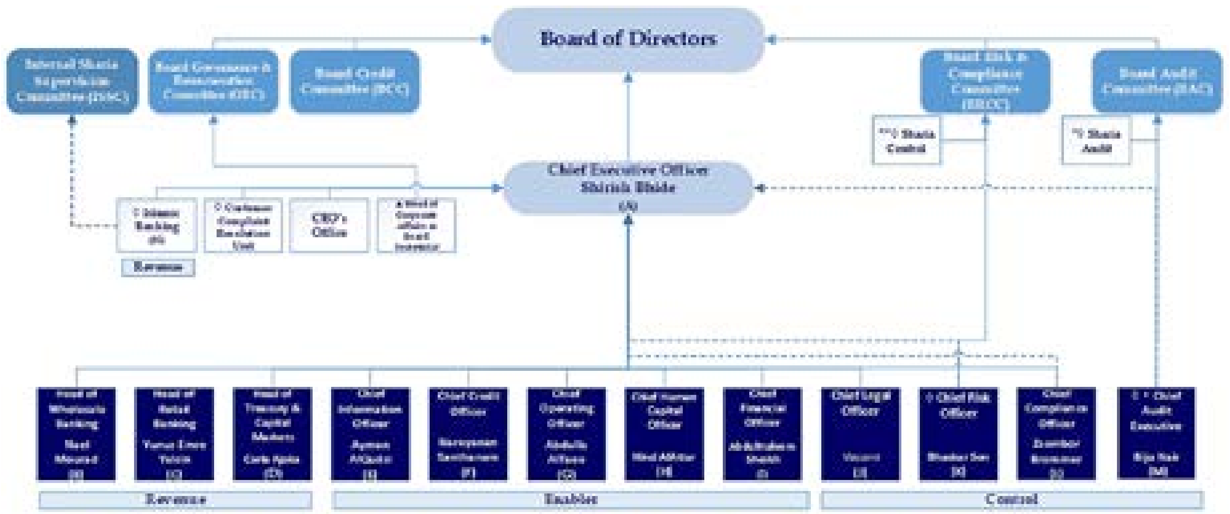
UAB consistently discloses the related party transactions in the financial statements which are audited / reviewed by external auditors. The management reviews the related party transactions as and when the deals are conducted.

The Bank discloses the transactions and dealings with the related parties according to the relevant accounting standards and are verified by our external auditors through their quarterly reviews and audits.

During the year 2023, the Bank has issued Tier 1 Instrument of USD 150 million (AED 551 Million) to "The Commercial Bank (P.S.Q.C.)" which amounts to more than 5% of the Bank's capital. Other than issuance of Tier 1 Instrument, there are no other transactions with related party which amounts to more than 5% of the Bank's capital.

Related party disclosures for the year 2023 are available in the audited financial statements.

13. UAB's ORGANISATION STRUCTURE



Matrix Reporting
*Sharia Audit will have a dotted reporting to ISSC
**Sharia Control will have a dotted reporting to ISSC
▲Head of Corporate Affairs & Board Secretariat will have dual reporting line to GRC and CEO
◊ Central Bank mandated reporting

14. SENIOR MANAGEMENT, AND THEIR COMPENSATION

Total compensation includes salaries and other short-term benefits as well as employees' end of service benefits accrued:

Position	Total Compensation in AED '000
Chief Executive Officer	22,009
Head of Wholesale Banking	
Chief Financial Officer	
Chief Risk Officer	
Chief Information Officer	
Head of Financial Markets	
Chief Human Capital Officer	
Chief Audit Executive	
Chief Compliance Officer	
Head of Retail Banking	
Chief Credit Officer	
Chief Operating Officer	
Head of Islamic Banking	

15. MANAGEMENT COMMITTEES & MANAGEMENT SUB-COMMITTEES

The Board level committees are further supplemented by key management committees to ensure comprehensive risk management and governance. The Bank has 8 Management Committees that report regularly to the Board, or the relevant Board committee as follows:

Management Committee (MANCOM)

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

Asset and Liability Committee (ALCO)

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

Credit Portfolio Committee (CPC)

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

Credit Committee (CC)

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

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

Risk Committee (RC)

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

Compliance Committee

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

Business Technology Steering Committee (BTSC)

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

Human Capital Committee (HCC)

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

Charity Committee

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

Management Sub-Committees

UAB has the following management sub-committees to assist management committees and senior management in discharging their duties and responsibilities:

Client Experience Forum (CEF)

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

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

Investment Committee (IMCO)

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

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

ERM Committee (ERMC)

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

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

Provisioning Committee (PC)

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

Operational Risk Management Committee (ORMC)

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

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

IT Risk and Information Security Committee

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

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

Model Risk Management Committee (MRMC)

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

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

Disciplinary Committee (DC)

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

16. EXTERNAL AUDITORS

Name of audit firm for the period (January 1, 2023 – December 31, 2023)	Ernst & Young (EY)
Audit Partner	Ben Wareing
Number of years served as an external auditor for the Bank	5
Total fees for auditing and reviewing the financial statements of 2023	AED 865,463 consists of: • Q1 2023 - 143,325/- • Q2 2023 - 143,325/- • Q3 2023 - 143,325/- • YE 2023 - 435,488/-
Fees and costs of services other than auditing and reviewing the financial statements for 2023	AED 188,441 for: • Arabic translation of financial statements - 21,000/- • Annual BRF review as per Central Bank of the UAE regulations – 26,250/- • Pillar 3 review as per Central Bank of the UAE regulations – 52,500/- • Tier 1 Issuance – 69,410/- • AUP for Unclaimed Dividend – 19,281/-
Any other services	Nil

** All fees are inclusive of VAT, Technology fees and OPE*

17. INTERNAL CONTROL STRUCTURE

The Bank recognises 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, model risk, ESG & climate risk, reputation risk, compliance risk, outsourcing risk 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, sub-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.
- Prudent Deployment of Capital, Liquidity and Provisioning: Efficient deployment of capital, liquidity, and provisioning supports sustainable growth and minimises 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.

The Bank places a strong emphasis on the following key imperatives to ensure sound risk management practices:

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.

1.1 Corporate Governance Framework

Corporate governance is a framework of rules, processes, policies and practices by which an organisation is managed and controlled by its Board of Directors and Senior Management. Implementation and maintenance of good corporate governance helps robust decision-making and improves strategy, performance, compliance and accountability supported by ongoing monitoring and assessment. Sound corporate governance plays a fundamental role in the culture and business practices of the Bank. The Bank's corporate governance framework relates to the way the business activities of the Bank are directed and managed considering all stakeholders and role of the Bank in the community. The Bank has a well-considered and established corporate governance framework which facilitates effective decision making and builds a strong relationship with stakeholders through a transparent structure that supports high quality disclosures.

1.2 Risk Management Framework (Three Lines of Defence)

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

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

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

1.2.1 First Line of Defence

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

1.2.2 Second Line of Defence

1.2.2.1 Finance Department

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

1.2.2.2 Credit Department

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

1.2.2.3 Risk Management Department

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

1.2.2.4 Compliance Department

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

1.2.3 Third Line of Defence - Internal Audit

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

From 2019 till 2023, Central Bank of the UAE 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 affected in 2019. The Bank had taken measures to adhere to the aforementioned standards and regulations to ensure compliance from the effective implementation date.

1.3 Roles of Board and the Executive Management

The Board of Directors defines the risk tolerance of the Bank, its primary business activities and its overall strategy and plan. The roles of Board and the Executive Management are detailed below:

1.3.1 Board Level Committees

The Board of Directors are ultimately responsible for identifying and controlling risks; however, there are separate board sub-committees responsible for managing and monitoring risks namely Board Credit Committee (BCC), Governance and Remuneration Committee (GRC), Board Risk and Compliance Committee (BRCC) and Board Audit Committee (BAC). Additionally, joint meetings between BAC and BRCC also are undertaken to ensure effective coordination and collaboration between the two committees in managing risks. Please refer to the prior sections for more details on their roles and responsibilities.

1.3.2 Internal Shari'ah Supervision Committee (ISSC)

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

1.3.3 Management Level Committees

The Board level committees are further supplemented by key management committees to ensure comprehensive risk management and governance. These committees include Management Committee (MANCOM), Asset Liability Committee (ALCO), Credit Portfolio Committee (CPC), Credit Committee (CC), Risk Committee (RC), Compliance Committee, Business Technology Steering Committee (BTSC), Human Capital Committee (HCC) and the Charity Committee (as described in the previous section).

1.3.4 Management Sub-Committees

Management sub-committees assist management committees and senior management in discharging their duties and responsibilities and include Client Experience Forum (CEF), Investment Committee (IMCO), ERM Committee (ERMC), Provisioning Committee (PC), Operational Risk Management Committee (ORMC), IT Risk and Information Security Committee, Model Risk Management Committee (MRMC) and the Disciplinary Committee (DC) (as described in the previous section).

2. 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. Risk Mitigation

The Bank has implemented a comprehensive risk mitigation framework that aims to minimise 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.

4. 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 organisational 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.

5. Compliance

United Arab Bank is committed to ensure full compliance with regulations issued by the Central Bank of the UAE and applicable regulations of the Securities and Commodities Authority of the UAE too, in line with our long-standing approach to fair treatment of customers and transparency to protect the integrity of the market.

We understand the regulatory risk implications associated with non- adherence to the local and applicable global laws and regulations, and we continuously look for ways to improve our policies and procedures, processes and ways of working, enhance the overall compliance culture in the Bank.

As an independent second line of defense function, Compliance helps to protect the Bank by establishing a control environment that mitigates key risks. Specifically, Compliance provides regulatory guidance and operates a risk-based program designed to prevent, detect, and address breaches and potential violations of applicable laws, rules, regulations, policies, and procedures.

Compliance function is also responsible to assess and mitigate the risk of the Bank being used to facilitate any financial crime activities.

One of the key responsibilities of the Compliance function is to provide consultative and advisory support and enable oversight to the Senior Management towards effectively mitigating and managing the compliance risks faced by the Bank.

Independence of the Compliance function is ensured at all times, along with unrestricted access to all necessary data, information and systems across the Bank. The Chief Compliance Officer who reports into the CEO, has direct access to the Board. Compliance also maintains an efficient oversight, monitoring and reporting structure that enables prompt escalation, follow-up and resolution of issues.

With significant continuing regulatory changes and developments, the criticality of the Compliance function and the need for an effective Compliance framework within a financial institution is unprecedented.

The vulnerability of financial institutions has significantly increased with extra-territorial enforcement of overseas regulatory bodies creating a more complex environment. Consequently, the need for Senior Management to fully understand and effectively mitigate evolving Compliance risks is of paramount importance. United Arab Bank remains fully cognizant as well as vigilant towards such local and international risks vis-à-vis our banking activities and services.

The Board and the Senior Management continuously promote and uphold a strong Compliance culture across the Bank while setting the desired "Tone from the Top". As a result, we continue to undertake the required actions to maintain an environment that is conducive towards employee empowerment and transparency in relation to effective risk management across the entire Bank.

UAB`s approach is centered on the foundation that our employees understand their duties, take full responsibility and accountability for compliance with all regulations to protect our customers and our reputation. In that sense, we provide adequate training and awareness to our employees on different areas on a regular basis.

As part of the commitment to strengthen the Bank's Corporate Governance, United Arab Bank enhanced its governance framework by reviewing the Bank's policies and procedures and introducing new ones to ensure full coverage of the regulatory requirements set up by the Central Bank of the UAE.

Risk Management and Compliance functions' related Policies and Procedures were revamped as well as documents related to Conduct risk such us the Code of Conduct, the Conflict of Interest Policy, the Personal Trading and Insider Information Policy, and the Anti-bribery and Corruption Policy.

Financial Crime Compliance and FATCA & CRS related documents were also reviewed and updated during the year.

In 2023, the Bank significantly invested in people and technology within the Risk and Compliance functions. The Compliance function was strengthened, by creating a dedicated Regulatory Compliance & Assurance team, as well as segregating the position of Money Laundering Reporting Officer from the Chief Compliance Officer role. These initiatives further strengthened robustness of our overall Compliance risk management culture and ensures that the Bank adapt Global best practices.

The Bank has enhanced its risk management framework and has zero appetite for negligent non-compliance, including financial crime, corruption and internal fraud. There is also zero tolerance for activities and behaviors that are against the Code of Conduct.

UAB was subject to multiple reviews by the Central Bank of the UAE in 2023 that assessed the Bank's policies, processes and procedures on a variety of themes. These reviews included the Corporate Governance; FATCA & CRS; AML-CFT; Pillar 1 & Pillar 2; Stress Testing, Large Exposure; Liquidity; and the follow-up review of the 2021 Baseline Examination.

Under the guidance of the Board, the Bank has taken the necessary actions to continue strengthening its governance model, its control environment and the implementation of operational best practices. As the Management is committed to address observations and recommendations made by the Central Bank of the UAE, significant enhancement of existing frameworks and controls were achieved.

The Chief Compliance Officer ensures a regular and comprehensive update to the Executive Management and to the Board on all Compliance related matters, including but not limited to activities related to the Annual Compliance Plan, regulatory developments, reviews and examinations performed by the Central Bank of the UAE, as well as tasks and initiatives to ensure compliance with newly issued regulations and addressing any potential gaps that may arise in regards to existing regulations.

At an industry level, United Arab Bank continues to play an active role with regards to collaboration with the UAE Banks Federation (UBF) as a member bank and membership of important advisory committees of the UBF, working on important initiatives, proposals and priorities.

18. DETAILS OF VIOLATIONS IN 2023

The Bank is committed to comply with all applicable laws and regulations and has a strong governance in place to identify, manage and address any regulatory breach, violation or instance of non-compliance. UAB was not subject to any penalties in 2023.

19. DETAILS OF THE CONTRIBUTIONS FOR THE COMMUNITY IN 2023

UAB has made social contributions of AED 136 thousand in projects directed to foster culture, arts, youth empowerment, and for people with disabilities.

20. SHARE PRICE INFORMATION & SHAREHOLDING DETAILS

UAB's share price on ADX at the end of each month during the year 2023 and performance versus ADX FTSE15 & ADX Financials Index:

Year	Month	High	Low	Close	Value (AED '000)	Volume ('000)	#Trades	Change (AED)	% Change (UAB)	% Change (ADX FTSE15)	% Change (ADX Financials)
2023	Jan	0.85	0.85	0.79	12	15	2	-	-	(3.9)	(8.1)
2023	Feb	0.80	0.84	0.79	2,681	3,274	56	(0.05)	(5.4)	0.3	0.9
2023	Mar	0.80	0.82	0.76	1,389	1,755	52	(0.00)	(0.5)	(4.2)	(3.1)
2023	Apr	1.15	1.22	0.79	3,027	3,075	167	0.35	43.8	3.8	3.0
2023	May	1.01	1.23	1.01	1,752	1,533	96	(0.14)	(12.2)	(3.9)	(3.3)
2023	June	1.16	1.39	1.00	5,267	4,459	152	0.15	14.9	1.5	1.5
2023	July	1.37	1.49	1.09	11,427	8,655	147	0.21	18.1	2.5	2.7
2023	Aug	1.35	1.37	1.29	2,796	2,098	98	(0.02)	(1.5)	0.2	1.4
2023	Sep	1.30	1.41	1.21	10,184	7,592	202	(0.05)	(3.7)	(0.3)	(1.0)
2023	Oct	1.35	1.35	1.21	3,667	2,870	78	0.05	3.8	(4.5)	(2.5)
2023	Nov	1.35	1.37	1.33	2,924	2,157	67	-	-	2.3	1.3
2023	Dec	1.35	1.35	1.29	1,078	810	37	-	-	0.2	0.4

UAB's shareholding distribution by Citizenship as at 31 December 2023

Shares category	Company	Individual	Grand Total
UAE	505,889,817	645,203,769	1,151,093,586
GCC	904,678,049	1,451	904,679,500
Foreign	1,028,895	5,748,668	6,777,563
Grand Total	1,411,596,761	650,953,888	2,062,550,649

UAB's major shareholders as at 31 December 2023

Investor Name (Arabic)	Investor Name (English)	# of shares owned	Holding percentage (%)
البنك التجاري (ش.م.ع.ق)	The Commercial Bank (P.S.Q.C)	825,020,255	40.00%
الشيخ فيصل سلطان سالم القاسمي	Sheikh Faisal Sultan Salem Al Qassimi	229,515,634	11.13%
شركه الماجد للاستثمارات (ذ.م.م)	Al Majid Investment Company (L.L.C)	222,454,095	10.79%
الشيخ سلطان صقر سلطان سالم القاسمي	Sheikh Sultan Saqr Sultan Salem Al Qassimi	107,192,034	5.20%
شركة الوثبة الوطنية للتأمين (ش. م. ع)	Al Wathba National Insurance Company	104,207,500	5.05%

UAB's distribution of shareholding as at 31 December 2023

# of shares held	Count	Total shares	% of Total issued shares
5,000,000 or more	35	1,980,189,003	96.01%
500,000 to less than 5,000,000	45	72,506,288	3.52%
50,000 to less than 500,000	49	8,657,927	0.42%
Less than 50,000	96	1,197,431	0.06%
Total	**225**	**2,062,550,649**	**100.00%**

UAB has a dedicated Investor Relations section on its corporate website which makes available the following information for all existing and potential investors:

- Material disclosures
- Interim and annual financial reports
- Presentations, management discussion and analysis reports
- Updated Credit ratings
- Sustainability reports

Investor Relations contact details:

Mr. Abhishek Kumat
Head of Investor Relations, Strategy & ESG
Direct telephone: +971-6-5075784
Mobile number: +971-50- 6614913
Email: ir@uab.ae

21. STATEMENT OF SPECIAL RESOLUTIONS PRESENTED IN 2023 AGM AND THE RELATED ACTION POINTS

A. At the General Assembly held on 24th January 2023, following agenda items were approved by a Special resolution by the shareholders:

1. To consider and approve the issuance of non-convertible Additional Tier 1 instruments (AT1) up to an amount of USD 150 million (or equivalent thereof in other currencies).
2. To authorise the Board of Directors of the Bank to take all necessary actions.
3. To authorise the Board of Directors of the Bank to negotiate any agreement, power of attorney, deed, certificate and/or other document required to be executed and delivered in connection with the issuance of the AT1.
4. To authorise the Board of Directors of the Bank to negotiate, sign and dispatch, on behalf of the Bank, of all other documents and notices required to be signed or dispatched by the Bank in connection with the issuance of the AT1.

B. At the General Assembly Meeting held on 16th March 2023, following agenda item was approved by a Special resolution by the shareholders:

Discussing and the approval on the establishment of a medium-term bonds program (that are inconvertible into shares) for the issue of bond of debt instruments, launched in the local or international markets with a maximum limit of USD 500 million or its equivalent in other currencies; such as a special or public launch in international stock exchange market. The program should be accomplished within one year from the date of holding the annual General Assembly meeting. In this regard. The Board of Directors shall be authorised to take a decision on the methods of this issue, and on the amendment of any document relevant to the program, according to the method to be determined by the Board of Directors. Provided the amount of any issue pursuant to this program shall be compatible with all laws and requirements adopted by the Securities & Commodities Authority and the Central Bank of the UAE.

22. COMPANY SECRETARIAT DETAILS

Name: Ms. Sereen Makahleh
Date of Joining: 03 Jan 2016

23. DETAILS OF MAJOR EVENTS AND DISCLOSURES IN 2023

- Appointment of 3 new Board members to UAB's Board of Directors in 2023
- Appointment of Al Ramz Capital as Liquidity Provider for UAB's shares (February 2023)
- Issuance of USD 150 million of Additional Tier 1 capital (March 2023)
- Fitch Ratings upgraded UAB's viability ratings (VR) to 'b+' (April 2023)
- Moody's Ratings upgraded UAB's outlook to 'positive' from 'stable' (Sep 2023)

24. DETAILS OF TRANSACTIONS CONDUCTED WITH RELATED PARTIES IN 2023 OF 5% OR MORE OF THE BANK'S CAPITAL

During the year 2023, the Bank has issued Tier 1 Instrument of USD 150 million (AED 551 Million) to "The Commercial Bank (P.S.Q.C.)" which amounts to more than 5% of the Bank's Capital. Other than issuance of Tier 1 Instrument, there are no other transactions with related party which amounts to more than 5% of the Bank's Capital.

25. EMIRATISATION

Year	Ratio
2020	20.8%
2021	18.7%
2022	23.3%
2023	26.3%

26. DETAILS OF PROJECTS AND INITIATIVES IN 2023

Technology continues to be the key enabler, improving digital experience for customers remains a strategic priority for UAB. 2023 theme was around four key driver categories namely – Customer, Efficiency, Revenue, Security and Regulatory.

Sl No	Project Name	Description
1	Tokenization Project - Apple Pay, Google Pay and Samsung Pay	UAB implemented tokenization project for its customers. This project aims to introduce secure tokenization processes for Apple Pay, Google Pay & Samsung pay transactions, enhancing payment security and providing a seamless payment experience for our customers.
2	Queue Management System	Implementation of a queuing system in place in order to have a better customer experience while simultaneously decreasing TAT for branches' staff. It will also allow Branch Management to assess the performing branches and categorize each branches performance & services more efficiently & accurately.
3	SCDM Real time integration	Integration of SCDMs provided by Transguard with the bank's core banking system for real-time update of credits and account position for Wholesale Banking Clients.
4	Soft token implementation for corporate customers	UAB is working towards a strategy to transform its existing landscape and move towards digital solution by providing its customers with all market standard facilities which will ease their operations as well as provide more control and transparency. As part of this initiative, UAB rolled out a project to enhance its current capability of second factor authorization by adding soft token (via mobile app), which will enable the corporate users to authorise the transaction even while on the go.
5	Remote Cheque Printing	UAB rolled out the RCP (Remote Cheque Printing) project which enables corporate customers to print the Cheques online at their premise or at Bank premise on behalf of the corporate. With Cheques being the preferred payment instrument in UAE there is a market need to enable bulk Cheque printing through digital channels. The solution provides the capability to print the Cheques with user- defined layouts. RCP solution will help to streamline the Cheque printing process thereby avoiding human errors and reducing human efforts while issuing a Cheque and also enhances the overall fraud protection.
6	Go AML Project	GoAML is a software developed by the United Nations Office on Drugs and Crime (UNODC) for use by FIUs to counter Terrorist Financing and Money Laundering. The software is being used by approximately 50 FIUs globally and many more are adopting the program. The GoAML web application is a secure web-based interface between FIUs and their reporting entities. Bank will use GO AML application to generate following reports (STR / SAR / AIF / ECDD) through the application and manual process of generating these reports are involved cumbersome manual activity switching between application to collected the required information for reporting. This will replace the existing manual, and often inefficient, processes that banks use to report GO AML today.
7	Fraud Monitoring System	As part of the subject CBUAE Consumer Protection Regulations, UAB rolled out a Fraud Monitoring System to monitor and respond to external fraud activities to commensurate with the type of risk associated with the Financial Product or Service and the frequency of Consumer transactions. Fraud Monitoring system under Outsourcing to Network International was rolled out for the following channels: 1. Mobile Banking 2. Online Banking 3. ATMs 4. UAB Business Online
8	UTC Platform Integration	The UAE Trade Connect (UTC) is the first of its kind block chain trade finance platform built for banks in the UAE. UAB has Integrated with UTC platform to protect the bank from the potential fraud of double financing.
9	CreditLens upgrade to latest version	UAB upgraded the current version of Moodys Credit Lens to incorporate latest version of security and service packs to keep system up to date, also allow us to benefit from new features and functionality that has been incorporated in the latest product versions.
10	Enterprise Content Management System (ECM)	UAB rolled out the Enterprise Content Management System (ECM) project is to Implement a state-of-the-art ECM (Enterprise Content Management) solution to accomplish digital (paperless) process, efficient operational environment and centralized document repository. As part of this project BPM (Business Process Management System) and Ti Plus (Trade Innovation) system has been migrated to ECM based centralized repository.
11	Single Sign on Solution (SSO) Pilot Phase	UAB rolled out a single sign on solution – Imprivata SSO for its staff. "Imprivata One Sign" offers a practical and affordable way to achieve regulatory compliance while also eliminating password management problems, improving security, reducing IT help desk costs, and improving user productivity. UAB benefits through centralized password administration, lower help-desk costs, increased user productivity and satisfaction, and ability to demonstrate compliance.
12	Card Domestic Scheme	Central Bank of the UAE initiative and mandated across all the banks within UAE, to redirect all debit card POS transaction through UAESWITCH network instead of VISA and MasterCard network. As a result, we integrated our debit Card system with the new CB CDS (Card Domestic Scheme) system and accepts new POS transactions through UAESWITCH network.
13	Financial Statement Automation Project - New Balance Sheet and Income Statement Reports Generation	UAB rolled out the Financial statement automation project. Automation of below segments are completed as part of this project. ▪ Reporting lines segmentations and further classifications to a more structured Balance Sheet and PL report ▪ Automate the classification of mismatched accounts
14	Data Warehouse Engine Replacement - Greenplum	Greenplum is a new Data warehouse Project which is replacing the current Data warehouse NETEZZA which is End of Life, All data on the old data warehouse will be migrated into the new data warehouse Greenplum.
15	Credit Decision Engine	Automated the manual work done by credit team to build a new decision engine, which will perform (Dedupe / Black list / Employer Check / and the rules defined by credit department)
16	Network Campus Replacement including the WIFI network	Campus Network Switch and Wi-Fi upgrade project to replace obsolete end of life network infrastructure.
17	HSM Replacement	HSM (Hardware Security Module) are hardened, tamper resistant hardware devices that secure cryptographic processes by generating, protecting and managing keys used for encrypting and decrypting data. Our IVR and HPS systems use HSM for pin validation. A project to replace the obsolete End of Life HSM device was successfully completed.
18	Enterprise IBM Storage replacement	Replacement of obsolete and End of Life IBM V7000 storage with FS7300.
19	Annual DR Failover Test –2023	A full site DR test was conducted successfully demonstrating UAB's capabilities to continue serving its customers without disruption during adverse unforeseen events.
20	New HPS Version upgrade from V 3.2 to V 3.5	Version upgrade of HPS PowerCARD from Version V3.2 to V3.5.
21	SWIFT Upgrade and CSP Certification	Technical upgrade with Swift Mandatory changes and Swift CSP Certification was successfully completed.

Chairman of the Board	Audit Committee Chairman	Board Governance & Renumeration Committee Chairman
Date: 5 March 2024	Date: 5 March 2024	Date: 5 March 2024

ANNUAL SHARI’AH REPORT OF INTERNAL SHARI’AH SUPERVISION COMMITTEE*

*This document was drafted in Arabic and translated to English. In case of any differences in interpretation, the Arabic version shall prevail.

Annual Report of the Internal Sharia Supervisory Committee of United Arab Bank

Issued on: 14 February 2024

To: Shareholders of United Arab Bank (the Institution)

After greetings,

Pursuant to requirements stipulated in the relevant laws, regulations and standards (“the Regulatory Requirements”), the Internal Sharia Supervisory Committee of the Institution (“ISSC”) presents to you the ISSC’s Annual Report regarding Sharia-compliant businesses and operations of the Institution for the financial year ending on 31 December 2023 (“Financial Year”).

1. Responsibility of the ISSC.

In accordance with the Regulatory Requirements and the ISSC’s charter, the ISSC’s responsibility is stipulated as to:

a. undertake Sharia supervision of all businesses, activities, products, services, contracts, documents and business charters of the Institution; and the Institution’s policies, accounting standards, operations and activities in general, memorandum of association, charter, financial statements, allocation of expenditures and costs, and distribution of profits between holders of investment accounts and shareholders (“Institution’s Activities”) and issue Sharia resolutions in this regard, and

b. determine Sharia parameters necessary for the Institution’s Activities, and the Institution’s compliance with Sharia within the framework of the rules, principles, and standards set by the Higher Sharia Authority (“HSA”) to ascertain compliance of the Institution with Sharia.

The senior management is responsible for compliance of the Institution with Islamic Shari’ah in accordance with the HSA’s resolutions, fatwas, and opinions, and the ISSC’s resolutions within the framework of the rules, principles, and standards set by the HSA (Compliance with Islamic Shari’ah) in all Institution’s Activities, and the Board bears the ultimate responsibility in this regard.

2. Shari’ah Standards

In accordance with the HSA’s resolution (No. 18/3/2018), and with effect from 01/09/2018, the ISSC has abided by the Sharia Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) as minimum Sharia requirements, in all fatwas, approvals, endorsements and recommendations, relating to the Institution’s Activities without exception.

3. Duties Fulfilled by the ISSC During the Financial Year

The ISSC conducted Sharia supervision of the Institution’s Activities by reviewing those Activities, and monitoring them through Internal Audit Department in accordance with the ISSC’s authorities and responsibilities, and pursuant to the Regulatory Requirements in this regard. The ISSC’s activities included the following:

a.a. Convening four (4) meetings during the year.

b. Issuing fatwas, resolutions and opinions on matters presented to the ISSC in relation to the Institution’s Activities.

c. Monitoring compliance of policies, procedures, accounting standards, product structures, contracts, documentation, business charters, and other documentation submitted by the Institution to the ISSC for approval.

d. Ascertaining the level of compliance of allocation of expenditures and costs, and distribution of profits between investment accounts holders and shareholders with parameters set by the ISSC.

e. Supervision through Internal Audit Department of the Institution’s Activities including supervision of executed

التقرير السنوي للجنة الرقابة الشرعية الداخلية للبنك العربي المتحد

الحمد لله ربِّ العالمين، والصَّلاة والسَّلام على أشرف الأنبياء والمرسلين سيدنا محمدٍ وعلى آله وصحبه أجمعين.

صدر في: ١٤ من شهر فبراير لسنة ٢٠٢٤

إلى السادة المساهمين في البنك العربي المتحد («المؤسسة»)

السَّلام عليكم ورحمة الله تعالى وبركاته، وبعد:

إن لجنة الرقابة الشرعية الداخلية للمؤسسة («اللجنة») ووفقا للمتطلبات المنصوص عليها في القوانين والأنظمة والمعايير ذات العلاقة ("المتطلبات الرقابية")، تقدم تقريرها المتعلق بأعمال وأنشطة المؤسسة المتوافقة مع الشريعة الإسلامية للسنة المالية المنتهية في ٣١ ديسمبر من عام (٢٠٢٣) («السنة المالية»).

١. مسؤولية اللجنة

إن مسؤولية اللجنة وفقا للمتطلبات الرقابية ولائحتها التنظيمية تتحدد في الرقابة الشرعية على جميع أعمال، وأنشطة، ومنتجات، وخدمات، وعقود، ومستندات، ومواثيق عمل المؤسسة، والسياسات، والمعايير المحاسبية، والعمليات والأنشطة بشكل عام، وعقد التأسيس، والنظام الأساسي، والقوائم المالية للمؤسسة، وتوزيع الأرباح وتحميل الخسائر والنفقات والمصروفات بين المساهمين وأصحاب حسابات الاستثمار («أعمال المؤسسة») وإصدار قرارات شرعية بخصوصها، ووضع الضوابط الشرعية اللازمة لأعمال المؤسسة والتزامها بالشريعة الإسلامية في إطار القواعد والمبادئ والمعايير التي تضعها الهيئة العليا الشرعية («الهيئة»)، لضمان توافقها مع أحكام الشريعة الإسلامية.

وتتحمل الإدارة العليا مسؤولية التزام المؤسسة بالشريعة الإسلامية وفقا لقرارات، فتاوى، وآراء الهيئة، وقرارات اللجنة في إطار القواعد والمبادئ والمعايير التي تضعها الهيئة («الالتزام بالشريعة الإسلامية») في جميع أعمالها والتأكد من ذلك، ويتحمل مجلس الإدارة المسؤولية النهائية في هذا الشأن.

٢. المعايير الشرعية

اعتمدت اللجنةُ على المعايير الشرعية الصادرة عن هيئة المحاسبة والمراجعة للمؤسسات المالية الإسلامية («أيوفي») معايير للحد الأدنى للمتطلبات الشرعية والتزمت بها في كل ما تفتي به أو تعتمده أو توافق عليه أو توصي به فيما يتعلق بأعمال المؤسسة خلال السنة المالية المنتهية دون استثناء وفقا لقرار الهيئة رقم ٢٠١٨/٣/١٨.

٣. الأعمال التي قامت بها اللجنة خلال السنة المالية

لقد قامت اللجنة بالرقابة الشرعية على أعمال المؤسسة، من خلال مراجعة أعمال المؤسسة ومراقبتها من خلال إدارة التدقيق الداخلي، وفقا لصلاحيات اللجنة ومسؤولياتها والمتطلبات الرقابية في هذا الشأن. ومن الأعمال التي قامت بها اللجنة ما يأتي:

أ. عقد (٤) اجتماعات خلال السنة المالية.

ب. إصدار الفتاوى والقرارات وإبداء الآراء فيما يتعلق بأعمال المؤسسة التي عرضت على اللجنة.

ج. مراجعة السياسات، واللوائح الإجرائية، والمعايير المحاسبية، وهياكل المنتجات، والعقود، والمستندات، ومواثيق العمل، والوثائق الأخرى المقدمة من قبل المؤسسة للجنة للاعتماد / الموافقة.

د. التأكد من مدى توافق توزيع الأرباح وتحميل النفقات والمصروفات بين أصحاب حسابات الاستثمار والمساهمين وأصحاب حسابات الاستثمار مع الضوابط الشرعية المعتمدة من قبل اللجنة.

هـ. الرقابة من خلال إدارة التدقيق الداخلي، على أعمال المؤسسة بما في ذلك المعاملات المنفذة والإجراءات المتبعة، وذلك على أساس اختيار عينات من العمليات المنفذة، ومراجعة التقارير

transactions and adopted procedures on the basis of samples selected from executed transactions, and reviewing reports submitted in this regard.

f. Providing guidance to relevant parties in the Institution – to rectify (where possible) incidents cited in the reports prepared by Internal Audit Department and issuing of resolutions to set aside revenue derived from transactions in which non-compliances were identified for such revenue to be disposed towards charitable purposes.

g. Approving corrective and preventive measures related to identified incidents to preclude their reoccurrence in the future.

h. Communicating with the Board and its subcommittees, and the senior management of the Institution (as needed) concerning the Institution's compliance with Sharia.

The ISSC sought to obtain all information and interpretations deemed necessary in order to reach a reasonable degree of certainty that the Institution is compliant with Sharia.

4. Independence of the ISSC

The ISSC acknowledges that it has carried out all of its duties independently and with the support and cooperation of the senior management and the Board of the Institution. The ISSC received the required assistance to access all documents and data, and to discuss all amendments and Sharia requirements.

5. The ISSC's Opinion on the Shari'ah Compliance Status of the Institution

Premised on information and explanations that were provided to us with the aim of ascertaining compliance with Sharia, the ISSC has concluded with a reasonable level of confidence, that the Institution's Activities are in compliance with Sharia, except for the incidents of non-compliance observed, as highlighted in the relevant reports. The ISSC also provided directions to take appropriate measure in this regard. It is noteworthy to mention that no Zakat obligations on the Islamic Banking since all Islamic Assets are being financed by Islamic depositors and there is no contribution from United Arab Bank shareholders.

The ISSC formed its opinion, as outlined above, exclusively on the basis of information perused by the ISSC during the financial year.

المقدمة في هذا الخصوص.

و. تقديم توجيهات إلى الجهات المعنية في المؤسسة بتصحيح ما يمكن تصحيحه من الملاحظات التي وردت في التقارير المقدمة من قبل إدارة التدقيق الداخلي، وإصدار قرارات بتجنيب عوائد المعاملات التي وقعت مخالفات في تطبيقها لصرفها في وجوه الخير.

ز. اعتماد التدابير التصحيحية/الوقائية فيما يتعلق بالأخطاء التي تم الكشف عنها لمنع حدوثها مرة أخرى.

ح. التواصل مع مجلس الإدارة واللجان التابعة له والإدارة العليا للمؤسسة، حسب الحاجة، بخصوص التزام المؤسسة بالشريعة الإسلامية.

٤. استقلالية اللجنة

تؤكد اللجنة بأنها أدت مسؤولياتها وقامت بجميع أعمالها باستقلالية تامة، وقد حصلت على التسهيلات اللازمة من المؤسسة وإدارتها العليا ومجلس إدارتها للاطلاع على جميع الوثائق والبيانات، ومناقشة التعديلات والمتطلبات الشرعية.

٥. رأي اللجنة بخصوص التزام المؤسسة بالشريعة الإسلامية

بناء على ما حصلنا عليه من معلومات وإيضاحات من أجل التأكد من التزام المؤسسة بالشريعة الإسلامية، فقد خلصت اللجنة بدرجة مقبولة من الاطمئنان إلى أن أعمال المؤسسة خلال السنة المالية متوافقة مع الشريعة الإسلامية باستثناء بعض ما لوحظ من مخالفات فقد تم رفع تقارير بشأنها، وقد وجهت اللجنة باتخاذ الإجراءات المناسبة في هذا الخصوص. ومن الجدير بالذكر أنه لا يوجد إلتزام على الخدمات المصرفية الإسلامية في البنك العربي المتحد بدفع الزكاة حيث أن الأصول الإسلامية الخاصة بالنافذة تمول بإجمالها من أموال المودعين ولا توجد مساهمة في تلك الأصول من طرف مساهمي البنك العربي المتحد.

ورأي اللجنة، المذكور أعلاه، مبني على المعلومات التي اطلعت عليها خلال السنة المالية حصراً.

نسأل اللّه العلي القدير أن يحقق للجميع الرشاد والسداد

والسلام عليكم ورحمة اللّه وبركاته

Signatures of members of the Internal Shari'ah Supervision Committee of the United Arab Bank:

توقيع أعضاء لجنة الرقابة الشرعية الداخلية للبنك العربي المتحد:

Sheikh Dr. Ahmad Abdelaziz AlHaddad	Chairman توقيع الرئيس	فضيلة الشيخ الدكتور أحمد بن عبد العزيز الحداد (رئيس لجنة الرقابة الشرعية الداخلية)
Sheikh Dr. Aziz Farhan AlEnezi	Member توقيع العضو	فضيلة الشيخ الدكتور عزيز بن فرحان العنزي (عضو لجنة الرقابة الشرعية الداخلية)
Sheikh Moosa Tariq Khoory	Executive Member توقيع العضو	فضيلة الشيخ موسى طارق خوري (العضو التنفيذي للجنة الرقابة الشرعية الداخلية)

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE REPORT 2023

Table of Content

1. ABOUT THIS REPORT

ABOUT THIS REPORT

United Arab Bank is proud to present its fourth annual ESG report. This report captures an overview of the Bank's Environmental, Social and Governance performance against the ESG reporting guidelines set by the Abu Dhabi Securities Exchange.

REPORTING PERIOD

This report covers the calendar year from January 1st to December 31st, 2023. Information from previous years is provided when available for comparison purposes.

REPORTING GUIDELINES

As part of our commitment to transparency and international best reporting practices, this report is developed in accordance with the Sustainable Development Goals (SDGs) and the ADX ESG Disclosure Guidance for listed companies, the index of which is presented in the Appendix.

REPORT BOUNDARY

This report covers UAB operations in the UAE only. Financial data is expressed in AED.

CONTACT POINT:

We always value feedback and strive to improve our reporting. Hence, we welcome any questions or feedback you may have on our progress and ambitions.

Email: sustainability@uab.ae
Phone: +971 6 5075784

1. ABOUT UAB

UNITED ARAB BANK, P.J.S.C. (UAB) was incorporated on the 21st of January 1975 as a joint venture between UAE investors and the French international financial conglomerate, Société Générale (SG). Today, the bank is considered among the longest-standing and most innovative banking and financial services providers in the United Arab Emirates.

Headquartered in Sharjah, UAB operates through 6 branches, 18 ATMs, and 12 cash and cheque deposit machines (CCDM) across the UAE offering retail and corporate banking services. The Bank succeeded to establish itself as a partner of choice for corporate clientele with a comprehensive suite of Wholesale Banking services supported by Trade Finance, Retail Banking, and Financial Markets services, in addition to Islamic Banking solutions.

OUR VISION

United Arab Bank seeks to be a trusted and stalwart partner to its customers, shareholders, and employees. Being the bank of choice in the UAE, it will lead the way to greater financial prosperity while keeping the highest standards of integrity.

OUR MISSION

United Arab Bank is committed to building sustainable long-term partnerships with our key stakeholders by offering a superior client experience, creating shareholder value, and adopting an innovative banking approach while remaining loyal to our nation's heritage and contributing to the overall development of the UAE.

OUR COMMITMENTS

FOR OUR CUSTOMERS
Committed to consistently deliver a superior customer experience and adopt an innovative banking approach.

FOR OUR PEOPLE
Committed to helping our people grow within a high performance culture that attracts, develops, and rewards talent and contribution.

FOR OUR COMMUNITY
Committed to contributing to our community to make a difference.

FOR OUR SHAREHOLDERS
Committed to creating consistent and long-term shareholder value and ensuring its sustainable growth.

FOR OUR REGULATORS
Committed to applying the highest standards of corporate governance and work ethics.

OUR VALUES

INTEGRITY
Conducting our business and managing stakeholder relationships.

CUSTOMER FOCUS
Orienting our activities to achieve optimum customer satisfaction.

COMPETENCE
Delivering exemplary standards of performance.

CONSISTENCY
Maintaining the commitments and standards that we have set.

COURTEOUSNESS
Respect and courtesy are the primary and only benchmarks for our behavior and conduct.

OUR OWNERSHIP STRUCTURE

UAB is listed on the Abu Dhabi Stock Exchange (ADX) with a diversified ownership structure of local, regional, and foreign shareholders.

List of major shareholders who own 5% and above of the share capital as of December 31, 2023.	
Shareholder	Percentage (%)
The Commercial Bank (P.S.Q.C)	40.00
Sheikh Faisal Sultan Salem Al Qassimi	11.13
Al Majid Investment Company (LLC)	10.79
Sheikh Sultan Saqr Sultan Salem Al Qassimi	5.20
Al Wathba National Insurance Company PJSC	5.05

2. OUR SUSTAINABLE FUTURE

OUR SUSTAINABILITY MANAGEMENT APPROACH

At UAB, we believe that managing ESG risks and driving a strong sustainability agenda contributes to long-term value creation for our stakeholders, future-proofing our business and the economy at large. To achieve this agenda, we developed a sustainability approach that articulates our commitment and discloses it to our stakeholders known as UAB Sustainability Framework. The framework guides the Bank in making better CSR investments, improving operations, and increasing efficiency in our sustainability agenda.

The framework is buit on five pillars of our long-term strategy

In creating the approach, we consulted various stakeholders to get their feedback on material issues. We also ensured its alignment with the UN Sustainable Development Goals, the UAE's Vision 2021, and the ADX ESG Disclosure Guidance for Listed Companies.

UAB has continuously invested in CSR, especially in community and environmental conservation projects. We have invested in environmental conservation programmes to reduce the Bank's carbon footprint as well as contribute to climate change mitigation. Since 2022, UAB has partnered with Storey Group org., a UAE-based social enterprise working in affiliation with the United Nations to fulfil the ONE Billion Tree-Planting initiative. This initiative aims to plant a forest of mangroves in which each tree will absorb four times the carbon dioxide of a tropical forest tree.

INTEGRATING ESG PRINCIPLES: A DUAL FOCUS ON RISK MANAGEMENT AND GOVERNANCE

At UAB, we are committed to incorporating Environmental, Social, and Governance (ESG) principles into our business operations, aligning with the objectives of COP28 and the United Arab Emirates' national vision. Our approach to ESG encompasses all facets of our operations, from investment and lending practices to risk management strategies, internal policies and governance practices. We believe in the importance of ESG in creating sustainable value, generating positive social impact, and reducing environmental risks. Through a thoughtful approach to sustainable finance, UAB aims to contribute to global sustainability goals, emphasizing Risk Management and Governance.

ESG RISK FRAMEWORKS AND CLIMATE STRESS TESTING: MANAGING RISKS PROACTIVELY

A key element of our ESG strategy is the development of ESG Risk frameworks and the introduction of climate stress testing for our portfolio. This approach highlights our proactive efforts to understand and mitigate potential environmental and climate-related risks. By employing comprehensive climate stress testing, we evaluate the potential impacts of various climate scenarios on our operations, enabling proactive resilience-building strategies. These initiatives showcase our commitment to thorough risk management, preparing UAB to navigate the evolving challenges and opportunities of climate change.

ESTABLISHMENT OF THE SUSTAINABILITY COMMITTEE (SC): ENSURING SOUND GOVERNANCE

In our pursuit of governance excellence, UAB is in the process of establishing a Sustainability Committee (SC), slated to begin operations in 2024. The SC aims to guide and oversee our sustainability efforts, ensuring they are in line with our corporate values and objectives. This integration of governance into our sustainability strategy is crucial for driving our commitment to environmental care, social responsibility, and strong governance principles. We look forward to the SC's contributions to our sustainability efforts.

A BALANCED APPROACH TO ESG

UAB's approach to ESG, emphasizing Risk Management and Governance, demonstrates our balanced commitment to sustainable and responsible banking. Through initiatives such as ESG risk frameworks, climate stress testing, the formation of the Sustainability Committee, and a focus on regulatory compliance, we are dedicated to navigating the complexities of ESG issues thoughtfully and effectively.

As we continue to refine our ESG strategy, UAB remains focused on contributing positively to our communities and the environment, guided by a spirit of responsibility and a commitment to sustainable progress.

3. OUR CORPORATE GOVERNANCE

3.1. GOVERNANCE, COMPLIANCE, AND ETHICS

We at UAB believe that robust and transparent governance is the blueprint upon which our identity and success are built upon. The Bank continuously works on reviewing and improving its governance structures and processes to ensure effective and responsible decision-making. Built on our values of Integrity, Customer Focus, Competency, Consistency, and Courteousness, our Corporate Governance Framework and operating model enables the board of directors to maintain effective and regular oversight over the inherent risks in the business of the Bank.

The Board approves strategic objectives, appropriate risk strategies, as well as policies and procedures to ensure that business plans and budgets are properly aligned with business activities. The Board also has the responsibility to set corporate governance values, codes of conduct, and standards of compliance with banking laws and regulatory guidelines. To learn more about our governance structure and management, please refer to our governance section in the report.

OUR BOARD STRUCTURE

Name	Role
H.E. Sheikh Faisal bin Sultan bin Salem Al Qassimi	Chairman
Mr. Omar Hussain Alfardan	Vice Chairman
HE Sheikh Abdullah bin Ali bin Jabor Al Thani	Member
HE Sheikh Mohammed bin Faisal Al Qassimi	Member
Mr. Ahmed Mohamad Bakheet Khalfan	Member
Ms. Najla Al Midfa	Member
Mr. Fahad Abdulrahman Badar	Member
Mr. Joseph Abraham	Member
H.E. Dr. Mohamed Omar Abdulla*	Member
Ms. Asma Alqaseer*	Member
Mr. Nureddin S. Sehweil*	Member

* Appointed in Aug 2023

GOVERNANCE

UAB 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.

1. GOVERNANCE AND REMUNERATION COMMITTEE

The Governance and 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. GRC shall provide recommendations to the Board for new Board and Senior Management members. GRC will also provide support and directions to the Board in terms of strategic and budgetary initiatives, plans and decisions.

2. BOARD CREDIT COMMITTEE

The Board Credit Committee (BCC) provides leadership for the Bank within a framework of prudent and effective controls which enables robust credit control. The BCC is responsible for evaluating and granting counterparty credit facilities and approving the Bank's investment activities within authorised limits and, in doing so, exercise all the powers delegated by the Board, subject to any relevant laws and regulations.

3. BOARD RISK AND COMPLIANCE COMMITTEE

The Board Risk and Compliance Committee (BRCC) monitors and manages all aspects of enterprise risk management including, but not restricted to, credit risk, market risk operational risk, legal risk, regulatory risk, liquidity risk, and financial risk. Moreover, the BRCC reviews and approves the policies on all risk issues and maintains oversight of all Bank risks through reports received from the General Management Risk Committee.

4. 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, internal and external audit processes. The internal audit function has a direct reporting line to the BAC.

JOINT BOARD AUDIT AND BOARD RISK COMMITTEE

Joint Meeting between the Board Audit Committee (BAC) and the Board Risk & Compliance Committee (BRCC) 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.

OUR GOVERNANCE DIVERSITY

We further enhanced the female representation on the Board to 18% from 12% last year by appointing an additional female director in 2023, while female representation across various Board Committees increased from 7% in 2022 to 20% in 2023.

	Male Percentage	Female Percentage
Board of Directors	82%	18%
Board Committees	80%	20%

COMPLIANCE

UAB is committed to maintaining full compliance with the applicable laws and regulations of the Central Bank of UAE, other regulatory bodies and the Government of the UAE. The Compliance Committee provides oversight to address all matters of non-compliance

Incidents of Non-compliance	2021	2022	2023
Total incidents of non-compliance	0	1	0
Total number of non-monetary sanctions	0	0	0
Percentage of legal and regulatory fines and settlements that resulted from whistleblowing	0	0	0

CONFLICT OF INTEREST

UAB has various sets of policies and procedures in place across relevant departments that ensure effective management of conflicts of interest of UAB employees with regard to customers. Our Conflict-of-Interest section, as outlined in the UAB Code of Conduct, identifies employees' responsibilities with respect to conflicts of interest that are most likely to occur in the Bank, as well as the employee's duty to exercise discretion in determining whether a conflict occurs and whether it would warrant remedial action.

Employees must report any conflicts of interest, protect customer confidentiality and Bank confidential information, declare any outside business interests, and obtain approval before engaging in personal dealing. Employees should also behave in the best interests of customers. According to the Delegation of Authority manual "No one has the authority to sanction a commitment or an item of expenditure in circumstances where that individual receives a personal benefit."

WHISTLEBLOWING POLICY

We at UAB focus on building the values of transparency and accountability across all levels of our organisation. We achieve this, our whistleblowing Policy dictates the procedures, confidentiality measures and actions to be taken in the event of receiving a report of misconduct or illegal behaviour. The policy is owned by our Compliance department and includes a designated Whistleblowing Officer and a dedicated channel to report incidents, with the required level of confidentiality maintained.

CONSUMER PROTECTION

UAB is committed to full compliance with all applicable laws and regulations related to consumer protection. The Bank has established policies and procedures to ensure that its products and services are transparent and fair to its customers. The Bank also provides appropriate disclosures and information to its customers, to enable them to make informed decisions about their financial matters.

In addition to compliance with relevant regulations, UAB is committed to maintaining a high level of ethical standards in its dealings with customers. The Bank will not engage in any unfair, deceptive, or abusive practices, and will always act in the best interests of its customers.

3.2. DATA PRIVACY AND SECURITY

INFORMATION SECURITY FRAMEWORK

We are committed to protecting and respecting the data we collect and process. We understand that our customers, partners, and employees expect their data to be treated with vigilance and high ethical standards. Hence, our approach to data privacy and security is founded on having the right talents, systems, controls, policies, and full compliance with the laws and regulations.

Our Information Security Policy Manual sets a guideline and defines the scope by establishing the following objectives:

- Ensures a set of rules and policies to benchmark the overall IT and Cybersecurity posture.
- The policy manual enables the Bank to apply the principles of Information Security to improve the security and resilience of the information systems.
- The policy manual provides structure to today's multiple approaches to Information Security by assembling standards, guidelines and practices that are working effectively in the industry today.

In addition to our Information Security policy manual, UAB has established a detailed Consumer Data Protection and Privacy Policy in alignment with the Central Bank of UAE consumer data protection. The policy details the rights of customers, retention of data, and protection requirements. Furthermore, a comprehensive risk management procedure is in place to identify various risks pertaining to technology and evaluate them using the threat factor, vulnerability, probability and impact. For risk mitigation status, such residual risks are reported to the Risk Management Committee and Board Risk Management Committee.

SECURITY STANDARDS ALIGNMENT

UAB is aligned with the following security standards.

a. National Electronic Security Authority – NESA (UAE IA Standard)
b. Industry regulated standard - PCI DSS (Payment Card Industry Data Security Standard)
c. Industry regulated standard - SWIFT CSP (SWIFT customer security program)

CYBER SECURITY BREACHES

Period	Cyber Security Breach Incidents	Cyber Security breach Attempts
Q1 2023	0	324
Q2 2023	0	314
Q3 2023	0	427
Q4 2023	0	296

AWARENESS CAMPAIGNS AND TRAINING

As human errors still play a role in increasing the probability of successful cybercrimes, UAB takes a preventive approach to complement its existing systems and controls by making sure employees and customers are equipped with the needed knowledge to identify and mitigate any cybercrime attempts.

The Bank has instilled the culture of continual fraud risk awareness campaigns internally and for the customers to cover wider audiences by implementing cybercrime and fraud awareness program (via SMS, social media, Website, ATM display, SMS, Emailers, Screensavers) to protect themselves from financial cybercrime and fraud. A series of campaigns were developed with taglines of #UnitedAgainstFraud, #saferinternetday and #BankingTipsTuesday on our social media channels.

In addition to the Bank's campaigns, UAB also supported UAE Banks Federation (UBF) with its campaign under the theme of "National Fraud Awareness Campaign", which is done in collaboration with the Central Bank of the UAE, Abu Dhabi Police, Dubai Police, and TDRA (Telecommunication & Digital Government Regulatory Authority). This has been continuously communicated across most channels used by UAB. The Bank also participated in the Fraud Awareness week in 2023, in association with UBF and Association of Certified Fraud Examiners (ACFE) to spread the awareness to customers and staff through various channels about fraud typologies and the methods to prevent it.

As for our internal campaigns, we conducted employee training and awareness sessions on data privacy, fraud awareness and information security issues throughout the year targeting all employees. These training sessions were conducted in collaboration with our HCM department, whereby they follow up with all departments to ensure their participation.

In 2023, various trainings and initiatives were undertaken (as below) through a mix of classroom trainings, e-learning, social media posts and stories as well as emails:

Security Awareness trainings and initiatives in 2023	
▪ Phishing Simulation	▪ New Joiner Program
▪ Clear desk policy	▪ DLP Awareness and Incident Investigation
▪ Safeguarding Confidential Data: Best Practices!	▪ Security Measures Awareness
▪ Beware of Imposters	▪ Safer Internet Day - Secure Your Data with Extra Layer of Protection
▪ Whistle Blowing	▪ Phishing - WhatsApp Awareness
▪ Fraud Risk Management Policy	▪ Public Wifi Awareness - Secure your devices
▪ Phishing Alert Tab in Outlook	▪ Phising Awareness - Spear Phishing - Outsmarting the phone scammers
▪ Suspicious Activity Transaction	▪ UAE Banks Federation, Fraud Campaign Awareness
▪ UAB Fraud Transaction Monitoring	▪ Fraud Awareness - Stay Alert, Be Vigilant
▪ Phishing Emails - Protect Yourself	▪ Fraud Awareness - Be Vigilant, Don't get tricked by Fraudsters
▪ Vishing and Smishing	▪ Fraud International Week (12-18 Nov)
▪ Security Awareness: Supply Chain Attacks	▪ Protect Your Credit Card Details

4. OUR RESPONSIBLE BANKING

4.1. SUSTAINABLE PRODUCTS AND SERVICES

ACCESSIBLE BANKING

In line with the UAE's efforts to empower people of determination and ensure an inclusive society, UAB has installed ramps across six of its branches to facilitate the accessibility of these branches to people of determination. In our branches, our queueing kiosks and differently-abled teller counters have vivid identification marks for easy access as well as a dedicated relationship manager is available for people of determination. Our upgraded ATMs /CDMs which are being rolled out across the network are now equipped with a Braille keypad..

SUSTAINABLE FINANCING

UAB recognises the environmental and social challenges that continue to rise affecting every aspect of people's lives and businesses alike. As a financial institution, we are taking steps towards integrating ESG factors into our decision-making processes. We have integrated ESG risk considerations into our Wholesale Banking processes starting with the onboarding stage where we assess the client's potential exposure to ESG risks and the possible remedies/mitigants to such risks. The same is reassessed annually when conducting the credit facilities reviews across the Wholesale Banking portfolio. Furthermore, the Bank continued to focus on ESG-linked loan facilities, sustainable bonds and green bonds issued by regional financial institutions and sovereigns, with investments reaching a c. AED 516 million by the end of 2023 as compared to a mere c. AED 47 million in 2022.

The Bank also launched its suite of green sustainable finance products like Green Auto Loan and Green Home Loan with special discount rate as compared to similar conventional products, and committed to plant one mangrove tree on behalf of the customers for every loan taken. The launch of these new products coincided with COP28 and exemplifies UAB's support towards UAE's Net Zero by 2050 strategic initiative.

DIGITAL BANKING

Building on our efforts and promise to provide a superior customer experience and innovate in our services, the Bank launched a digital onboarding platform for retail customers and an online banking portal for corporate clients. The onboarding platform offers customers the comfort and ease of applying for an account of their choice conveniently and paperlessly. Corporate online banking allows clients to make online submissions of all types of transfers, payments and transactions which considerably reduces the submission of paper requests at the branches' counters. To digitise our processes and reduce paper consumption, the Bank had already replaced couriering of paper statements every month-end with monthly e-statements sent to the registered email addresses of the corporate entities. Multiple campaigns and incentives like waiving of monthly maintenance fees for corporate clients were undertaken to promote the new enhancements and products added in digital channels, giving convenient options to the clients at their fingertips and hence avoiding physical visits to the branches / offices. .

4.2. CUSTOMER EXPERIENCE

EMPLOYEE TRAINING ON CX

As a financial service provider, customer experience and satisfaction are crucial factors to our business's success and continuity. We take a strategic approach to ensure our customers have a smooth and quality banking experience by training our front-line employees to acquire the needed skills and knowledge to cater to every need and effectively handle conflict. This allows the Bank to ensure a standardised experience quality across its branches, easily identify improvements to customer experience and tackle them.

Training Title		# of staff attended
1. Customer Risk Rating Training	• Understand Customer Risk Classification • Understand the Process	10
2. Product Training – Cash Management	• Account services • Payments • Payroll • Guidelines for filing relevant sections	3
3. CBUAE Consumer Protection standards awareness	• Understand relevant provisions of the UAE Consumer protection standards and UAE Federal law • Structure of the regulation • Learn about the principles, etiquettes, and best practices to treat the customer fairly and with empathy	17
4. Customer Experience (EIBFS Course)	• Understanding the Customer journey • Taking the Extra Mile • Becoming a Happiness Engineer • Using Customer Experience as a Strategy • Methods to improve customer experience strategy • The link between customer experience and Customer retention • Measuring Customer Experience	2
5. Debit Card online utilization	• Understand the online utilization of the card • The terms and conditions on online use	7
6. Compliance Training (KYC/ FATCA/CRS)	• Understand the FATCA regulations • KYC - updates • CRS system • How to perform enhanced due diligence	3
7. Root Cause Analysis (RCA) and complaint management (EIBFS Course)	• Understand the basics of complaint management protocols in line with CBUAE consumer protection code • Understand how to do RCA with banking data	4
8. Mandatory Training	• Risk Management • Anti-Money Laundering • Data Leakage Prevention • Phishing Attacks	17

CUSTOMER SATISFACTION

The Bank has been conducting a satisfaction survey every year to evaluate the quality of its services, define gaps and take actions to improve. Our NPS is determined by responses to a single question: "How likely is it that you would recommend our UAB's a product/service to a friend or colleague?" The results of our 2022 survey showed an overall NPS of 24 (Promoters 52%, Detractors 31%, Neutrals 17%). The next survey will be undertaken in 2024, as in 2023, the client experience unit (CEU) underwent significant re-organisation in the third quarter under the leadership of a new Head of Customer Experience. In fact, as part of the re-organisation process, and in line with our commitment to elevate customer satisfaction a new Customer Contact Centre was established to provide 24x7 availability.

CUSTOMER GRIEVANCES

Our customers are at the core of everything we do. We continuously strive to uphold our commitment to our customers - "Committed to consistently deliver a superior customer experience and adopt an innovative banking approach" - by ensuring the implementation of efficient and robust processes. When it comes to our customer complaints and grievance management, the Bank is aligned with the Central Bank and Consumer Protection Regulations (CPR). In case of any grievances, customers are informed about their right to escalate their case to the Central Bank. Furthermore, we ensure our customers are informed about our grievance process and their rights by publicly sharing our Customer Charter on our website, and branches.

To ensure customers can easily communicate with us we established the following channels to collect grievances:

- 24/7 Contact Centre
- 6 Branches across UAE
- UAB website
- UAB Online Banking
- Mobile Banking
- 24/7 Chat & Email access

The number of customer complaints received in 2023	2006
The number of solved customer complaints in 2023	2005
Complaints that were escalated to Senior Management	13
Complaints that were escalated through the CB from customers	54

5. OUR PEOPLE

5.1. TALENT ATTRACTION AND RETENTION

UAB is committed to attracting and retaining top talents. The Bank recognises that its employees are key to its success and works to create a supportive and engaging work environment that fosters growth and career development.

UAB invests in its employees through training and development programmes, flexible work arrangements, and competitive compensation packages. The Bank also prioritises creating a diverse and inclusive workplace, where all employees feel valued and respected.

In addition to its internal initiatives, UAB is also actively involved in the wider community, supporting initiatives that promote education and career development. The Bank also collaborates with local universities to offer internship and job opportunities to students, helping to develop the next generation of leaders in the region.

UAB's commitment to attracting and retaining top talent is a key factor in its long-term sustainability and success. The Bank will continue to invest in its employees and create a positive workplace culture, in order to attract and retain the best talent in the industry. Below are some key initiatives that Bank has undertaken in this regard.

EMPLOYEE BENEFITS

To remain relevant in a competitive employment market and provide our employees with motivational benefits that enhance retention rate, we provide them with Medical Insurance, Life Insurance, Airfare Allowance, Education Allowance, House Rental Advance Allowance, and Mobile Allowance. Employee benefits packages are reviewed on an annual basis by our Board Governance and Remuneration Committee (GRC).

PARENTAL LEAVE

The Bank abides by the UAE labour law of 2022, where female employees are granted a maternity leave of up to 90 calendar days and both male and female employees take parental leave of 5 working days. Additionally, the Bank also offers female employees 30 days of half pay on top of the maternity leave eligibility stated in the labor law. In 2023, 3 Female Staff and 13 Male Staff took parental leave (2022: 2 Female Staff and 6 Male Staff).

REWARD & RECOGNITION

UAB continuously observes the achievements of its employees and recognises their contribution to the Bank's success. To recognise our high-achieving employees, the Bank allocates AED 200,000 for its Reward and Recognition initiatives annually such as the Employee of the Quarter Award, Sheikh Faisal Award, and Best Branch Award.

EMPLOYEE ENGAGEMENT

One of the main metrics used by our bank to engage with our employees, get their feedback and inputs on how we can improve their experience, and evaluate their job satisfaction is our NPS Engagement Survey. The Bank redesigned the survey completely in 2023 for obtaining employees' feedback and is currently in the process of finalizing the results.

TURNOVER RATE	2021	2022	2023
% Year-over-Year change for full-time employees	-3%	-1%	14%
% Year-over-Year change for part-time employees	0%	0%	0%
% Year-over-Year change for contractor employees	2%	-15%	51%
% Year-over-Year change for consultant employees	0%	0%	0%

5.2. DRIVING PEOPLE DEVELOPMENT

UAB Human Capital Management (HCM) training team oversees defining the competencies development framework every year, in line with the strategic priorities and values in UAB's Annual Business and Strategic Plan. This framework helps the team in designing guidelines for all parties involved in the process (coach, mentor, supervisor, assessor, and learning and development).

Individual development plans are established based on the framework and the standards against which the employee will be assessed. These are identified through a multi-source mechanism that captures the learning and development needs that are shared by a group of employees. Our performance review process is the main tool used to recognize and plan learning and development. The HCM training team will review the plans, expectations, and results with senior management while direct managers are in charge of ensuring that individuals' training requirements are met.

To ensure the effectiveness of our training, we perform a pre and post-assessment for technical skills programmes, extract a report, determine the effectiveness of the training, and define improvements if needed. Further, we collect feedback from participants to evaluate their satisfaction and analyse how the training is helping with their career advancement path. Various assessment methods are used such as exercises, role play, and case studies.

In 2023, the Bank conducted 10 training programs for the senior management on:

- Regulatory programs on compliance (AML/CTF, Sanctions)
- Data Leakage Policy
- Security Awareness
- Operational Risk Management
- Fraud Risk Management
- Legal Awareness Program
- Corporate Tax

TRAINING - ALL EMPLOYEES			
Indicator	2021	2022	2023
AVERAGE NUMBER of training DAYS for a MALE employee	10	9	8
AVERAGE NUMBER of training DAYS for a FEMALE employee	11	10	9
Average NUMBER of training DAYS for ALL employees	10	9	8.5
Employee Post-training Evaluation of the learning programmed (NPS Score)	8	8	8

TRAINING - SENIOR & EXECUTIVE LEVEL			
Indicator	2021	2022	2023
AVERAGE NUMBER of training DAYS for a MALE SENIOR & EXECUTIVE employee	6	6	6
AVERAGE NUMBER of training DAYS for a FEMALE SENIOR & EXECUTIVE employee	6	8	4
Average NUMBER of training DAYS for ALL SENIOR & EXECUTIVE employees	6	7	5

LEARNING & DEVELOPMENT PROGRAMMES		
Programme	Description	Number of Beneficiaries
LinkedIn Learning	Behavioral & Technical Programs	165 staff attended 367 programs
Third-party Training	Technical & Behavioral Program , Conferences / workshops/ seminars	42 staff attended 36 programs
EIBFS Training Programmes	Technical & Behavioral Program , Pathway Programs	338 staff attended 208 programs
UAB Programmes (Regulatory + Soft skills)	Regulatory Required Programs , Technical Awareness , Behavioral Training	491 staff attended 40 programs

5.3. DIVERSITY, INCLUSION, AND EMIRATISATION

UAB believes that diversity and inclusion spur innovation and foster a dynamic work culture where people can learn from each other and thrive on their differences. Our efforts to create a more diverse and inclusive culture are reflected in an increase of 15% in our female employees and 29% in UAE National employees.

GENDER EQUALITY

As we continue promoting diversity and inclusion within our Bank, we focus on increasing female employee participation and development to occupy leadership positions in the Bank.

In line with the Central Bank of the UAE Corporate Governance Regulations and Standards, UAB is working on improving the gender balance by developing a conscious hiring process where managers disproportionately disqualify candidates based on our gender balance goals. Accordingly in 2023, and in line with the percentage in 2022 as well, 40% of our newly hired employees were females. Additionally, female employees are provided with an average of one day more training hours than male employees and our median male compensation to median female compensation was further reduced to 104% compared to 120% in 2022 and 126% in 2021.

GENDER BREAKDOWN - ALL EMPLOYEES			
	2021	2022	2023
Total Number of ALL FULL-TIME employees	347	344	392
Number of MALE FULL-TIME employees out of the total workforce	231	208	235
% of MALE FULL-TIME employees out of total workforce	67%	60%	60%
Number of FEMALE FULL TIME employees out of total workforce	116	136	157
% of FEMALE FULL TIME employees out of total workforce	33%	40%	40%

SENIOR & EXECUTIVE LEVEL - CEO and Direct Reports - BY GENDER			
	2021	2022	2023
Total number for ALL employees in SENIOR & EXECUTIVE positions	14	13	13
Number of MALE employees in SENIOR & EXECUTIVE positions	11	10	11
% of MALE employees in SENIOR & EXECUTIVE positions	79%	77%	85%
Number of FEMALE employees in SENIOR & EXECUTIVE positions	3	3	2
% of FEMALE employees in SENIOR & EXECUTIVE positions	21%	23%	15%

ENTRY & MID-LEVEL - BY GENDER - ALL EMPLOYEES			
	2021	2022	2023
Total number for ALL employees in ENTRY & MID-LEVEL positions	333	331	379
Number of MALE employees in ENTRY & MID-LEVEL positions	220	198	224
% of MALE employees in ENTRY & MID-LEVEL positions	66%	60%	59%
Number of FEMALE employees in ENTRY & MID-LEVEL positions	113	133	155
% of FEMALE employees in ENTRY & MID-LEVEL positions	34%	40%	41%

GENDER BREAKDOWN - NEWLY HIRED FOR THIS YEAR			
	2021	2022	2023
Total Number of ALL NEWLY HIRED employees	48	74	104
Number of NEWLY HIRED MALE employees	37	38	62
% of NEWLY HIRED MALE employees	77%	51%	60%
Number of NEWLY HIRED FEMALE employees	11	36	42
% of NEWLY HIRED FEMALE employees	23%	49%	40%

PAY RATIO			
	2021	2022	2023
Median Male compensation to Median Female compensation	126%	120%	104%
CEO total compensation to median Full-Time Equivalent	1000%	1250%	1202%

AGE BREAKDOWN - ALL EMPLOYEES			
	2021	2022	2023
Number of employees AGED 18 - 24	1	11	7
% of employees AGED 18 - 24	0%	3%	2%
Number of employees AGED 25 - 34	47	58	74
% of employees AGED 25 - 34	13%	17%	19%
Number of employees AGED 35 - 44	178	164	152
% of employees AGED 35 - 44	50%	48%	39%
Number of employees AGED 45 - 54	99	94	137
% of employees AGED 45 - 54	28%	27%	35%
Number of employees AGED 55 AND ABOVE	22	17	22
% of employees AGED 55 AND ABOVE	6%	5%	6%

EMPLOYEES PER CONTRACT TYPE			
	2021	2022	2023
Total number of full-time employees	347	344	392
Total number of part-time employees	0	0	0
Total number of contractors employees	46	39	59
Total number of consultants employees	0	0	0

NON-DISCRIMINATION

UAB does not tolerate any kind of discrimination, bullying or harassment that creates a hostile and unpleasant environment for our employees, with severe disciplinary actions and dismissal as a result. Fair treatment of all workers, regardless of race, religion, sex, sexual orientation, disability, or other criteria, is one of our core values.

NUMBER OF NATIONALITIES IN OUR WORKFORCE			
	2021	2022	2023
Number of nationalities in our workforce	26	30	32

TOP FIVE NATIONALITIES - ALL EMPLOYEES			
	2021	2022	2023
Indian	104	125	130
UAE	71	86	103
Pakistani	37	32	26
Jordanian	25	25	25
Egyptian	23	21	19

CODE OF CONDUCT

The Bank's Code of Conduct promotes high ethical principles and is the representation of our strong values of integrity and transparency. It encourages our employees to refrain from any illegal, dishonest, or unethical conduct, and it guarantees that they are treated equally and fairly, regardless of their religion, race, disability, or gender. All our employees are required to abide by this code and disregarding or failing to comply with these standards could lead to disciplinary actions, and eventually to the termination of employment, depending on the nature and seriousness of the breach of the rules.

In the last three years, no incidents of discrimination or harassment have been registered, and no formal grievances have been filed in 2023 about incidents of discrimination or harassment.

EMIRATISATION

United Arab Bank envisions a future where UAE Nationals are well represented at all levels of the bank's workforce, from entry level positions to senior management roles. UAB recognize its responsibility to employee UAE nationals in various roles. Therefore, UAB aims to ensure success for UAE Nationals wishing to pursue a career in the financial services industry. The biggest resource of the nation is the growing youth who will eventually be the future leaders of this fine country. It is our core belief that the development of UAE National talent will accelerate growth and ensure continued achievements.

Our ultimate goal is to identify, assess, develop and provide opportunities to those UAE Nationals who exhibit outstanding talent through our Emiratisation program. It is vitally important to the success of the United Arab Bank to have the pipeline of future leaders from the region, which can be developed through our extensive training and development programs.

Besides meeting the regulatory requirements, the emphasis is on offering career advancement opportunities to UAE nationals. Efforts are made to ensure that UAE Nationals are given every possible opportunity for career progression and filling management positions in the business.

Our nationalisation rate increased in 2023 to 26% from 23% in 2022. The latter was achieved by having a strategic focus on recruiting and retaining national talents through the following efforts:

- The Bank aims to attract UAE National talents from reputable educational institutions as high potential candidates by participation at local career fairs and job fairs, and collaboration with different universities and colleges to build our employer brand and showcase our culture and values.
- Participation on Nafis program and availing the advantages of Nafis program, such as, benefiting financially by receiving percentage of pension employer contribution which support Emiratisation initiatives in the bank.
- Giving priority to UAE Nationals for internal vacancies as part of developing their overall domain skills that is essential for future leadership roles.
- Placing Emiratisation as a key pillar in the people quadrant of the senior management Balanced Scorecard.
- Investing in the training and development programs to support the growth and career advancement of UAE National employees, including induction programs, on the job training, mentorship, leadership development, job rotation and career pathing.
- Creating a culture of inclusion and engagement that makes UAE National employees feel valued and connected to the organization through regular communication from senior leadership, opportunities for employees to provide feedback and suggestions, being engaged in Emiratisation events and activities such as, career fair, national day, and HCM events.
- Offering competitive compensation and benefits by offering competitive compensation packages that align with the market and providing additional benefits to attract and retain UAE National employees. Benefits may include health insurance, education allowances, study and exam leaves.
- Emphasizing a culture of work-life balance to support the wellbeing and retention of UAE National employees through flexible work arrangements, remote work options, and promoting the importance of taking regular breaks and vacations.
- Fresh Graduate Management Trainee Program, a program designed to equip newly qualified graduates in relevant disciplines with the skills that will prepare them for seamless integration into a managerial role. The Program's ultimate goal is to identify, assess, develop and provide opportunities to the UAE National graduates who exhibit outstanding talent through Management Trainee Program to be the future leaders in the banking sector. The program is structured to train graduates for a period of 8 to 12 months which offers various specialization and professional certification. Post the training completion they will be absorbed into their respective banking functions.

LOCALS VS. EXPATS - ALL EMPLOYEES			
	2021	2022	2023
Number of local employees out of total workforce	65	80	103
% of local employees out of total workforce	19%	23%	26%
Number of expat employees out of total workforce	282	264	289
% of expat employees out of total workforce	81%	77%	74%

SENIOR & EXECUTIVE LEVEL - LOCALS VS EXPATS - ALL EMPLOYEES			
	2021	2022	2023
Number of LOCAL employees in SENIOR & EXECUTIVE positions	2	2	2
% Of LOCAL employees in SENIOR & EXECUTIVE positions	14%	15%	15%
Number of EXPAT employees in SENIOR & EXECUTIVE positions	12	11	11
% Of EXPAT employees in SENIOR & EXECUTIVE positions	86%	85%	85%

LOCAL vs. EXPATS - NEWLY HIRED FOR THIS YEAR			
	2021	2022	2023
Total Number of ALL NEWLY HIRED employees	48	74	104
Number of NEWLY HIRED LOCAL employees	7	28	33
% of NEWLY HIRED LOCAL employees	15%	38%	32%
Number of NEWLY HIRED EXPAT employees	41	46	71
% of NEWLY HIRED EXPAT employees	85%	62%	68%

Furthermore, to support the advancement of their careers in the Bank, we offer a variety of training programmes dedicated to Emirati employees and customised to their career development needs.

TRAINING PROGRAMMES FOR EMIRATI EMPLOYEES				
Programme	Description & Activities conducted under the program in 2023	Number of Benefited Nationals		
		2021	2022	2023
Leadership	Leadership and Management Skills Program	22	21	21
Technical Skills	Operational Risk Awareness, Fraud Risk Awareness, Retail SOP, Credit Audit, Security Awareness	63	66	66
Product Knowledge	Card Products, Retail Products, Bancassurance products, Islamic Trade Products, WB products	40	48	48
Regulatory Programs	AML Awareness, KYC updates , AML Audit Program, Compliance Training, Trade Based Money Laundering, Sanction Awareness	48	64	64
Behavioral Skills	Presentation skills, Negotiation skills, handling difficult conversation, Art of cross selling, code of conduct, Seven tools of Quality	61	72	72
Fresh Graduate Program	Certified Banking Operations CBO, Specialization Pathway boot camps, International Professional Certification	0	17	34
Certification Program	CAMS, CFE , Certificate in: Audit, Quality & innovation, Trade Finance, Business Communication, Islamic Banking, Fintech, Risk Management	0	6	19

5.4. WORKPLACE HEALTH AND SAFETY

Helping our employees maintain and lead healthy lives is important for our Bank as we believe their well-being directly impacts their productivity and success. In line with the latter, UAB conducts different initiatives to raise awareness about critical health issues such as Breast Cancer and engages its employees in different physical activities where they can bring their families to spend quality time together and bond with others.

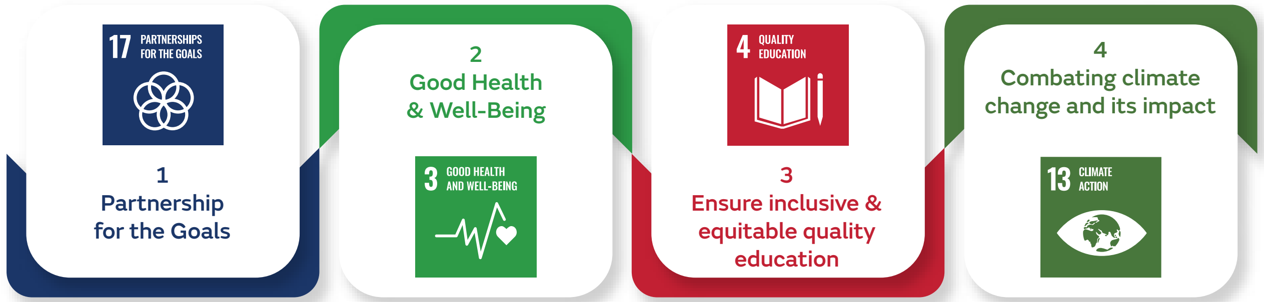
In 2023, we delivered the following initiatives:

Breast Cancer Awareness 2023		UAB conducted breast cancer awareness sessions for all UAB female employees, discussing healthy nutrition, lifestyle, and how to regularly check on their health. These sessions were conducted in collaboration with NMC Healthcare.
UAB Fitness Challenge 2023		In line with the Sheikh Mohammad initiative Dubai Fitness Challenge in November, UAB conducted a fitness challenge for all employees and their families, started with a 10km run with UAE CEO, followed by physical activities and games led by 6 professional fitness instructors and ended the day with healthy snacks.

6. OUR SOCIAL IMPACT

6.1. LOCAL COMMUNITY DEVELOPMENT

In order to ensure we always stay true to our mission statement and contribute to our community to make a difference; we have established a CSR framework which focuses on:



We make sure that all our sustainability initiatives are in sync with the SDGs, the UAE's Vision 2021 and the ADX ESG Disclosure Guidance for Listed Companies. As a result of the framework, we are able to make better decisions and improve our operations and efficiency in terms of sustainability. At UAB, we engage with multiple organisations to uplift and contribute to their projects and initiatives.

CSR POLICY

Our CSR policy seeks to keep track of the Bank's relationships with external bodies regarding significant social issues, and to review recommendations and credentials of charities for consideration. It oversees the Bank's other environmental and social policies and programmes. Furthermore, relevant stakeholders work closely with other Bank committees to determine the appropriate level of engagement with interested parties about social responsibility and other CSR-related issues. Finally, advising the CEO on policies that influence and improve the Bank's position and credibility is one of the policy roles.

A summary of our CSR investments for 2023 can be found in the following table:

Organisation	Description / Impact	Amount (AED '000)
Al Jalila Foundation	A leading charitable organization that deals with the treatment and support of patients	25
Khorfakkan Club for Disabled	Taking care of disabled people inside U.A.E. and they are accepting all kinds of disabled persons in order to help and serve the community and our country	10
Rashid Center for People of Determination	Education sponsorship: 10 classes in the learning difficulties section with children ranging from 3 to 15 years	10
Financial assistance to Staff	UAB assisted a staff having financial difficulties	20
Emirates Consumer Protections (UAE)	Participation with Emirates Consumer Protection and Sharjah Chamber of Commerce & Industry in the campaign to combat Commercial Fraud whereby our logo has been published in the biggest billboard in Sharjah, UAE which it will be published in the World Guinness Book	25
The Emirates Society for Parents' Care & Relief	Collaborated with The Emirates Society for Parents' Care with the support of UAB Employees to pack and distribute Al Meer Ramadan to 40+ underprivileged families in the UAE	40
Abu Dhabi University Zakat Fund	Collaborated with Abu Dhabi University and facilitated donations on all UAB ATMs channels, whereby the customer has the option to donate to Zakat Fund. The donation would help support Abu Dhabi University students and ensure a good education.	12
Sharjah Social Services Department, elderly home	UAB's Executive Team visited the Sharjah Social Service Department – Elderly Home, where they have brought them gifts and bought smiles to their faces	5

CSR Initiatives conducted in 2023		
Name of initiative		**Activity & Impact**
Ramadan Volunteer	17 PARTNERSHIPS FOR THE GOALS	This event took place on April 2023 at the Emirate Society in Sharjah, where about 120 employees including senior management has helped packing and distribution of Ramadan Al Meer (essential food packages) to 40+ under privileged families across the UAE. This initiative reinforces United Arab Bank for giving back to the community.
Breast Cancer Awareness 2023	3 GOOD HEALTH AND WELL-BEING	UAB conducted breast cancer awareness sessions for all UAB female employees, discussing healthy nutrition, lifestyle, and how to regularly check on their health. These sessions were conducted in collaboration with NMC Healthcare.
UAB Fitness Challenge 2023	3 GOOD HEALTH AND WELL-BEING	In line with the Sheikh Mohammad initiative Dubai Fitness Challenge in November, UAB conducted a fitness challenge for all employees and their families, started with a 10Km run with UAE CEO, followed by physical activities and games led by 6 professional fitness instructors and ended the day with healthy snacks.
Bring Your Kids to Work Day	4 QUALITY EDUCATION	UAB has conducted "Bring Your Kids to Work Day" where these young minds explored every corner of the UAB Workplace, from an exciting branch visit to engaging workshops on financial literacy and banking fundamentals.
UAB Wellness Day	3 GOOD HEALTH AND WELL-BEING	UAB has driven a Wellness Day for its employees in participation with NMC Healthcare Professionals, where a full medical checkup was conducted.
Taking care of the Elderly	17 PARTNERSHIPS FOR THE GOALS	The Executive Team at United Arab Bank has visited the Sharjah Social Service Department – Elderly Home, where they have brought them gifts and bought smiles to their faces.

6.2. PROMOTING LOCAL SUPPLIERS

In line with our mission to contribute to the economic development and sustainability of the UAE, we have been placing high significance on empowering local suppliers that share our values and ethics. In 2023, local suppliers continued to be our main providers of products and services with 498 local suppliers out of 514 all suppliers representing 97% with an estimated expenditure of AED 135.4 million.

Furthermore, to ensure equitable and fair treatment of our suppliers and to provide them with a clear vision of our processes, we have put in place a Standard Operating Procedure (SOP) to maintain the highest levels of transparency, given that our primary objective is to procure goods and services in the fairest possible way for all parties involved. The main objective of this process is to ensure the procurement in UAB adheres to the following:

- Deliver optimum value to the business.
- To conform with all applicable statutory and legal requirements and internal policies.
- Manage procurement risk with segregation of authorities and execution of controls.
- Ensure a sustainable vendor network as per UAB's standards.
- Measure the effectiveness and efficiency of key engagements, and performance and develop the vendor's capabilities to ensure alignment with the Bank's goals.

7. OUR ENVIRONMENT

7.1. OUR OPERATIONAL FOOTPRINT

OUR RESOURCE CONSUMPTION

As a financial institution, the environmental impact of our operations is considered insignificant in comparison to other industries. Further, given the size of our Bank and our energy consumption practices our operational footprint is limited. To ensure efficient resource usage and consistent level of consumption, we collect the wastewater from the pantry and filter it then use it in the flush system for the HQ toilets. As for our electricity consumption, we manage the lighting in our HQ by turning off all lights after duty hours and turning them back on before duty starts to avoid consumption by plugged appliances.

Water Consumption	2023
Utility Water Consumption ('000 litres)	6,553
Consumption Intensity[2]	17

Energy Consumption	2023
Electricity Consumption (MWh)	5,555
Consumption Intensity[2]	14

GHG Emissions[1]	2023
Scope2	2,222
Emission Intensity[3]	5.7

1. The Bank does not generate any emissions under scopes 1 and 3, because we do not own or lease any vehicles that require us to purchase fuel for the reporting years.
2. Consumption intensity is calculated by dividing the yearly consumption by the number of full-time employees.
3. Emission intensity factor used for Scope 2 is equal to 0.40 per Mwh. This factor was shared by the Dubai Electricity and Water Authority.
4. The Bank is working to refine its data collection process to be more comprehensive to accurately reflect its usage/ consumption across its network. Accordingly, comparative data for prior years is currently not available and will be provided in future reports.

OUR WASTE MANAGEMENT

Due to the Bank's digitalisation efforts, our paper consumption for printing has been decreasing through the years. In 2023, the Bank further reduced its paper consumption for printing by another 42% saving roughly 4,000 kgs in paper compared to 2022. As for our E-waste management, we remove and restock usable computer hardware components such as "Hard Disk" and "RAM" from obsolete computers before discarding them which would have otherwise been disposed of as e-waste. This restocked hardware is reused whenever required in existing working computers, thus avoiding the need to buy new components and reducing e-waste.

	2021	2022	2023
Paper Consumed for printing (kg)	16,500	9,557	5,564
E-waste Recycled (kg)	100	47	34

7.2. OUR ENVIRONMENTAL INITIATIVES

In alignment with the UAE's initiatives to safeguard the environment and mitigate carbon emissions, our bank was proud to introduce Green Sustainable Finance Products ahead of the COP28 conference (November 2023). This endeavor aims to raise awareness about climate change by highlighting the advantages of opting for electric and hybrid vehicles as well as sustainable residential properties. The UAB Green Sustainable Products are designed to make environmentally-friendly transportation and housing options more accessible and affordable for our customers.

Through this program, we not only support our customers' endeavors to embrace a more eco-conscious lifestyle but also reaffirm UAB's dedication to environmental stewardship and our commitment to align with the UAE's government's vision of achieving net zero emissions by 2050. Moreover, for every UAB Green Home Loan and/or UAB Green Auto Loan, we will plant a tree or mangrove at no cost to customers, symbolizing our unwavering commitment to environmental preservation.

Additionally, with our commitment to a greener future, UAB has announced its digital transformation powered by the global technology company, SAP SE, with Amazon Web Services (AWS) ensuring secure hosted data. This significant step was taken during #COP28, showcasing our dedication to sustainable practices. Thanks to its ongoing digital transformation journey, the bank is enhancing its services to its customers and employees, while also preparing the way to adopt SAP's 'carbon accounting' methodology with continual measurement and reporting on green data.

In continuation to our support to the UAE's efforts to protect the environment and reduce its carbon emissions, the Bank had partnered with Storey Group in 2022 in affiliation with Eco Matcher by integrating Tree-planting into the Bank's businesses and building a global forest as part of the ONE BILLION Tree-Planting initiative. We are pleased to report that since the launch of the project, UAB has planted 1,000 trees in a mangrove in Sharjah UAE, to support the climate, in which each tree will remove up to 4 times more Carbon Dioxide than other tropical forests (CO_2 sequestered to-date c. 37.7 tonnes, CO_2 sequestered over lifetime c. 250 tonnes).

8. ADX ESG INDEX

GOVERNANCE METRICS		
Metric	Calculation	UAB Performance
G1. Board Diversity	G1.1) Percentage: Total board seats occupied by men and women	The Bank's total board seats are equal to 11, 18% of which are occupied by women, and 82% occupied by men
	G1.2) Percentage: Committee chairs occupied by men and women	The Bank's total committee chairs are equal to 15, representing four committees, 20% of which are occupied by women and 80% are occupied by men
G2. Board Independence	G2.1) Does the company prohibit the CEO from serving as board chair?	The Bank does prohibit the CEO from serving as a board chair
	G2.2) Percentage: Total board seats occupied by independent board members	The percentage of the board seats occupied by independent members is equal to 36%, representing four out of eleven board members
G3. Incentivized Pay	Are executives formally incentivized to perform on sustainability?	Executives are currently not incentivized to perform on sustainability
G4. Supplier Code of Conduct	G4.1) Are your vendors or suppliers required to follow a code of conduct?	The Bank does not currently mandate its suppliers to follow a code of conduct
	G4.2) If yes, what percentage of your suppliers have formally certified their compliance with the code?	
G5. Ethics and Prevention of Corruption	G5.1) Does the bank follow an Ethics and/or Prevention of Corruption policy?	The bank follows a Disciplinary Policy which emphasizes the significance of adhering to Ethics and/or Prevention of Corruption
	G5.2) If yes, what percentage of your workforce has formally certified its compliance with the policy?	The Bank mandates all employees to undergo training on ethics and anti-corruption training
G6. Data Privacy	G6.1) Does your company follow a data privacy policy?	The Bank has established a detailed data privacy policy, Consumer Data Protection and Privacy Policy. The policy details the rights of customers, retention of data, and protection requirements.
	G6.2) Has your company taken steps to comply with GDPR rules?	The bank is not compliant with the GDPR as no regulatory requirements at the present. The Bank complies with the CBUAE customer protection regulations.
G7. Sustainability Reporting	Does the bank publish a sustainability report?	Yes, sustainability reporting has been integrated as an annual practice for the Bank
G8. Disclosure Practices	G8.1) Does your company provide sustainability data to sustainability reporting Frameworks?	The Bank reports in alignment with the ADX ESG Disclosures which are aligned with the GRI, IR, SASB, CDP, SDGs, and UN GC.
	G8.2) Does your company focus on specific UN Sustainable Development Goals (SDGs)?	
	G8.3) Does your company set targets and report progress on the UN SDGs?	The Bank's CSR department focuses on contributing to various SDGs. The Bank's contribution is highlighted in "Our Social Impact" chapter of this report.
G9. External Assurance	Are your sustainability disclosures assured or verified by a third-party audit firm?	The Bank has opted for an internal assurance process for all its sustainability reports

SOCIAL METRICS		
Metric	Calculation	UAB Performance
S1. CEO Pay Ratio	S1.1) Ratio: CEO total compensation to median full-time equivalent (FTE) total compensation	The ratio of the CEO's total compensation to median full-time equivalent (FTE) total compensation is equal to 1202%
	S1.2) Does the bank report this metric in regulatory filings?	The bank reports on this metric when required
S2. Gender Ratio	Ratio: median male compensation to median female compensation	The ratio of the median male compensation to median female compensation is equal to 104%.
S3. Employee Turnover	S3.1) Percentage: Year-over-year change for full-time employees	14%
	S3.2) Percentage: Year-over-year change for part-time employees	The bank does not employ part-time employees
	S3.3) Percentage: Year-over-year change for contractors/consultants	Year-over-year change for contractors is equal to 51%
S4. Gender Diversity	S4.1) Percentage: Total bank headcount held by men and women	• Percentage of full-time male employees in UAB is equal to 60% • Percentage of full-time female employees is equal to 40%
	S4.2) Percentage: Entry- and mid-level positions held by men and women	• Percentage of male employees in entry- and mid-level positions is equal to 59% • Percentage of female employees in entry- and mid-level positions is equal to 41%
	S4.3) Percentage: Senior- and executive-level positions held by men and women	• Percentage of male employees in senior- and executive-level positions is equal to 85% • Percentage of female employees in senior- and executive-level positions is equal to 15%
S5. Temporary Worker Raio	S5.1) Percentage: Total bank headcount held by part-time employees	The bank does not employ any human capital under part-time contracts
	S5.2) Percentage: Total bank headcount held by contractors and/or consultants	The bank employs a total of 59 employees under a contractor's contract and no employees under a consultant's contract
S6. Non-Discrimination	Does the bank follow a non-discrimination policy?	The Bank does not have a non-discrimination policy. However, the Bank's code of conduct incorporates clauses to guarantee that all employees are treated equally and fairly, regardless of their religion, race, disability, or gender. If an employee fails to comply with our code, disciplinary actions will be taken.
S7. Injury Rate	Percentage: Frequency of injury events relative to total workforce time	No injuries were recorded in 2023, 2022 and 2021
S8. Global Health & Safety	Does the bank follow occupational health and/or global health & safety policy?	Due to the nature of our industry, the employee injury rate is not a material topic. Hence, the bank does not follow any occupational health and/or global health & safety policy, however, we deliver fire warden training
S9. Child & Forced labor	S9.1) Does the bank follow a child and/or forced labor policy?	The Bank does not follow a child and/or forced labor policy. Child labor is prohibited by the UAE law to which our Bank fully adheres
S10. Human Rights	S10.1) Does the bank follow a human rights policy?	The Bank adheres to the United Arab Emirates regulations covering Human Rights
S11. Nationalisation	Percentage of national employees	National employees represent 26% of the total workforce profile of the Bank
S12. Community Investment	Amount invested in the community, as a percentage of company revenues.	The Bank invested AED 136 thousand in projects directed to foster culture, youth empowerment, good health and wellbeing, and for people with disabilities.

ENVIRONMENTAL METRICS		
Metric	Calculation	UAB Performance
E1. GHG Emissions	E1.1) Total amount in CO_2 equivalents, scope 1	The Bank does not purchase any fuel, petrol or diesel. Hence, our scope 1 is equal to zero.
	E1.2) Total amount in CO_2 equivalent, scope 2	The Bank's total emissions in CO_2 equivalent under scope 2 is equal to 2,222 (tCO_2 e).
	E1.3) Total amount, in CO_2 equivalents, scope 3 (if applicable)	Not applicable
E2. Emission Intensity	E2.1) Total GHG emissions per output scaling factor	The Bank's emissions intensity is equal to 5.7
	E2.2) Total non-GHG emissions per output scaling factor	
E3. Energy Usage	E3.1) Total amount of energy directly consumed	The Bank consumed 5,555 MWh of electricity in 2023
	E3.2) Total amount of energy indirectly consumed	Not applicable
E4. Energy Intensity	Total direct energy usage per output scaling factor	The energy intensity of the bank is equal to 14 MWh.
E5. Energy Mix	Percentage: Energy usage per generation type	The Bank uses only electrical energy supplied by governmental authorities.
E6. Water usage	E6.1) Total amount of water consumed	The bank consumed a total of 6,553 ('000) litres of water in 2023
	E6.2) Total amount of water reclaimed	Not applicable.
E7. Environmental Operation	E7.1) Does the bank follow an environmental policy?	The Bank does not currently follow an environmental policy.
	E7.2) Does the bank follow specific waste, water, energy, and/or recycling policies?	
	E7.3) Does the bank use a recognized energy management system?	The Bank does not currently use a recognized energy management system, however, we do conduct awareness initiatives and follow a time-schedule to reduce energy consumption.
E8. Environmental Oversight	Does the management team oversee and/or manage sustainability issues?	The Bank is working on adopting sustainability governance practices and integrating sustainability within its core business.
E9. Environmental Oversight	Does the board oversee and/or manage sustainability issues?	
E10. Climate Risk Mitigation	Total amount invested annually in climate-related infrastructure resilience, and product development	

AUDITED FINANCIAL STATEMENTS

United Arab Bank P.J.S.C.

FINANCIAL STATEMENTS

31 DECEMBER 2023

The audited Financial Statements are subject to approval by CBUAE and Shareholders at the Annual General Meeting

United Arab Bank P.J.S.C.

FINANCIAL STATEMENTS

31 DECEMBER 2023

Building a better working world

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PL No. 2845

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF UNITED ARAB BANK PJSC

Report on the audit of the financial statements

Opinion
We have audited the financial statements of United Arab Bank PJSC (the "Bank"), which comprise the statement of financial position as at 31 December 2023, and the statement of income, statement of comprehensive income, statement of cash flows and statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of material accounting policies.

In our opinion the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis of opinion
We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Bank in accordance with the *International Code of Ethics for Professional Accountants (including International Independence Standards* ("IESBA Code") together with ethical requirements that are relevant to our audit of the financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

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Report on the audit of the financial statements (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
(a) Expected credit losses ("ECL") for Loans and Advances and Islamic financing receivables ***Refer note 7 of the financial statements.*** **Loss allowances on loans and advances and Islamic financing receivables represents management's best estimates, at the balance sheet date, of the expected credit losses under the expected credit loss models ("ECL Models") as stipulated by International Financial Reporting Standard No. 9: Financial Instruments ("IFRS 9").** **Management first assesses whether the credit risk of Loans and advances and Islamic financing receivables to customers has increased significantly since their initial recognition, and then applies a three-stage impairment model to calculate the ECL.**	We obtained an understanding of management's assessment of impairment of loans and advances and Islamic financing receivables, the Bank's internal rating model, the Bank's credit impairment provision policy and the ECL modelling methodology, including its - Review and approval of classification of loans and advances and Islamic financing receivables facilities. - Management's monitoring of: i) staging and ECL for loans and advances and Islamic financing receivables. ii) identification of loans displaying indicators of impairment (including days past due) under stage 3. iii) macroeconomic variables and forecast iv) performance of ECL models - The review and approval of management overlays and the governance process around such overlays. - The independent model validation function.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF UNITED ARAB BANK PJSC (continued)

Report on the audit of the financial statements (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
(a) Expected credit losses ("ECL") for Loans and advances and Islamic financing receivables (continued) ***Refer note 7 of the financial statements. (continued)*** **Management has also applied significant level of judgement in areas noted above in determining the impact of economic crisis on the allowances for credit losses by considering the following:** **1. Forward looking information, including variables used in macroeconomic scenarios and their associated weightings, and** **2. Stress in specific sectors and industries** **We considered ECL for Loans and advances and Islamic financing receivables as a key audit matter as the determination of ECL involves significant management judgement such as categorisation of Loans and advances and Islamic financing receivables into stages 1, 2 or 3; assumptions used in the ECL model such as expected future cash flows, macro-economic factors etc., and overlays to reflect current or future external factors. These judgments have a material impact on the financial statements of the Bank.**	We performed the following audit procedures: - We tested the compliance of the Bank's ECL methodologies and assumptions with the requirements of IFRS 9. - For a sample of exposures, including those in industries severely impacted by economic crisis, we performed procedures to assess whether significant increases in credit risk (SICR) has been correctly identified. - We tested and assessed reasonableness of management's selection of forward looking macro-economic variables, scenarios and weights assigned to these scenarios, including an evaluation of changes made to these variables, scenarios and weights. - We assessed appropriateness of the modelling methodologies applied in the ECL model of the Bank. - For a sample of exposures, we examined key data inputs into the ECL models. - We re-performed key elements of the ECL calculations and evaluated the model performance results for accuracy. - We assessed appropriateness of disclosures in the financial statements against the requirements of IFRS.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF UNITED ARAB BANK PJSC (continued)

Report on the audit of the financial statements (continued)

Other information

Management is responsible for the other information. Other information consists of the information included in the Bank's 2023 Annual Report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs and in compliance with the applicable provisions of the Bank's Memorandum and Articles of Association and of the UAE Federal Decree Law No. (32) of 2021, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Report on the audit of the financial statements (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

Auditor's responsibilities for the audit of the financial statements

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
UNITED ARAB BANK PJSC (continued)

Report on the audit of the financial statements (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Further, as required by the UAE Federal Decree Law No. (32) of 2021, we report that:

- the Bank has maintained proper books of account;

- we have obtained all the information and explanations we considered necessary for the purposes of our audit;

- the financial statements have been prepared and comply, in all material respects, with the applicable provisions of the Bank's Memorandum and Articles of Association and the UAE Federal Decree Law No. (32) of 2021

- the financial information included in the Directors' report is consistent with the books of account and records of the Bank;

- investments in shares and bonds during the year ended 31 December 2023 are disclosed in note 8 to the financial statements;

- note 23 reflects material related party transactions and the terms under which they were conducted;

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF UNITED ARAB BANK PJSC (continued)

Report on other legal and regulatory requirements (continued)

- based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Bank has contravened, during the financial year ended 31 December 2023, any of the applicable provisions of the UAE Federal Decree Law No. (32) of 2021 or of its Memorandum and Articles of Association which would materially affect its activities or its financial position as at 31 December 2023; and

- note 32 reflects the social contributions made during the year.

Further, as required by the Decretal Federal Law No. (14) of 2018, we report that we have obtained all the information and explanations we considered necessary for the purpose of our audit.

For Ernst & Young

Signed by:
Anthony O'Sullivan
Partner
Registration No.: 687

8 February 2024

Sharjah, United Arab Emirates

STATEMENT OF FINANCIAL POSITION
As at 31 December 2023

	Notes	As at 31 December 2023 AED'000	2022 AED'000
Assets			
Cash and balances with UAE Central Bank	5	**2,001,080**	1,207,589
Due from banks	6	**456,567**	302,772
Loans and advances and Islamic financing receivables	7	**9,357,293**	7,604,300
Investments and Islamic instruments	8	**5,089,861**	3,887,476
Property, equipment and capital work-in-progress	9	**181,351**	295,696
Other assets	10	**561,696**	782,589
Total assets		**17,647,848**	14,080,422
Liabilities and Equity			
Liabilities			
Due to banks	11	**3,729,435**	3,272,443
Customer deposits and Islamic customer deposits	12	**10,237,502**	8,568,587
Medium term borrowings	13	**734,600**	-
Other liabilities	14	**656,566**	740,056
Total liabilities		**15,358,103**	12,581,086
Equity			
Share capital	15	**2,062,550**	2,062,550
Treasury Shares	15	**(3,885)**	-
Tier 1 Instrument	31	**548,226**	-
Special reserve	15	**48,022**	22,491
Statutory reserve	15	**76,946**	51,415
General reserve	15	**9,311**	9,311
Cumulative changes in fair values		**(119,170)**	(153,621)
Accumulated losses		**(332,255)**	(492,810)
Total equity		**2,289,745**	1,499,336
Total liabilities and equity		**17,647,848**	14,080,422

The financial statements were approved by the Board of Directors on 08 February 2024 and signed on its behalf by:

Sheikh Faisal Bin Sultan Bin Salem Al Qassimi
Chairman

Shirish Bhide
Chief Executive Officer

The attached notes 1 to 35 form an integral part of these financial statements.
The independent auditor's report on these financial statements is set out on pages 2 - 8.

STATEMENT OF INCOME

For the year ended 31 December 2023

	Notes	Year ended 31 December 2023 AED'000	2022 AED'000
Interest income		**845,256**	522,667
Income from Islamic financing receivables		**76,354**	61,817
Total interest income and income from Islamic financing products	16	**921,610**	584,484
Interest expense		**(447,597)**	(216,232)
Distribution to Islamic depositors		**(79,075)**	(46,685)
Total interest expense and distribution to depositors	17	**(526,672)**	(262,917)
Net interest income and income from Islamic financing products net of distribution to depositors		**394,938**	321,567
Net fees and commission income	18	**76,751**	67,160
Foreign exchange income	19	**27,822**	19,328
Other operating income	20	**76,948**	92,732
Total operating income		**576,459**	500,787
Employee benefit expenses		**(181,327)**	(146,165)
Depreciation and amortization		**(22,479)**	(23,324)
Other operating expenses	21	**(80,995)**	(82,315)
Total operating expenses		**(284,801)**	(251,804)
Operating profit before impairment loss		**291,658**	248,983
Net impairment loss	22	**(36,349)**	(94,262)
Net profit for the year		**255,309**	154,721
Earnings per share (basic and diluted in AED)	23	**0.12**	0.08

The attached notes 1 to 35 form an integral part of these financial statements.
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STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Year ended 31 December 2023 AED'000	2022 AED'000
Net profit for the year	**255,309**	154,721
Other comprehensive Income		
Fair value through other comprehensive income (FVOCI):		
Net change in fair value of investments	**62,131**	(324,506)
Net change in allowance for expected credit losses	**(191)**	5,988
Reclassified to the income statement on fair value hedges	**(27,489)**	157,241
Other comprehensive income/(loss) for the year	**34,451**	(161,277)
Total comprehensive income/(loss) for the year	**289,760**	(6,556)

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STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Notes	2023 AED'000	2022 AED'000
Operating activities			
Net Profit for the year		**255,309**	154,721
Adjustments for:			
Depreciation and amortization		**22,479**	23,324
Gain on sale of property and equipment	9	**(54,296)**	-
Gain on sale of assets acquired in settlement of debt	10	**(9,270)**	(48,018)
Impairment on properties		-	2,000
Impairment on assets acquired in settlement of debt	10	**3,500**	2,286
Net credit impairment losses	22	**32,849**	89,976
Amortisation of premium paid on investments		**4,586**	8,894
Net fair value gain on disposal of investments and Islamic instruments		**234**	221
Loss on write off of property and equipment and receivables		**844**	-
Operating profit before changes in operating assets and liabilities		**256,235**	233,404
Changes in operating assets and liabilities:			
Loans and advances		**(1,797,374)**	497,979
Balances with UAE Central bank maturing after three months		**(197,228)**	9,179
Cash margin held by counterparty banks against borrowings and derivative transactions	6	**(1,700)**	119,778
Other assets	10	**159,288**	(145,364)
Due to banks maturing after three months		**892,395**	(71,794)
Customer deposits	12	**1,668,915**	(1,837,838)
Other liabilities	14	**(21,476)**	64,214
Net cash from /(used in) operating activities		**959,055**	(1,130,442)
Investing activities			
Purchase of property, equipment and capital work-in-progress	9	**(22,682)**	(12,862)
Purchase of investments		**(1,357,984)**	(934,860)
Proceeds from redemption / sale of investments		**182,925**	247,472
Proceeds from sale of assets acquired in settlement of debt		**16,700**	148,525
Proceeds from sale of property and equipment		**153,000**	-
Net cash used in investing activities		**(1,028,041)**	(551,725)
Financing activities			
Proceeds from Tier 1 instrument		**550,875**	-
Tier 1 instrument issuance cost		**(2,649)**	-
Net purchase of treasury shares		**(3,885)**	-
Coupon paid on Tier 1 instrument		**(22,200)**	-
Proceeds from medium term borrowings		**734,600**	-
Commission paid on Medium term borrowings		**(3,857)**	-
Net cash from financing activities		**1,252,884**	-
Net change in cash and cash equivalents		**1,183,898**	(1,682,167)
Cash and cash equivalents at 1 January		**(1,276)**	1,680,891
Cash and cash equivalents at 31 December		**1,182,622**	(1,276)

Cash and cash equivalents comprise the following statement of financial position amounts with original maturities of three months or less:

		2023	2022
Cash and balances with the UAE Central Bank		**1,546,188**	949,924
Due from banks		**455,068**	302,837
Due to banks		**(818,634)**	(1,254,037)
		1,182,622	(1,276)

The attached notes 1 to 35 form an integral part of these financial statements.
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STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2023

	Share capital AED'000	*Tier 1 instrument AED'000*	*Special reserve AED'000*	*Statutory reserve AED'000*	*General reserve AED'000*	*Treasury shares AED'000*	*Cumulative changes in fair values AED'000*	*Accumulated losses AED'000*	*Total AED'000*
Balance as at 1 January 2022	**2,062,550**	**-**	**7,019**	**35,943**	**9,311**	**-**	**7,656**	**(610,587)**	**1,511,892**
Net profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**154,721**	**154,721**
Other comprehensive loss for the year	-	-	-	-	-	-	**(161,277)**	-	**(161,277)**
Total comprehensive income/ (loss) for the year	**-**	**-**	**-**	**-**	**-**	**-**	**(161,277)**	**154,721**	**(6,556)**
Directors' remuneration (note 24)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(6,000)**	**(6,000)**
Transfer to Special reserve (note 15)	**-**	**-**	**15,472**	**-**	**-**	**-**	**-**	**(15,472)**	**-**
Transfer to Statutory reserve (note 15)	**-**	**-**	**-**	**15,472**	**-**	**-**	**-**	**(15,472)**	**-**
Balance as at at 31 December 2022	**2,062,550**	**-**	**22,491**	**51,415**	**9,311**	**-**	**(153,621)**	**(492,810)**	**1,499,336**
Net profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**255,309**	**255,309**
Other comprehensive income for the year	-	-	-	-	-	-	**34,451**	**-**	**34,451**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**34,451**	**255,309**	**289,760**
Tier 1 instrument	**-**	**550,875**	**-**	**-**	**-**	**-**	**-**	**-**	**550,875**
Tier 1 instrument issuance cost	**-**	**(2,649)**	**-**	**-**	**-**	**-**	**-**	**-**	**(2,649)**
Coupon payable to Tier 1 instrument holders	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(33,300)**	**(33,300)**
Treasury shares acquired	**-**	**-**	**-**	**-**	**-**	**(3,885)**	**-**	**330**	**(3,555)**
Directors' remuneration (note 24)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(10,722)**	**(10,722)**
Transfer to Special reserve (note 15)	**-**	**-**	**25,531**	**-**	**-**	**-**	**-**	**(25,531)**	**-**
Transfer to Statutory reserve (note 15)	**-**	**-**	**-**	**25,531**	**-**	**-**	**-**	**(25,531)**	**-**
Balance as at 31 December 2023	**2,062,550**	**548,226**	**48,022**	**76,946**	**9,311**	**(3,885)**	**(119,170)**	**(332,255)**	**2,289,745**

The attached notes 1 to 35 form an integral part of these financial statements. The independent auditor's report on these financial statements is set out on pages 2 - 8.

1 Incorporation and activities

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.

2 Basis of preparation

Statement of compliance

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), interpretations issued by International Financial Reporting Interpretations Committee (IFRIC) and applicable requirements of laws of the United Arab Emirates. Along with these financial statements, the Bank has presented Basel III Pillar 3 disclosures in accordance with the guidelines issued by the UAE Central Bank. The adoption of Basel III Pillar 3 guidelines has impacted the type and amount of disclosures made in these financial statements, but has no impact on the reported profits or financial position of the Bank. In accordance with the requirements of Basel III, the Bank has provided full comparative information.

3 Material accounting policies

3.1 New and revised International Financial Reporting Standards

3.1.1 Standards, amendments and interpretations that are effective for the Bank's accounting period beginning on 1 January 2023

i. UAE CT Law

On 9 December 2022, the UAE Ministry of Finance released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (Corporate Tax Law or the Law) to enact a Federal corporate tax (CT) regime in the UAE. The CT regime will become effective for accounting periods beginning on or after 1 June 2023. Decision No. 116 of 2022 (published in December 2022 and considered to be effective from 16 January 2023) specifies that taxable income not exceeding AED 375,000 would be subject to a 0% UAE CT rate, and taxable income exceeding AED 375,000 would be subject to the 9% UAE CT rate. With the publication of this Decision, the UAE CT Law is considered to have been substantively enacted for the purposes of accounting for Income Taxes. Subsequently, the UAE CT Law has been supplemented by a number of Decisions of the Cabinet of Ministers of the UAE (Decisions). Such Decisions and other interpretive guidance of the UAE Federal Tax Authority provide important details relating to the interpretation of the UAE CT Law and are required to fully evaluate the impact of the UAE CT Law on the Bank.

Based on the assessment conducted by the Bank, it has been determined that the CT Law does not have any effect on deferred taxes in the financial statements for the year ended 31 December 2023. The Bank is in the process of assessing the potential influence of the CT Law on its financial statements, particularly focusing on both current and deferred tax implications, in light of any further explanations and instructions regarding the application of the CT Law and shall be accounted for as appropriate in the financial statements for the financial year beginning 1 January 2024.

ii. Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures In accordance with the transitional provisions, the Bank applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment (the date of initial application).

These amendments had no impact on the financial statements of the Bank as there were no modifications of the Bank's financial instruments during the period.

3 Material accounting policies (continued)

3.1 New and revised International Financial Reporting Standards (continued)

3.1.2 Standards, amendments and interpretations that are not yet effective for the Bank's accounting period beginning on 1 January 2024

i. Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16. Earlier application is permitted and that fact must be disclosed.

The amendments are not expected to have a material impact on the Bank's financial statements

ii. Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

There are no other applicable new standards and amendments to the published standards or IFRS IC interpretations that have been issued but are not effective for the Bank's financial year beginning on 01 January 2023 that would be expected to have a material impact on the Bank's financial statements.

3.2 Basis of measurement

The Bank's financial statements are prepared under the historical cost convention except for the following:

- derivative financial instruments are measured at fair value; and
- financial assets at FVTPL and FVOCI are measured at fair value;

3.3 Functional and presentation currency

The Bank's financial statements have been presented in Arab Emirates Dirhams (AED), which is the presentation currency of the Bank and also the functional currency of the Bank and all values are rounded to the nearest thousand (AED'000) except when otherwise indicated.

3.4 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument for another entity. All assets and liabilities in the statement of financial position are financial instruments except property and equipment, assets acquired in settlement of debts, capital work-in-progress, prepayments, provision for employee service benefits and shareholders' equity.

3.4.1 Classification

On initial recognition a financial asset is classified as measured at:

- Amortised cost;
- Fair value through other comprehensive income (FVOCI); or
- Fair value through profit or loss (FVTPL)

The classification requirements for debt and equity instruments are described below.

3 Material accounting policies (continued)

3.4 Financial instruments (continued)

3.4.1 Classification (continued)

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse.

The classification depends on the Bank's business model for managing financial assets and the contractual cash flow characteristics of the financial assets.

Based on these factors, the Bank classifies its debt instruments into one of three measurement categories:

- Amortised Cost - Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as explained in Note 3.4.14. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

- FVOCI – Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVTPL, are measured at fair value through comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instruments' amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is included in 'Interest Income' using the effective interest rate method.

- FVTPL – Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt instrument that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the profit or loss statement in the period in which it arises.

The business model reflects how the Bank manages its assets in order to generate cash flows that is, whether the Bank's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable, then the financial assets are classified as part of 'other' business model and measured at FVTPL.

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Bank assesses whether financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI' test). In making this assessment, the Bank considers whether contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangements, the related financial asset is classified and measured at fair value through profit or loss.

The Bank reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the year.

Equity instruments

Upon initial recognition, the Bank occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument by instrument basis.

Gains and losses on these equity instruments are never recycled to profit. Equity instruments at FVOCI are not subject to an impairment assessment.

All other financial assets are classified and measured at FVTPL.

3 Material accounting policies (continued)

3.4 Financial instruments (continued)

3.4.2 Recognition and initial measurement

The Bank initially recognises loans and advances and deposits on the date at which they are originated. All other financial assets and liabilities are initially recognised on the trade date which is the date on which the Bank becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

3.4.3 Amortised cost measurement principles

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal re-payments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment. Premiums and discounts including initial transaction costs are included in the carrying amount of the related instrument.

3.4.4 Subsequent measurement

Subsequent to initial recognition, all financial instruments to be fair valued are measured at fair value, except any instrument that does not have a reliably measurable fair value, in which case financial instruments are measured as set out in the fair value measurement principles below.

All other assets are measured at amortised cost using the effective interest method less impairment losses, if any.

3.4.5 Gains and losses on subsequent measurement

(a) Debt Investments

Gains and losses arising from changes in the fair value of FVOCI investments are recognised directly in equity through other comprehensive income, until the financial assets are derecognised or impaired, at which time the cumulative gain or loss previously recognised in equity is recognised in the statement of income. Changes in the fair value of FVTPL investments are subsequently recognised in the profit or loss.

(b) Equity Investments

Gains and losses arising from changes in the fair value on equity investments are recognized in comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments continue to be recognised in profit or loss as other income when the right to receive payments is established.

3.4.6 De-recognition

Financial assets are derecognised when the contractual rights to receive cash flows from the asset expire or where the Bank has transferred substantially all the risks and rewards of ownership.

The Bank enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are repurchase agreements.

A financial liability is derecognised when its contractual obligations are discharged, cancelled or expire.

3 Material accounting policies (continued)

3.4 Financial instruments (continued)

3.4.7 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When applicable, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When there is no quoted price in an active market, the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price i.e. the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability, nor based on a valuation technique that uses only data from observable markets, the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is supported wholly by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an offer price, the Bank measures its assets, liabilities, long and short positions at mid-market rate (which is computed as an average of the bid and offer price).

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Bank on the basis of the net exposure to either market or credit risk, are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

3.4.8 Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and advances arise when cash is advanced to a debtor with no intention of trading the receivable. Loans and advances are carried at amortised cost.

3.4.9 Investments

The ‘investment securities’ caption in the statement of financial position includes:

- debt securities measured at FVOCI and amortized cost; and
- equity investment securities designated as at FVOCI.

Investments in debt instruments are measured at amortised cost where they have:
- contractual terms that give rise to cash flows on specified dates, that represent solely payments of principal and interest on the principal amount outstanding; and
- are held within a business model whose objective is achieved by holding to collect contractual cash flows.

These debt instruments are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at amortised cost. The measurement of credit impairment is based on the three-stage expected credit loss model described in Note 4.2.

For debt securities measured at FVOCI, gains and losses are recognised in OCI, except for interest revenue using the effective interest method which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost.

When debt security measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

3 Material accounting policies (continued)

3.4 Financial instruments (continued)

3.4.10 Due from banks

Due from banks and financial institutions are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest rate less allowance for impairment, if any.

3.4.11 Cash and cash equivalents

Cash and cash equivalents as referred to in the statement of cash flows comprise cash on hand, non-restricted current accounts with the Central Bank, deposits with the Central Bank with an original maturity of three months or less, and amounts due from (to) banks on demand or with an original maturity of three months or less.

3.4.12 Financial guarantees

In the ordinary course of business, the Bank gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the financial statements at fair value, with premium received included in ‘Other liabilities’. Subsequent to initial recognition, the Bank’s liability under each guarantee is measured at the higher of the amortised premium and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is taken to the statement of income in ‘Provision for credit losses’. The premium received is recognised in the statement of income in ‘Net fees and commission income’ on a straight line basis over the life of the guarantee.

3.4.13 Derivatives and hedges

The Bank enters into derivative instruments including forwards, futures, forward rate agreements, swaps and options in foreign exchange, interest rate and capital markets. In the normal course of business, the fair value of a derivative on initial recognition is the transaction price included in other income/expenses. Subsequent to their initial recognition, derivative financial instruments are stated at fair values where they are designated as part of a hedging relationship and classified as a hedging instrument. Derivatives with positive market values (unrealised gains) are included in other assets and derivatives with negative market values (unrealised losses) are included in other liabilities in the statement of financial position. Changes in the fair values of derivatives held for trading or to offset other trading positions are included in other operating income (expenses) in the statement of income.

As permitted by IFRS 9, the Bank has elected to continue to apply the hedge accounting requirements of IAS 39.

On initial designation of the hedge, the Bank formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Bank makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, as to whether the hedging instrument(s) is / are expected to be ‘highly effective’ in offsetting the changes in the fair value or cash flows of the respective hedged item(s) during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent.

Changes in the fair value of derivatives that are designated, and qualify, as fair value hedges and that prove to be highly effective in relation to the hedged risk are included in other operating income / (expenses) along with the corresponding changes in the fair value of the hedged assets or liabilities which are attributable to the risk being hedged.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. Upon such discontinuance, in the case of fair value hedges of interest-bearing financial instruments any adjustment to the carrying amount relating to the hedged risk is amortised in the statement of income over the remaining term to maturity.

Certain derivative transactions, while providing effective economic hedges under the Bank's asset and liability management and risk management positions, do not qualify for hedge accounting under the specific rules in IAS 39 and are therefore accounted for as derivatives held for trading and the related fair value gains and losses reported in other operating income (expenses).

3 Material accounting policies (continued)

3.4 Financial instruments (continued)

3.4.14 Impairment of financial assets

The Bank applies a three-stage approach to measuring expected credit losses (ECL) on financial instruments accounted for at amortised cost and FVOCI. Assets migrate through the following three stages based on the change in credit quality since initial recognition:

i) Stage 1: 12-months ECL
For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognised.

ii) Stage 2: Lifetime ECL – not credit impaired
For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognised.

iii) Stage 3: Lifetime ECL – credit impaired
Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. This uses the same criteria as under IAS 139, the Bank's methodology for specific provisions remains unchanged. For financial assets that have become credit impaired, a lifetime ECL is recognised and interest revenue is calculated by applying the effective interest rate to the amortised cost (net of provision) rather than the gross carrying amount.

The Bank measures loss allowances at an amount equal to 12-month Expected credit loss (ECL) for the following financial instruments which are considered to have low credit risk:

- balances with Central Bank and other banks
- debt investment securities; and
- other financial assets, mainly comprising of sundry receivables

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Measurement of ECL

The Bank assesses on a forward-looking basis the ECL associated with its debt instrument assets carried at amortised cost and FVOCI and with the exposure arising from financial guarantee contracts. The Bank recognizes a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost and FVOCI: as a deduction from the gross carrying amount of the assets and adjustments to OCI respectively; and
- loan commitments and financial guarantee contracts: as a provision in other liabilities

3.5 Renegotiated loans

Where possible, the Bank seeks to renegotiate loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously 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.

3 Material accounting policies (continued)

3.6 Write-off

The Bank writes off its loans and advances, Islamic financing receivable balances or other financial asset (and any other related allowances for impairment losses) when the Bank's credit determines that such financial assets are uncollectible in whole or in part. This is determined after considering information such as the occurrence of significant changes in the borrower or issuer's financial position such that the borrower or issuer can no longer pay its obligation in full, or that proceeds from collateral will not be sufficient to pay back the entire exposure. Assets are written-off against provisions up to the extent of amount considered un-collectible.

However, the Bank retains its full legal claim on, and may continue with its recovery effort including litigation, on written-off accounts.

Subsequent recoveries of amounts previously written off are recognised in the statement of income.

3.7 Assets acquired in settlement of debts

In certain cases, the Bank may close out transactions by acquiring assets in settlement of debts. The asset acquired is recorded at the lower of its fair value less costs to sell and the carrying amount of the loan (net of impairment losses) at the date of exchange. No depreciation is provided in respect of these assets. These assets are recorded in "Other assets".

Any subsequent write-down of the acquired asset to fair value less costs to sell is recorded as an impairment loss and included in the statement of income. Any subsequent increase in the fair value less costs to sell, to the extent this does not exceed the cumulative impairment loss, is recognised in the statement of income. The Bank's collateral disposal policy is in line with the respective regulatory requirement of the regions in which the Bank operates.

3.8 Revenue recognition

For all financial instruments measured at amortised cost and debt financial instruments classified as FVOCI and Islamic financial instruments, interest income / profit or expense is recorded at the effective interest rate, which is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense. The interest income / expense accrual on the assets / liabilities linked to Risk Free Rate (RFR) indexes will follow the standard market conventions relating to respective RFRs.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

Fees earned for provision of services over a period of time are accrued over that period. These fees include commission income on letter of credits, guarantees and others, custody and other management advisory fees.

Foreign exchange income includes income from trading in foreign currencies as well as revaluation gains and losses.

Other fee income and expense are recognised when earned or incurred. Dividend income is recognised when the right to receive payment is established.

3 Material accounting policies (continued)

3.9 Property and equipment

Property and equipment are stated at cost excluding the costs of day to day servicing, less accumulated depreciation and any impairment in value. Freehold land is not depreciated as it is deemed to have an indefinite life. Changes in the expected useful life are accounted for by changing the amortisation period or methodology, as appropriate, and treated as changes in accounting estimates

Depreciation is calculated on a straight line basis over the estimated useful lives of property and equipment as follows:

Buildings	Over 25 years
Motor vehicles	Over 5 years
Furniture and equipment	Over 3 to 8 years
Fixtures and leasehold improvements	Over 12 years
Computer software and hardware	Over 7 years

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in 'Other operating income' in the statement of income in the year the asset is derecognised.

3.10 Provisions

Provisions are recognised when the Bank has a present obligation (legal or constructive) as a result of a past event and the costs to settle the obligation are both probable and can be reliably measured. The expense relating to any provision is presented in the statement of income net of any reimbursement.

3.11 Employees' end of service benefits

Provision is made for the end of service benefits due to employees in accordance with the UAE labor law for their period of service up to the financial position date and the provision arising disclosed as 'provision for employees' end of service benefits' in the statement of financial position. The Bank pays its contributions in respect of UAE citizens under the UAE pension and social security law and no further liability exists.

3.12 Foreign currencies

Foreign currency transactions are recorded at rates of exchange ruling at the value dates of the transactions. Monetary assets and liabilities in foreign currencies are translated into United Arab Emirates Dirhams at mid-market rates of exchange ruling at the balance sheet date. Any resultant gains and losses are taken to the statement of income.

3.13 Segment reporting

The Bank's segmental reporting is based on the following operating segments: Retail banking and Corporate banking.

3.14 Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated based on the higher of fair value less costs to sell and value in use. The reduction in carrying amount is recognised in the income statement.

3.15 Trade and settlement date accounting

All "regular way" purchases and sales of financial assets are recognised on the settlement date, i.e. the date that the asset is delivered to the counter party. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the timeframe generally established by regulation or convention in the market place.

3 Material accounting policies (continued)

3.16 Fiduciary assets

Assets held in trust or in a fiduciary capacity are not treated as assets of the Bank and accordingly are not included in these financial statements.

3.17 Offsetting

Financial assets and financial liabilities are only offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and the Bank intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

3.18 Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Bank's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Bank. Dividends for the year that are approved after the statement of financial position date are disclosed as an event after the statement of financial position date.

3.19 Acceptances

Acceptances arise when the Bank is under an obligation to make payments against documents drawn under letters of credit. After acceptance, the instrument becomes an unconditional liability of the Bank and is therefore recognised as a financial liability in the statement of financial position. However, every acceptance has a corresponding contractual right of reimbursement from the customer which is recognised as a financial asset.

3.20 Islamic financing and investment products

In addition to conventional banking products, the Bank offers its customers certain non-interest based banking products, which are approved by its Sharia'a Supervisory Board.

The various Islamic instruments described below are accounted for, disclosed and presented in accordance with the requirements of the underlying substance of the instruments and IFRS / IAS / IFRIC.

Murabaha:

Murabaha receivables are non-derivative financial assets with fixed payments that are not quoted in an active market. Murabaha is a sale transaction in which the seller (Bank) expressly mentions the actual cost of the asset to be sold to the customer and sells it to the customer on a cost-plus mark-up (profit) basis. It is in fact the sale of an asset for a profit, usually on deferred payment basis.

Income on Murabaha financing is recognised on a time apportioned basis over the period of the Murabaha contract, using the effective profit rate method.

Ijara:

Ijara involves a contract where the Bank buys and then leases an item to a customer for a specified rental over a specific period. The duration of lease, as well as the basis for rental, are set and agreed in advance. The Bank acquires the beneficial ownership of the property to lease the usufruct to the customer.

Income on Ijara financing is recognised on a time apportioned basis over the lease term, using the effective profit rate method.

Qard:

A Qard is the transfer of ownership in tangible wealth (money), from the customer to the Bank, and it is binding on the Bank to return equal wealth (money) to the customer on demand or as per the agreed terms, which means that the principal is to be repaid on demand. The Islamic current account offered to customers is based on the concept of Qard, a profit free amount received from the customer to the Bank, on which no profit or other form of return is payable.

3 Material accounting policies (continued)

3.20 Islamic financing and investment products (continued)

Wakala:

Wakala involves an agreement, based on the concept of Wakala Bil Istithmar, where the Bank becomes the investment agent (Wakil) for its customers (Muwakkil) for deposit of their funds in the Wakala investment account to be invested in Shariah-compliant investment instruments. The funds are used to generate profit for the customer by investing in Islamic financing facilities to the Bank's other customers or investing in other Shariah-compliant investment instruments.

Income generated from the Wakala deposits are paid to the customers and the Bank recognizes a corresponding expense in the statement of income. Any losses as a result of the misconduct or negligence or violation of the terms and conditions of the Wakala are borne by the agent; otherwise, they are borne by the principal.

3.21 Leases

Right-of-use assets:

The Bank recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Bank is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities:

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating a lease, if the lease term reflects the Bank exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Bank uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets:

The Bank applies the short-term lease recognition exemption to its short-term leases of ATM's (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option) together with the exemption of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

The Bank has the option, under some of its leases to lease the assets for an additional term. The Bank applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g. a change in business strategy).

3.22 Repurchase agreements

Securities sold under agreements to repurchase at a specified future date are not derecognised from the statement of financial position as the Bank retains substantially all of the risks and rewards of ownership. The corresponding cash received is recognised in the statement of financial position as an asset with a corresponding obligation to return it, including accrued interest as a liability within cash collateral on securities lent and repurchase agreements, reflecting the transaction's economic substance as a loan to the Bank. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of agreement using the effective interest rate.

4 Significant management judgements and estimates

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation and uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described below:

4.1 Classification of financial assets

Assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding.

4.2 Impairment of financial assets

Assessment of whether credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of ECL.

Significant increase in credit risk (SICR)

At each reporting date, the Bank assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the probability of default (PD) occurring over the expected life between the reporting date and the date of initial recognition.

In determining whether credit risk has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort (including both qualitative and quantitative information) and also uses its historical experience, internal credit risk grading system, external risk ratings and forward-looking information to assess deterioration in credit quality of a financial asset.

Credit risk grades

The Bank allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Each exposure is allocated to a credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data.

Corporate exposures	Retail exposures	All exposures
- Information obtained during periodic review of customer files – e.g. audited financial statements, management accounts, budgets and projections. - Data from credit reference agencies, press articles, changes in external credit ratings - Quoted bond and credit default swap (CDS) prices for the borrower where available - Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities	- Internally collected data on customer behaviour - External data from credit reference agencies including industry-standard credit scores	- Payment record – this includes overdue status - Utilisation of the granted limit - Requests for and granting of forbearance - Existing and forecast changes in business, financial and economic conditions

4 Significant management judgements and estimates (continued)

4.2 Impairment of financial assets (continued)

Significant increase in credit risk (SICR) (continued)

Credit risk grades (continued)

The Bank uses Moody's credit risk grades as a primary input into the determination of the term structure of the PD for exposures. The table below provides a mapping of the Bank's credit risk grades.

S.No.	Moody's Rating Grades	Classification	Description
1	1	High	Strong
2	2+		Very Good
3	2		
4	2-		
5	3+	Standard	Good
6	3		
7	3-		
8	4+		Satisfactory
9	4		
10	4-		
11	5+		Acceptable
12	5		
13	5-		
14	6+		Marginal
15	6		
16	6-	Watch list	Watch list
17	7+		Watch list
18	7		OLEM
19	7-		
20	8	Default	Sub Standard
21	9		Doubtful
22	10		Loss

Generating the term structure of PD:

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Bank collects performance and default information about its credit risk exposures analysed by type of product and borrower as well as by credit risk grading. Information purchased from external credit reference agencies is also used.

The Bank uses statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors as well as in-depth analysis of the impact of certain other factors (e.g. forbearance experience) on the risk of default. For most exposures, key macro-economic indicators include: GDP growth, Real Net Exports, House Price Index and General Government Finance. For exposures to specific industries and/or regions, the analysis may extend to relevant commodity and/or real estate prices.

Based on advice from the Market Risk Committee and consideration of a variety of external actual and forecast information, the Bank formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analysing historical data over the past 5 to 7 years.

Importance of staging criteria

Staging is an important input in determining the IFRS 9 ECL, as it dictates loans would be classified as stage 1 (attracting 12 months ECL) and in stage 2 (attracting life time ECL). Staging under IFRS 9 is based on the assessment of relative movement in the credit quality of the loans from the time of initial recognition. Loans classified in stage 3 have objective evidence of impairment and in respect of which specific provisions have been established.

4 Significant management judgements and estimates (continued)

4.2 Impairment of financial assets (continued)

Determining the stage for impairment

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

Quantitative criteria:

Wholesale portfolio:

Significant increase in credit risk is measured by comparing the risk of default estimated at origination with the risk of default at the reporting date. In addition, the following parameters are also considered:

- 30 days past due
- Restructuring flag
- Downgrade by 3 notches on a 22 scale as per internal rating guidelines
- Current MRA of 7+,7, 7-
- Originated Credit Impaired accounts will remain minimum stage 2 till maturity

Retail portfolio:

Thresholds have been set for each portfolio based on historical default rates. Facilities exceeding the threshold are considered for significant increase in credit risk. In addition, the following parameters are also considered:

- 30 days past due
- Restructuring flag
- Abandoned segment
- Skip / Job loss and other internally agreed watch list criteria

Investment portfolio and Due from banks:

External rating agency credit grades are used to assess the significant increase in credit risk. These external published grades are continuously monitored and updated. The Bank's rating method comprises 19 rating levels for instruments not in default (1 to 19) and 3 default classes (20 to 22). The Bank's internal rating scale is mapped with external ratings. The master scale assigns each rating category a specified range of probabilities of default, which is stable over time.

Qualitative criteria:

The Bank also considers in its assessment of significant increase in credit risk various qualitative factors like significant adverse changes in business, actual and expected forbearance or restructuring and early signs of cash flows and liquidity problems.

Curing criteria:

The Bank continues to monitor financial instruments for a minimum probationary period of 12 months to confirm if the risk of default has decreased sufficiently before upgrading such exposures from Stage 2 to Stage 1.

The Bank is observing a probationary period of a minimum of 3 instalments (for repayments which are on a quarterly basis or shorter) and 12 months (in cases where instalments are on a longer frequency than quarterly) after restructuring, before upgrading from Stage 3 to Stage 2.

Exposures are not upgraded from Stage 3 to Stage 1 directly and are upgraded to Stage 2 initially before upgrading to Stage 1 based on the above-mentioned criteria.

The Bank ensures that the risk rating of the obligor correctly reflects its credit risk. The Bank has in place a robust early warning signal mechanism to ensure credit risk deterioration is highlighted before the default takes place. This is via close monitoring of key early warning signals such as excesses, past dues, cheque / payment failures, external market feedback and credit ratings, covenant / condition breaches and weak financials. Where a client shows early signs of financial strain, it is placed on a watch list category and monitored at an internal watch list forum.

4 Significant management judgements and estimates (continued)

4.2 Impairment of financial assets (continued)

Credit-impaired financial assets

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Definition of default
The Bank considers a financial asset to be in default in line with the Circular No. 28/2010 and associated regulations issued by the Central Bank of the United Arab Emirates.

An instrument is considered to be no longer in default (i.e. to have cured) when it no longer meets the default criteria for a consecutive period of 12 months as determined by the regulatory guidelines.

Measurement of ECL

The ECL is measured on either a 12-month or lifetime basis depending on whether an SICR has occurred since initial recognition or whether an asset is considered to be credit-impaired. ECL is the discounted product of the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD), defined as follows:

- PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates Two types of PDs are used for calculating ECL
  - 12 month PDs: This is the estimated probability of default occurring within the next 12 months (or over the remaining life of the financial instrument if less than 12 months). This is used to calculate 12 month ECL for Stage 1 exposures
  - Lifetime PDs: This is the estimated probability of a default occurring over the remaining life of the financial instrument. This is used to calculate lifetime ECL for Stage 2 and Stage 3 exposures.
- EAD represents the expected exposure at the time of default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. As described and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Bank measures ECL considering the risk of default over the maximum contractual period over which it is exposed to credit risk. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a loan commitment or guarantee.
- LGD is the magnitude of the likely loss if there is a default. LGD is expressed as a loss percentage of the exposure at the time of default. The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, LTV ratios are a key parameter in determining LGD. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

The measurement of ECL is based on a probability-weighted average credit loss. As a result, the measurement of the loss allowance is the same regardless of whether it is measured on an individual basis or a collective basis. In relation to the assessment of whether there has been a significant increase in credit risk it may be necessary to perform the assessment on a collective basis where the financial instruments are grouped based on product type risk characteristics.

The weighted average ECL is calculated considering base, upside and downside scenarios for recognition of ECL.

These parameters are generally derived from internally developed statistical models, other historical data and forward-looking information.

The Bank considers its historical loss experience and adjusts this for current observable data. In addition, the Bank uses reasonable and supportable forecasts of future economic conditions including experienced judgement to estimate the amount of an expected impairment loss. IFRS 9 introduces the use of macroeconomic factors which include, but is not limited to, real annual growth in gross domestic product and oil prices and requires an evaluation of both the current and forecast direction of the economic cycle. Incorporating forward looking information increases the level of judgement as to how changes in these macroeconomic factors will affect ECL. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

4 Significant management judgements and estimates (continued)

4.2 Impairment of financial assets (continued)

Measurement of ECL (continued)

In 2023, the Bank has adjusted the LGD on the unsecured portfolio following regulatory guidelines as well as independent reviews undertaken during the year. The revised LGD of the Bank's unsecured portfolio reflects historical recovery data together with the Bank's forward looking business plans. The impact of this change in estimate has been disclosed in Note 7 (on loans and advances) as well as Note 26 (on commitments and contingencies).

The measurement of ECL for each stage consider information about past events, current condition as a well as reasonable and supported forecast of future events and economic conditions. Inherent limitations in modelling process and its reliance on previous historical losses required Bank to implement the ECL overlay framework with subjective inputs to adequately cover the current and future losses. In some instances, the inputs and model used for calculating ECLs may not always capture all the obligor characteristic at the time of preparation of financial statements, to reflect this, qualitative adjustments or overlay are used to shore the ECL coverage across the customers.

The most significant assumptions used for ECL estimate as at 31 December 2023 and 31 December 2022 are set out below. The scenarios of base case, upside and downside cases were used for all portfolios keeping in view the following principal macroeconomic variables:

Macroeconomic variables As at 31 December 2023	Scenario	Assigned probabilities	2023	2024	2025	2026
Real Imports of Goods and Services (AED)	Base	40%	1,308.47	1,355.28	1,394.00	1,413.95
	Upside	20%	1,308.47	1,371.33	1,435.92	1,474.27
	Downside	40%	1,308.47	1,202.67	1,237.29	1,253.23
General Government Finance: Expenditure (AED)	Base	40%	511.15	598.43	642.96	652.38
	Upside	20%	511.17	603.05	664.64	679.82
	Downside	40%	511.17	593.58	602.98	578.90
General government debt to GDP ratio (%)	Base	40%	28.06	29.16	32.21	35.43
	Upside	20%	27.87	24.53	26.97	30.68
	Downside	40%	27.87	38.11	51.09	52.36
Share Price Index: ADX General Index	Base	40%	9,687.54	9,821.75	10,027.78	10,205.45
	Upside	20%	9,687.54	10,483.73	10,577.08	10,737.34
	Downside	40%	9,687.54	6,261.43	7,620.35	8,193.83
House Price Index: Real	Base	40%	108.74	122.31	133.96	142.19
	Upside	20%	108.74	126.43	140.55	148.84
	Downside	40%	108.74	113.86	120.18	128.68
Real Net Exports of Goods and Services (AED)	Base	40%	287.52	295.19	302.95	326.15
	Upside	20%	277.97	287.81	288.64	307.95
	Downside	40%	277.97	287.41	290.14	311.26
Real Gross Domestic Product [GDP] (AED)	Base	40%	1,691.21	1,769.03	1,835.27	1,892.00
	Upside	20%	1,691.21	1,816.21	1,894.73	1,953.30
	Downside	40%	1,691.21	1,663.80	1,690.92	1,774.97
Brent crude oil 1-month forward (USD)	Base	40%	85.38	83.09	74.31	74.03
	Upside	20%	85.38	85.41	74.39	74.03
	Downside	40%	85.38	59.89	63.43	71.93
General Government Finance: Revenue (AED)	Base	40%	566.01	593.02	598.37	619.36
	Upside	20%	566.01	656.93	624.23	642.59
	Downside	40%	566.01	441.51	485.32	543.37

4 Significant management judgements and estimates (continued)

4.2 Impairment of financial assets (continued)

Measurement of ECL (continued)

Macroeconomic variables As at 31 December 2022	Scenario	Assigned probabilities	2022	2023	2024	2025
Real Private Consumption (USD bn)	Base	40%	521.28	538.38	550.64	567.38
	Upside	20%	532.70	564.91	593.73	616.87
	Downside	40%	512.98	508.18	524.39	567.69
Government Expenditure (USD bn)	Base	40%	471.09	528.08	578.90	615.28
	Upside	20%	471.38	531.89	591.32	635.12
	Downside	40%	471.12	524.03	558.55	574.01
Real Net Exports (USD bn)	Base	40%	440.56	450.68	487.74	512.61
	Upside	20%	442.24	445.89	463.72	479.04
	Downside	40%	425.40	405.70	428.53	448.06
General government debt to GDP (USD bn)	Base	40%	27.26	25.36	26.38	27.79
	Upside	20%	25.60	21.99	22.88	24.68
	Downside	40%	30.20	35.11	38.89	40.13
Economic Composite Indicator (proxy of GDP)	Base	40%	2.96	0.67	1.63	2.18
	Upside	20%	3.62	1.93	1.79	2.21
	Downside	40%	-0.33	-3.24	2.45	3.74
Employee Compensation (USD bn)	Base	40%	395.46	426.40	445.42	456.79
	Upside	20%	405.02	456.19	476.76	483.68
	Downside	40%	386.45	398.97	401.51	406.50
1-year EIBOR rates (%)	Base	40%	6.02	5.25	4.42	4.00
	Upside	20%	6.05	5.33	4.49	4.05
	Downside	40%	5.31	3.60	3.61	3.96

Sensitivity analysis

If the macroeconomic variables (listed above) were to change by the base, upside and downside scenarios, the ECL under stage 1 and 2 would change as follows:

Change in ECL due to change in macroeconomic variables	Base	Upside	Downside
Stage 1	-10.50%	-23.03%	+22.02%
Stage 2	-1.58%	-6.02%	+4.59%

Stage 3 ECL is arrived in compliance with Circular 28/2010 and are above the minimum regulatory requirements, with NIL impairment reserve.

4.3 Fair value of financial instruments

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. Judgements and estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation and volatility.

4 Significant management judgements and estimates (continued)

4.4 Provisions and other contingent liabilities

The Bank operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent to its operations. As a result, it is involved in various litigation, arbitration and regulatory investigations and proceedings both in UAE and in other jurisdictions, arising in the ordinary course of the Bank's business.

When the Bank can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Bank records a provision against the case. Where the probability of outflow is considered to be remote, or probable, but a reliable estimate cannot be made, a contingent liability is disclosed. However, when the Bank is of the opinion that disclosing these estimates on a case-by-case basis would prejudice their outcome, then the Bank does not include detailed, case-specific disclosures in its financial statements. Given the subjectivity and uncertainty of determining the probability and amount of losses, the Bank takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgement is required to conclude on these estimates.

4.5 Determination of the lease term for lease contracts with renewal and termination options

The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Bank has several lease contracts that include extension and termination options. The Bank applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation of the leased asset).

Estimating the incremental borrowing rate

The Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Bank 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Bank estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific adjustments (such as credit rating, or to reflect the terms and conditions of the lease).

5 Cash and balances with UAE central bank

	2023 AED'000	2022 AED'000
Cash on hand	**37,654**	44,809
Balances with UAE Central bank:		
- Statutory and other deposits with UAE Central Bank*	**313,426**	312,780
- Overnight Deposit Facility and Certificate of Deposits	**1,650,000**	850,000
	2,001,080	1,207,589

* includes statutory reserve requirement of AED 454,892 thousand (2022: AED 257,665 thousand)

The reserve requirements which are kept with the UAE Central Bank is not available to finance the day to day operations of the Bank. The UAE Central Bank balances are high grade in nature.

6 Due from banks

	2023 AED'000	2022 AED'000
Demand deposits	**256,768**	302,837
Term deposits	**200,000**	-
Less: Expected Credit Loss	**(201)**	(65)
	456,567	302,772

Demand deposits includes AED 1,700 thousand (2022: AED Nil) as margin for derivative transactions.

Gross amounts of due from banks by geographical area:

	2023 AED'000	2022 AED'000
Within UAE	**217,571**	10,034
Within GCCs	**25,663**	33,191
Other countries	**213,534**	259,612
	456,768	302,837

An analysis of due from banks based on external credit ratings is as follows:

	2023 AED'000	2022 AED'000
AA−	**2,713**	369
A+	**101,380**	1,887
A	**117,032**	104,028
A−	**14,956**	14,818
BBB+	**217,978**	179,571
BBB− and below	**2,709**	2,164
	456,768	302,837

Grading of gross balances of due from banks along with stages

	Stage 1 AED'000	***Stage 2 AED'000***	***Stage 3 AED'000***	***Total AED'000***
High	**236,081**	**-**	**-**	**236,081**
Standard	**220,687**	**-**	**-**	**220,687**
As at 31 December 2023	**456,768**	**-**	**-**	**456,768**

	Stage 1 AED'000	*Stage 2 AED'000*	*Stage 3 AED'000*	*Total AED'000*
High	121,102	-	-	121,102
Standard	181,735	-	-	181,735
As at 31 December 2022	302,837	-	-	302,837

7 Loans and advances and Islamic financing receivables

The composition of loans and advances and Islamic financing receivables portfolio is as follows:

	2023 AED'000	2022 AED'000
(a) By type:		
Overdrafts	**1,393,589**	1,134,946
Loans (medium and short term)*	**7,923,093**	6,480,812
Loans against trust receipts	**456,828**	440,195
Bills discounted	**128,415**	124,604
Other cash advances	**26,252**	27,302
Bills drawn under letters of credit	**83,758**	31,776
Gross loans and advances and Islamic financing receivables	**10,011,935**	8,239,635
Less: Provision for impairment on loans and advances and Islamic financing receivables	**(654,642)**	(635,335)
Net loans and advances and Islamic financing receivables	**9,357,293**	7,604,300

* Includes retail loans of AED 1,182,830 thousand (2022: AED 1,341,125 thousand)

	2023 AED'000	2022 AED'000
(b) By economic sector:		
Government and public sector	**659,959**	878,627
Trade	**905,320**	905,813
Personal loans (retail and HNIs)	**2,686,135**	3,035,354
Manufacturing	**865,630**	575,468
Construction	**544,765**	324,937
Services	**2,294,894**	1,027,820
Financial institutions	**1,901,113**	1,273,799
Transport and communication	**154,041**	201,737
Others	**78**	16,080
Gross loans and advances and Islamic financing receivables	**10,011,935**	8,239,635

Islamic financing gross receivables amount to AED 798,878 thousand (2022: AED 426,824 thousand) recognized through the Bank's Shari'a – compliant Islamic window.

At 31 December 2023, the gross amount of loans and advances and Islamic financing receivables, individually determined to be impaired, before deducting any individually assessed impairment allowance amounted to AED 496,662 thousand (2022: AED 673,806 thousand).

7 Loans and advances and Islamic financing receivables (continued)

Grading of gross balances of loans and advances and Islamic financing receivables along with stages

	Stage 1 AED'000	*Stage 2 AED'000*	*Stage 3 AED'000*	*Total AED'000*
High	**1,834**	**-**	**-**	**1,834**
Standard	**9,042,229**	**326,068**	**-**	**9,368,297**
Watch list	**-**	**145,142**	**-**	**145,142**
Default	**-**	**-**	**496,662**	**496,662**
Total gross carrying amount	**9,044,063**	**471,210**	**496,662**	**10,011,935**
Expected credit loss	**(130,431)**	**(169,779)**	**(354,432)**	**(654,642)**
As at 31 December 2023	**8,913,632**	**301,431**	**142,230**	**9,357,293**

	Stage 1 AED'000	*Stage 2 AED'000*	*Stage 3 AED'000*	*Total AED'000*
High	20,296	-	-	20,296
Standard	6,909,077	423,000	-	7,332,077
Watch list	-	213,456	-	213,456
Default	-	-	673,806	673,806
Total gross carrying amount	6,929,373	636,456	673,806	8,239,635
Expected credit loss	(93,109)	(245,401)	(296,825)	(635,335)
As at 31 December 2022	6,836,264	391,055	376,981	7,604,300

Movement in the gross balances of loans and advances and Islamic financing receivables

	Stage 1 AED'000	*Stage 2 AED'000*	*Stage 3 AED'000*	*Total AED'000*
Gross carrying amount as at 31 December 2022	**6,929,373**	**636,456**	**673,806**	**8,239,635**
Net of new assets originated or purchased	**2,255,079**	**(182,925)**	**(201,266)**	**1,870,888**
Write-offs	**-**	**-**	**(98,588)**	**(98,588)**
Transferred to/(from) Stage 1	**(154,613)**	**149,228**	**5,385**	**-**
Transferred to/(from) Stage 2	**14,224**	**(138,576)**	**124,352**	**-**
Transferred to/(from) Stage 3	**-**	**7,027**	**(7,027)**	**-**
As at 31 December 2023	**9,044,063**	**471,210**	**496,662**	**10,011,935**

	Stage 1 AED'000	*Stage 2 AED'000*	*Stage 3 AED'000*	*Total AED'000*
Gross carrying amount as at 31 December 2021	7,262,783	616,877	1,034,082	8,913,742
Net of new assets originated or purchased	(211,969)	(166,841)	(97,975)	(476,785)
Write-offs	-	-	(197,322)	(197,322)
Transferred to/(from) Stage 1	(193,044)	157,404	35,640	-
Transferred to/(from) Stage 2	40,063	(158,079)	118,016	-
Transferred to/(from) Stage 3	31,540	187,095	(218,635)	-
As at 31 December 2022	6,929,373	636,456	673,806	8,239,635

7 Loans and advances and Islamic financing receivables (continued)

Movement in provision for impairment of loans and advances and Islamic financing receivables

	Stage 1 AED'000	*Stage 2 AED'000*	*Stage 3 AED'000*	*Total AED'000*
Balance as at 31 December 2022	**93,109**	**245,401**	**296,825**	**635,335**
Changes due to provisions recognized in the opening balance that have:				
Transferred from 12 month ECL	**(33,660)**	**31,654**	**2,006**	**-**
Transferred from lifetime ECL not credit-impaired	**96**	**(115,324)**	**115,228**	**-**
Transferred from lifetime ECL credit-impaired	**-**	**2,427**	**(2,427)**	**-**
Transferred to lifetime ECL credit-impaired on commitments and contingent liabilities	**-**	**-**	**(2,546)**	**(2,546)**
Charge to income statement	**70,886**	**5,621**	**43,934**	**120,441**
Write-offs	**-**	**-**	**(98,588)**	**(98,588)**
As at 31 December 2023	**130,431**	**169,779**	**354,432**	**654,642**

	Stage 1 AED'000	*Stage 2 AED'000*	*Stage 3 AED'000*	*Total AED'000*
Balance as at 31 December 2021	85,065	175,051	440,276	700,392
Changes due to provisions recognized in the opening balance that have:				
Transferred from 12 month ECL	(21,056)	21,056	-	-
Transferred from lifetime ECL not credit-impaired	440	(440)	-	-
Transferred from lifetime ECL credit-impaired	43	47,330	(47,373)	-
Transferred to lifetime ECL credit-impaired on commitments and contingent liabilities	-	-	50	50
Charge to income statement	28,617	2,404	101,194	132,215
Write-offs	-	-	(197,322)	(197,322)
As at 31 December 2022	93,109	245,401	296,825	635,335

Sector wise analysis of impaired loans and advances and Islamic financing receivables in the default category and related provisions is as follows:

	2023		*2022*	
	Gross exposure AED'000	***Impairment provision AED'000***	*Gross exposure AED'000*	*Impairment provision AED'000*
By economic sector				
Trade	**64,740**	**62,991**	104,486	78,857
Personal loans (retail and HNIs)	**173,574**	**101,750**	335,143	92,542
Manufacturing	**144,620**	**126,727**	143,158	75,265
Construction	**3,082**	**3,081**	3,081	619
Services	**100,656**	**58,851**	8,919	2,308
Financial institutions	**-**	**-**	79,019	47,234
Transport and communication	**9,990**	**1,032**	-	-
Total	**496,662**	**354,432**	673,806	296,825

The fair value of collateral that the Bank holds relating to loans to corporate and retail customers individually determined to be impaired at 31 December 2023 amounts to AED 339,284 thousand (2022: AED 462,040 thousand). The collateral consists of cash, securities, charges over real estate properties, vehicles, plant and machinery, inventory, trade receivables, and guarantees from parent companies for loans to their subsidiaries or other Bank companies.

8 Investments and Islamic instruments

	31 Dec 2023			31 Dec 2022		
	Quoted AED'000	**Unquoted AED'000**	**Total AED'000**	Quoted AED'000	Unquoted AED'000	Total AED'000
Debt:						
FVOCI						
Local	**2,288,599**	-	**2,288,599**	1,908,114	-	1,908,114
Overseas	**1,568,926**	-	**1,568,926**	1,151,576	-	1,151,576
Amortised Cost						
Local	**513,605**	-	**513,605**	581,361	-	581,361
Overseas	**720,431**	-	**720,431**	248,013	-	248,013
Total debt securities	**5,091,561**	-	**5,091,561**	3,889,064	-	3,889,064
Equity:						
FVOCI						
Local	-	**466**	**466**	-	466	466
Overseas	-	**76**	**76**	112	76	188
Total equities	-	**542**	**542**	112	542	654
Total investments	**5,091,561**	**542**	**5,092,103**	3,889,176	542	3,889,718
ECL on investments held at amortised cost			**(2,242)**			(2,242)
Net investments			**5,089,861**			3,887,476

The Bank holds a stage 1 ECL allowance on its investment securities classified under FVOCI amounting to AED 29,260 thousand as at 31 December 2023 (31 December 2022: AED 29,260 thousand).

Included in the above are investment securities amounting to AED 2,137,230 thousand (2022: AED 1,144,033 thousand) secured under repurchase agreement with the lenders. The Banks holds an ECL allowance of AED 6,436 thousand (2022: AED 1,931 thousand) on these investment securities secured under repurchase agreements.

Grading of gross balances of investment securities (FVOCI and Amortised Cost) along with stages:

	Stage 1 AED'000	***Stage 2 AED'000***	***Stage 3 AED'000***	***Total AED'000***
High	**1,439,995**	-	-	**1,439,995**
Standard	**3,652,108**	-	-	**3,652,108**
Total gross carrying amount	**5,092,103**	-	-	**5,092,103**
Expected credit loss	**(31,502)**	-	-	**(31,502)**
As at 31 December 2023	**5,060,601**	-	-	**5,060,601**

8 Investments and Islamic instruments (continued)

Grading of gross balances of investment securities (FVOCI and Amortised Cost) along with stages: (continued)

	Stage 1 AED'000	*Stage 2 AED'000*	*Stage 3 AED'000*	*Total AED'000*
High	1,940,590	-	-	1,940,590
Standard	1,948,474	-	-	1,948,474
Total gross carrying amount	3,889,064	-	-	3,889,064
Expected credit loss	(31,502)	-	-	(31,502)
As at 31 December 2022	3,857,562	-	-	3,857,562

Movement in the provision for impairment of investment securities (FVOCI and Amortised Cost):

	Stage 1 AED'000	***Stage 2 AED'000***	***Stage 3 AED'000***	***Total AED'000***
Balance as at 31 December 2022	**31,502**	**-**	**-**	**31,502**
Charge to income statement (Note 22)	-	-	**-**	**-**
As at 31 December 2023	**31,502**	**-**	**-**	**31,502**

	Stage 1 AED'000	*Stage 2 AED'000*	*Stage 3 AED'000*	*Total AED'000*
Balance as at 31 December 2021	25,502	-	-	25,502
Charge to income statement (Note 22)	6,000	-	-	6,000
As at 31 December 2022	31,502	-	-	31,502

An analysis of the investment based on external credit ratings is as follows:

As at 31 December 2023	**Debt securities AED'000**	**Other investments AED'000**	**Total AED'000**
AA	**1,162,390**	-	**1,162,390**
AA-	**277,606**	-	**277,606**
A	**716,007**	-	**716,007**
A-	**128,680**	-	**128,680**
BBB+	**171,118**	-	**171,118**
BBB	**69,879**	-	**69,879**
BBB- and below	**2,309,790**	-	**2,309,790**
Unrated	**256,091**	**542**	**256,633**
Total investments	**5,091,561**	**542**	**5,092,103**
Expected credit loss	**(2,242)**	-	**(2,242)**
Net investments	**5,089,319**	**542**	**5,089,861**

8 Investments and Islamic instruments (continued)

As at 31 December 2022	Debt securities AED'000	Other investments AED'000	Total AED'000
AA	1,222,757	-	1,222,757
AA-	276,634	-	276,634
A	441,199	-	441,199
A-	-	112	112
BBB+	60,020	-	60,020
BBB	32,759	-	32,759
BBB- and below	1,587,914	-	1,587,914
Unrated	267,781	542	268,323
Total investments	3,889,064	654	3,889,718
Expected credit loss	(2,242)	-	(2,242)
Net investments	3,886,822	654	3,887,476

9 Property, equipment and capital work-in-progress

	Freehold land and buildings AED'000	*Motor vehicles, leasehold improvements, furniture, fixtures and equipment AED'000*	*Capital work-in-progress AED'000*	*Total AED'000*
Cost or valuation:				
At 1 January 2023	**420,661**	**323,032**	**98,500**	**842,193**
Additions	**-**	**1,703**	**20,979**	**22,682**
Transfers	**-**	**4,850**	**(4,850)**	**-**
Write-offs	**-**	**-**	**(558)**	**(558)**
Sale/Disposals	**(189,467)**	**-**	**(84,029)**	**(273,496)**
At 31 December 2023	**231,194**	**329,585**	**30,042**	**590,821**
Accumulated depreciation:				
At 1 January 2023	**29,347**	**269,387**	**-**	**298,734**
Charge for the year	**3,293**	**16,643**	**-**	**19,936**
Write-offs	**-**	**-**	**-**	**-**
Sale/Disposals	**-**	**-**	**-**	**-**
At 31 December 2023	**32,640**	**286,030**	-	**318,670**
Impairment on properties	**(90,800)**	**-**	**-**	**(90,800)**
Net Carrying Value as at 31 December 2023	**107,754**	**43,555**	**30,042**	**181,351**

9 Property, equipment and capital work-in-progress (continued)

	Freehold land and buildings AED'000	*Motor vehicles, leasehold improvements, furniture, fixtures and equipment AED'000*	*Capital work-in-progress AED'000*	*Total AED'000*
Cost or valuation:				
At 1 January 2022	420,661	300,021	108,649	829,331
Additions	-	68	12,794	12,862
Transfers	-	22,943	(22,943)	-
Write-offs	-	-	-	-
Sale/Disposals	-	-	-	-
At 31 December 2022	420,661	323,032	98,500	842,193
Accumulated depreciation:				
At 1 January 2022	26,054	254,243	-	280,297
Charge for the year	3,293	15,144	-	18,437
Write-offs	-	-	-	-
Disposals	-	-	-	-
At 31 December 2022	29,347	269,387	-	298,734
Impairment on properties	(171,234)	-	(76,529)	(247,763)
Net Carrying Value as at 31 December 2022	220,080	53,645	21,971	295,696

The cost of freehold land included above is AED 148,900 thousand (2022: AED 338,368 thousand). Management has completed the assessment of the carrying values of these plots of land and has accordingly recognised an impairment of AED Nil thousand during 2023 (2022: AED 2,000 thousand).

During 2023, additions to capital work in progress relate to expenditure incurred in connection with the purchase of property and equipment amounting to AED 20,979 thousand (2022: AED 12,794 thousand). Upon completion of associated projects, AED 4,850 thousand (2022: AED 22,943 thousand) was transferred to 'motor vehicles, leasehold improvements, furniture, fixtures and equipment' whilst AED 558 thousand (2022: Nil) was written-off.

During 2023, the Bank wrote-off computer software with a net carrying value of Nil (2022: Nil).

Intangible assets relating to computer software are included within equipment with a net carrying value of AED 22,392 thousand (2022: AED 29,018 thousand).

Description of the valuation techniques used and key inputs to valuation of properties is as follows:

	Valuation technique	**Significant unobservable inputs**
Plot 1	DRC method (refer below)	Sales rate per sq ft on gross floor area (GFA) amended to incorporate negotiation, size and time adjustment for transactions
Plot 2	Sales Comparison method (refer below)	Negotiation adjustment of 15% has been applied to the current asking price for similar land parcels

Depreciated Replacement Costs ("DRC") method

The DRC method is based on the market value of the current use of the land in addition to the current gross replacement costs of improvements less allowances for physical deterioration and all relevant forms of obsolescence and optimization.

Sales comparison method

This method involves analysing sales and asking prices of similar plots of land and comparing these to the property owned.

10 Other assets

	2023 AED'000	2022 AED'000
Interest receivable	**142,660**	97,585
Positive fair value of derivatives (Note 25)	**57,482**	84,786
Acceptances	**203,728**	356,795
Prepayments and other assets	**91,041**	173,513
Right-of-use assets (Note 28)	**7,805**	-
Assets repossessed in settlement of debts (refer below)	**58,980**	69,910
	561,696	782,589

The Bank's portfolio of assets (net) repossessed in settlement of debts amounted to AED 58,980 thousand (2022: AED 69,910 thousand). During 2023, the Bank recognised a gain on sale of AED 9,270 thousand (2022: AED 48,018 thousand) on its properties which had a net carrying value of AED 7,430 thousand (2022: AED 100,507 thousand) at the time of sale. The management completed an assessment of the carrying values of the remaining properties in 2023 and has accordingly recognised AED 3,500 thousand impairment (2022: AED 2,286 thousand) for the year.

Grading of credit exposure for financial assets which are part of other assets along with stages is shown below:

Other assets	***Stage 1 AED'000***	***Stage 2 AED'000***	***Stage 3 AED'000***	***Total AED'000***
High	**48,280**	-	-	**48,280**
Standard	**433,397**	**3,908**	-	**437,305**
Watch list	-	-	-	-
As at 31 December 2023	**481,677**	**3,908**	-	**485,585**

Other assets	*Stage 1 AED'000*	*Stage 2 AED'000*	*Stage 3 AED'000*	*Total AED'000*
High	9,707	-	-	9,707
Standard	689,707	6,227	-	695,934
Watch list	-	1,213	-	1,213
As at 31 December 2022	699,414	7,440	-	706,854

11 Due to banks

	2023 AED'000	2022 AED'000
Demand deposits	**57,725**	56,794
Term deposits	**3,671,710**	3,215,649
	3,729,435	3,272,443

Term deposits include borrowings through repurchase agreements of AED 1,764,647 thousand (2022: AED 1,038,860 thousand). Demand deposits include AED 53,198 thousand (2022: AED 52,305 thousand) held as margin for derivative transactions.

11 Due to banks (continued)

	2023 AED'000	2022 AED'000
Gross amounts due to banks by geographical area		
Within U.A.E.	**1,079,728**	680,175
Within GCC	**219,605**	2,659
Other countries	**2,430,102**	2,589,609
	3,729,435	3,272,443

12 Customer deposits and Islamic customer deposits

	2023 AED'000	2022 AED'000
Term deposits	**6,497,281**	5,493,952
Current accounts	**3,560,296**	2,915,492
Call and saving accounts	**179,925**	159,143
	10,237,502	8,568,587

Customer deposits include Islamic customer deposits amounting to AED 1,436,478 thousand (2022: AED 1,755,365 thousand) undertaken through the Bank's Shari'a - compliant Islamic window.

13 Medium term borrowings

The Bank has arranged a term loan facility amounting to AED 734,600 thousand during the year. The facility carries a floating interest rate, being margin over EIBOR and is repayable in full in December 2025.

14 Other liabilities

	2023 AED'000	2022 AED'000
Acceptances	**203,728**	356,795
Interest payable	**132,692**	105,456
Negative fair value of derivatives (Note 25)	**11,448**	10,066
ECL on off-balance sheet exposures	**89,667**	87,918
Staff related provisions	**18,886**	17,246
Accrued expenses	**62,972**	53,284
Un-presented cheques	**54,559**	44,842
Lease liability (Note 28)	**8,280**	1,181
Others	**74,334**	63,268
	656,566	740,056

14 Other liabilities (continued)

In accordance with UAE labour law, the Bank provides for end of service benefit for its expatriate employees. Movements in the liability recognised in the statement of financial position in respect of end of service benefits are as follows:

	2023 AED'000	2022 AED'000
Liability as at 1 January	**17,246**	18,805
Expense recognised in the statement of income	**6,823**	4,976
End of service benefits paid	**(5,183)**	(6,535)
Liability as at 31 December	**18,886**	17,246

15 Share capital and reserves

a) Share capital

The authorised paid up share capital of the Bank is 2,750,067,532 (2022: 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 (2022: 2,062,550,649) shares of AED 1 each. See Note 23 for details.

b) Special reserve

Decretal Federal Law No. (14) of 2018 concerning the Central Bank, the Monetary System and Organisation of Banking requires that 10% of the net profit is transferred to a non-distributable special reserve until this reserve equals 50% of the paid up share capital. This reserve has a balance of AED 48,022 thousand (2022: AED 22,491 thousand) as of 31 December 2023.

c) Statutory reserve

UAE Federal Law No.(2) of 2015 and the Articles of Association of the Bank, require that 10% of the net profit is transferred to a non-distributable statutory reserve until this reserve equals 50% of the paid up share capital. This reserve has a balance of AED 76,946 (2022: AED 51,415 thousand) thousand as of 31 December 2023.

d) General reserve

The general reserve may be utilised for any purpose to be determined by a resolution of the shareholders of the bank at an ordinary general meeting, on the recommendation of the Board of Directors. This reserve has a balance of AED 9,311 thousand (2022: AED 9,311 thousand) as of 31 December 2023.

e) Dividends

The directors do not propose any cash dividend for the year ended 31 December 2023 (2022: Nil).

f) Cumulative changes in fair value

Cumulative changes in fair value reserve includes the net change in fair value of FVOCI assets and the net effective portion of changes in fair value of cash flow hedges. This reserve has a balance of AED (119,170) thousand (2022: AED (153,621) thousand) as of 31 December 2023.

16 Interest income and income from Islamic financing products

	2023 AED'000	2022 AED'000
Loans and advances and Islamic financing products	**523,434**	362,088
Money market and interbank transactions	**194,060**	80,069
Debt investments securities and profit on Sukuks	**204,116**	142,327
	921,610	584,484

17 Interest expense and distribution to depositors

	2023 AED'000	2022 AED'000
Customer deposits	**275,717**	149,044
Interbank transactions	**250,955**	113,873
	526,672	262,917

18 Net fees and commission income

	2023 AED'000	2022 AED'000
Fees on letters of credit and acceptances	**9,837**	10,396
Fees on guarantees	**18,104**	24,768
Fees on loans and advances	**27,816**	20,534
Other fee income	**24,962**	20,083
Commission expense	**(3,968)**	(8,621)
	76,751	67,160

19 Foreign exchange income

Foreign exchange income comprises mainly of net gains of AED 19,919 thousand (2022: AED 14,046 thousand) arising from trading in foreign currencies.

20 Other operating income

Other operating income comprises mainly of gains of AED 63,608 thousand (2022: AED 66,119 thousand) from sale of Bank's properties.

21 Other operating expenses

	2023 AED'000	2022 AED'000
Occupancy and maintenance costs	**38,038**	41,658
Legal and professional fees	**21,474**	18,073
Other administrative expenses	**20,925**	22,584
Write-off of property and equipment (Note 9)	**558**	-
	80,995	82,315

22 Net impairment losses

Provision for credit losses recognised in the statement of income is as follows

	2023 AED'000	2022 AED'000
Net impairment of financial assets on:		
Loans and advances and Islamic financing receivables	**100,375**	133,643
Contingent liabilities (Note 26)	**(797)**	(12,614)
Due from banks (Note 6)	**136**	(69)
Investments and Islamic instruments (Note 8)	**-**	6,000
Net impairment of non-financial assets on:		
Property, equipment and capital work-in-progress (Note 9)	**-**	2,000
Other assets (Note 10)	**3,500**	2,286
Recovery on bad debts written off	**(66,865)**	(36,984)
Net impairment losses	**36,349**	94,262

23 Earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year. The calculations are as follows:

	2023 AED'000	2022 AED'000
Net profit for the year	**255,309**	154,721
Weighted average number of ordinary shares:		
Weighted average number of shares of AED 1 each outstanding for the year	**2,062,550,649**	2,062,550,649
Basic and diluted earnings per share	**AED 0.12**	AED 0.08

The diluted earnings per share are the same as basic earnings per share as the Bank has not issued any instruments which would have a dilutive impact on earnings per share if or when exercised.

24 Related party transactions

The Bank carries out transactions in the ordinary course of business with related parties, defined as shareholders who have a significant equity interest in the Bank, directors of the Bank, key management personnel of the Bank and companies over which such shareholders and directors exercise control or significant influence either directly or indirectly. The significant balances outstanding at 31 December are as follows:

	2023 AED'000	2022 AED'000
Shareholders:		
Due from banks	**1,014**	118
Due to banks	**3,608**	2,659
Commitments and contingencies	**5,000**	4,570
Tier 1 instrument	**550,875**	-
Coupon payable on Tier 1 instrument	**11,100**	-
Directors:		
Loans and advances	**12,132**	15,809
Customer deposits	**22,816**	21,745
Commitments and contingencies	**4,803**	45
Other related entities of shareholders and directors:		
Loans and advances	**52,318**	159,397
Due from banks	**8**	10
Due to banks	**700**	1,786
Customer deposits	**266,416**	220,899
Commitments and contingencies	**45,543**	85,320
Key management personnel of the Bank:		
Loans and advances	**7,782**	809
Customers deposits	**6,243**	4,861
Shareholders, directors and their related entities and key management personnel:		
Accrued interest income	**249**	834
Accrued interest expense	**1,410**	735
ECL release from income statement	**(2,652)**	(2,127)

24 Related party transactions (continued)

The income, expenses, purchase and sale of investments in respect of related parties during the year included in the statement of income are as follows:

	2023 AED'000	2022 AED'000
Shareholders, directors and their related entities		
Interest income	**6,941**	13,280
Interest expense	**2,559**	1,505
Professional fees	**154**	2,545
Interest expense on Tier 1 instrument	**22,200**	-
Director's remuneration and meeting attendance fees	**10,722**	6,790
Key management personnel		
Number of key management personnel	**13**	14
Salaries and other short term benefits	**21,604**	17,778
Employees' end of service benefits	**405**	373
Total compensation to key management personnel	**22,009**	18,151
Interest income	**112**	20
Interest expense	**88**	13

Terms and conditions of transactions with related parties

The above mentioned outstanding balances and transactions arose from the ordinary course of business and have been conducted on an arm's length. The interest charged to, and by, related parties is at normal commercial rates.

The related parties exposures have been secured against collateral amounting to AED 24,054 thousand (2022: AED 126,639 thousand).

For the year ended 31 December 2023, the Bank has not recorded any stage 3 impairment on amounts owed by related parties (2022: Nil).

The Bank has leased office space in various premises owned by a related party. The property rentals less associated expenses for the year amounted to AED 1,545 thousand (2022: AED 1,874 thousand). The property rentals are negotiated each year at market rates.

United Arab Bank P.J.S.C.
Notes to the financial statements for the year ended 31 December 2023

24 Related party transactions (continued)

Movement in the gross balances of all related party loans and advances:

Gross carrying amount	***Stage 1 AED'000***	***Stage 2 AED'000***	***Stage 3 AED'000***	***Total AED'000***
As at 31 December 2022	**119,032**	**56,983**	**-**	**176,015**
Net of new assets originated or repaid	**(64,251)**	**(39,532)**	-	**(103,783)**
As at 31 December 2023	**54,781**	**17,451**	-	**72,232**

Gross carrying amount	*Stage 1 AED'000*	*Stage 2 AED'000*	*Stage 3 AED'000*	*Total AED'000*
As at 31 December 2021	123,811	61,355	-	185,166
Net new assets originated or repaid	(4,779)	(4,372)	-	(9,151)
As at 31 December 2022	119,032	56,983	-	176,015

Movement in provision for impairment of related party loans and advances:

	Stage 1 AED'000	***Stage 2 AED'000***	***Stage 3 AED'000***	***Total AED'000***
Balance as at 31 December 2022	**951**	**2,317**	**-**	**3,268**
Release to income statement	**(664)**	**(1,988)**	-	**(2,652)**
As at 31 December 2023	**287**	**329**	-	**616**

	Stage 1 AED'000	*Stage 2 AED'000*	*Stage 3 AED'000*	*Total AED'000*
Balance as at 31 December 2021	1,795	3,600	-	5,395
Release to income statement	(844)	(1,283)	-	(2,127)
As at 31 December 2022	951	2,317	-	3,268

25 Derivatives

In the ordinary course of business, the Bank enters into various types of transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instrument, reference rate or index. Derivative financial instruments include forwards and swaps.

25.1 Derivative product types

a) Forward Contracts

Forward contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in the over-the-counter market. The Bank has credit exposure to the counterparties of forward contracts.

b) Options

Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or sell a specific amount of a financial instrument at a fixed price, either at a fixed future date or at any time within a specified period.

25 Derivatives (continued)

25.1 Derivative product types (continued)

c) Swaps

Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in a specified underlying index such as an interest rate, foreign currency rate or equity index.

Interest rate swaps relate to contracts taken out by the Bank with other financial institutions in which the Bank either receives or pays a floating rate of interest in return for paying or receiving, respectively, a fixed rate of interest. The payment flows are usually netted against each other, with the difference being paid by one party to the other.

In a currency swap, the Bank pays a specified amount in one currency and receives a specified amount in another currency. Currency swaps are mostly gross-settled.

25.2 Purpose of derivatives

The Bank is a party to derivative instruments in the normal course of meeting the needs of the Bank's customers. In addition, as part of its risk management activity, the Bank uses these derivative instruments for hedging purposes in order to reduce its own exposure to current and expected risks. This is achieved by hedging specific transactions as well as strategic hedging against overall balance sheet exposures.

Derivatives often involve at their inception only a mutual exchange of promises with little or no transfer of consideration. However, these instruments frequently involve a high degree of leverage and are very volatile. A relatively small movement in the value of the asset, rate or index underlying a derivative contract may have a significant impact on the profit or loss of the Bank.

Over-the-counter derivatives may expose the Bank to the risks associated with the absence of an exchange market on which to close out an open position.

The derivatives are recorded at fair value by using the published price quotations in an active market or counterparty prices or valuation techniques using a valuation model that has been tested against the prices actual market transactions and the Bank's best estimate of the most appropriate model inputs (Note 27).

The tables below show the fair values of derivative financial instruments for risk management and hedging purposes, recorded as Other Assets and Other Liabilities, together with their notional amounts. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are neither indicative of the market risk nor credit risk.

25.2.1 Derivatives held for risk management

31 December 2023				**Notional amounts by term to maturity**			
	Positive fair value AED'000	**Negative fair value AED'000**	**Notional amount AED'000**	**Within 3 months AED'000**	**3-12 months AED'000**	**1-5 years AED'000**	**Over 5 years AED'000**
Forward contracts	**4,311**	**(5,841)**	**2,649,252**	**721,977**	**1,651,930**	**275,345**	**-**
Interest rate swaps	**1,864**	**(1,864)**	**652,000**	**2,000**	**-**	**650,000**	**-**
	6,175	**(7,705)**	**3,301,252**	**723,977**	**1,651,930**	**925,345**	**-**

31 December 2022				Notional amounts by term to maturity			
	Positive fair value AED'000	Negative fair value AED'000	Notional amount AED'000	Within 3 months AED'000	3-12 months AED'000	1-5 years AED'000	Over 5 years AED'000
Forward contracts	2,757	(3,063)	2,854,673	1,969,009	871,126	14,538	-
Interest rate swaps	7,003	(7,003)	885,988	-	209,988	676,000	-
	9,760	(10,066)	3,740,661	1,969,009	1,081,114	690,538	-

25 Derivatives (continued)

25.2 Purpose of derivatives (continued)

25.2.1 Derivatives held for risk management (continued)

Fair value hedges of interest rate risk

The Bank uses interest rate swaps to hedge its exposure to changes in fair values of fixed-rate investments in respect of a benchmark interest rate. Interest rate swaps are matched to specific purchases of investments.

The Bank hedges interest rate risk only to the extent of benchmark interest rates. The benchmark rate is a component of interest rate risk that is observable in relevant environments. Hedge accounting is applied where economic hedge relationships meet the hedge accounting criteria.

When fair value hedge accounting is applied by the Bank, the Bank assesses whether the derivative designated in each hedging relationship is expected to be and has been highly effective in offsetting changes in fair value of the hedged item using regression analysis. The assessment is based on an evaluation of the quantitative measures of the regression results.

The fair value of the swaps is disclosed in other assets (liabilities) and the carrying amount of the hedged items included in the line item 'Investments' in the statement of financial position. Fair value gains on derivatives held in qualifying fair value hedging relationships and the hedging gain or loss on the hedged items are included in other operating income.

At 31 December 2023, the Bank held the following interest rate swaps as hedging instruments in fair value hedges of interest risk, along with amounts relating to hedged items.

				Notional amounts by term to maturity			
	Positive fair value AED'000	**Negative fair value AED'000**	**Notional amount AED'000**	**Within 3 months AED'000**	**3-12 months AED'000**	**1-5 years AED'000**	**Over 5 years AED'000**
31 December 2023							
Hedge of investments	**51,307**	**-**	**1,504,331**	**-**	**343,379**	**995,689**	**165,263**
Cross currency swap	**-**	**(3,743)**	**163,772**	**-**	**163,772**	**-**	**-**
31 December 2022							
Hedge of investments	75,026	-	1,792,660	-	130,956	1,223,903	437,801
Cross currency swap	-	-	-	-	-	-	-

The carrying amount of the hedged items are included in the line item 'Investments' on the statement of financial position with the notional amount totalling to AED 1,467,787 thousand (2022: AED 1,741,981 thousand). These hedged items comprise of debt instruments which are held as FVOCI.

The Bank has recognised the following gain relating to hedge ineffectiveness calculated as follows:

	2023		2022	
	Change in value AED'000	**Ineffectiveness recognised in profit and loss AED'000**	Change in value AED'000	Ineffectiveness recognised in profit and loss AED'000
On hedging instruments	**(19,727)**	**-**	184,438	24,443
On hedged items	**32,157**	**12,430**	(159,995)	-

25.3 Derivative related credit risk

Credit risk in respect of derivative financial instruments arises from the potential for a counterparty to default on its contractual obligations and is limited to the positive fair value of instruments that are favourable to the Bank. Approximately 98% (2022: 92%) of the Bank's derivative contracts are entered into with other financial institutions.

26 Contingent liabilities and commitments

Credit related commitments

The Bank's contractual amounts in respect of letters of credit and guarantees commit the Bank to make payments on behalf of customers contingent upon the customer satisfying the terms of the contract. The contractual amounts represent the credit risk, assuming that the amounts are fully advanced, guarantees are called for full amount following performance failure, and that any collateral or other security is of no value. However, the total contractual amount of commitments does not necessarily represent future cash requirements since many of such commitments will expire or terminate without being funded.

The loan commitments represent the contractual commitments to make the loan. These commitments are revocable and generally have fixed expiry dates or other termination clauses. Since commitments are revocable, may expire without being drawn down, and also the conditions precedent to draw down have to be fulfilled, the total contract amounts do not necessarily represent future cash outflow requirements.

The Bank has the following credit related commitments:

	2023 AED'000	2022 AED'000
Contingent liabilities		
Letters of credit	**232,761**	295,245
Guarantees	**1,959,570**	2,072,693
	2,192,331	2,367,938
Commitments		
Undrawn loan commitments	**2,584,525**	2,295,621

The undrawn loan commitments of the Bank are all revocable and are not considered for ECL computation.

Grading of gross balances of commitments and contingent liabilities along with stages

	Stage 1 AED'000	***Stage 2 AED'000***	***Stage 3 AED'000***	***Total AED'000***
High	**4,262**	-	-	**4,262**
Standard	**1,853,944**	**145,221**	-	**1,999,165**
Watch list	-	**54,259**	-	**54,259**
Default	-	-	**134,645**	**134,645**
Total gross carrying amount	**1,858,206**	**199,480**	**134,645**	**2,192,331**
Expected credit loss	**(4,394)**	**(16,667)**	**(68,606)**	**(89,667)**
As at 31 December 2023	**1,853,812**	**182,813**	**66,039**	**2,102,664**

	Stage 1 AED'000	*Stage 2 AED'000*	*Stage 3 AED'000*	*Total AED'000*
High	4,307	-	-	4,307
Standard	1,983,609	175,290	-	2,158,899
Watch list	-	67,437	-	67,437
Default	-	-	137,295	137,295
Total gross carrying amount	1,987,916	242,727	137,295	2,367,938
Expected credit loss	(6,416)	(26,113)	(55,389)	(87,918)
As at 31 December 2022	1,981,500	216,614	81,906	2,280,020

26 Contingent liabilities and commitments (continued)

Movement in the gross balance of contingent liabilities

Gross carrying amount	***Stage 1 AED'000***	***Stage 2 AED'000***	***Stage 3 AED'000***	***Total AED'000***
As at 31 December 2022	**1,987,916**	**242,727**	**137,295**	**2,367,938**
Changes due to financial assets recognised in the opening balance that have:				
Transferred to/ (from) Stage 1	**(6,099)**	**6,099**	-	-
Transferred to/ (from) Stage 2	-	**(435)**	**435**	-
Transferred to/ (from) Stage 3	-	-	-	-
Net of originated / (expired) during the year	**(123,611)**	**(48,911)**	**(3,085)**	**(175,607)**
As at 31 December 2023	**1,858,206**	**199,480**	**134,645**	**2,192,331**

Gross carrying amount	*Stage 1 AED'000*	*Stage 2 AED'000*	*Stage 3 AED'000*	*Total AED'000*
As at 31 December 2021	2,091,644	364,178	208,212	2,664,034
Changes due to financial assets recognised in the opening balance that have:				
Transferred to/ (from) Stage 1	(94,547)	94,547	-	-
Transferred to/ (from) Stage 2	174,929	(180,986)	6,057	-
Transferred to/ (from) Stage 3	-	3,698	(3,698)	-
Net of originated / (expired) during the year	(184,110)	(38,710)	(73,276)	(296,096)
As at 31 December 2022	1,987,916	242,727	137,295	2,367,938

Movement in the provision for impairment of contingent liabilities

	Stage 1 AED'000	***Stage 2 AED'000***	***Stage 3 AED'000***	***Total AED'000***
Balance as at 31 December 2022	**6,416**	**26,113**	**55,389**	**87,918**
Changes due to provisions recognized in the opening balance that have:				
Transferred from 12 month ECL	**(438)**	**438**	-	-
Transferred to lifetime ECL not credit impaired	-	-	-	-
Transferred to/ (from) lifetime ECL credit impaired	-	-	-	-
Transferred from lifetime ECL credit-impaired on loans and advances	-	-	**2,546**	**2,546**
Net charge to income statement (Note 22)	**(1,584)**	**(9,884)**	**10,671**	**(797)**
As at 31 December 2023	**4,394**	**16,667**	**68,606**	**89,667**

	Stage 1 AED'000	*Stage 2 AED'000*	*Stage 3 AED'000*	*Total AED'000*
Balance as at 31 December 2021	8,990	44,510	47,032	100,532
Changes due to provisions recognized in the opening balance that have:				
Transferred to 12 month ECL	1,605	(1,605)	-	-
Transferred to lifetime ECL not credit impaired	(4,153)	4,153	-	-
Transferred to/ (from) lifetime ECL credit impaired		859	(859)	-
Net charge to income statement (Note 22)	(26)	(21,804)	9,216	(12,614)
As at 31 December 2022	6,416	26,113	55,389	87,918

27 Risk management

Introduction

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.

The Bank places a strong emphasis on the following key imperatives to ensure sound risk management practices:

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.

1.1 Corporate Governance Framework

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

1.2 Risk Management Framework (Three Lines of Defence)

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

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

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

27 Risk management (continued)

1.2.1 First Line of Defence

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

1.2.2 Second Line of Defence

1.2.2.1 Finance Department

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

1.2.2.2 Credit Department

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

1.2.2.3 Risk Management Department

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

1.2.2.4 Compliance Department

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

1.2.3 Third Line of Defence - Internal Audit

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

From 2019 till 2023, 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 affected in 2019. The Bank had taken measures to adhere to the aforementioned standards and regulations to ensure compliance from the effective implementation date.

1.3 Roles of Board and the Executive Management

The Board of Directors defines the risk tolerance of the Bank, its primary business activities and its overall strategy and plan. The roles of Board and the Executive Management are detailed below:

1.3.1 Board Level Committee

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.

27 Risk management (continued)

1.3.1.1 Board Credit Committee (BCC)

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

1.3.1.2 Governance and Remuneration Committee (GRC)

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

1.3.1.3 Board Risk & Compliance Committee (BRCC)

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

1.3.1.4 Board Audit Committee (BAC)

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

1.3.1.5 Joint Board Audit and Board Risk & Compliance Committee

Joint Meeting between the Board Audit Committee (BAC) and the Board Risk & Compliance Committee (BRCC) 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.

1.3.2 Internal Shari'ah Supervision Committee (ISSC)

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

1.3.3 Management Level Committees

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

1.3.3.1 Management Committee (MANCOM)

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

27 Risk management (continued)

1.3.3.2 Asset Liability Committee (ALCO)

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

1.3.3.3 Credit Portfolio Committee (CPC)

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

1.3.3.4 Credit Committee (CC)

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

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

1.3.3.5 Risk Committee (RC)

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

1.3.3.6 Compliance Committee

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

1.3.3.7 Business Technology Steering Committee (BTSC)

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

1.3.3.8 Human Capital Committee (HCC)

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

1.3.3.9 Charity Committee

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

1.3.4 Management Sub-Committees

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

27 Risk management (continued)

1.3.4.1 Client Experience Forum (CEF)

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

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

1.3.4.2 Investment Committee (IMCO)

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

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

1.3.4.3 ERM Committee (ERMC)

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

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

1.3.4.4 Provisioning Committee (PC)

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

1.3.4.5 Operational Risk Management Committee (ORMC)

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

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

27 Risk management (continued)

1.3.4.6 IT Risk and Information Security Committee

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

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

1.3.4.7 Model Risk Management Committee (MRMC)

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

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

1.3.4.8 Disciplinary Committee (DC)

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

2. 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. 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.

27 Risk management (continued)

4. 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.

Credit Risk

Credit risk is the risk that a customer or counterparty will fail to meet a commitment / contractual obligation, resulting in a financial loss to the Bank. Such risk arises from lending, trade finance, treasury and other activities undertaken by the Bank. Credit risk is the single largest risk for the Bank's business and is actively monitored in accordance with the credit policies which clearly define delegated lending authorities, policies and procedures. The management of credit risk also involves the monitoring of risk concentrations by industrial sector as well as by geographic location.

The Bank has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The credit quality review process allows the Bank to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

The table below shows the maximum exposure to credit risk for the components of the statement of financial position, including contingent liabilities and commitments. The maximum exposure is shown as gross, before the effect of mitigation through the use of credit enhancements, master netting and collateral agreements.

	Notes	**2023 AED'000**	2022 AED'000
Cash and balances with UAE Central Bank (excluding cash on hand)	5	**1,963,426**	1,162,780
Due from banks	6	**456,768**	302,837
Loans and advances	7	**10,011,935**	8,239,635
Investments	8	**5,091,561**	3,889,064
Other assets*	10	**485,585**	706,853
*excluding prepayments and assets acquired in settlement of debt and lease assets			
Total		**18,009,275**	14,301,169
Letters of credit	26	**232,761**	295,245
Guarantees	26	**1,959,570**	2,072,693
Undrawn loan commitments	26	**2,584,525**	2,295,621
Total		**4,776,856**	4,663,559
Total credit risk exposure		**22,786,131**	18,964,728

Where financial instruments are recorded at fair value the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

United Arab Bank P.J.S.C.

Notes to the financial statements for the year ended 31 December 2023

27 Risk management (continued)

Credit Risk (continued)

Risk concentrations of the maximum exposure to credit risk

Concentration of risk is managed by client / counterparty, by geographical region and by industry sector. The maximum credit exposure to any client or counterparty as of 31 December 2023 was AED 659,959 thousand (2022: AED 574,959 thousand).

The Bank's maximum exposure to credit risk, before provisions and taking into account any collateral held or other credit enhancements can be analysed by the following geographical regions:

	2023		2022	
	Assets AED'000	**Contingent liabilities and commitments AED'000**	Assets AED'000	Contingent liabilities and commitments AED'000
United Arab Emirates	**13,934,390**	**4,657,732**	11,961,011	4,580,897
Other Middle East countries	**1,952,373**	**6,780**	1,106,209	11,772
Europe	**561,279**	**14,425**	192,180	14,748
USA	**178,387**	**-**	237,585	-
Rest of the World	**1,382,846**	**97,919**	804,184	56,142
Total	**18,009,275**	**4,776,856**	14,301,169	4,663,559

An industry sector analysis of the Bank's maximum exposure to credit risk (excluding cash on hand) after provisions but before taking into account collateral held or other credit enhancements, is as follows:

	2023 AED'000	2022 AED'000
Financial services	**6,134,771**	3,907,579
Trade	**1,024,659**	1,175,694
Manufacturing	**892,050**	616,875
Government and public sector	**4,101,047**	3,832,927
Construction	**597,715**	363,195
Services	**2,453,955**	1,232,659
Others	**2,805,078**	3,172,240
	18,009,275	14,301,169
Less: Provisions	**(656,885)**	(637,642)
	17,352,189	13,663,527

Past due but not impaired

Past due loans and advances include those that are past due on their repayment schedule. Aging analysis of past due but not impaired loans and advances is as follows:

31 December 2023	**Less than 30 days AED'000**	**31 to 60 days AED'000**	**61 to 90 days AED'000**	**More than 91 days AED'000**	**Total AED'000**
Loans and advances	**30,025**	**281**	**325**	**1,742**	**32,373**
31 December 2022					
Loans and advances	48,061	492	245	3,710	52,508

Approximately 97% (2022: 98%) of the above loans are advanced to the corporate sector.

27 Risk management (continued)

Credit Risk (continued)

Loans and advances and Islamic financing receivables with renegotiated terms

Loans and advances and Islamic financing receivables with renegotiated terms are those which have been rescheduled or restructured and where the Bank has made concessions that it would otherwise not consider.

The gross amount per class of on-balance sheet financial assets whose terms have been renegotiated are as follows:

	2023 AED'000	2022 AED'000
Loans and advances and Islamic financing receivables	**524,824**	869,147

	Stage 1 AED'000	***Stage 2 AED'000***	***Stage 3 AED'000***	***Total AED'000***
Outstanding balance	**14,636**	**206,496**	**303,694**	**524,824**
Less: Provision for impairment	**(384)**	**(113,240)**	**(189,656)**	**(303,280)**
As at 31 December 2023	**14,252**	**93,256**	**114,038**	**221,544**

	Stage 1 AED'000	*Stage 2 AED'000*	*Stage 3 AED'000*	*Total AED'000*
Outstanding balance	19,048	314,135	535,964	869,147
Less: Provision for impairment	(539)	(92,152)	(200,215)	(292,906)
As at 31 December 2022	18,509	221,983	335,749	576,241

Collateral and other credit enhancements

The Bank holds collateral and other credit enhancements against certain of its credit exposures. The main types of collateral obtained are cash, securities, charges over real estate properties, vehicles, plant and machinery, inventory and trade receivables. The Bank also obtains guarantees from parent companies for loans to their subsidiaries or other Bank companies. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters. Collateral is generally not held against non-trading investment and due from banks and financial institutions. Management monitors the market value of collateral and wherever necessary the Bank requests additional collateral in accordance with the underlying agreement, and considers collateral value during its periodic review of credit facilities and adequacy of provision for impairment on loans and advances.

The percentage of collateralized exposure and the principal types of collateral held against loans and advances are as follows:

	Percentage of collateralized exposure		
	2023	2022	**Principal type of collateral held**
Retail Mortgage Loans	**98%**	100%	Residential property
Corporate customers	**78%**	64%	Cash, securities, vehicles, property and equipment, commercial property, inventory and trade receivables

27 Risk management (continued)

Credit Risk (continued)

Retail mortgage loans

Credit exposure on retail mortgage loans by range of loans to value (LTV) ratio are as follows:

	2023 AED'000	2022 AED'000
LTV ratio		
Less than 50%	**460,003**	279,823
51- 75%	**247,155**	371,077
76- 90%	**40,277**	121,974
91- 100%	**10,809**	24,194
More than 100%	**6,896**	9,965
Total	**765,140**	807,033

LTV is calculated as the ratio of the gross amount of the loan to the value of the collateral. The valuation of the collateral excludes any adjustments for obtaining and selling the collateral. The value of the collateral for residential mortgage loans is based on the collateral value at origination updated based on changes in house price indices.

Impaired loans

For impaired loans the value of collateral is based on the most recent appraisals. Credit exposure on impaired retail mortgage loans by range of LTV ratio are as follows:

	2023 AED'000	2022 AED'000
LTV ratio		
Less than 50%	**8,254**	9,627
51- 75%	**7,439**	20,892
More than 75%	**19,702**	16,133
Total	**35,395**	46,652

Collateral and other credit enhancements

Retail customers

At 31 December 2023, the carrying amount of impaired loans and advances to retail customers (including mortgages) amounted to AED 46,922 thousand (2022: AED 65,538 thousand) and the fair value of identifiable collateral held against those loans and advances amounted to AED 30,298 thousand (2022: AED 41,095 thousand).

Corporate customers

At 31 December 2023, the net carrying amount of impaired loans and advances to corporate customers amounted to AED 449,740 thousand (2022: AED 608,268 thousand) and the fair value of identifiable collateral (mainly commercial properties) held against those loans and advances amounted to AED 308,986 thousand (2022: AED 420,945 thousand). For each loan, the value of disclosed collateral is capped to the nominal amount of the loan.

27 Risk management (continued)

Credit Risk (continued)

Impairment Reserve under the UAE Central Bank

The UAE Central Bank issued its IFRS 9 guidance on 30 April 2018 via notice no. CBUAE/BSD/2018/458 addressing various implementation challenges and practical implications for banks adopting IFRS 9 in the UAE (the "Guidance"). Pursuant to clause 6.4 of the guidance, the reconciliation between general and specific provision under circular 28/2010 of the UAE Central Bank and IFRS 9 is as follows:

	2023	2022
	AED'000	AED'000
Impairment Reserve: General		
General Provisions under Circular 28/2010 of UAE Central Bank	**179,351**	155,601
Less: Stage 1 & Stage 2 provisions under IFRS 9	**300,210**	338,510
General Provision transferred to impairment reserve	**-**	-
Impairment Reserve: Specific		
Specific Provisions under Circular 28/2010 of UAE Central Bank	**128,902**	169,676
Less: Stage 3 provisions under IFRS 9	**354,432**	296,825
Specific Provision transferred to impairment reserve	**-**	-

Liquidity risk

Liquidity risk is defined as the risk that the Bank will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Bank might be unable to meet its payment obligations when they fall due under both normal and stressed circumstances. To limit this risk, management have arranged diversified funding sources in addition to its core deposit base and adopted a policy of managing assets with liquidity in mind and of monitoring future cash flows and liquidity on a daily basis. The Bank has developed internal control processes and contingency plans for managing liquidity risk. This incorporates an assessment of expected cash flows and the availability of high-grade collateral which could be used to secure additional funding if required.

The Bank maintains a portfolio of marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption of cash flow. The Bank also has committed lines of credit that it can access to meet liquidity needs. In addition, the Bank maintains a statutory deposit with the Central Bank of UAE equal to 11% of current deposits and 1% of time deposits (2022: 7% of current deposits and 1% of time deposits). In accordance with the Bank's policy, the liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Bank.

The most important of these is to maintain the regulatory limits for Lending to Stable Resources and Eligible Liquid Assets to total liabilities ratios. The Bank stresses the importance of current accounts, time deposits and savings accounts as a source of funds to finance its lending to customers. They are monitored using the lending to stable resources ratio, which compares loans and advances to customers as a percentage of core customer current and savings accounts, together with medium term borrowing. Eligible Liquid Assets ratio was introduced by Central Bank of the UAE in 2015 and replaced the Liquid Assets ratio. Eligible liquid assets consist of cash, balances with the Central Bank of UAE, short term bank deposits and eligible debt securities. The ratios as at the year-end were as follows:

	2023	2022
Lending to Stable Resources Ratio	**75.7%**	86.9%
Eligible Liquid Assets Ratio	**20.0%**	17.6%

27 Risk management (continued)

Liquidity risk (continued)

Maturities of assets and liabilities based on the remaining period at the statement of financial position date to the contractual maturity date not taking account of the effective maturities as indicated by the Bank's deposit retention history and the availability of liquid funds, as at 31 December 2023 is as follows:

	Less than 3 months AED'000	*From 3 months to 6 months AED'000*	*From 6 months to 12 months AED'000*	*Sub total less than 12 months AED'000*	*1 to 5 years AED'000*	*Over 5 years AED'000*	*Subtotal over 12 months AED'000*	*Undated AED'000*	*Total AED'000*
Assets									
Cash and balances with the UAE Central Bank	**2,001,080**	**-**	**-**	**2,001,080**	**-**	**-**	**-**	**-**	**2,001,080**
Due from banks	**456,567**	**-**	**-**	**456,567**					**456,567**
Loans and advances (Gross)	**2,687,771**	**424,558**	**833,594**	**3,945,923**	**3,138,506**	**2,927,506**	**6,066,012**	**-**	**10,011,935**
Investments	**360,617**	**325,088**	**286,472**	**972,177**	**2,129,501**	**1,987,637**	**4,117,138**	**546**	**5,089,861**
Property, equipment and capital work-in-progress	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**181,351**	**181,351**
Other assets	**398,189**	**41,191**	**15,781**	**455,161**	**96,882**	**9,653**	**106,535**	**-**	**561,696**
Provision for impairment of loans- and advances and interest in suspense	**(654,642)**	**-**	**-**	**(654,642)**	**-**	**-**	**-**	**-**	**(654,642)**
Total assets	**5,249,582**	**790,837**	**1,135,847**	**7,176,266**	**5,364,889**	**4,924,796**	**10,289,685**	**181,897**	**17,647,848**
Liabilities and equity									
Due to banks	**2,993,809**	**178,169**	**557,457**	**3,729,435**	**-**	**-**	**-**	**-**	**3,729,435**
Customer deposits	**5,565,975**	**1,519,998**	**2,855,903**	**9,941,876**	**295,626**	**-**	**295,626**	**-**	**10,237,502**
Medium term borrowing	**-**	**-**	**-**	**-**	**734,600**	**-**	**734,600**	**-**	**734,600**
Other liabilities	**567,659**	**49,510**	**18,564**	**635,733**	**1,947**	**-**	**1,947**	**18,886**	**656,566**
Equity	**-**	**-**	**-**	**-**	**-**	**550,875**	**550,875**	**1,738,870**	**2,289,745**
Total liabilities and equity	**9,127,443**	**1,747,677**	**3,431,924**	**14,307,044**	**1,032,173**	**550,875**	**1,583,048**	**1,757,756**	**17,647,848**
Net liquidity gap	**(3,877,861)**	**(956,840)**	**(2,296,077)**	**(7,130,778)**	**4,332,716**	**4,373,921**	**8,706,637**	**(1,575,859)**	**-**

27 Risk management (continued)

Liquidity risk (continued)

The maturity profile of assets and liabilities at 31 December 2022 was as follows:

	Less than 3 months AED'000	*From 3 months to 6 months AED'000*	*From 6 months to 12 months AED'000*	*Sub total less than 12 months AED'000*	*1 to 5 years AED'000*	*Over 5 years AED'000*	*Subtotal over 12 months AED'000*	*Undated AED'000*	*Total AED'000*
Assets									
Cash and balances with the UAE Central Bank	1,207,589	-	-	1,207,589	-	-	-	-	1,207,589
Due from banks	302,772	-	-	302,837	-	-	-	-	302,772
Loans and advances (Gross)	2,082,646	336,627	191,282	2,610,555	2,374,785	3,254,295	5,629,080	-	8,239,635
Investments	507,919	104,580	36,648	649,147	1,546,292	1,691,379	3,237,671	658	3,887,476
Property, equipment and capital work-in-progress	-	-	-	-	-	-	-	295,696	295,696
Other assets	412,830	202,459	19,301	634,590	125,961	22,038	147,999	-	782,589
Provision for impairment of loans and advances and interest in suspense	(635,335)	-	-	(635,335)	-	-	-	-	(635,335)
Total assets	3,878,421	643,666	247,231	4,769,383	4,047,038	4,967,712	9,014,750	296,354	14,080,422
Liabilities and equity									
Due to banks	2,844,893	242,375	185,175	3,272,443	-	-	-	-	3,272,443
Customer deposits	5,364,222	1,517,069	1,497,659	8,378,950	189,637	-	189,637	-	8,568,587
Medium term borrowing	-	-	-	-	-	-	-	-	-
Other liabilities	495,505	202,343	18,642	716,490	5,838	-	5,838	17,728	740,056
Equity	-	-	-	-	-	-	-	1,499,336	1,499,336
Total liabilities and equity	8,704,685	1,961,787	1,701,476	12,367,948	195,475	-	195,475	1,517,064	14,080,422
Net liquidity gap	(4,826,264)	(1,318,121)	(1,454,245)	(7,598,565)	3,851,563	4,967,712	8,819,275	(1,220,710)	-

27 Risk management (continued)

Liquidity risk (continued)

Analysis of financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Bank's financial liabilities at 31 December 2023 based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Bank expects that many customers will not request repayment on the earliest date the Bank could be required to pay and the table does not reflect the expected cash flows indicated by the Bank's deposit retention history.

Financial Liabilities	***Carrying amount AED'000***	***On demand AED'000***	***Less than 3 months AED'000***	***3 to 12 months AED'000***	***1 to 5 years AED'000***	***Over 5 years AED'000***	***Total AED'000***
31 December 2023							
Due to banks	**3,729,435**	**57,725**	**2,973,699**	**772,170**	**-**	**-**	**3,803,594**
Customer deposits	**10,237,502**	**3,566,569**	**2,041,132**	**4,587,313**	**320,635**	**-**	**10,515,649**
Medium term borrowings	**734,600**	**-**	**11,557**	**34,671**	**780,829**	**-**	**827,057**
Other liabilities	**645,118**	**289,813**	**304,665**	**50,640**	**-**	**-**	**645,118**
Financial derivatives	**114,696**	**-**	**10,435**	**27,498**	**73,912**	**2,851**	**114,696**
Total undiscounted financial liabilities	**15,461,351**	**3,914,107**	**5,341,488**	**5,472,292**	**1,175,376**	**2,851**	**15,906,114**

Financial Liabilities	*Carrying amount AED'000*	*On demand AED'000*	*Less than 3 months AED'000*	*3 to 12 months AED'000*	*1 to 5 years AED'000*	*Over 5 years AED'000*	*Total AED'000*
31 December 2022							
Due to banks	3,272,443	56,794	2,816,579	442,041	-	-	3,315,414
Customer deposits	8,568,587	2,868,484	2,534,819	3,124,459	201,078	-	8,728,840
Medium term borrowings	-	-	-	-	-	-	-
Other liabilities	729,990	244,493	268,224	217,272	-	-	729,990
Financial derivatives	163,752	-	12,284	35,253	104,590	11,625	163,752
Total undiscounted financial liabilities	12,734,772	3,169,771	5,631,906	3,819,025	305,668	11,625	12,937,995

The disclosed financial derivative instruments in the above table are the gross undiscounted cash flows. However, these amounts may be settled gross or net. The following table shows the corresponding carrying amounts.

	On demand AED'000	***Less than 3 months AED'000***	***3 to 12 months AED'000***	***1 to 5 years AED'000***	***Over 5 years AED'000***	***Total AED'000***
31 December 2023						
Inflows	**-**	**20,050**	**49,700**	**96,667**	**3,484**	**169,901**
Outflows	**-**	**(10,435)**	**(27,498)**	**(73,912)**	**(2,851)**	**(114,696)**
Net	**-**	**9,615**	**22,202**	**22,755**	**633**	**55,205**
Discounted at applicable interbank rates	**-**	**(9,103)**	**(21,095)**	**(21,885)**	**(611)**	**(52,694)**

27 Risk management (continued)

Liquidity risk (continued)

	On demand AED'000	Less than 3 months AED'000	3 to 12 months AED'000	1 to 5 years AED'000	Over 5 years AED'000	Total AED'000
31 December 2022						
Inflows	-	21,107	64,453	162,853	17,216	265,629
Outflows	-	(12,284)	(35,253)	(104,590)	(11,625)	(163,752)
Net	-	8,823	29,200	58,263	5,591	101,877
Discounted at applicable interbank rates	-	(8,403)	(27,719)	(55,669)	(5,371)	(97,162)

The table below shows the contractual maturity profile of the Bank's contingent liabilities and commitments:

	On demand AED'000	Less than 3 months AED'000	3 to 12 months AED'000	1 to 5 years AED'000	Over 5 years AED'000	Total AED'000
31 December 2023						
Contingent liabilities	**-**	**1,618,387**	**253,643**	**320,301**	**-**	**2,192,331**
Commitments	**2,584,525**	**-**	**-**	**-**	**-**	**2,584,525**
Total	**2,584,525**	**1,618,387**	**253,643**	**320,301**	**-**	**4,776,856**
31 December 2022						
Contingent liabilities	-	1,818,134	336,389	213,415	-	2,367,938
Commitments	2,295,621	-	-	-	-	2,295,621
Total	2,295,621	1,818,134	336,389	213,415	-	4,663,559

The Bank expects that not all of the contingent liabilities or commitments will be drawn and therefore the actual cash flows are expected to be significantly lower than those reflected in the above table.

Market risk

Market risk arises from fluctuations in interest rates, foreign exchange rates and equity prices. The Board has set limits on the value of risk that may be accepted. This is monitored on a regular basis by the Bank's Asset and Liability Committee (ALCO).

27 Risk management (continued)

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The 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 Treasury in its day-to-day monitoring activities.

The following table summarises interest rate sensitivity position at the year end. A summary of the Bank's interest rate gap position on non-trading portfolios is as follows:

	Less than 3 months AED'000	3 to 12 months AED'000	1 to 5 years AED'000	Over 5 years AED'000	Non Interest Sensitive AED'000	Carrying amount AED'000
31 December 2023						
Assets						
Cash and balances with the UAE Central Bank	**1,650,000**	**-**	**-**	**-**	**351,080**	**2,001,080**
Due from banks	**200,000**	**-**	**-**	**-**	**256,567**	**456,567**
Loans and advances (net)	**6,384,668**	**1,126,856**	**1,349,548**	**496,221**	**-**	**9,357,293**
Investments	**360,618**	**586,251**	**2,093,360**	**2,049,090**	**542**	**5,089,861**
Property, equipment and capital work-in-progress	**-**	**-**	**-**	**-**	**181,351**	**181,351**
Other assets	**-**	**-**	**-**	**-**	**561,696**	**561,696**
Total assets	**8,595,286**	**1,713,107**	**3,442,908**	**2,545,311**	**1,351,236**	**17,647,848**
Liabilities and equity						
Due to banks	**2,936,085**	**735,625**	**-**	**-**	**57,725**	**3,729,435**
Customer deposits	**2,052,344**	**4,343,939**	**280,923**	**-**	**3,560,296**	**10,237,502**
Medium term borrowings	**734,600**	**-**	**-**	**-**	**-**	**734,600**
Other liabilities	**-**	**-**	**-**	**-**	**656,566**	**656,566**
Equity	**-**	**-**	**-**	**550,875**	**1,738,870**	**2,289,745**
Total liabilities and equity	**5,723,029**	**5,079,564**	**280,923**	**550,875**	**6,013,457**	**17,647,848**
On-balance sheet	**2,872,257**	**(3,366,457)**	**3,161,985**	**1,994,436**	**(4,662,221)**	**-**
Off-balance sheet	**2,320,102**	**-**	**-**	**-**	**2,813,023**	**5,133,125**
Cumulative interest rate sensitivity gap	**5,192,359**	**1,825,902**	**4,987,887**	**6,982,323**	**5,133,125**	**-**

27 Risk management (continued)

Interest rate risk (continued)

	Less than 3 months AED'000	*3 to 12 months AED'000*	*1 to 5 years AED'000*	*Over 5 years AED'000*	*Non Interest Sensitive AED'000*	*Carrying amount AED'000*
31 December 2022						
Assets						
Cash and balances with the UAE Central Bank	850,000	-	-	-	357,589	1,207,589
Due from banks	-	-	-	-	302,772	302,772
Loans and advances (net)	5,752,718	543,274	1,058,298	250,010	-	7,604,300
Investments	507,919	141,228	1,613,459	1,624,216	654	3,887,476
Property, equipment and capital work-in-progress	-	-	-	-	295,696	295,696
Other assets	-	-	-	-	782,589	782,589
Total assets	7,110,637	684,502	2,671,757	1,874,226	1,739,300	14,080,422
Liabilities and equity						
Due to banks	2,788,099	427,550	-	-	56,794	3,272,443
Customer deposits	2,504,265	2,978,574	170,256	-	2,915,492	8,568,587
Medium term borrowings	-	-	-	-	-	-
Other liabilities	-	-	-	-	740,056	740,056
Equity	-	-	-	-	1,499,336	1,499,336
Total liabilities and Equity	5,292,364	3,406,124	170,256	-	5,211,678	14,080,422
On-balance sheet	1,818,273	(2,721,622)	2,501,501	1,874,226	(3,472,378)	-
Off-balance sheet	2,678,648	-	-	-	2,854,673	5,533,321
Cumulative interest rate sensitivity gap	4,496,921	1,775,299	4,276,800	6,151,026	5,533,321	-

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Bank's income statement.

The sensitivity of the statement of income is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate non-trading financial assets and financial liabilities held at 31 December 2023, including the effect of hedging instruments.

	2023		2022	
	Change in basis points	**Sensitivity of net interest income AED'000**	Change in basis points	Sensitivity of net interest income AED'000
Increase in rate	**+25**	**16,151**	+25	11,879
Decrease in rate	**-25**	**(16,151)**	-25	(11,879)

The interest rate sensitivity set out above relates primarily to the US Dollar as the Bank does not have any significant net exposure for non-trading floating rate financial assets and financial liabilities denominated in other currencies.

The Bank is also exposed to fair value risk arising from its unhedged fixed rate bonds portfolio. A change in the fair value of these bonds by +/-5% will result in a positive/negative change in the fair value reserve in equity by AED 10,578 thousand (2022: AED 14,312 thousand).

27 Risk management (continued)

Interest rate risk (continued)

Interest rate benchmark reform

A fundamental reform of major interest rate benchmarks is being undertaken globally to replace or reform IBOR with alternative risk-free rates - RFR (referred to as 'IBOR reform'). The Bank has exposure to interbank offered rates (IBORs) on its financial instruments that will be replaced or reformed as part of this market-wide initiative. The Bank has established a cross-functional IBOR Transition Working Group (referred to as 'IBOR Working Group') to manage its transition to alternative RFRs.

The Bank has continued to maintain its momentum in tracking its exposure to IBOR, restricting the use of IBOR indexes in its products, preparing its IT systems to accommodate the incoming RFRs, amending contracts / addendums and communicating progress with the regulators and clients.

The Bank has set up a methodical framework to monitor the progress of transition from IBORs to new benchmark rates by reviewing its exposure and contracts on a regular basis. The Bank considers that a contract is not yet transitioned to an alternative benchmark rate when interest under the contract is indexed to a benchmark rate that is still subject to IBOR reform, even if it includes a fall back clause that deals with the cessation of the existing IBOR.

The Bank holds derivatives for risk management purposes. Derivatives held for risk management purposes are designated in hedging relationships. The interest rate swaps have floating legs that are indexed to various IBORs. The Bank's derivative instruments are governed by ISDA definitions and the Bank adheres to the ISDA 2020 IBOR fall back protocol and supplement.

Further, the Bank evaluated the extent to which it's fair value hedging relationships are subject to uncertainty driven by IBOR reform as at the reporting date. The Bank's hedged items and hedging instruments continue to be indexed to IBOR benchmark rates, mainly USD 3 months LIBOR Index. The Bank monitors closely the developments occurring the transitioning IBOR rates and the RFRs. These IBOR benchmark rates are quoted regularly and IBOR cash flows are exchanged with its counterparties as usual.

The Bank has achieved readiness to transition the relevant portion of its IBOR exposure to RFRs and has in place detailed plans, processes and procedures to support the transition of the IBOR exposures prior to the its cessation. The Bank continues to communicate to the impacted customers with necessary information and price revision letters based on RFR effective 01 January 2022. Since 01 January 2022, RFR including SOFR are being used in the bank's systems and for customer pricing.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Bank has set limits on positions by currency. Positions are monitored on a daily basis and hedging strategies used to ensure positions are maintained within established limits.

As the UAE Dirham and most of the GCC currencies are currently pegged to the US Dollar, balances in US Dollars are not considered to represent significant currency risk.

The tables below indicates the currencies to which the Bank had significant exposure at 31 December 2023 on its monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against the AED, with all other variables held constant on the statement of income (due to the fair value of currency sensitive monetary assets and liabilities) and equity. A negative amount in the table reflects a potential net reduction in income statement, while a positive amount reflects a net potential increase.

	2023		2022	
Currency	**Change in currency rate in %**	**Effect on profit AED'000**	Change in currency rate in %	Effect on profit AED'000
EUR	**+10/-10**	**58/(58)**	+10/-10	89/(89)
GBP	**+10/-10**	**16/(16)**	+10/-10	3/(3)

27 Risk management (continued)

Currency risk (continued)

Concentration of assets and liabilities by currency

	AED ***AED'000***	***USD*** ***AED'000***	***Other*** ***AED'000***	***Total*** ***AED'000***
Cash and balances with UAE Central Bank	**2,001,080**	**-**	**-**	**2,001,080**
Due from banks	**217,371**	**178,518**	**60,678**	**456,567**
Loans and advances and Islamic financing receivables	**6,843,318**	**2,204,096**	**309,879**	**9,357,293**
Investments and Islamic instruments	**458,150**	**4,631,711**	**-**	**5,089,861**
Property, equipment and capital work-in-progress	**181,351**	**-**	**-**	**181,351**
Other assets	**475,222**	**85,288**	**1,186**	**561,696**
Total assets	**10,176,492**	**7,099,613**	**371,743**	**17,647,848**
Due to banks	**856,993**	**2,748,258**	**124,184**	**3,729,435**
Customer deposits and Islamic customer deposits	**8,926,388**	**1,062,379**	**248,735**	**10,237,502**
Medium term borrowings	**734,600**	**-**	**-**	**734,600**
Other liabilities	**650,655**	**-**	**5,847**	**656,502**
Total liabilities	**11,168,636**	**3,810,637**	**378,766**	**15,358,039**
Net Equity	**1,921,050**	**368,644**	**51**	**2,289,745**
Net balance sheet position	**(2,913,194)**	**2,920,332**	**(7,074)**	**64**
Off-balance sheet position	**1,754,029**	**(2,091,743)**	**341,113**	**3,399**

	AED *AED'000*	*USD* *AED'000*	*Other* *AED'000*	*Total* *AED'000*
Cash and balances with UAE Central Bank	1,207,589	-	-	1,207,589
Due from banks	9,970	236,891	55,911	302,772
Loans and advances and Islamic financing receivables	6,381,727	1,156,030	66,543	7,604,300
Investments and Islamic instruments	489,592	3,358,567	39,317	3,887,476
Property, equipment and capital work-in-progress	295,696	-	-	295,696
Other assets	723,262	58,353	974	782,589
Total assets	9,107,836	4,809,841	162,745	14,080,422
Due to banks	611,105	2,661,338	-	3,272,443
Customer deposits and Islamic customer deposits	6,579,991	1,074,177	914,419	8,568,587
Other liabilities	724,079	-	16,042	740,071
Total liabilities	7,915,175	3,735,515	930,461	12,581,086
Net Equity	1,683,879	(190,592)	6,049	1,499,336
Net balance sheet position	(491,218)	1,264,918	(773,780)	80
Off-balance sheet position	459,043	(1,234,750)	776,217	510

27 Risk management (continued)

Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Bank cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Bank is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

28 Right of use assets and lease liabilities

Below are the carrying amounts of right-of-use assets (included under 'Other Assets' in Note 10) and lease liabilities (included under 'Other Liabilities' in Note 14) and the movements during the year:

	2023 **AED'000**	2022 AED'000
Right-of-use assets		
As at 1 January	**-**	4,886
Add: Additions during the year	**10,348**	-
Less: Depreciation charge	**(2,543)**	(4,886)
As at 31 December	**7,805**	-

	2023 **AED'000**	2022 AED'000
Lease liabilities		
As at 1 January	**1,181**	6,164
Add: Additions during the year	**10,348**	-
Add: Accretion of interest	**511**	134
Less: Payments	**(3,760)**	(4,245)
Less: Liability increase in obligation / (retirement)	**-**	(872)
As at 31 December	**8,280**	1,181

29 Segmental analysis

For the purposes of reporting to the chief operating decision makers, 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 customer 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. The interest from Treasury is credited and charged to respective business segments in order to reflect the allocation of funding costs and to match funding at transfer pricing rates.

29 Segmental analysis (continued)

Segmental information for the year ended 31 December 2023 is as follows:

	Wholesale banking AED'000	*Retail banking AED'000*	*Total AED'000*
Net interest income and income from Islamic financing receivables	**337,119**	**57,819**	**394,938**
Other operating income	**166,721**	**14,800**	**181,521**
Operating expenses	**(233,593)**	**(51,208)**	**(284,801)**
Net impairment losses	**(27,818)**	**(8,531)**	**(36,349)**
Profit for the year	**242,429**	**12,880**	**255,309**
Capital Expenditure - Property and equipment	**21,339**	**1,343**	**22,682**
31 December 2023 Segment Assets	**16,602,300**	**1,045,548**	**17,647,848**
Segment Liabilities	**13,272,663**	**2,085,440**	**15,358,103**

Segmental information for the year ended 31 December 2022 was as follows:

	Wholesale banking AED'000	*Retail banking AED'000*	*Total AED'000*
Net interest income and income from Islamic financing receivables	242,452	79,115	321,567
Other operating income	166,083	13,137	179,220
Operating expenses	(194,646)	(57,158)	(251,804)
Net impairment losses	(93,151)	(1,111)	(94,262)
Profit for the year	120,738	33,983	154,721
Capital Expenditure - Property and equipment	11,697	1,166	12,863
31 December 2022 Segment Assets	12,803,978	1,276,444	14,080,422
Segment Liabilities	10,838,299	1,742,787	12,581,086

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Bank's total revenue in 2023 or 2022.

The Bank operates in only one geographic area, the Middle East. Accordingly, no geographical analysis of operating income, net profit and net assets is given.

United Arab Bank P.J.S.C.

Notes to the financial statements for the year ended 31 December 2023

30 Fair values of financial instruments

Determination of fair value and fair value hierarchy

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1 - quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2 - other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3 - techniques that use inputs which have a significant effect on the recorded fair value that are not based on observable market data

Financial instruments and assets recorded at fair value

The following table shows an analysis of financial instruments and assets recorded at fair value by level of the fair value hierarchy:

31 December 2023	**Level 1 AED'000**	**Level 2 AED'000**	**Level 3 AED'000**	**Total AED'000**
Financial assets				
Derivative financial instruments				
Interest rate swaps	**-**	**53,171**	**-**	**53,171**
Forward contracts	**-**	**4,311**	**-**	**4,311**
	-	**57,482**	**-**	**57,482**
Financial investments FVOCI				
Quoted investments				
Government debt securities	**1,413,622**	**-**	**-**	**1,413,622**
Other debt securities	**2,443,903**	**-**	**-**	**2,443,903**
Equities				
Unquoted Investments				
Equities	**-**	**-**	**542**	**542**
	3,857,525	**-**	**542**	**3,858,067**
Financial liabilities				
Derivative financial instruments				
Interest rate swaps	**-**	**1,864**	**-**	**1,864**
Forward contracts	**-**	**5,841**	**-**	**5,841**
Currency swaps	**-**	**3,743**	**-**	**3,743**
	-	**11,448**	**-**	**11,448**

30 Fair values of financial instruments (continued)

Financial instruments and assets recorded at fair value (continued)

31 December 2022	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
Financial assets				
Derivative financial instruments				
Interest rate swaps	-	82,029	-	82,029
Forward contracts	-	2,757	-	2,757
	-	84,786	-	84,786
Financial investments FVOCI				
Quoted investments				
Government debt securities	1,415,879	-	-	1,415,879
Other debt securities	1,643,811	-	-	1,643,811
Equities	112	-	-	112
Unquoted Investments				
Equities	-	-	542	542
	3,059,802	84,786	542	3,145,130
Financial liabilities				
Derivative financial instruments				
Interest rate swaps	-	7,003	-	7,003
Forward contracts	-	3,063	-	3,063
Currency swaps	-	-	-	-
	-	10,066	-	10,066

The following is a description of the determination of fair value for financial instruments and assets which are recorded at fair value using valuation techniques. These incorporate the Bank's estimate of assumptions that a market participant would make when valuing the instruments.

30.1 Derivatives

Derivative products valued using a valuation technique with market observable inputs are mainly interest rate swaps, currency options and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

30.2 Financial investments

Financial investments valued using a valuation technique or pricing models primarily consist of unquoted equities. These assets are valued using models which sometimes only incorporate data observable in the market and at other times use both observable and non-observable data. The non-observable inputs to the models include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates.

30.3 Movements in level 3 financial instruments measured at fair value

There was no other movement between the levels of financial instruments during the year (2022: AED Nil).

30.4 Gains or losses on level 3 financial instruments included in the profit or loss for the year:

No gains or losses on level 3 financial instruments were included in the profit or loss for the year (2022: AED Nil).

30 Fair values of financial instruments (continued)

30.5 Impact on fair value of level 3 financial instruments measured at fair value of changes to key assumptions

The impact on the fair value of level 3 instruments of using reasonably possible alternative assumptions by class of instrument is negligible.

30.6 Financial instruments not recorded at fair value

The fair values of financial instruments not recorded at fair value includes cash and balances with UAE Central Bank, due from banks, loans and advances, other assets (excluding derivative assets), due to banks, customer deposits and other liabilities (excluding derivative liabilities) that are categorised as level two based on market observable inputs. The fair values of financial instruments not recorded at fair value are not materially different to their carrying values.

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements:

30.6.1 Asset for which fair value approximates carrying value

For financial assets and financial liabilities that have short term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and savings accounts without specific maturity.

30.6.2 Financial instruments carried at amortised cost

The fair value of the quoted debt instruments at amortised cost as at 31 December 2023 amounted to AED 1,237,044 thousand (2022: AED 818,438 thousand). The fair value determination of the quoted debt instruments will fall under level 1 category wherein fair value is determined based on inputs that are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

31 Capital adequacy

The Bank actively manages its capital to ensure that inherent risks in the business are adequately covered. The capital management process is aligned to the overall business strategy and within the Bank's capital risk appetite complying with the capital requirements set by the CBUAE. The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements and that the Bank maintains strong credit ratings and healthy capital ratios in order to support its business and maximise shareholders' value.

The Bank uses the standardised approach for calculating its capital requirements for credit risk. Based on the asset class of the exposure and external credit ratings of the exposure or counterparty from designated credit rating agencies, wherever available, the appropriate risk weights are determined. For the regulatory market risk capital requirements, the Bank uses the standardised approach. For operational risk, the capital requirement is calculated using the basic indicator approach, which is a simple percentage of average positive gross revenues over the last three financial years.

The Bank manages its capital base and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital base, the Bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from the previous years.

31 Capital adequacy (continued)

Capital structure

The table below details the regulatory capital resources of the Bank:

	2023	2022
	AED'000	AED'000
Share capital	**2,062,550**	2,062,550
Statutory reserve	**76,946**	51,415
Special reserve	**48,022**	22,491
General reserve	**9,311**	9,311
Fair value reserves on investment securities at FVOCI	**(119,170)**	(153,621)
Accumulated losses	**(332,255)**	(492,810)
Regulatory deduction	**(14,170)**	(12,892)
Total CET 1	**1,731,234**	1,486,444
Tier 1 instrument	**548,226**	-
Total Tier 1 capital	**548,226**	-
Tier 2 Capital		
Eligible general provision	**149,459**	129,668
Total Tier 2 capital	**149,459**	129,668
Total Regulatory Capital	**2,428,919**	1,616,112

	2023	2022
	AED'000	AED'000
Risk weighted exposures		
Credit Risk	**11,956,705**	10,373,414
Operational Risk	**842,154**	794,797
Market Risk	**6,507**	2,940
Total Risk weighted exposures	**12,805,366**	11,171,151

The Capital Adequacy Ratio as per Basel III capital regulation is given below:

Capital Ratios

	2023	2022
	%	%
Total capital adequacy ratio	**19.0%**	14.5%
Common equity Tier 1 capital ratio	**13.5%**	13.3%
Tier 1 capital ratio	**17.8%**	13.3%

On 30 March 2023, the Bank has issued a perpetual, non-callable 5.5 years Tier 1 Instrument ("instrument") of USD 150 million (AED 551 Million) which qualifies to be included as regulatory Tier 1 capital. The instrument constitutes direct, unsecured, non-convertible and sub-ordinated obligations of the Bank. Under the terms and conditions of the issue, the Bank may elect not to pay a coupon and has the option to call back the Instrument at the contractual reset date subject to Central Bank of UAE approval. This issuance has strengthened the Bank's capital adequacy position and accordingly the Bank's total capital adequacy ratio stands at 19.0 % as of 31 December 2023.

32 Social contribution

Social contributions (including donations and charity) made during the year to various beneficiaries amounts to AED 65 thousand (2022: AED 186 thousand).

33 Zakat

The articles of association of the Bank do not require the Bank to pay zakat on behalf of its shareholders. Consequently, distribution of the zakat is the responsibility of the shareholders of the Bank.

34 Legal proceedings

Litigation is a common occurrence in the banking industry due to the nature of the business undertaken. The Bank has proper controls and policies for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, the Bank makes adjustments to account for any adverse effects which the claims may have on its financial standing. Based on the information available, no material adverse impact on the financial position of the Bank is expected to arise from legal claims as at 31 December 2023 other than to the extent already provided, hence no additional provision for any claim needs to be made in these financial statements.

35 Comparative figures

Certain comparative figures have been reclassified where appropriate to conform to the presentation and accounting policies adopted in these financial statements.