PILLAR III DISCLOSURE REPORT

FOR THE PERIOD ENDING 31 DECEMBER 2023

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1. Introduction

This document presents the Pillar III disclosures of Invest Bank P.S.C ("the bank" or "Invest Bank" or "IB") on a consolidated basis as of 31st December 2023. The purpose of Pillar III disclosures is to allow market participants to assess key pieces of information on the firm's capital, risk exposures and risk assessment process.

The Bank is regulated by the Central Bank of UAE ("CBUAE") and follows the Pillar III disclosure requirements as stated in the CBUAE guidelines on the implementation of Basel III standards, issued in November 2020 with subsequent updates in December 2022. The Pillar III disclosures provided in this document should be read and analyzed in conjunction with 31 December 2023 Invest Bank's Audited Financial Statements

In recent years, the Bank faced a substantial decrease in capital due to setting aside more provisions to cover the nonperforming portfolio. This led to financial losses and reduced the Bank's overall capital. However, in coordination with Government of Sharjah and Central Bank of UAE, the Bank successfully implemented the capital solution plan in the third quarter of 2023, thereby improving its financial and capital position.

1.1 Regulatory Framework

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

- Pillar I on minimum capital requirements for credit, market, and operational risk
- Pillar II on the supervisory review process and the Internal Capital Adequacy Assessment Process (ICAAP)
- Pillar III on market discipline

In the Bank commitment to transparency and robust risk management, the Bank Pillar III disclosures outline the comprehensive mechanisms the Bank employ to communicate, enforce, and manage the Bank risk culture. These mechanisms are foundational to the Bank operational integrity and regulatory compliance:

Communication of Risk Culture: The Bank proactively communicates its risk culture through various channels, ensuring all members, from senior management to operational staff, understand and adhere to the Bank risk principles. This is achieved through the distribution of a detailed code of conduct and risk management guidelines, which encapsulate the Bank approach to risk-taking and the overarching principles guiding the Bank risk management practices.

Operational Limits and Procedures: To maintain a disciplined risk management approach, the bank have established clear operational limits and detailed procedures. These guidelines serve to navigate the Bank daily operations, ensuring they align with the Bank risk appetite. The Bank manuals and internal documents meticulously outline these operational boundaries and provide comprehensive procedures for effective risk management and mitigation, reinforcing the Bank commitment to operational excellence and risk containment.

Treatment of Violations or Breaches: Recognizing the importance of swift and effective responses to any violations or breaches of operational limits, The Bank has instituted rigorous procedures for addressing such incidents. This includes immediate reporting mechanisms, thorough investigations, and corrective actions to mitigate any adverse impacts. The Bank approach emphasizes accountability and the importance of maintaining the integrity and stability of the Bank operations.

Raising and Sharing Risk Issues: Essential to the Bank risk management framework is the facilitation of open communication channels for raising and sharing risk-related issues across all business lines and risk functions. The Bank encourages a culture of transparency and collaboration, ensuring that risk considerations are integral to the Bank business decision-making processes. The Bank structured escalation processes and cross-functional collaboration mechanisms ensure a comprehensive and unified approach to risk management across the organization.

These practices underscore the Bank dedication to fostering a strong and effective risk culture, aligned with the Basel III framework's Pillar III disclosure requirements. Through these disclosures, the Bank aims to provide the Bank stakeholders and Market Participants with a clear insight into the Bank risk management capabilities and the rigorous processes that underpin the Bank commitment to financial stability and regulatory compliance.

1.2 Pillar I – Minimum Capital Requirement

The Bank is governed by CBUAE guidelines on regulatory capital requirements on a consolidated basis, including all its subsidiaries and overseas branches. In addition to capital management at Bank level, the overseas branch is also supervised by their local regulator for operations carried out by those specific entities. Pillar I defines the total minimum capital requirements for credit, market and operational risk.

Invest Bank adheres to the regulatory capital requirements set by (CBUAE), which cover all the Bank's entities, including its subsidiaries and international branches.

Pillar I stipulates the minimum capital requirements to cover risks associated with credit, market, and operations. Invest Bank applies a standardized method to evaluate the risk-weighted assets (RWA) for Credit, Market Risk and basic indicator approach for Operational Risk. This involves using risk weights and parameters defined by the regulators to calculate the capital requirements under Pillar I.

The CBUAE has established the following minimum regulatory capital ratios:

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

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

These requirements are summarized in the table below:

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

The capital ratios for the Bank as of 31 Dec 2023 are given below.

Common Equity Tier 1 Ratio	**37.43%**
Tier 1 Capital Ratio	**37.43%**
Capital Adequacy Ratio	**38.59%**

Following the successful execution of the capital solution during 2023, the bank witnessed a remarkable improvement in its equity, rising from AED 104 million in 2022 to AED 1.66 billion in 2023. This improvement has also raised the capital adequacy ratio from 2.8% in 2022 to 38.6% in 2023, positioning the bank more favorably to expand its loan portfolio.

On 10 May 2023, the Bank entered into a guarantee agreement "the guarantee agreement" with the Government of Sharjah the "Guarantor" or "GoS" who is also the ultimate controlling party of the Bank. Pursuant to the terms of the guarantee agreement, the Guarantor has undertaken to protect the Bank against losses in the net book value of specified financial and non-financial assets.
As a condition precedent to the guarantee agreement, once the general assembly approves the increase in share capital through rights issue, the Guarantor shall subscribe to its pro-rata share or all shares offered if not subscribed by other shareholders. The conditions precedent was fulfilled in September 2023 the "effective date" and the guarantee agreement became effective on that date.

The Government of Sharjah subscribed for 230 billion shares and an amount of AED 2.3 billion became payable to the Bank for the participation in the rights issue. The rights issue increased the shareholding of the Government of Sharjah from 50.07% to 88.11%. The Guarantor executed the guarantee agreement as a private act and for commercial purposes at an agreed fee of AED 2.6 billion. The Bank settled the agreed fees payable of AED 2.6 billion by offsetting an amount of AED 2.3 billion against the receivable from the Guarantor arising from the issuance of shares as disclosed in Note 16 and the remaining amount of AED 0.3 billion was settled through cash paid to Government of Sharjah.

As per the agreement, the Government of Sharjah shall compensate Invest Bank on all Defaulted Amounts which are caused by a Credit Event under the covered portfolio. The Credit event is defined as an event that occurs when, the guaranteed asset is written off in accordance with the Bank policies or the Bank sells the guarantee obligation at a price below the initial net book value, or balances related to the Lebanon operations are realized at an amount below the initial net book value. Further, the Government shall compensate the Bank on all value losses arising from the non-financial assets when the non-financial asset is disposed or impaired.
The guarantee agreement is for a period of 5 years from the effective date. The maximum amount that could be claimed over the term of the guarantee is AED 3 billion with a maximum cap of AED 800 million per calendar year. If and to the extent the maximum compensation under the guarantee has not been exhausted at the end of the term of the guarantee, the Bank and the guarantor shall determine the final cash payment by the guarantor to the Bank. Subsequent to any payment notice under the agreement, the guarantor has the right of review to ensure payment notices are in line with the internal policies in all materials respects.

a) Credit Risk

The Bank uses the standardized approach to calculate RWA for credit risk. It uses risk weights to convert exposures into RWA as per the CBUAE guidelines for capital adequacy which can range between 0% for certain sovereign exposures to 952% for certain categories (akin to deduction). Where applicable, mainly for unfunded, exposures are adjusted for credit conversion factor (CCF) in accordance with the CBUAE guidelines.

The Bank uses the simple approach for credit risk mitigation to calculate its net exposure amount to a counterparty for capital adequacy purposes to take account of the effects of the collateral. The Bank adjusts the amount of the exposure to the counterparty and the value of any eligible collateral received in support of that counterparty to take account of possible future fluctuations in the value of either, occasioned by market movements.

In managing credit risk mitigation (CRM), Invest Bank applies the simple approach. This method calculates the net exposure to a counterparty for capital adequacy purposes, considering the effects of collateral. The Bank adjusts the exposure amount and the value of any eligible collateral received to account for potential market-driven fluctuations in value.

As per CBUAE notice no. CBUAE/BSD/N/2020/4980, from the second quarter of 2022 onwards, Invest Bank is also required to calculate RWA for Credit Valuation Adjustment (CVA). Under the standardized approach, this calculation is based on regulatory guidelines for counterparty credit risk exposure.

b) Market Risk

The Bank uses the standardized approach to calculate RWA for market risk as per the CBUAE guidelines. In calculating RWA for market risk, the bank distinguishes between general and specific risk and between holdings in the trading book and holdings outside the trading book. The risk is quantified for positions for Interest rate risk, foreign exchange risk, Equity investments risk, Commodities exposure risk and Options risk. Bank has overall very limited exposure to Market Risk given the limited treasury and related activities.
At this stage, the bank does not have a trading book across all securities, with the exception of a minor FX position & minor legacy stock position, which incurs minimal capital requirements under Basel III standardized approach.

c) Operational Risk

The Bank applies the Basic Indicator approach (BIA) for calculating capital requirement for operational risk. The calculation is based on average annual gross income for the past 3 years. Alpha is a fixed factor equal to 15%, set by the Basel Committee. It serves as a proxy for the industry- wide relationship between operational risk loss experience of a bank and the aggregate level of the operational risk exposure as reflected in its gross income. The RWA for operational risk are calculated by dividing the capital charge under BIA over CBUAE capital requirement percentage.

1.3 Pillar II – ICAAP and Supervisory Review Process

Enables banks and supervisors to evaluate whether additional capital is needed to address the three main types of risk identified under Pillar I, as well as any other potential risks. This evaluation is supported by the bank's own internal models and analyses. The second pillar enhances the regulatory framework by giving regulators more advanced tools than those available under Pillar I. It also establishes a system for managing various other types of risks that banks might encounter, including concentration, interest rate, collateral, strategic, reputational, liquidity, Model Risk and legal risks. This process of assessing risk and capital needs is widely known as the Internal Capital Adequacy Assessment Process (ICAAP). The ICAAP report, is reviewed by the management committee and approved by the board to share the report annually

1.4 Pillar III – Market Discipline

The Bank discloses to its external stakeholders detailed qualitative and quantitative information on its risk management practice and capital adequacy in line with the CBUAE Pillar III guidelines. The 3 pillars together provide the necessary information to the market participants on the risk profile of the Bank. The disclosures are both qualitative and quantitative and have been prepared at the consolidated level. This report should be read in conjunction with the risk disclosures in audited consolidated financial statements.

2. Overview of risk management and RWA

2.1 KM1: Key metrics

All numbers in AED 000s

		a	b	c	d	e
		T	T-1	T-2	T-3	T-4
		Dec'2023	Dec'2022	Sept'2022	Jun'2022	Mar'2022
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1)	1,662,100	116,076	350,146	422,113	618,939
1a	Fully loaded ECL accounting model	1,662,100	101,076	320,146	392,113	588,939
2	Tier 1	1,662,100	116,076	350,146	422,113	618,939
2a	Fully loaded ECL accounting model Tier 1	1,662,100	101,076	320,146	392,113	588,939
3	Total capital	1,713,440	202,816	433,642	505,134	707,865
3a	Fully loaded ECL accounting model total capital	1,713,440	187,816	403,642	475,134	677,865
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	4,440,352	7,323,776	7,101,334	7,122,909	7,618,842
	Risk-based capital ratios as a percentage of RWA					
5	Common Equity Tier 1 ratio (%)	37.43%	1.58%	4.93%	5.93%	8.12%
5a	Fully loaded ECL accounting model CET1 (%)	37.43%	1.38%	4.51%	5.50%	7.73%
6	Tier 1 ratio (%)	37.43%	1.58%	4.93%	5.93%	8.12%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	37.43%	1.38%	4.51%	5.50%	7.73%
7	Total capital ratio (%)	38.59%	2.77%	6.11%	7.09%	9.29%
7a	Fully loaded ECL accounting model total capital ratio (%)	38.59%	2.56%	5.68%	6.67%	8.90%
	Additional CET1 buffer requirements as a percentage of RWA					
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.50%	2.50%	2.50%	2.50%	2.50%
9	Countercyclical buffer requirement (%)	0.00%	0.00%	0.00%	0.00%	0.00%
10	Bank D-SIB additional requirements (%)	0.00%	0.00%	0.00%	0.00%	0.00%
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9+ row 10)	2.50%	2.50%	2.50%	2.50%	2.50%
12	CET1 available after meeting the bank's minimum capital requirements (%)	28.09%	-7.73%	-4.82%	-3.41%	-1.21%
	Leverage Ratio					
13	Total leverage ratio measure	13,980,511	9,948,153	10,046,098	10,551,518	11,430,246
14	Leverage ratio (%) (row 2/row 13)	11.89%	1.17%	3.49%	3.32%	3.69%

14a	Fully loaded ECL accounting model leverage ratio (%) (row 2A/row 13)	11.89%	1.02%	3.19%	3.03%	3.43%
14b	Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	0.00%	0.00%	0.00%	0.00%	0.00%
	ELAR					
15	Total HQLA	1,665,184	933,290	867,880	861,088	1,535,926
16	Total liabilities	10,258,653	8,490,637	7,841,854	8,324,426	8,951,042
17	Eligible Liquid Assets Ratio (ELAR) (%)	16.23%	10.99%	11.07%	10.34%	17.16%
	ASRR					
18	Total available stable funding	9,398,246	6,476,660	6,543,858	7,258,667	7,743,473
19	Total Advances	4,888,951	5,591,785	5,264,316	5,230,821	5,549,374
20	Advances to Stable Resources Ratio (%)	52.02%	86.34%	80.45%	72.06%	71.67%

The CAR ratio increased to 38.59% in December 2023, achieved through the successful implementation of a Capital Solution Plan. This improvement was supported by a reduction in Credit RWA stemming from a government-secured guarantee and the positive impact of the increase in the Tier 1 capital.

Furthermore, Leverage Ratio Increased from 1.1% in Dec 2022 to 11.89% in Dec 2023 due to improvement in Tier 1 Capital amount. (Increased to AED 1,662 Mn in 2023 from AED 104 Mn in December 2022)

The Eligible Liquid Assets Ratio (ELAR) has shown year-to-year improvement as the bank has increased its liquid assets, enhancing the ELAR compared to 2022.

Similarly, the Advance to Funding Ratio experienced an improvement in 2023 compared to the previous year, driven by a notable expansion in funding sources, including capital solution and various institutional deposits.

2.2 OVA: Bank Risk Management Approach

About the Bank

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

Invest bank is licensed by the Central Bank of the UAE (the "CBUAE") to carry out banking activities and is principally engaged in the business of corporate and retail banking through its network of branches located in the Emirate of Sharjah, Dubai, and Abu Dhabi. Invest bank also carries out banking activities through its branch ("the branch") in Beirut, Lebanon licensed by Banque Du Liban (the "CB Lebanon"). As a result of the prevailing financial and economic crisis in Lebanon, Board had decided to proceed with liquidation of the branch and accordingly obtained necessary approvals from Lebanon Central Bank.

The Bank's shares are listed on the Abu Dhabi Securities Exchange ("ADX"). The Bank had a fully owned subsidiary namely ALFA Financial Services FZE with limited liability status in the Sharjah Airport International Free Zone which provided support services to the Bank. The Board had approved the closure of ALFA Financial Services FZE on 27 June 2022. The closure was completed during the second half of the year ended 31 December 2023. Furthermore, during the year, the Bank fully acquired Sharjah Expo Hotel L.L.C., a company engaged in the hotel business. The acquisition was part of a debt assets swap and was made with the intention of resale. The accounting treatment is further explained in note 11. The consolidated financial statements as at and for the year ended 31 December 2023 comprise the Bank and its subsidiary (together referred to as "the Group").

The bank's business model is determined by its overall strategy, which includes the bank's risk tolerance and limits. The bank main focus is on corporate banking, with recent growth in retail banking.

The bank manages several types of risks, such as credit, market, operational, and liquidity risks. These risks are described in the Bank disclosures.

Risk Management Framework is designed to monitor the Risk throughout all levels, starting from individual business units to the Risk Management department.

All the risks should not exceed the approved risk limits. The Bank risk management framework ensures the bank operates within its set risk limits and follows the approved risk appetite statement.

Additionally, the bank hedges its risks using internal techniques that begin by keeping all exposures within the set risk appetite.

The effectiveness of these controls is verified by ensuring that risks remain within the accepted limits.

Governance and Risk Management Framework (RMF)

The Board of Directors (the "Board" or "BOD") has the ultimate responsibility for the establishment and oversight of the Group's Risk Management Framework. For that purpose, the Board has formulated, in line with international best practices, the following committees at Board level to help manage various risks the Bank faces:

- Board Credit Committee
- Board Risk Committee.
- Board Audit Committee.
- Board Nomination and Remuneration Committee.
- Board Real Estate Committee
- Strategy and Transformation Committee

Brief overview of the responsibilities of various committees where Risk Management has interaction is articulated below:

1) Board Committees

1. Board Credit Committee (BCC)

The Committee's mandate is to enable the Board to fulfil its responsibilities in relation to:

1. Reviewing / approval of credit commitments, restructuring, debt settlement, write-offs within the limits set in the DOA and recommending credit commitments above its authority to the Board for approval.
2. Overseeing the credit risk and credit risk associated with lending portfolio, interbank placements and lending, markets, and money market operations. Lending includes funded and non-funded facilities.

3. Setting the credit strategy, credit policy, monitoring asset quality, ensuring the approvals are as per the Bank's appetite and in the industry segment of interest.
4. Reviewing business opportunities that may be present in the market.
5. Reviewing the material non-performing debts/asset and ensuring these are recognized and classified with appropriate provision held, as required by the regulations in force.

2. Board Risk Committee (BRC)

Committee is responsible for monitoring and managing all aspects of enterprise risk management; implementing necessary control measures across the Bank, including the review of bank-wide policies, in an aim to mitigate all inherent risks while limiting the impact of residual risks across the Bank. The purpose is to enable the Board to fulfil its responsibilities in relation to the oversight of:

1. Bank's risk appetite, risk strategy and risk policies, identification, and management of risks in the Bank's asset and liability portfolios,
2. Identification and management of all financial / non-financial risks including information security risk,
3. Compliance with applicable regulatory requirements relating to risk management,
4. Independence and effectiveness of risk management functions throughout the Bank.

3. Board Audit Committee

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

1. Integrity of the Bank's financial statements.
2. Qualifications, independence, and performance of the Bank's external auditors.
3. Qualifications, independence, and performance of the Bank's internal audit department.
4. Bank's internal controls, including internal controls over financial reporting and disclosure.

4. Board Nomination and Remuneration Committee

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

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

5. Board Real Estate Committee

Committee has been established by the Board as a standing Board Committee with following mandate:

1. Oversee the strategy prepared about repossessed properties which are / will be resulting in breach of CB Regulations of disposing them off within 3 years of acquisition.
2. Ensure that the impact of selling acquired assets on Bank's P&L and Balance Sheet is properly evaluated.

3. Expenses related to the sale of acquired properties include commissions and legal charges are incurred in line with approved procurement policies and best practices in the market (if not specifically covered in procurement policy).
4. Ensure that strategy adopted by the Bank related to repossessed properties is aligned with overall strategy.

6. Strategy and Transformation Committee

Committee has been established by the Board as a standing Board Committee with following mandate:

1. To assist the Bank’s Board of Directors to oversee the Bank's strategy formulation, approval, implementation, review, and reporting in concert with the Executive Management. The Committee will bring focus, independent judgement, and transparency to the Bank’s consideration of strategic plan.
2. The STC acts only in the capacity of reviewing proposals, aligning, and approving recommendations ahead of final and full Board approval.

2) Management Committees

The bank is organized with several committees and sub-committees to oversee various functions. These include the Asset-Liability Committee (ALCO), Risk Committee, Management Committee (MANCOM), Risk Committee (RC), Special Assets and Provisions Committee (SAP), and Model Oversight Committee (MOC), Management Credit Risk Committee (MCC), Clients Experience Forum (CEF) and IT and Product Steering Committee. Additionally, there is an Operational Risk and Information Security Committee, which operates as a sub-committee of the Risk Committee.

1. ALCO: The committee is responsible for overseeing the implementation of an effective ALM process, primarily focusing on managing the Bank's Interest rate risk, liquidity risk, and market risks associated with the Bank's balance sheet and related activities. This oversight also involves reviewing policies and procedures, capital levels, and associated risk limits.
2. Risk Committee: The objective the committee is to support the effective implementation of sound practices for the management and supervision of enterprise risk, in co-ordination with the Risk Department at the Bank. The RC will help the Senior Management in fulfilling its responsibilities to the shareholders and others relating to the management of bank wide risks and Bank's compliance to legal and regulatory requirements.
   The Committee must ensure the development and implementation of a risk governance to assist the Board Risk Committee, the Board of Directors, and management in making well-informed and timely decisions on risk management and strategic planning.

3. MANCOM: The primary role of the Committee is to provide a forum for Senior Management to discuss matters of general interest, ensure alignment of activities and objectives across business groups, to facilitate flow of information, and take decisions, where appropriate, on matters of general or strategic interest.
4. Special Asset and Provision Committee: The committee’s main objectives include accurately estimating provisions to cover potential losses, classifying accounts according to their credit risk levels, and adhering to IFRS 9 for financial instruments staging. Additionally, the committee reviews

the recovery of funds previously written off and enforces remedial actions for accounts that are underperforming or in default.

5. Model Oversight Committee: The committee plays a critical role in upholding the integrity and efficacy of the Bank financial modelling frameworks. The primary objective of the MOC is to ensure that all models are developed, implemented, and maintained in accordance with regulatory standards and best practices. This includes reviewing and approving new models, assessing the ongoing performance of existing models, and ensuring that model risks are appropriately identified, measured, and managed. The committee's responsibilities also extend to overseeing the model validation process, addressing model-related findings from internal and external audits, and ensuring that model governance policies are consistently applied across the bank.

6. Management Credit Committee: The Committee is tasked with reviewing new and renewal credit proposals and transactions, ensuring thorough underwriting processes are upheld. This committee plays a crucial role in assessing the creditworthiness of clients, ensuring that the bank's financial risks are minimized by carefully evaluating the ability of borrowers to meet their financial obligations.

7. The Operational Risk and InfoSec committee: Committee is mandated to serve as a governance and steering committee for managing operational and technical risks at the bank. This includes ensuring adequate governance oversight for implementing the Operational Risk & Information Security framework and strategy at the bank. The goal is to facilitate safe growth and protect the Bank's information and proprietary assets.

8. IT and product steering committee: the committee provides oversight for the strategy and management of the bank’s technology infrastructure, and product/services. The committee is expected to be the guiding body for the prioritization and implementation of integrated, bank-wide information technology and products.

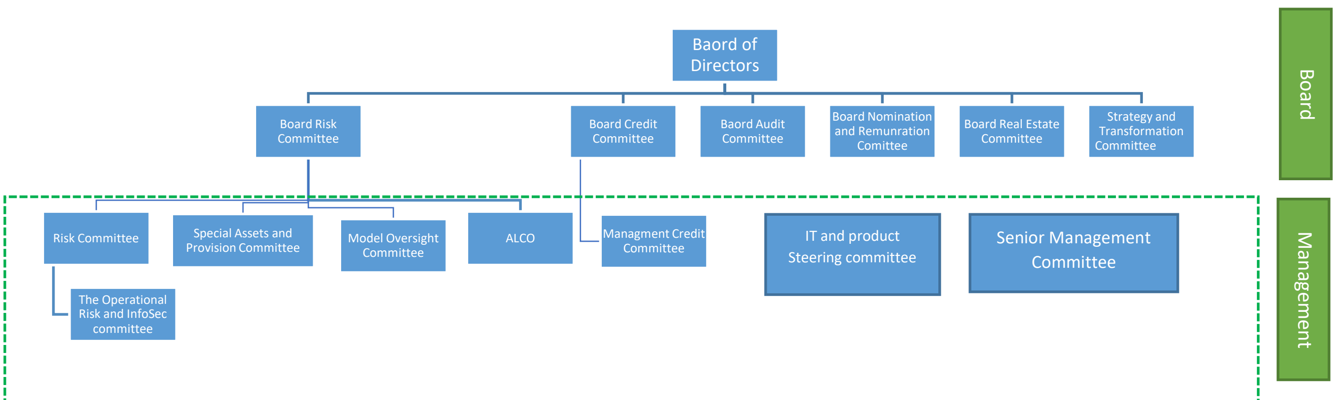
3) Risk Governance Framework

Invest Bank inculcates and nurtures a conscientious risk culture, underpinned by a clear governance structure, incorporating the ‘Three lines of Defense’. The Bank has institutionalized a principled approach towards taking risks responsibly with a shared understanding of Risk Appetite which is embedded in the organization-wide controls.

The Risk Management Framework at Invest Bank is driven by a well informed and knowledgeable Board and Senior Management. The Board has the overall responsibility for risk management and risk strategies in the Bank. The Board is also responsible for providing oversight and effective challenge to senior management across a range of matters including its execution of the agreed strategy and for Board and executive management succession planning.

The role of the CEO and the Executive Management Team is to execute the agreed business strategy within the agreed risk appetite. It is also the responsibility of the executive management team to develop a mechanism by which IB’s vision, mission and values are successfully shared, communicated, and embedded in the business operations. The Executive Management Team is also responsible for timely and accurate reporting to the Board and Board Committees and for the escalation of appropriate information.

The following is the diagrammatic representation of the Board and Board Committee Structures including Management Committees within Invest Bank.



The Three Lines of Defense

Invest Bank's Board of Directors provide oversight of Risk Management Framework, underpinned by Three Lines of Defense operating model. The Three Lines of Defense model defines who is responsible to identify, assess, measure, manage, monitor, and mitigate risks, encouraging collaboration and enabling efficient coordination of risk and control activities.

First Line of Defense (BU units) comprises most employees who execute processes and controls, identify the risks, and ensure that the right controls are in place to prevent, manage, and reduce the risks.

The Second Line of Defense (Control Functions) helps in designing risk appetite, frameworks, policy, limits, and guidelines for managing risks and provides advice to support these policies for proactive risk management.

The Third Line of Defense is Internal Audit which independently assures that the Bank is managing risks effectively and the adequacy & effectiveness of the Internal Control, Risk Management, Governance, Systems & Processes.

The Chief Risk Officer has a direct reporting line to the BRC to ensure the independence of Risk from business. Similarly, Internal audit, as the third line of defense, provides assurance to management and the Board of the effectiveness of risk management practices employed by the first two lines of defense. The Chief Audit Officer has a direct reporting line to the Board Audit Committee. The Chief Compliance Officer has indirect line to the BRC.

Risk Management Department (RMD)

RMD is responsible for risk oversight of the Bank, development of frameworks, policy, and methodology formulation, monitoring of key risks and reporting and ensuring an independent control process. It is the nerve center for collection of data, analysis of risk drivers, interpretation of outcome and dissemination of information to relevant committees for risk management.

The Chief Risk Officer (CRO) is responsible for the overall Risk Governance and Supervision and shall ensure effective implementation of an enterprise-wide risk management framework and risk culture through various risk policies, processes, thresholds, and controls that would enable prompt risk identification, accurate risk measurement and effective risk mitigation. CRO is also responsible for risk compliance and monitoring as well as reviewing and presenting various risk reports, policies, and dashboards to BRC and Board. Further, various independent unit(s) under the CRO such as Enterprise Risk Management, Credit Risk, Market & Liquidity Risk, Operational Risk, Information Security, Portfolio Management, Credit Administration and Fraud Risk & investigations are responsible for review, monitoring and reporting of all risk control parameters and taking appropriate corrective actions where necessary. These Units under the supervision of respective heads shall also be responsible for ensuring compliance to internal policies and regulatory guidelines.

1. **Information Security**: Dedicated to safeguarding the Bank digital infrastructure against cyber threats, data breaches, and ensuring the confidentiality of customer and bank data.

2. **Fraud Risk Management**: Focused on identifying, preventing, and mitigating fraudulent activities that could affect the Bank customers and the bank’s reputation.

3. **Operational Risk Management**: Manages risks arising from internal processes, people, systems, or external events, implementing controls and measures to minimize losses.

4. **Portfolio Management**: This unit is responsible for the continuous monitoring and management of the Bank loan portfolios, ensuring diversification and compliance with risk limits.

5. **Credit Risk Management**: Focuses on managing exposure from lending and other credit-related activities, including assessment of credit transactions and continuous monitoring of credit exposures.

6. **Market & Liquidity Risk Management**: Addresses risks arising from market fluctuations in interest rates, foreign exchange rates, and other market variables as well as addresses the liquidity and funding risk

7. **Risk Analytics:** Employs advanced data analytics for risk assessment, predictive analysis, and decision-making support, enhancing the Bank risk identification and management capabilities.

8. **Regulatory Reporting:** Ensures compliance with all regulatory requirements, including accurate and timely reporting of the Bank risk positions and financial health.

9. **Credit Administration:** The team is responsible for managing the documentation and limits monitoring, ensuring compliance with regulatory requirements and internal policies. They support the credit process by maintaining accurate records and facilitating loan approvals

This comprehensive ERM framework, supported by the Bank board and specialized committees, reflects the Bank unwavering commitment to upholding robust risk management practices, ensuring financial stability, and maintaining trust among the Bank stakeholders."

Compliance Department

The compliance department works towards ensuring maintenance of high standards and fair dealings in conducting business and to act with proper care, diligence, and skills by complying with related laws, rules and regulations and with good practices to protect Invest banks reputation at all times.

Internal Audit Department

The Internal Audit department works as the third line of defense with the main objective of providing independent assurance to the Board that all the activities performed with the Bank are in line with the laid policies and procedures and relevant regulations.

Credit Department (CDT)

In order to ensure independence, Risk Management and Credit Underwriting Vertical is separated at the Bank. Credit Department (CDT) is headed by the Chief Credit Officer (CCO) and is responsible for the credit underwriting process of the Bank involving but not limited to screening/assessment of facilities/exposures on the potential borrowers, finalizing risk ratings and approving credit proposals. The CCO is responsible for monitoring the credit quality of the Bank's portfolio, thereby undertaking portfolio reviews, and formulating/supervising remedial actions as required.

Risk Appetite

The Bank has established a risk appetite framework which aligns risk with its corporate strategy and incorporates limits for significant risks with monitoring parameters. The Risk Appetite at the Bank is based on top-down approach wherein Bank wide Risk Appetite metrics are cascaded to individual Business Units (such as whole sale Banking, Retail Banking) which ensure effective monitoring.

Specific dimensions which are considered in Risk Appetite statement includes metrics related to Capital adequacy, Asset Quality, Market & Liquidity Risk, Operational Risks, Financial Efficiency, Conduct and compliance risks.

Breach of any risk appetite metric will result in reporting to an appropriate level of authority (Management Committee / Board Committee as applicable) and accordingly corrective actions are taken by the relevant unit.

Risk Assessment & Reporting

Risk assessment and mitigation is performed through multiple tools including limit setting and monitoring, periodic reviews, and discussions as well as through other available MIS. This is performed for all material risks both, at individual level as well as consolidated level. Certain risks are qualitatively assessed using heuristic approach. Regular updates are provided to the senior management and Board through monthly dashboards.
The Risk / MIS team work closely with the Information Technology Department to ensure availability of data /information to meet the requirements of management of risks as well as regulatory reporting.

Stress testing and scenario analyses

In line with international best practices, Bank has implemented a suitable stress testing framework. Bank uses stress tests for:

- Understanding its risk profile and communicating the same to the Board / Senior management for better planning and setting risk limits.
- Managing their risk exposures; and
- Putting in place appropriate contingency plans for meeting the situations that may arise under adverse circumstances.

The Bank conducts regular stress test exercises to assess the resilience of the bank to adverse market developments under stress scenarios. The risk factors are shocked using the assumptions made under the respective scenarios and the corresponding impact on the capital adequacy is determined. The stress testing results are duly discussed by the Management committee (ALCO) and Board Risk Committee and required corrective actions (as applicable) are implemented.

The internal stress test results as of December 2023 indicate that the bank maintains sufficient capital even under adverse conditions. These scenarios include a stock market decline, rising interest rates leading to reduced bond valuations, and credit stress resulting in increased probability of defaults and higher loss given default.

Risk Mitigation

The Bank accepts credit risk mitigation as a means towards reducing credit risk in an exposure, at facility level, by a safety net of tangible and realizable securities including third-party guarantees etc. The types of Credit Risk Mitigation include collaterals, guarantees, credit derivatives etc. The Bank ensures that all documentation used in collateralized transactions is binding on all parties and is legally enforceable in all relevant jurisdiction.

2.3 OV1: Overview of RWA

All numbers in AED 000s

		RWA		Minimum capital requirements
		31/12/2023	31/12/2022	
1	Credit risk (excluding counterparty credit risk)	4,101,903	6,939,189	430,700
2	Of which: standardized approach (SA)	4,101,903	6,939,189	430,700
3	Of which: foundation internal ratings-based (F-IRB) approach *	-	-	-
4	Of which: supervisory slotting approach	-	-	-
5	Of which: advanced internal ratings-based (A-IRB) approach	-	-	-
6	Counterparty credit risk (CCR)	2,644	-	278
7	Of which: standardized approach for counterparty credit risk	2,644	-	278
8	Of which: Internal Model Method (IMM)	-	-	-
9	Of which: other CCR	-	-	-
10	Credit valuation adjustment (CVA)	2,644	-	278
11	Equity positions under the simple risk weight approach	-	-	-
12	Equity investments in funds - look-through approach	-	-	-
13	Equity investments in funds - mandate-based approach	-	-	-
14	Equity investments in funds - fallback approach	-	-	-
15	Settlement risk	-	-	-
16	Securitization exposures in the banking book	-	-	-
17	Of which: securitization internal ratings-based approach (SEC-IRBA)	-	-	-
18	Of which: securitization external ratings-based approach (SEC-ERBA)	-	-	-
19	Of which: securitization standardized approach (SEC-SA)	-	-	-
20	Market risk	48,411	81,999	5,083
21	Of which: standardized approach (SA)	48,411	81,999	5,083
22	Of which: internal models' approach (IMA)	-	-	-
23	Operational risk	284,750	302,588	29,899
24	Amounts below thresholds for deduction (subject to 250% risk weight)	-	-	-
25	Floor adjustment	-	-	-
26	**Total (1+6+10+11+12+13+14+15+16+20+23)**	**4,440,352**	**7,323,776**	**466,237**

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

** The total credit risk weighting requirements under the F-IRB approach amount to AED 462.236 MN. Since this is lower than the credit risk weight calculated using the standard approach, no additional credit risk was added under F-IRB.*

3. Linkages between financial statements and regulatory exposures

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

All numbers in AED 000s

	a	B	c	d	e	f	g
			Carrying values of items:				
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitization framework	Subject to market risk framework	Not subject to capital requirements or subject to deduction from capital
Assets (On Balance Sheet)							
Cash and deposits with central banks	1,192,642	1,192,642	1,192,642	-	-	-	-
Due from banks	610,944	610,944	610,944	-	-	-	-
Investment securities	2,367,839	2,367,839	2,367,839	-	-		-
Loans and advances	4,252,082	4,252,082	4,252,082	-	-	-	-
Other assets	3,608,669	3,497,473	3,497,473	-	-	-	-
Total assets	**12,032,176**	**11,920,980**	**11,920,980**	**-**	**-**	**-**	**-**
Liabilities							
Due to banks	375,830	375,830	-	-	-	-	375,830
Deposits from customers	9,561,165	9,561,165	-	-	-	-	9,561,165
Other liabilities	425,605	314,409	-	-	-	-	314,409
Net Equity	1,669,576	1,669,576	-	-	-	-	1,669,576
Total liabilities	**12,032,176**	**11,920,980**	**-**	**-**	**-**	**-**	**11,920,980**

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

All numbers in AED 000s

		a	b	c	d	e
			Items subject to:			
		Total	Credit risk framework	Securitization framework	Counterparty credit risk framework	Market risk framework
1	**Asset carrying value amount under scope of regulatory consolidation (as per template LI1)**	11,920,980	**11,920,980**	-	-	-
2	**Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)**	11,920,980	-	-	-	-
3	**Total net amount under regulatory scope of consolidation**	11,920,980	11,920,980	-	-	-
4	**Off-balance sheet amounts**	2,986,468	2,986,468	-	-	-
5	***Differences in valuations***	-	-	-	-	-
6	***Differences due to different netting rules, other than those already included in row 2***	-	-	-	-	-
7	***Differences due to consideration of provisions***	8,053,690	8,053,690	-	-	-
8	***Differences due to prudential filters***	-	-	-	-	-
9	**Exposure amounts considered for regulatory purposes**	22,961,138	22,961,138,	-	-	-

3.3 LIA: Explanations of differences between accounting and regulatory exposure amounts

The variances between the regulatory and the financial statement carrying amounts are primarily due to two factors.

First, acceptances disclosed under financial accounting in other assets where it is categorized for regulatory purposes as off-balance sheet items, receiving a 100% CCF. Total amount of acceptances is AED 111 Mn
Second, while the carrying amount for off-balance sheet items is determined by the CCF for regulatory purposes (capital calculation), it is reported as total amounts in accounting financial disclosures.

It is important to clarify the composition and management of the Bank investment portfolio. The Bank at this stage has a limited investment portfolio with the majority held at amortized cost. The primary security within this portfolio is the Sharjah Government Sukuk in AED, which is held at amortized cost and utilized for managing the regulatory liquidity ratios.

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

Mark- to- Model approach is utilized for the valuation of those investments where market prices are not readily available or when the investments are not actively traded. This method allows us to estimate fair value based on projected future cash flows and market data, ensuring that the Bank valuations are reflective of current market conditions and investment prospects across the Bank portfolio to ensure the accuracy and integrity of the Bank investment valuations.

Mark-to-Market Valuation utilized for investments that are actively traded in the financial markets, the bank employs the mark -to-market (MTM) valuation method. This approach ensures that the Bank investment valuations reflect current market conditions and prices, providing an active price in the market (as provided by a reliable 3rd party to source the prices).

4. Composition of capital

4.1 CC1: Composition of regulatory capital

All numbers in AED 000s

		a	b
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
	Common Equity Tier 1 capital: instruments and reserves		
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	3,202,493	Same as (a) + (b) from CC2 template
2	Retained earnings	(1,512,491)	
3	Accumulated other comprehensive income (and other reserves)	(20,426)	
4	*Directly issued capital subject to phase-out from CET1 (only applicable to non-joint stock companies)*	-	
5	Common share capital issued by third parties (amount allowed in group CET1)	-	
6	**Common Equity Tier 1 capital before regulatory deductions**	**1,669,576**	
	Common Equity Tier 1 capital regulatory adjustments		
7	Prudent valuation adjustments	-	
8	Goodwill (net of related tax liability)	-	
9	Other intangibles including mortgage servicing rights (net of related tax liability)	7,476	
10	Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of related tax liability)	-	
11	Cash flow hedge reserve	-	
12	Securitization gain on sale	-	
13	Gains and losses due to changes in own credit risk on fair valued liabilities	-	
14	Defined benefit pension fund net assets	-	
15	Investments in own shares (if not already subtracted from paid-in capital on reported balance sheet)	-	
16	Reciprocal crossholdings in CET1, AT1, Tier 2	-	

17	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
18	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
19	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	
20	Amount exceeding 15% threshold	-	
21	Of which: significant investments in the common stock of financials	-	
22	Of which: deferred tax assets arising from temporary differences	-	
23	CBUAE specific regulatory adjustments	-	
24	**Total regulatory adjustments to Common Equity Tier 1**	7,476	
25	**Common Equity Tier 1 capital (CET1)**	**1,662,100**	
	Additional Tier 1 capital: instruments	**Amounts**	**Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation**
26	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	-	
27	OF which: classified as equity under applicable accounting standards	-	
28	Of which: classified as liabilities under applicable accounting standards	-	
29	*Directly issued capital instruments subject to phase-out from additional Tier 1*	-	
30	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in AT1)	-	
31	*Of which: instruments issued by subsidiaries subject to phase-out*	-	
32	Additional Tier 1 capital before regulatory adjustments	-	
	Additional Tier 1 capital: regulatory adjustments		
33	Investments in own additional Tier 1 instruments	-	
34	Investments in capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	
35	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	
36	CBUAE specific regulatory adjustments	-	
37	Total regulatory adjustments to additional Tier 1 capital	-	
38	**Additional Tier 1 capital (AT1)**	**-**	
39	**Tier 1 capital (T1= CET1 + AT1)**	**1,662,100**	
	Tier 2 capital: instruments and provisions		
40	Directly issued qualifying Tier 2 instruments plus related stock surplus	-	
41	*Directly issued capital instruments subject to phase-out from Tier 2*	-	
42	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 30) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	-	
43	*Of which: instruments issued by subsidiaries subject to phase-out*	-	
44	Provisions	51,340	
45	**Tier 2 capital before regulatory adjustments**	**51,340**	
	Tier 2 capital: regulatory adjustments		

46	Investments in own Tier 2 instruments	-	
47	Investments in capital, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	
48	Significant investments in the capital, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
49	CBUAE specific regulatory adjustments	-	
50	**Total regulatory adjustments to Tier 2 capital**	-	
51	**Tier 2 capital (T2)**	**51,340**	
52	**Total regulatory capital (TC = T1 + T2)**	**1,713,440**	
53	**Total risk-weighted assets**	**4,440,352**	
	Capital ratios and buffers		
54	**Common Equity Tier 1 (as a percentage of risk-weighted assets)**	37.43%	
55	**Tier 1 (as a percentage of risk-weighted assets)**	37.43%	
56	**Total capital (as a percentage of risk-weighted assets)**	38.59%	
		Amounts	**Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation**
57	**Institution specific buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus higher loss absorbency requirement, expressed as a percentage of risk-weighted assets)**	2.5%	
58	**Of which: capital conservation buffer requirement**	2.5%	
59	**Of which: bank-specific countercyclical buffer requirement**	0.0%	
60	**Of which: higher loss absorbency requirement (e.g. DSIB)**	0.0%	
61	**Common Equity Tier 1 (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirement.**	28.09%	
	The CBUAE Minimum Capital Requirement		
62	Common Equity Tier 1 minimum ratio	7.0%	
63	Tier 1 minimum ratio	8.5%	
64	Total capital minimum ratio	10.5%	
	Amounts below the thresholds for deduction (before risk weighting)		
65	Non-significant investments in the capital and other TLAC liabilities of other financial entities	-	
66	Significant investments in common stock of financial entities	-	
67	Mortgage servicing rights (net of related tax liability)	-	
68	Deferred tax assets arising from temporary differences (net of related tax liability)	-	
	Applicable caps on the inclusion of provisions in Tier 2		
69	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	-	
70	Cap on inclusion of provisions in Tier 2 under standardized approach	-	

71	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	
72	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
73	*Current cap on CET1 instruments subject to phase-out arrangements*	-	
74	*Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)*	-	
75	*Current cap on AT1 instruments subject to phase-out arrangements*	-	
76	*Amount excluded from AT1 due to cap (excess after redemptions and maturities)*	-	
77	*Current cap on T2 instruments subject to phase-out arrangements*	-	
78	*Amount excluded from T2 due to cap (excess after redemptions and maturities)*	-	

4.2 CC2: Reconciliation of regulatory capital to balance sheet

All numbers in AED 000s

	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
Assets			
Cash and deposits with central banks	1,192,642	1,192,642	
Due from banks	610,944	610,944	
Investment securities	2,367,839	2,367,839	
Loans and advances to customers	4,252,082	4,252,082	
Property and Equipment	70,541	70,541	
Other Assets	3,538,128	3,426,932	
Total assets	**12,032,176**	**11,920,980**	
Liabilities			
Due to banks	375,830	375,830	
Deposits from customers	9,561,165	9,561,165	
Other Liabilities	425,605	314,409	
Total liabilities	**10,362,600**	**10,251,404**	
Shareholders' equity			
Paid-in share capital			
Of which: amount eligible for CET1	3,202,493	3,202,493	(a)
Shares at Discount	-	-	(b)
Fair value reserve	(42,091)	(42,091)	

Foreign currency translation reserve	21,665	21,665	
Accumulated losses	(1,512,491)	(1,512,491)	
Total shareholders' equity	**1,669,576**	**1,669,576**	
Total liabilities and equity	**12,032,176**	**11,920,980**	

The distinction between shareholders' equity and regulatory capital lies in their components. Regulatory capital comprises Common Equity Tier 1 (CET 1), Additional Tier 1 capital, and Tier 2 capital. The bank has tier 2 capital amounting to AED 51 million, comprises a general reserve. This reserve represents 1.25% of the total credit risk weight**.**

4.3 CCA: Main features of regulatory capital instruments

The bank's capital structure consists solely of common equity as capital instruments, with issued and paid up capital of 263,180,982 thousand shares of AED 0.012168406 each amounting to AED 3.2B

5. Leverage ratio

5.1 LR1: Summary comparison of accounting assets vs leverage ratio exposure

All numbers in AED 000s

		Amount
1	Total consolidated assets as per published financial statements	12,032,176
2	Adjustments for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-
3	Adjustment for securitized exposures that meet the operational requirements for the recognition of risk transference	-
4	Adjustments for temporary exemption of central bank reserves (if applicable)	-
5	Adjustment for fiduciary assets recognized on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-
6	Adjustments for regular-way purchases and sales of financial assets subject to trade date accounting	-
7	Adjustments for eligible cash pooling transactions	-
8	Adjustments for derivative financial instruments	2,973
9	Adjustment for securities financing transactions (i.e., repos and similar secured lending)	-
10	Adjustments for off-balance sheet items (i.e., conversion to credit equivalent amounts of off-balance sheet exposures)	1,840,619

11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	-
12	Other adjustments	104,743
13	**Leverage ratio exposure measure**	**13,980,511**

5.2 LR2: Leverage ratio common disclosure template

All numbers in AED 000s

		a	b
		Dec'23	**Dec'22**
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	12,203,308	8,518,374
2	Gross-up for derivatives collateral provided where deducted from balance sheet assets pursuant to the operative accounting framework	-	-
3	(Deductions of receivable assets for cash variation margin provided in derivatives transactions)	-	-
4	(Adjustment for securities received under securities financing transactions that are recognized as an asset)	-	-
5	(Specific and general provisions associated with on-balance sheet exposures that are deducted from Tier 1 capital)	-	-
6	(Asset amounts deducted in determining Tier 1 capital)	-	-
7	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)**	**12,203,308**	8,518,374
Derivative exposures			
8	Replacement cost associated with *all* derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	895	-
9	Add-on amounts for PFE associated with *all* derivatives transactions	2,078	-
10	(Exempted CCP leg of client-cleared trade exposures)	-	-
11	Adjusted effective notional amount of written credit derivatives	-	-
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
13	**Total derivative exposures (sum of rows 8 to 12)**	**4,162**	**-**
Securities financing transactions			
14	Gross SFT *assets* (with no recognition of netting), after adjusting for sale accounting transactions	-	-
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
16	CCR exposure for SFT assets	-	-
17	Agent transaction exposures	-	-
18	**Total securities financing transaction exposures (sum of rows 14 to 17)**	**-**	-
Other off-balance sheet exposures			
19	Off-balance sheet exposure at gross notional amount	4,424,807	3,521,521
20	(Adjustments for conversion to credit equivalent amounts)	(2,651,766)	(2,091,742)
21	(Specific and general provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital)	-	-
22	**Off-balance sheet items (sum of rows 19 to 21)**	1,773,041	1,429,779
Capital and total exposures			

23	**Tier 1 capital**	1,662,100	116,076
24	**Total exposures (sum of rows 7, 13, 18 and 22)**	13,980,511	9,948,153
Leverage ratio			
25	**Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)**	11.89%	1.17%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	N/A	N/A
26	CBUAE minimum leverage ratio requirement	3.00%	3.00%
27	**Applicable leverage buffers**		

6. Liquidity

6.1 LIQA: Liquidity risk management

- **Overview and Governance of liquidity risk management.**

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

(i) **Mismatch or structural liquidity risk**: the risk in the Group's current consolidated statement of financial position structure due to maturity transformation in the cash flows of individual positions.

(ii) **Contingency liquidity risk**: the risk that future events may require a significantly larger amount of cash than what the Group's projections allow. This can arise due to unusual deviations of timing of cash flows (term liquidity risk), e.g., non-contractual prolongation of loans, or unexpected draw downs on committed loan facilities (call/ withdrawal liquidity risk); and

(iii) **Market liquidity risk:** the risk that the Group cannot easily offset or eliminate a position at the market price because of market disruption or inadequate market depth.

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

- **Management of liquidity risk**

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

I. Maintaining a diversified funding base consisting of customer deposits (both retail and corporate), wholesale market deposits, maintaining contingency facilities, annual budgeting and planning exercise forms the basis for developing the Bank's funding strategy.

II. Carrying a portfolio of high-quality liquid assets, diversified by counterparty and maturity.

III. Monitoring liquidity ratios (ELAR, ASRR, LTD), maturity mismatches, behavioral characteristics of the Group's financial assets and liabilities, and the extent to which the Group's assets are encumbered and hence not available as potential collateral for obtaining funding.

IV. Carrying out stress testing of the Bank's liquidity position.

V. Maintaining adequate liquidity buffers.

VI. Active communication with the CBUAE regarding liquidity requirements and requesting liquidity support with respect to those requirements.

- **Stress testing**

Stress testing is an integral part of Bank's liquidity risk management framework. Bank conducts stress testing using plausible scenarios including deposit run-offs, fall in the valuation of assets etc. to assess the viability of its liquidity position. The stress tests are performed regularly and the results to management.

- **Contingency Planning**

Bank has in place a liquidity contingency plan meant to address severe liquidity disruptions within the Bank as well as across the system. The CFP includes a set of triggers which will require pre-agreed action from the relevant stakeholders.

- **Maturity Gap Analysis**

	Less than 3 months AED'000	3 months to 1 year AED'000	1 year and above AED'000	Total AED'000
At 31 December 2023				
Assets				
Cash and deposits with central banks	921,182	271,460	-	1,192,642
Due from banks	279,277	331,667	-	610,944
Investment securities	2,000,000	87,630	280,209	2,367,839
Loans and advances to customers	775,083	1,479,349	1,997,650	4,252,082
Customers' indebtedness for acceptances	85,248	25,948	-	111,196
Other assets[1]	57,124	121,527	3,318,822	3,497,473
Total assets	**4,117,914**	**2,317,581**	**5,596,681**	**12,032,176**
Liabilities and equity				
Due to banks	375,830	-	-	375,830
Deposits from customers	6,559,136	2,647,977	354,052	9,561,165

Liabilities under acceptances	85,248	25,948	-	111,196
Other liabilities	184,673	91,311	38,425	314,409
Total liabilities	**7,204,887**	**2,765,236**	**392,477**	**10,362,600**
Net liquidity positions	**(3,086,973)**	**(447,655)**	**5,204,204**	**1,669,576**

As Of 31 December 2022,	Less than 3 months AED'000	3 months to 1 year AED'000	1 year and above AED'000	Total AED'000
Assets				
Cash and deposits with central banks	446,403	168,581	362	615,346
Due from banks	103,610	36,930	-	140,540
Investment securities	2,000,000	-	136,084	2,136,084
Loans and advances to customers	316,831	2,268,788	2,551,141	5,136,760
Customers' indebtedness for acceptances	29,949	19,388	-	49,337
Other assets	20,529	24,480	444,635	489,644
Total assets	**2,917,322**	**2,518,167**	**3,132,222**	**8,567,711**
Liabilities and equity				
Due to banks	651,653	-	-	651,653
Deposits from customers	4,692,628	2,744,025	150,521	7,587,174
Liabilities under acceptances	29,949	19,388	-	49,337
Other liabilities	63,377	75,900	36,013	175,290
Total liabilities	**5,437,607**	**2,839,313**	**186,534**	**8,463,454**
Net liquidity positions	**(2,520,285)**	**(321,146)**	**2,945,688**	**104,257**

[1] *Other asset include reimbursement asset and assets held for sale.*

Deposits from customers in “Less than 3 months” bucket include AED 3,085 million of current and savings account deposits (2022: AED 1,624 million). Further, the majority of deposits due for maturity have been renewed on maturity.

6.2 ELAR: Eligible Liquid Assets Ratio

All numbers in AED 000s

1	High Quality Liquid Assets	Nominal amount	Eligible Liquid Asset
1.1	Physical cash in hand at the bank + balances with the CBUAE	1,173,376	
1.2	UAE Federal Government Bonds and Sukuks	100,000	
	Sub Total (1.1 to 1.2)	**1,273,376**	**1,273,376**
1.3	UAE local governments publicly traded debt securities	1,634,425	
1.4	UAE Public sector publicly traded debt securities	0	
	Sub Total (1.3 to 1.4)	**1,634,425**	**391,808**
1.5	Foreign Sovereign debt instruments or instruments issued by their respective central banks	0	0
1.6	**Total**	**2,907,801**	**1,665,184**
2	Total liabilities		10,258,653
3	**Eligible Liquid Assets Ratio (ELAR)**		**0.16**

6.3 Advances to Stables Resource Ratio

All numbers in AED 000s

		Items	Amount
1		**Computation of Advances**	
	1.1	Net Lending (gross loans - specific and collective provisions + interest in suspense)	3,970,136
	1.2	Lending to non-banking financial institutions	415,879
	1.3	Net Financial Guarantees & Stand-by LC (issued - received)	299,084
	1.4	Interbank Placements	203,852
	1.5	**Total Advances**	**4,888,951**
2		**Calculation of Net Stable Resources**	
	2.1	Total capital + general provisions	1,803,509
		Deduct:	
	2.1.1	Goodwill and other intangible assets	7,476
	2.1.2	Fixed Assets	711,346
	2.1.3	Funds allocated to branches abroad	0
	2.1.5	Unquoted Investments	0
	2.1.6	Investment in subsidiaries, associates, and affiliates	80,000
	2.1.7	**Total deduction**	**798,822**
	2.2	**Net Free Capital Funds**	**1,004,687**
	2.3	**Other stable resources:**	
	2.3.1	Funds from the head office	0
	2.3.2	Interbank deposits with remaining life of more than 6 months	0
	2.3.3	Refinancing of Housing Loans	0
	2.3.4	Borrowing from non-Banking Financial Institutions	440,724
	2.3.5	Customer Deposits	7,952,835
	2.3.6	Capital market funding/ term borrowings maturing after 6 months from reporting date	0
	2.3.7	**Total other stable resources**	**8,393,559**
	2.4	**Total Stable Resources (2.2+2.3.7)**	**9,398,246**
3		**Advances to Stable Resources Ratio (1.6/ 2.4*100)**	**52.02**

7. Credit risk

The business model adopted by the bank is governed by the risk appetite statement approved by the board. This ensures that the activities related to credit risk, particularly those involving business units acquiring assets, are regulated in accordance with the risk appetite statements. Additionally, the credit review carried out by the control unit further oversees these activities to ensure compliance and manage risk effectively.

7.1 CRA: General qualitative information about credit risk

Definition
Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Bank's loans and advances to customers, other banks and investment securities. It is also the risk of loss, or of adverse change in the financial situation, resulting from fluctuations in the credit standing of issuers of securities, counterparties, and any debtors to whom the Bank is exposed.

Credit Risk Management

Bank is primarily engaged in business of corporate banking. Credit risk represents the single largest risk element to the bank and hence is the area of focus of risk management. The credit policy has been formulated in consultation with all relevant stakeholders including business units, credit, risk, and internal audit. The policy covers all aspects related to credit assessment, collateral requirements, risk grading and reporting, classification & provisioning requirements etc., and in compliance with regulatory requirements.

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

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

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

Risk Management Department is separate from the Credit review Department. It is responsible for monitoring and reviewing the performance of the portfolio post disbursement as well as other aspects including classification & provisioning. Furthermore, Risk Management includes a dedicated credit risk unit tasked with reviewing credit transactions. CRO serves on the management credit committee as a non-voting member but holds veto power, ensuring that all risk concerns are thoroughly addressed prior to advancing any credit transactions.

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

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

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

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

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

As a part of credit risk monitoring and control framework, regular risk monitoring at both individual and portfolio levels carried out along several parameters. This includes portfolio quality, level of provisions, and limit management, account conduct, adequacy of collaterals, adherence to sanction terms and covenants, portfolio rating performance as well as sanctity of the systems and software's used to include rating model, IFRS 9 models etc.

Management, Board Risk Committee and Board of Directors are regularly updated with the credit risk exposure and management function through dashboard/presentations detailing the quality of portfolio, provisions, recoveries, collateral, and breaches etc. Concentration (sectoral, individual group etc.) is monitored through Risk appetite.

Review of risk management policies and systems is a continuous activity to reflect changes in market conditions, products and services offered by The Bank in order to present a comprehensive view of risk from a strategic and operational perspective and have a process to address risk proactively. Bank is currently undergoing strategic transformation which will prepare the Bank for the next phase of growth. As a result, the risk management framework is also being enhanced to adequately support the implementation of the strategy and mitigate the risks arising out of the same.

7.2 CR1: Credit quality of assets

All numbers in AED 000s

		A	B	c	d	e	f
		Gross carrying values of		Allowances/ Impairments	Of which ECL accounting provisions for credit losses on SA exposures		Net values (a+b-c)
		Defaulted exposures	Non-defaulted exposures		Allocated in regulatory category of Specific	Allocated in regulatory category of General	
1	Loans	8,130,159	4,124,274	7,722,647	7,722,647	-	4,531,786
2	Debt securities	-	2,358,027	-	-	-	2,358,027
3	Off-balance sheet exposures	409,908	2,576,560	179,248	179,248	-	2,807,219
4	**Total**	**8,540,067**	**9,058,861**	**7,901,895**	**7,901,895**	**-**	**9,697,033**

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

- Quantitative criteria: The obligor is more than 90 days past due on its contractual obligation to the Bank.
- Qualitative criteria: The Bank considers a default to have occurred with regard to particular obligors when either one of the following events have taken place:
    - The Bank considers that the obligor is unlikely to pay its credit obligation in full without recourse by the Bank to actions like realizing security (if held).
    - The Bank puts the credit obligation on a non-accrual status.
    - The Bank makes a charge-off or account-specific provision resulting from a perceived decline in credit quality after the Bank taking on the exposure.
    - The Bank sells the credit obligation at a material credit-related economic loss.
    - The Bank consents to a distressed restructuring of the credit obligation where this is likely to result in a diminished financial obligation caused by the material forgiveness or postponement of principal, interest and other fees.
    - The Bank has filed for the obligor's bankruptcy or similar order in respect of the obligor's credit obligation to the Bank.
    - The criteria above have been applied to all financial instruments held by the Bank and are consistent with the definition of default used for internal credit risk management purposes.

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

7.3 CR2: Changes in stock of defaulted loans and debt securities

All numbers in AED 000s

		Amount
1	**Defaulted loans and debt securities at the end of the previous reporting period**	8,550,903
2	Loans and debt securities that have defaulted since the last reporting period	109,286
3	Returned to non-default status	270,524
4	Amounts written off	259,507
5	Other changes	-
6	**Defaulted loans and debt securities at the end of the reporting period (1+2-3-4±5)**	**8,130,158**

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

Definitions of 'past due' and 'impaired' exposures for accounting purposes

Bank follows CBUAE guidelines as enumerated in their circular 28/2010, for classification of assets. Bank has a well-defined approved process based on which loans are classified.
Past due exposures and impaired loans are those which are delinquent for more than 90 days and are put on non-accrual. While the definition is applied consistently across accounting and regulatory reporting, Bank may rebut this under IFRS 9 accounting requirements on a case-to-case basis with adequate justification. Also, for the corporate non-impaired portfolio bank may not “classify” an account which is delinquent for more than 90 days. The term “classify” refers to CBUAE classification of Sub-Standard, Doubtful or Loss classification.

Impairment of Financial Assets

Financial assets that are measured at amortized cost are assessed for impairment and Expected Credit Loss (ECL) requirement at each reporting date.
In lines with IFRS 9 requirements, Bank applies a three-stage expected loss-based approach to measure allowance for credit losses, for the following categories of financial instruments that are measured at amortized cost:

- Loans and Advances to the customers,
- Investments in Debt Securities in Amortized Cost,
- Due from Banks,
- Balances with Central Banks,
- Financial guarantees,
- Off balance sheet instruments,
- Loan Commitments

Staging

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

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

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

The bank incorporates forward-looking information into the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of Expected Credit Loss (ECL). The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

Significant increase in credit risk (SICR)

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

Quantitative criteria

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

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

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

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

Treasury:

- Significant increase in probability of default on the underlying treasury instrument.
- Significant change in the financial instruments' expected performance and behavior of borrower.

Qualitative criteria

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

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

Backstop:

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

Rescheduling and Restructuring of Credit facilities

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

7.4.1.1 Gross Credit Exposure by Geographical Distribution

			AED'000
	Loans and advances	**Debt securities**	**Due from banks**
United Arab Emirates	12,034,235	2,323,560	74,605
Other G.C.C.	55,336	32,638	163,781
Other Arab countries	140,742	-	64,754
Western Europe and others	24,119	1,829	308,432
Total	**12,254,432**	**2,358,027**	**611,572**

7.4.1.2 Gross Credit Exposure by Industry Segment

			AED'000
Industry	**Loans and advances**	**Debt securities**	**Due from banks**
Agriculture, fishing, and related activities	2	-	-
Mining & Quarrying	108	-	-
Manufacturing	2,607,238	-	-
Construction	3,972,041	25,711	-
Real Estate	1,383,927	-	-
Trade	1,222,058	-	-
Transport, Storage and Communication	135,884	-	-
Financial Institutions	979,395	95,729	611,572
Other Services	560,030	-	-
Government	746,552	2,236,587	-
Individuals	135,545	-	-
High Net Worth Individuals	452,775	-	-
All others	58,877	-	-
Total	**12,254,432**	**2,358,027**	**611,572**

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

				AED'000
	Less than 3 months	**3 months to 1 year**	**1 year and above**	**Total**
Due from banks	102,308	76,386	432,878	**611,572**
Investment securities	-	17,630	2,340,397	**2,358,027**
Loans and advances to customers	863,186	1,237,663	10,153,583	**12,254,432**

7.4.1.4 Impaired Loans by Industry Segment

All numbers in AED 000s

Industry Segment	Overdue/Impaired Amount
Agriculture, fishing and related activities	2
Mining and Quarrying	108
Manufacturing	2,421,127
Construction	3,543,036
Real Estate	623,768
Trade	920,566
Transport, Storage and Communication	77,065
Financial Institutions	82,736
Other Services	237,802
Government	-
Loans to Individuals	17,458
Loans to high-net-worth Individuals	154,446
Others	52,044
Total	**8,130,158**

7.4.1.5 Impaired Loans by Geographical Distribution

All numbers in AED 000s

Geographical Region	Overdue/Impaired Amount
United Arab Emirates	8,026,781
Other Countries	103,377
Total	**8,130,158**

7.4.1.6 Aging Analysis of past-due exposures not impaired

All numbers in AED 000s

Aging	Overdue/Not Impaired Amount
90-120 Days	271
120-180 Days	15,370
180 Days & Above	56,579
Total	**72,220**

7.4.1.7 Breakdown of restructured exposures

All numbers in AED 000s

Performing/Non-Performing	Total
Performing Loans	264,680
Non-Performing Loans	189,760
Total	**454,440**

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

Credit Risk Mitigation

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

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

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

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

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

Collateral Framework vis-à-vis Basel III Approaches

Under the Basel framework, collaterals are segregated into Eligible Collateral & Ineligible Collateral and there are two approaches for recognizing Collateral Mitigation viz. Simple Approach and Comprehensive Approach.
The bank follows simple approach to reach for Final credit risk weight. The following are the Eligible Financial Collaterals under Simple Approach.

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

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

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

Collateral Management Module

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

7.6 CR3: Credit risk mitigation techniques

All numbers in AED 000s

		a	B	c	d	e	f	g
		Exposures unsecured: carrying amount	Exposures secured by collateral	Exposures secured by collateral of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1	Loans	3,488,375	1,043,411	778,321	409,914	405,998	-	-
2	Debt securities	1,359,681	1,000,000	1,000,000	-	-	-	-
3	**Total**	**4,848,056**	**2,043,411**	**1,778,321**	**409,914**	**405,998**	**-**	**-**
4	Of which defaulted	399,005	12,171	4,963	409,914	405,998	-	-

7.7 CRD: Qualitative disclosures on banks' use of external credit ratings under the standardized approach for credit risk

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

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

The Bank is primarily a corporate bank, with principal lending strategies focused towards the corporate sector and the small and medium enterprises (SME) segment. The Bank only offers a generic suite of products to both corporates and individuals and does not have any complex or securitized products. Exposure to retail customers is limited

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

All numbers in AED 000s

		a	b	c	d	e	f
		Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	Asset classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Sovereigns and their central banks	4,146,008	-	4,146,008	-	120,248	3%
2	Public Sector Entities	372,495	-	372,495	-	372,495	100%
3	Multilateral development banks	36,730	-	36,730	-	18,365	50%
4	Banks	671,075	82,085	671,075	11,177	400,917	59%
5	Securities firms	-	-	-	-	-	0%
6	Corporates	2,514,706	2,420,170	1,775,629	673,186	2,558,790	104%
7	Regulatory retail portfolios	89,363	74,305	69,586	13,035	62,725	76%
8	Secured by residential property	34,684	-	34,508	-	12,459	36%
9	Secured by commercial real estate	388,522	-	374,194	-	374,194	100%
10	Equity Investment in Funds (EIF)	-	-	-	-	-	0%
11	Past-due loans	411,176	230,660	216	-	223	104%
12	Higher-risk categories	726,633	-	-	-	-	0%
13	Other assets	2,811,917	-	2,811,917	-	184,131	7%
14	**Total**	**12,203,308**	**2,807,219**	**10,292,357**	**697,397**	**4,104,547**	**37%**

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

All numbers in AED 000s

	Risk weight / Asset classes	a	b	c	d	e	f	g	h	i
		0%	20%	35%	50%	75%	100%	150%	*Others	Total credit exposures amount (post CCF and post-CRM)
1	Sovereigns and their central banks	4,025,761	-	-	-	-	120,247	-	-	**4,146,008**
2	Public Sector Entities	-	-	-	-	-	372,495	-	-	**372,495**
3	Multilateral development banks	-	-	-	36,730	-	-	-	-	**36,730**
4	Banks	-	26,034	-	521,015	-	135,203	-	-	**682,252**
5	Securities firms	-	-	-	-	-	-	-	-	**-**
6	Corporates	-	-	-	-	-	1,500,150	326,207	622,458	**2,448,815**
7	Regulatory retail portfolios	-	-	-	-	82,264	355	-	-	**82,619**
8	Secured by residential property	-	-	33,554	-	954	-	-	-	**34,508**
9	Secured by commercial real estate	-	-	-	-	-	374,194	-	-	**374,194**
10	Equity Investment in Funds (EIF)	-	-	-	-	-	-	-	-	**-**
11	Past-due loans	-	-	-	-	-	159	0	-	**159**
12	Higher-risk categories	-	-	-	-	-	-	-	-	**-**
13	Other assets	2,627,786	-	-	-	-	184,131	-	-	**2,811,917**
14	**Total**	**6,653,547**	**26,034**	**33,554**	**557,745**	**83,219**	**2,686,930**	**326,207**	**622,458**	**10,989,695**

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

8. Counterparty credit risk

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

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

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

All numbers in AED 000s

		a	b	c	d	e	f
		Replacement cost	Potential future exposure	EEPE	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
1	SA-CCR (for derivatives)	999	2,083		1.4	4,314	2,644
2	Internal Model Method (for derivatives and SFTs)			-	-	-	-
3	Simple Approach for credit risk mitigation (for SFTs)					-	-
4	Comprehensive Approach for credit risk mitigation (for SFTs)					-	-
5	VaR for SFTs					-	-
6	**Total**						**-**

8.2 CCR2: Credit valuation adjustment (CVA) capital charge

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

All numbers in AED 000s

		a	b
		EAD post-CRM	RWA
1	All portfolios subject to the Standardized CVA capital charge*	4,314	2,644
2	All portfolios subject to the Simple alternative CVA capital charge	-	-

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

All numbers in AED 000s

	A	b	c	d	e	f	g	h
Asset classes / Risk weight	0%	20%	50%	75%	100%	150%	Others	Total credit exposure
Sovereigns	-	-	-	-	-	-	-	-
Public Sector Entities (PSEs)	-	-	-	-	-	-	-	-
Multilateral development banks (MDBs)	-	-	-	-	-	-	-	-
Banks	-	-	1,461	-	-	-	-	1,461
Securities firms	-	-	-	-	-	-	-	-
Corporates	-	-	-	-	-	-	1,183	1,183
Regulatory retail portfolios	-	-	-	-	-	-	-	-
Secured by residential property	-	-	-	-	-	-	-	-
Secured by commercial real estate	-	-	-	-	-	-	-	-
Equity Investment in Funds (EIF)	-	-	-	-	-	-	-	-
Past-due loans	-	-	-	-	-	-	-	-
Higher-risk categories	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-
Total	-	-	**1,461**	-	-	-	**1,183**	**2,644**

9. Market risk

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

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

The bank does not pursue trading activities, prioritizing a cautious approach towards market risk, which primarily stems from fluctuations in interest rates and their potential impact on the bank's financial position. Despite this conservative stance towards trading, the bank has instituted a robust investment and market risk policy that delineates predefined limits for various asset classes, ensuring a structured approach to managing market risks.

A key component of the Bank risk management framework is the independent Market Risk unit, dedicated to meticulously monitoring all facets of market risk against established limits. This vigilance is crucial for maintaining the integrity of the Bank risk exposure. The Asset-Liability Committee (ALCO) plays a significant role in this ecosystem, receiving comprehensive reports on market risks and advising on necessary actions to mitigate these risks effectively.

When it comes to hedging strategies, the bank engages in straightforward ('plain vanilla') products either to hedge its own book or to provide hedging advice to clients. The selection and approval of these hedging products involve a collaborative process with all stakeholders to ensure the alignment of interests and risk mitigation. Moreover, the valuation of these products is performed independently and validated by the Market Risk unit to ensure accuracy and reliability.

Any financial impact from these activities, whether beneficial or adverse, is carefully assessed and reflected in the Profit & Loss (P&L) statement or Other Comprehensive Income, in line with the appropriate accounting classification. For hedging related to the bank's own book, the Bank conduct hedge effectiveness testing in compliance with IFRS 9 requirements and industry best practices.

The Market Risk unit diligently updates all business units every day on all open FX risk positions. Additionally, a comprehensive monthly report detailing open investment positions and other relevant factors is sent to the ALCO for discussion and to determine any necessary actions as well as all Market Risk components presented to BRC. This holistic approach to market risk management underscores the Bank dedication to safeguarding the bank's assets while adhering to regulatory requirements and best practices.

Market Risk Governance Framework:

Market Risk is governed by overall risk management framework, risk appetite and related policies and procedures. As part of the overall responsibility of managing risk, the Board is the highest authority in managing market risk. The Board is supported by the BRC as Board sub-committees overseeing the implementation of market risk management framework. Risk Management, Treasury and Finance departments are involved in the day-to-day management of the risk with the ALCO being management level committee overseeing all the activities.

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

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

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

9.2 MR1: Market risk under the standardized approach (SA)

		All numbers in AED 000s	
		RWA 2023	RWA 2022
1	General Interest rate risk (General and Specific)	-	-
2	Equity risk (General and Specific)	3,240	2,797
3	Foreign exchange risk	45,171	79,202
4	Commodity risk	-	-
	Options	-	-
5	Simplified approach	-	-
6	Delta-plus method	-	-
7	Scenario approach	-	-
8	Securitization	-	-
9	**Total**	**48,411**	**81,999**

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

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

This variation in market interest rates can significantly influence the bank's net worth. At The bank, Interest Rate Risk in the Banking Book (IRRBB) is predominantly managed through the application of interest rate gap analysis, also known as re-pricing gap analysis, alongside established limits.

These limits are regularly reviewed and presented to the management and the Asset-Liability Committee (ALCO) monthly, as well as to the Board Risk Committee (BRC) at periodic intervals.

Currently, The Bank is initiating the implementation of a standardized approach to better assess the interest rate risk in the banking book. Due to this ongoing transition, the quantitative disclosures the Bank provides at this stage are based on basic assumptions regarding the assessment process, including categorization, scenario analysis, and other factors.

Interest rate risk in the Banking Book (IRRBB) encompasses the potential impact on a bank's financials due to changes in interest rates. While the Bank primary focus has been on the effect of a 200-basis point shift, other scenarios are also considered to ensure a comprehensive risk assessment.

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

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

In managing IRRBB, the bank not only relies on gap analysis but also employs simulation models and stress testing to evaluate these different scenarios. These tools help in understanding the potential impact on earnings and economic value, ensuring a well-rounded risk management strategy. As the Bank transition to a standardized approach for IRRBB assessment, the Bank methods and disclosures will evolve to capture these varied scenarios more accurately.

The bank utilizes Internal spreadsheet tools for applying IRRBB measures. The bank undertakes IRRBB testing on periodic basis, that allows for timely identification and management of interest rate risk exposures.

The setting of limits plays a crucial role in the Bank market risk management strategy. These limits are carefully established for both interest rate gaps (cash flows) and changes in the economic value of the Bank positions, providing a comprehensive framework for monitoring and controlling interest rate risk. This dual-limited system ensures a balanced and effective approach to managing the potential impact of interest rate fluctuations on the bank's financial stability.

Hedging activities for the banking book are meticulously assessed by the front office and the risk management team before being presented to ALCO. This collaborative approach ensures that hedging strategies are not only effective in mitigating risks but also aligned with the bank's overall risk appetite and strategic objectives.

Moreover, the bank is committed to adhering to best practices and accounting requirements when conducting hedge effectiveness testing. This commitment underscores the Bank dedication to maintaining the highest standards of financial integrity and transparency. By applying these rigorous standards, the bank ensures that its hedging strategies are both effective in managing risks and compliant with the relevant accounting and regulatory requirements, thereby safeguarding the bank's financial health and upholding its responsibilities to stakeholders.

In reporting currency (AED)	ΔEVE		ΔNII	
Period	**T**	**T-1**	**T**	**T-1**
	Dec'23	**Dec'22**	**Dec'23**	**Dec'22**
Parallel up	(14,903)	18,381	(19,816)	22,687
Parallel down	(33,538)	(18,381)	(11,343)	(22,687)
Steepener	(21,475)	(9,477)		
Flattener	-	5,711		
Short rate up	(4,264)	14,112		
Short rate down	(34,094)	(14,683)		
Maximum	34,094	18,381		
Period	**T**	**T-1**		
Tier 1 capital	1,662,100	116,076		

11. OR1 Operational Risk

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

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

Bank's Operational Risk Management Strategy, which is aligned with the Bank's strategy which supports the effective management of risks relating to the failure of internal processes, people, and systems, or from external events. IB's Operational Risk principles are aligned to the Basel Committee on Banking Supervision (BCBS) document (Principles for the Sound Management of Operational Risk, 2011, revised in March 2021), CB UAE Regulation No. 163/2018, and reflect the standards designed to shape the Bank's operational risk management behavior.

The Bank has "Risk & Control Self-Assessment" (RCSA) and Operational Risk & Control Assessment (ORCA) as part of its overall Risk Assessment plan, KRI Framework as part of Risk Monitoring and reasonable Internal Loss Event / incident reporting to continuously build up its internal loss database. The Bank has a comprehensive policy on Operational Risk Management. The bank conducts regular Operational risk awareness trainings across all departments and business units/branches to foster the bank's risk culture.

The Operational risk appetite of the bank is applied for decision-making and comprehending operational risk exposures across the Bank through the implementation of policies, controls, and operational risk tolerances.

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

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

The Bank has implemented Three Lines of Defense as part of its Risk Governance framework. This is in accordance with the Basel recommendation for ORM. Based on Invest Bank's environment, the three lines of defense were updated and shared with all stakeholders for their compliance. The first line of defense is business line management. Supporting the First Line of Defense teams are Control functions including Information Security function, Investigations and Fraud function, Credit Administration function, Human resources, and Finance function.

The second line of defense is the Operational Risk Management function, headed by the Chief Risk Officer, and the Compliance function headed by the Chief Compliance Officer. They are collectively responsible for designing, implementing, coordinating, reporting, and facilitating effective Operational Risk Management on a group-wide basis.

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

The third line of defense is the Internal Audit which is responsible for independently assessing the effectiveness and efficiency of bank-wide internal controls, and independently validating and providing an independent assurance to the Board Audit Committee on the adequacy and effectiveness of the Operational Risk Management Framework.

The Board, through the Board Risk Committee, has the overall responsibility for managing operational risk at the Bank and ensure that the three line of defense approach is implemented and operated in an appropriate and acceptable manner.

11.3 Operational Risk Measurement System

The Bank is using an operational risk system to handle and manage bank-wide Operational Risk incidents. While the current system is sufficient and meets regulatory requirements to manage operational risk events,
in future, the bank might go for revamping the system currently in use or opt for new sophisticated system subject to management approvals and budgets for the Loss event reporting, RCSA submissions, KRI reporting, interlinking & Integration, Control and Risk registry and reduce the turnaround time by automating the workflow.

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

As part of its governance structure, the bank has constituted the "Operational Risk and Information Security Management" committee as a principal forum for discussing and communicating bank wide ORM issues, initiatives and decisions with respect to Operational Risk. Further, the bank escalates all its highly critical matters to the Board Risk Committee for approval and board ratification.

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

The Operational Risk Management Framework at Invest Bank is a set of interrelated tools and processes that are used to identify, assess, measure, monitor and remediate operational risks. Its components have been designed to operate together to provide a comprehensive approach to managing the Group's most material operational risks. Each new product introduced is subject to a risk review (PPA/ORAP) and sign-off process, where all relevant risks are identified, assessed, and measured by departments independent of the risk-taking unit proposing the product.

Variations of existing products are also subject to a similar process. Business and support units are responsible for managing operations risk in their respective functional areas. They operate within the Operational Risk Management framework and ensure that risk is being managed within their respective business units.

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

12. Remuneration Policy
12.1 REMA: Remuneration policy

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

1. Mr. Ummer Said Mohamed Beeran Ummer (Chairman of BNCC)
2. Mr. Abdalla Ibrahim Abdalla Deaifis Al Mheiri (Member)
3. Ms. Halima Humaid Ali AlOwais (Member)

The key mandate of the BNCC is described below:

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

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

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

Senior Management includes the Chief Executive Officer, Chief Financial Officer, Chief Human Resources Officer, Chief Risk Officer, Chief Compliance Officer, Chief Credit Officer and Chief Internal Auditor.

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

• Staff, individually or as part of a committee, with authority to approve new business products or to commit to credit risk exposures and market risk transactions above certain levels

• Staff whose duties involve the assumption of risk or the taking on of exposures on behalf of the Bank.

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

• To align with the Bank strategy, risk appetite, objectives, corporate values and long-term interests of the Bank while operating under clear and transparent governance through efficient corporate governance structure.

• To ensure Total Rewards remain competitive within the market by adopting best practices in the UAE in banking sectors while relating the pay to the job and recognize differences in skill levels and job value.

• To link Total Rewards to individual performance by annually setting KPI and achievement of annual appraisals scores and appropriate to the goals of the company.

• To uphold the principles of equity, comply with all legal and regulatory requirements and maintain high standards of corporate governance.

BNCC reviewed the firm's remuneration policy this year. A summary of changes is enumerated below.

1. Grading structure is revised from grades to broadbands.
2. National Allowance has been introduced for UAE National.
3. Promotion & Increment policy guidelines have been amended to enhance fairness in the process.
4. Air Ticket allowance payment is shifted to the start of the year for the current service year.
5. Components of remuneration is revised to 65% basic from 60% basic and 35% consolidated allowance from 40% consolidated allowance.

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

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

• Financial metrics that focus on key financial targets under one's control or influence and generally include total income, return on assets, net profit etc.

• Internal Business metrics that focus on contribution to overall growth of the business through execution of excellent business methods such as completion of KYC and internal governance.

• Customer metrics that focus on activities that deliver a high-quality service to both internal and external customers such as customer satisfaction rate, customer retention rate, new customer acquisition, market share, net promoter score, turnover time on customer complaints, average handling time of customer complaints etc.

• Innovation & Learning metrics that focus on adherence to on job learning and eagerness to learn with external training.

• Competencies metrics that focus on behavior, Customer Happiness, Execution Excellence, Problem Solving, Accountability, Multi-Tasking, Teamwork, Effective communication.
The performance metrics for the rest of the staff are broken into two distinct perspectives: OKR and competencies metrics.

• OKR that focus on key targets and objective setting each year at the start of the year and measured bi-annually.

• Competencies metrics that focus on behavior, Customer Happiness, Execution Excellence, Problem Solving, Accountability, Multi-Tasking, Teamwork, Effective communication.

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

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

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

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

12.2 REM1: Remuneration awarded during the financial year.

All numbers in AED 000s

			a	B
	Remuneration Amount		Senior Management	Other Material Risk-takers
1	Fixed Remuneration	Number of employees	12	-
2		Total fixed remuneration (3 + 5 + 7)	16,725	-
3		Of which: cash-based	16,260	-
4		Of which: deferred	-	-
5		Of which: shares or other share-linked instruments	-	-
6		Of which: deferred	-	-
7		Of which: other forms	465	-
8		Of which: deferred	-	-
9	Variable Remuneration	Number of employees	-	-
10		Total variable remuneration (11 + 13 + 15)	-	-
11		Of which: cash-based	-	-
12		Of which: deferred	-	-
13		Of which: shares or other share-linked instruments	-	-
14		Of which: deferred	-	-
15		Of which: other forms	-	-
16		Of which: deferred	-	-
17	**Total Remuneration (2+10)**		**16,725**	**-**

12.3 REM2: Special payments

All numbers in AED 000s

Special Payments	Guaranteed Bonuses		Sign on Awards		Severance Payments	
	Number of employees	Total amount	Number of employees	Total amount	Number of employees	Total amount
Senior Management	0	0	0	0	1	143.09
Other material risk-takers	-	-	-	-	-	-