Wio BANK PJSC

Pillar 3 Disclosures

For the period ending 31 December 2023

1. Introduction

This document presents the Pillar 3 disclosures of Wio Bank P.J.S.C ("the Bank" or "Wio Bank" as of 31st December 2023. The purpose of these 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 and follows the Pillar 3 disclosure requirements as stated under the CBUAE guidelines.

1.1 Regulatory Framework

The Bank measures its capital adequacy based on the Basel III regulations published by CBUAE. The framework is organized around the following three Pillars:

- Pillar 1: Minimum capital requirements for credit, market, and operational risk
- Pillar 2: Supervisory review process and ICAAP
- Pillar 3: Market discipline

1.2 Pillar 1 – Minimum Capital Requirement

The Bank is governed by CBUAE guidelines on regulatory capital requirements. Pillar 1 defines the total minimum capital requirements for Credit, Market, and Operational risk. The Bank currently uses standardized approach for assessment of Credit, Market and Operational Risk weighted assets (RWA). Under the standardized approach, regulatory prescribed risk weights and parameters are applied to calculate Pillar 1 capital requirements. During 2011, Basel Committee on Banking Supervision (BCBS) officially announced the final set of revised regulatory capital rules known as "Basel III", which are being phased in globally. Subsequent to Basel III consultation paper issued by CBUAE in 2016, the UAE Central Bank published the "Regulations re Capital Adequacy" (the "Basel III Regulations"), which were effective from 1 February 2017. The Basel III Regulations are supported by the accompanying standards entitled "Standards for Capital Adequacy of Banks in the UAE" which were updated by the UAE Central Bank in November 2020 by virtue of Notice No. CBUAE/BSD/N/2020/4980 (the "Accompanying Standards"). The Accompanying Standards elaborate on the supervisory expectations of the UAE Central Bank with respect to the relevant Basel III capital adequacy requirements as well as the timeline of the phased implementation of the regulations from June 2021 to June 2022.

CBUAE has introduced regulatory thresholds for Common Equity Tier 1, Tier 1, and overall regulatory Capital.
1. CET1 must be at least 7.0% of risk weighted assets (RWA);
2. Tier 1 Capital must be at least 8.5% of RWA;
3. Total Capital, calculated as the sum of Tier 1 Capital and Tier 2 Capital, must be at least 10.5% of RWA.

On top of this minimum capital requirement, CBUAE has also requires additional buffers in the form of Capital Conservation Buffer (CCB) of 2.5%.

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	442.72%
Tier 1 Capital Ratio	442.72%
Capital Adequacy Ratio	443.82%

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.

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 between holdings. The risk is quantified for positions for foreign exchange risk. The Bank has overall very limited exposure to Market Risk given the limited treasury and related activities.

c) Operational Risk

The Bank applies the Basic Indicator approach for calculating capital requirement for operational risk. The calculation is based on 15% of average Net Interest Income and Net Non-Interest Income for the past 3 years. The RWA for operational risk is calculated by dividing the capital requirement by CBUAE capital requirement multiplier.

1.3 Pillar 2 – ICAAP and Supervisory Review Process

In line with CBUAE guidelines, the Bank has completed the assessment under the Internal Capital Adequacy Assessment Process (ICAAP) as at 31st December 2023. The purpose of the internal assessment is to identify and incorporate risks not covered under Pillar I or found not being adequate. In accordance with the revised regulations issued by CBUAE, the ICAAP covers the following key components:

- Risk Governance
- Assessment of all types of material risks
- Stress Testing

In addition to the quantitative assessment of material risks, some risks were qualitatively assessed due to the nature of such risks.

1.4 Pillar 3 – Market Discipline

The Bank discloses to its external stakeholders, a detailed qualitative and quantitative information on its management practice and capital adequacy in line with the CBUAE Pillar 3 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. This report should be read in conjunction with the risk disclosures in audited financial statements.

2. Overview of Risk Management and RWA

2.1 KM1: Key Metrics

		a	b	c	d	e
	(AED 000s)	Dec 23	Sep 23	Jun 23	Mar 23	Dec 22
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1)	1,848,664	1,805,640	1,799,526	1,815,668	1,843,471
1a	Fully loaded ECL accounting model	1,848,664	1,805,640	1,799,229	1,814,680	1,843,217
2	Tier 1	1,848,664	1,805,640	1,799,229	1,814,680	1,843,471
2a	Fully loaded ECL accounting model Tier 1	1,848,664	1,805,640	1,798,932	1,813,692	1,843,217
3	Total capital	1,853,282	1,809,018	1,801,942	1,817,315	1,843,471
3a	Fully loaded ECL accounting model total capital	1,853,282	1,809,018	1,801,645	1,816,327	1,843,217
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	417,573	295,014	196,080	135,561	98,168
	Risk-based capital ratios as a percentage of RWA					
5	Common Equity Tier 1 ratio (%)	442.72%	612.05%	917.75%	1339.38%	1877.88%
5a	Fully loaded ECL accounting model CET1 (%)	442.72%	612.05%	917.60%	1338.65%	1877.62%
6	Tier 1 ratio (%)	442.72%	612.05%	917.75%	1339.38%	1877.88%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	442.72%	612.05%	917.45%	1337.92%	1877.62%
7	Total capital ratio (%)	443.82%	613.20%	918.98%	1340.59%	1877.88%
7a	Fully loaded ECL accounting model total capital ratio (%)	443.82%	613.20%	918.98%	1339.86%	1877.62%
	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	0	0	0	0
10	Bank D-SIB additional requirements (%)	0	0	0	0	0
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9+ row 10)	0	0	0	0	0
12	CET1 available after meeting the bank's minimum capital requirements (%)	433%	602.70%	908.48%	1330.09%	1864.88%
	Leverage Ratio					
13	Total leverage ratio measure	13,495,634	7,526,583	4,150,493	3,141,220	2,477,629
14	Leverage ratio (%) (row 2/row 13)	13.70%	23.99%	43.35%	57.77%	74.40%
14a	Fully loaded ECL accounting model leverage ratio (%) (row 2A/row 13)	13.70%	23.99%	43.34%	57.74%	74.39%
14b	Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	13.70%	23.99%	43.35%	57.77%	74.40%
	Liquidity Coverage Ratio					
15	Total HQLA	NA	NA	NA	NA	NA
16	Total net cash outflow	NA	NA	NA	NA	NA
17	LCR ratio (%)	NA	NA	NA	NA	NA
	Net Stable Funding Ratio					
18	Total available stable funding	NA	NA	NA	NA	NA
19	Total required stable funding	NA	NA	NA	NA	NA
20	NSFR ratio (%)	NA	NA	NA	NA	NA
	ELAR					
21	Total HQLA	12,068,753	6,619,115	3,124,161	2,812,997	2,206,551

22	Total liabilities	11,571,796	5,652,433	2,292,535	1,276,614	596,196
23	Eligible Liquid Assets Ratio (ELAR) (%)	104%	117%	136%	220%	370%
	ASRR					
24	Total available stable funding	11,552,504	6,515,373	3,666,588	2,841,775	2,304,521
25	Total Advances	157,747	48,481	55,088	73,450	59,984
26	Advances to Stable Resources Ratio (%)	1.37%	0.74%	1.50%	2.58%	2.60%

2.2 OVA: Bank Risk Management Approach

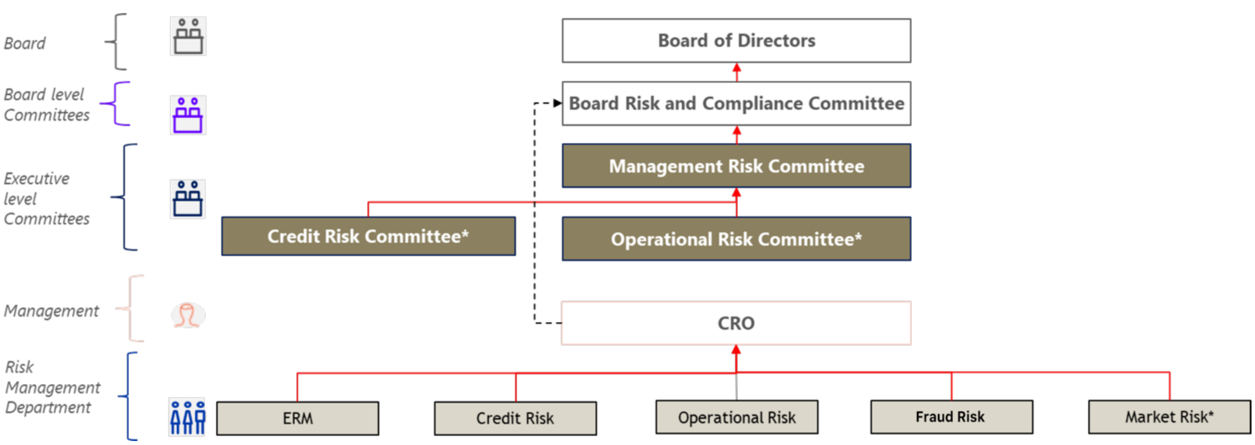
Wio Bank PJSC is a digital banking platform jointly owned by Abu Dhabi Development Company (ADQ), Alpha Dhabi Holding, e&, and First Abu Dhabi Bank (FAB). The Bank is regulated by the Central Bank of the UAE (CBUAE). The registered address of the Bank is Etihad Airways Centre in Abu Dhabi, 5th floor, in UAE. Wio Bank PJSC is a fully digital bank that provides banking solutions to SMEs and retail customers. It provides simplified and fully digital business account opening, personalized options, and seamlessly integrated services that are built around each client's needs, helping them automate their administrative tasks and be in control of their spending.

2.2.1 Risk Governance

The Board holds ultimate responsibility for the Bank's risk management, setting strategy and parameters, overseeing compliance, and approving key appointments. It ensures transparency through public disclosures, provides resources, and assesses management performance. The following committees were created to help manage various risks the Bank faces:

i. Board Risk and Compliance Committee (BRCC):
The BRCC supports the Board in risk management and compliance oversight. It reviews frameworks and transactions, monitors risk reporting, and recommends actions to maintain alignment with risk appetite.

ii. Management Risk Committee (MRC):
The MRC manages operational risk, adhering to the Board's strategy. It monitors the Bank's risk profile, reviews proposals, addresses emerging risks, and establishes sub-committees for specific risk areas.



*Note: The sub-committees under MRC are set up on need basis

2.2.2 Risk Governance Framework

Risk Management Department:

This department supports the Bank in establishing robust risk management practices. It identifies and assesses risks, provides training, and ensures compliance with regulatory requirements.

Compliance:

The compliance function oversees regulatory adherence, educates on requirements, and monitors compliance matters. It implements policies, reports to senior management and the board on compliance risk management and assists with operational compliance.

Internal Audit:

Internal Audit provides independent assurance on internal controls and risk management practices. It conducts risk-based audits, reviews, supports regulatory compliance, and submits reports to the Board Audit Committee.

Business Function (Business Units and Support Units):

These units identify, assess, and mitigate risks, establishing procedures and ensuring compliance with policies. They facilitate risk reporting and operationalize risk limits while ensuring adherence to laws and regulations.

First Line of Defense	**Second Line of Defense**	**Third Line of Defense**
Business Units / Support Units	Control Functions	Internal Audit
• Business Function • Marketing Function • Operations Function • Treasury, Finance • HR, Admin, IT	• Risk Function • Compliance Function	• Internal Audit Function
• Follow a systematic process for business operations • Apply internal controls and other risk responses • Actively manage risks and facilitate reporting of risk information and risk events by providing necessary inputs • Proactively review and update risk profile	• Development of policies, process, and models • Independent oversight of the risk management activities of the Business Units • Compliance Framework to ensure Bank’s effective compliance to regulatory requirements and mitigation of compliance related risks	• Provide assurance that risks are being managed to be within the Bank's risk appetite • Review implementation of risk management policies, processes, and systems • Report independently to Board Audit Committee

2.2.3 Risk Appetite:

Risk Appetite is the level of risk that Bank is prepared to accept whilst pursuing its business strategy, recognizing a range of possible outcomes as business plans are implemented. Risk appetite provides a basis for ongoing dialogue between management and the Board with respect to the current and evolving risk profile, allowing strategic and financial decisions to be made on an informed basis.

Risk Assessment:

- The risk assessment is performed by both the business and supporting units (1st line of defense), and control functions (2nd line of defense).
- The risk assessment is carried out at all levels and covering all processes and risk types.
- When carrying out the risk assessment, the team considers potential risks covering financial and non-financial impacts, including but not limited to potential disruption of the banks business operations, effect on profitability, liquidity, capital adequacy and regulatory compliance, ability of the bank to meet its obligations to its customers or other counterparties, and other impacts.
- Assessing the risk is typically focused on the likelihood of the risk happening and the potential damage caused by the risk.
- Assessment of risk can be both quantitative and qualitative.
- Once the risks have been assessed, they are then prioritized. Risk prioritization is the process of determining risk management priorities by comparing the level of risk against predetermined target risk levels and tolerance thresholds.

Technique	Examples
Qualitative	For qualitative assessment, the most used techniques are interviews, cross-functional workshops, surveys, benchmarking, and scenario analysis.
Quantitative	Quantitative techniques range from deterministic models, benchmarking, and scenario analysis.

2.2.4 Risk Limit Structure

The Bank sets limits for key areas of risk in a manner that assists different departments within the Bank, particularly, risk taking departments, or the business units understand the parameters and boundaries they are required to adhere to. The Risk limits established are compatible with the current business strategy and Risk Appetite statement after due consideration of the nature, complexity and scale of the business undertaken. The Limit structure established is communicated to all business units which will drive risk measurement, monitoring, and management actions across Bank. Utilization of limits is monitored and reported, and breaches escalated. Risk limits are reviewed periodically to incorporate any changes in the business strategy and market conditions.

2.2.5 Risk Culture

The Board and Senior Management team is responsible for establishing strong risk culture within the Bank. CRO and Risk team is responsible for ensuring Risk Culture is embedded throughout the Bank in its business conducts, including creating proper governance processes, providing sufficient resources and infrastructure, incentive structure reflecting risk behaviors, trainings, and awareness programmes to ensure Risk Culture is advocated to staff in all functions and at all levels. Governance functions work effectively with sufficient independence to carry out their duty. MRC/BRCC provide oversight on the building of Risk Culture and request for improvements as required.

2.2.6 Risk Response

The results of the risk assessment process serve as the primary input to risk responses whereby response options are examined (accept, avoid, mitigate or transfer), cost-benefit analyses performed, a response strategy formulated, and risk response plans developed. The appropriate risk response ensures that the risks are kept within the appetite.

There are four types of response:

- Mitigate the risk: Take actions to reduce the risk exposures e.g. increased controls; and
- Transfer the risk: Continue the activity and transfer risks to another party e.g. via insurance.
- Accept the risk: Set a Risk Appetite in line with business strategy and take the necessary actions to ensure risk is kept within acceptable limits.
- Avoid the risk: Stop the existing activity/do not start the proposed activity/change strategy;

Risks identified via the RCSA and KRI process consider at a minimum, the following controls:

a. organizational structure (delegation of authority limits, decision making policies/processes, separation of critical functions such as origination, payments, reconciliation, and accounting)
b. accounting and financial reporting policies and processes, reconciliation of accounts, control lists, information for management
c. checks and balances (or four eyes principle), segregation of duties, cross checking, dual control of assets, double signature
d. safeguarding of assets and investments, physical controls and computer access, measures for the prevention and early detection and reporting of misuse such as fraud, embezzlement, unauthorised trading, and computer intrusion

2.3 OV1: Overview of RWA

		a	b	c
		RWA		Minimum capital requirements
	(AED 000s)	Dec 23	Dec 22	T
1	Credit risk (excluding counterparty credit risk)	386,163	89,257	
2	Of which: standardised approach (SA)	386,163	89,257	
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)	-	-	
7	Of which: standardised approach for counterparty credit risk	-	-	
8	Of which: Internal Model Method (IMM)			
9	Of which: other CCR			
10	Credit valuation adjustment (CVA)			
11	Equity positions under the simple risk weight approach			
12	Equity investments in funds - look-through approach			
13	Equity investments in funds - mandate-based approach			
14	Equity investments in funds - fall-back approach			
15	Settlement risk			
16	Securitisation exposures in the banking book			
17	Of which: securitisation internal ratings-based approach (SEC-IRBA)			
18	Of which: securitisation external ratings-based approach (SEC-ERBA)			
19	Of which: securitisation standardised approach (SEC-SA)			
20	Market risk	16,198	8,911	
21	Of which: standardised approach (SA)	16,198	8,911	
22	Of which: internal models approach (IMA)			
23	Operational risk	15,212	-	
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)	417,573	98,168	

(AED 000s)	a Carrying values as reported in published financial statements	b Carrying values under scope of regulatory consolidation	c Carrying values of items: Subject to credit risk framework	d Subject to counterparty credit risk framework	e Subject to the securitisation framework	f Subject to market risk framework	G Not subject to capital requirements or subject to deduction from capital
Assets							
Cash and balances at central bank	2,810,230	2,810,230	2,810,230				
Due from Banks	1,221,523	1,221,523	1,221,523				
Investments carried at amortised cost	9,386,397	9,386,397	9,386,397				
Loans and advances to customers	15,243	15,243	15,243				
Receivables and other Assets	55,505	55,505	55,505				
Intangible assets	2,053	2,053	2,053				
Property and equipment	5,562	5,562	5,562				
Total Assets	13,496,513	13,496,513	13,496,513	-	-	-	-
Liabilities							
Customer Deposits	11,412,221	11,412,221					11,412,221
Trade and other payables	236,397	236,397					236,397
Total Liabilities	11,648,618	11,648,618	-	-	-	-	11,648,618
Equity							
Share capital	2,300,000	2,300,000					2,300,000
Other Reserves	4,618	4,618					4,618
Statutory reserves	200	200					200
Accumulated losses	-456,923	-456,923					-456,923
Total Liabilities	1,847,895	1,847,895	-	-	-	-	1,847,895
Total Equity and Liabilities	13,496,513	13,496,513	-	-	-	-	13,496,513

3. Linkages between financial statements and regulatory exposures

3.1 LI1: Differences Between Accounting and Regulatory Scopes of Consolidation and Mapping of Financial Statement Categories with Regulatory Risk Categories

Not applicable.

3.2 LI2: Main Sources of Differences Between Regulatory Exposure Amounts and Carrying Values in Financial Statements

		a	b	c	d	e
			Items subject to:			
	(AED 000s)	Total	Credit risk framework	Securitisation framework	Counterparty credit risk framework	Market risk framework
1	Asset carrying value amount under scope of regulatory consolidation (as per template LI1)	13,496,513	13,496,513			
2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	-	-			
3	Total net amount under regulatory scope of consolidation	13,496,513	13,496,513			
4	Off-balance sheet amounts					
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	1,174	1,174			
8	Differences due to prudential filters					
9	Exposure amounts considered for regulatory purposes	13,497,687	13,497,687	-	-	-

3.3 LIA: Explanations of Differences Between Accounting and Regulatory Exposure Amounts

Credit risk exposures reported under Pillar III disclosures differ in respect of the following vis-à-vis financial statements:

- The financial statements are prepared on the basis of the Accounting Standards requirement whereas the Pillar III disclosures are prepared on the basis of the Basel III requirements.

4. Valuation Adjustments

4.1 PV1: Prudent Valuation Adjustments

Not applicable.

WIO BANK PJSC

5. Composition of Capital

5.1 CC1: Composition of Regulatory Capital

		a	b
	(AED 000s)	**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	2,300,000	Same as (h) from CC2 template
2	Statutory Reserves	200	
3	Other Reserves (e.g. General Reserves, Other Reserves)	4,618	
4	Retained earnings	(454,101)	
5	Accumulated other comprehensive income (and other reserves)	-	
6	Directly issued capital subject to phase-out from CET1 (only applicable to non-joint stock companies)	-	
7	Common share capital issued by third parties (amount allowed in group CET1)	-	
8	Common Equity Tier 1 capital before regulatory deductions	1,850,717	
	Common Equity Tier 1 capital regulatory adjustments		
7	Prudent valuation adjustments		
8	Goodwill (net of related tax liability)		CC2 (a) minus (d)
9	Other intangibles including mortgage servicing rights (net of related tax liability)	(2,053)	CC2 (b) minus (e)
10	Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of related tax liability)		
11	Cash flow hedge reserve		
12	Securitisation gain on sale		
13	Gains and losses due to changes in own credit risk on fair valued liabilities		
14	Defined benefit pension fund net assets		
15	Investments in own shares (if not already subtracted from paid-in capital on reported balance sheet)		
16	Reciprocal cross-holdings in CET1, AT1, Tier 2		
17	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)		
18	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)		
19	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)		
20	Amount exceeding 15% threshold		
21	Of which: significant investments in the common stock of financials		
22	Of which: deferred tax assets arising from temporary differences		
23	CBUAE specific regulatory adjustments		
24	Total regulatory adjustments to Common Equity Tier 1	(2,053)	
25	Common Equity Tier 1 capital (CET1)	1,848,664	
	Additional Tier 1 capital: instruments		
26	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus		CC2 (i)
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)	1,848,664	
	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		
45	Tier 2 capital before regulatory adjustments		
	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	4,618	
50	Total regulatory adjustments to Tier 2 capital		
51	Tier 2 capital (T2)	4,618	
52	Total regulatory capital (TC = T1 + T2)	1,853,282	
53	Total risk-weighted assets	417,573	
	Capital ratios and buffers		
54	Common Equity Tier 1 (as a percentage of risk-weighted assets)	442.72%	
55	Tier 1 (as a percentage of risk-weighted assets)	442.72%	
56	Total capital (as a percentage of risk-weighted assets)	443.82%	
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)		
58	Of which: capital conservation buffer requirement		
59	Of which: bank-specific countercyclical buffer requirement		
60	Of which: higher loss absorbency requirement (e.g. DSIB)		
61	Common Equity Tier 1 (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirement.		
	The CBUAE Minimum Capital Requirement		
62	Common Equity Tier 1 minimum ratio	7.00%	
63	Tier 1 minimum ratio	8.50%	
64	Total capital minimum ratio	10.50%	
	Amounts below the thresholds for deduction (before risk weighting)		

65	Non-significant investments in the capital and other TLAC liabilities of other financial entities		
66	Significant investments in common stock of financial entities		
67	Mortgage servicing rights (net of related tax liability)		
68	Deferred tax assets arising from temporary differences (net of related tax liability)		
	Applicable caps on the inclusion of provisions in Tier 2		
69	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)		
70	Cap on inclusion of provisions in Tier 2 under standardised 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)		

5.2 CC2: Reconciliation of Regulatory Capital to Balance Sheet

Not applicable.

5.3 CCA: Composition of Capital

The authorised and issued share capital of the Bank is 2,300,000 thousand shares at a nominal value of AED 1 per share.

The capital was paid in cash by the shareholders in February 2022.

6. Macroprudential Supervisory Measures

6.1 CCyB1: Countercyclical Buffer

Not applicable.

7. Leverage Ratio

7.1 LR1: Summary Comparison of Accounting Assets vs. Leverage Ratio Exposure

(AED 000s)		a
1	Total consolidated assets as per published financial statements	13,496,513
2	Adjustments for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	
3	Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference	
4	Adjustments for temporary exemption of central bank reserves (if applicable)	
5	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	
6	Adjustments for regular-way purchases and sales of financial assets subject to trade date accounting	
7	Adjustments for eligible cash pooling transactions	
8	Adjustments for derivative financial instruments	
9	Adjustment for securities financing transactions (ie repos and similar secured lending)	
10	Adjustments for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	
12	Other adjustments	-879
13	**Leverage ratio exposure measure**	**13,495,634**

7.2 LR2: Leverage Ratio Common Disclosure

	(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)	13,497,687	2,479,973
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 recognised as an asset)		
5	(Specific and general provisions associated with on-balance sheet exposures that are deducted from Tier 1 capital)		
6	(Asset amounts deducted in determining Tier 1 capital)	-2,053	-2,344

7	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)	13,495,634	2,477,629
Derivative exposures			
8	Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)		
9	Add-on amounts for PFE associated with all derivatives transactions		
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)		
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		
20	(Adjustments for conversion to credit equivalent amounts)		
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)		
Capital and total exposures			
23	Tier 1 capital	1,848,664	1,843,471
24	Total exposures (sum of rows 7, 13, 18 and 22)	13,495,634	2,477,629
Leverage ratio			
25	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)	13.70%	74.41%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)		
26	CBUAE minimum leverage ratio requirement		
27	Applicable leverage buffers		

8. Liquidity

8.1 LIQA: Liquidity Risk Management

Overview and Governance of liquidity risk management.

The Bank's exposures are exposed to the following types of Liquidity risks:

a) Mismatch or structural liquidity risk: Mismatch risk (or referred to as maturity mismatch) refers to the liquidity risk in the Bank's balance sheet structure due to maturity mismatches between assets and liabilities.

b) Contingent Liquidity Risk: Contingent liquidity risk refers to unforeseen events that may pose a threat to the liquidity profile of the Bank. This risk may be relevant in the following cases:

   I. Default by banks where the Bank's funds are placed;
   II. Unexpected and material withdrawal of deposits by the clients.

Market liquidity risk: Market liquidity risk refers to the inability of the Bank to sell assets at or near current market prices. This may arise due to illiquid markets, market disruptions,

or concentrations in certain positions and markets. As the liquidity risk strategy of the Bank is revisited by the Asset Liability Committee (ALCO) annually and thereafter approved by the Board Risk Compliance Committee (BRCC) to ensure its continued relevance to the current Liquidity conditions and the business strategy of the Bank. Treasury manages the liquidity risk exposures on an ongoing basis, while the Risk Management Department under the supervision of ALCO regularly reviews and reports liquidity risk exposures to the ALCO, BRCC.

Liquidity Ratio Analysis

Liquidity ratios act as indicators and a tool to assess and monitor the Bank's liquidity position and condition on an 'as-is' basis and under stressed market conditions. To assess its liquidity position, the Bank monitors various liquidity ratios against their respective limits. Accordingly, Risk Department in conjunction with Treasury & Finance Department computes and monitors regularly, to assess the adequacy of its liquid assets.

Liquidity Ratios	Description of the ratio	Purpose of the ratio
ELAR (Eligible Liquid Asset Ratio)	The ELAR establishes a liquid assets ratio that banks are required to meet, consisting of account balances at the CBUAE, central bank certificates of deposit, UAE federal government bonds and Sukuk (Islamic bonds), reserve requirements, UAE local government bonds, and foreign sovereign debt instruments.	The objective of these regulations is to ensure that liquidity risks are well managed at banks operating in the UAE and are in line with the Basel Committee for Banking Supervision (BCBS) recommendations and international best practices.

ASRR	Advances to Stable Resources Ratio. The ASRR is a measure that recognizes both the actual uses as well as the likely uses of funds in terms of the contractual maturity and behavioral profile of the sources of funds available to the bank, to ensure that there are limited maturity mismatches and cliff effects. Central Bank report BRF 7 details the requirements of the ratio.	Banks fulfill an important role in the economy by providing maturity transformation (borrow short term and lend long term). These liquidity regulations aim to ensure that banks have a robust liquidity risk management and governance process in place to mitigate this imbalance. This follows CBUAE circular number 33/2015

Liquidity Stress Testing

Stress testing is a numerical quantification to determine the impact of any possible extreme event(s) on the Bank's balance sheet (including liquidity). Also, stress testing addresses the large movements in the Bank's liquidity position that lies beyond day-to-day risk monitoring but could potentially occur. The Bank ensures that stress testing is conducted periodically to determine the effects of both adverse historical events and hypothetical extreme future events. The Bank's stress scenarios cover a range of factors that can have a significant impact on its liquidity. To evaluate whether the Bank is sufficiently liquid, the behaviour of the Bank's cash flows under different conditions is observed. The Risk Management Department in coordination with Finance and Treasury Department are responsible for carrying out stress testing periodically. The results of the stress tests and the proposed remedial action, if any, are reviewed by ALCO. The results of stress testing are communicated to the BRCC.

Contingency Planning

The Bank maintains a Contingency Funding Plan (CFP) which addresses the approaches to be followed in the event of a liquidity crisis. The primary objective of the CFP is to define a mechanism for managing the liquidity crisis at the Bank. The emphasis is on the activities to be followed during the liquidity crisis in order to restore the Bank's liquidity position, without adversely impacting its reputation or market perception.

8.2 LIQ1: Liquidity Coverage Ratio

Not applicable.

8.3 LIQ2: Net Stable Funding Ratio

Not applicable.

8.4 ELAR: Eligible Liquid Assets Ratio

1	**High Quality Liquid Assets (AED 000s)**	**Nominal amount**	**Eligible Liquid Asset**
1.1	Physical cash in hand at the bank + balances with the CBUAE	11,082,829	
1.2	UAE Federal Government Bonds and Sukuks	473,572	
	Sub Total (1.1 to 1.2)	11,556,401	11,556,401
1.3	UAE local governments publicly traded debt securities		

1.4	UAE Public sector publicly traded debt securities		
	Subtotal (1.3 to 1.4)	0	0
1.5	Foreign Sovereign debt instruments or instruments issued by their respective central banks	512,352	512,352
1.6	Total	12,068,753	12,068,753
2	Total liabilities		11,571,796
3	Eligible Liquid Assets Ratio (ELAR)		1.04

8.5 ASRR: Advances to Stable Resources Ratio

		Items	Amount (AED 000s)
1		**Computation of Advances**	
	1.1	Net Lending (gross loans - specific and collective provisions + interest in suspense)	15,243
	1.2	Lending to non-banking financial institutions	
	1.3	Net Financial Guarantees & Stand-by LC (issued - received)	98,434
	1.4	Interbank Placements	44,070
	1.5	**Total Advances**	**157,747**
2		**Calculation of Net Stable Resources**	
	2.1	Total capital + general provisions	1,849,069
		Deduct:	
	2.1.1	Goodwill and other intangible assets	2,053
	2.1.2	Fixed Assets	5,562
	2.1.3	Funds allocated to branches abroad	
	2.1.5	Unquoted Investments	
	2.1.6	Investment in subsidiaries, associates, and affiliates	
	2.1.7	Total deduction	7,615
	2.2	Net Free Capital Funds	1,841,454
	2.3	Other stable resources:	
	2.3.1	Funds from the head office	
	2.3.2	Interbank deposits with remaining life of more than 6 months	
	2.3.3	Refinancing of Housing Loans	
	2.3.4	Borrowing from non-Banking Financial Institutions	
	2.3.5	Customer Deposits	71,082
	2.3.6	Capital market funding/ term borrowings maturing after 6 months from reporting date	9,639,968
	2.3.7	Total other stable resources	9,711,050
	2.4	**Total Stable Resources (2.2+2.3.7)**	**11,552,504**
3		**Advances to Stable Resources Ratio (1.5/ 2.4*100)**	**1.37**

9. Credit Risk

9.1 CRA: General Qualitative Information About Credit Risk

1. Credit Portfolio - The Bank has retail and SME businesses as two segments. The retail segment consists of credit cards to salaried and self-employed individuals based on individual income assessment. SME credit is split into large, Self-employed, unsecured loans and invoice-based supply chain finance.

2. Credit Governance- Each of the credit products has individual credit policies and SOP approved by the Board Risk Compliance Committee (BRCC) and credit committee. Policies in turn include guidelines to underwriting rules, loan assessment and thresholds for loss as well as early warning triggers.

The Credit Department is entrusted with underwriting and engaging in credit reviews. The Credit team ensures the documentation and limits entered into the system are in-line with the credit approvals. The credit team is also responsible for monitoring and reviewing the portfolio as well as classification & provisioning.

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

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

All the three functions viz. Credit Risk, Compliance, and Internal Audit, are independent functions.

3. Reporting- There is monthly/daily MIS reporting to management on risk aspects of credit. Also, the credit committee is conducted at the minimum 4 times a year and is updated on risk aspects. The same also applies to the board risk committee.

9.2 CR1: Credit Quality of Assets

		a	b	c	d	e	f
		Gross carrying values of			Of which ECL accounting provisions for credit losses on SA exposures		
	(AED 000s)	Defaulted exposures	Non-defaulted exposures	Allowances/Impairments	Allocated in regulatory category of Specific	Allocated in regulatory category of General	Net values (a+b-c)
1	Loans	-	15,726	(483)		(483)	15,243
2	Debt securities	-	9,386,519	(122)		(122)	9,386,397
3	Off-balance sheet exposures	-	-	-		-	-
4	Total	-	9,402,245	(605)	-	(605)	9,401,640

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:

- Objective criteria: The obligor is more than 90 days past due on its contractual obligation to the Bank.
- Subjective 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
  - 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 subsequent to the Bank taking on the exposure.

A loan is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of twelve months.

9.3 CR2: Changes in the Stock of Defaulted Loans and Debt Securities

Not applicable.

9.4 CRB: Additional Disclosure Related to Credit Quality of Assets

Not applicable.

9.5 CRC: Qualitative Disclosure Requirements Related to Credit Risk Mitigation

Not applicable.

9.6 CR3: Overview Credit Risk Mitigation Techniques

		a	b	c	d	e	f	g
	(AED 000s)	Exposures unsecured: carrying amount	Exposures secured by collateral	Exposures secured by collateral of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives , of which: secured amount
1	Loans	15,726						
2	Debt securities	9,386,519						
3	Total	9,402,245						
4	Of which defaulted	-						

9.7 CRD: Credit Under Standardized Approach

The Bank predominantly has retail individual card exposure, the credit assessment is based on internal credit policy rules using bureau, income, and demographic data. The risk weights are assigned based on the standardized approach.

Invoice based supply chain finance exposures are treated as unrated and the risk-weights for the same are computed as per the CBUAE guidelines.

9.8 CR4: Credit Risk Under Standardized Approach – Exposures by Asset Classes and Risk Weights

		a	b	c	d	e	f
	(AED 000s)	**Exposures before CCF and CRM**		**Exposures post-CCF and CRM**		**RWA and RWA density**	
	Asset classes	**On-balance sheet amount**	**Off-balance sheet amount**	**On-balance sheet amount**	**Off-balance sheet amount**	**RWA**	**RWA density**
1	Sovereigns and their central banks	12,068,753		12,068,753		-	0.00%
2	Public Sector Entities						
3	Multilateral development banks						
4	Banks	1,350,356		1,350,356		309,222	22.90%
5	Securities firms						
6	Corporates	6,760		6,760		6,760	100.00%
7	Regulatory retail portfolios	8,966		8,966		8,085	90.17%
8	Secured by residential property						
9	Secured by commercial real estate						
10	Equity Investment in Funds (EIF)						
11	Past-due loans						
12	Higher-risk categories						
13	Other assets	62,948		62,948		62,097	98.65%
14	**Total**	**13,497,783**	**-**	**13,497,783**	**-**	**386,163**	**2.86%**

9.9 CR5: Standardized Approach – Exposures by Asset Classes and Risk Weights

Not applicable.

10. Counterparty Credit Risk (CCR)

10.1 CCRA: Qualitative Disclosure Related to CCR

Not applicable.

10.2 CCR1: Analysis of CCR by Approach

Not applicable.

10.3 CCR2: Credit Valuation Adjustment Capital Charge

Not applicable.

10.4 CCR3: Standardised Approach – CCR Exposures by Regulatory Portfolio and Risk Weights

Not applicable.

10.5 CCR5: Composition of Collateral for CCR Exposure

Not applicable.

10.6 CCR6: Credit Derivatives Exposures

Not applicable.

10.7 CCR8: Exposures to Collateral for CCR Exposure

Not applicable.

11. Securitization

11.1 SECA: Qualitative Disclosures Related to Securitization Exposures

Not applicable.

11.2 SEC1: Securitization Exposures in the Banking Book

Not applicable.

11.3 SEC2: Securitization Exposures in the Trading Book

Not applicable.

11.4 SEC3: Securitization Exposures in the Banking Book and Associated Regulatory Capital Requirements – Bank Acting as Originator or as Sponsor.

Not applicable.

11.5 SEC4: Securitization Exposures in the Trading Book and Associated Capital Requirements – Bank Acting as Investor

Not applicable.

12. Market Risk

12.1 MRA: General Qualitative Information About Market Risk

MRA: General qualitative disclosure requirements related to market risk

Market risk is the risk arising from changes in the markets to which the Bank has exposure.
The source of Market Risk Management for the Bank is foreign exchange risk.

Market Risk Governance Framework
Market Risk framework forms the approach for controlling and minimizing exposure to market risk through identification, assessment, monitoring, and reporting on the various dimensions of market risk that the Bank is exposed to. The market risk management framework consists of market risk policy, market risk strategy, market risk appetite and tolerances, and a market risk governance structure to ensure adequate controls and risk mitigation.

Market risk is controlled primarily through a series of different layers of limits and maintaining a dynamic investment allocation. These limits reflect the Bank's risk appetite in the context of the market environment and business strategy. In setting limits, the Bank takes into consideration many factors, including market volatility, product liquidity, and risk appetite. Market risk governance policies are reviewed annually to stay aligned with changing market conditions.

Currently, the market risk exposure for the Bank arises on account of its FX positions.
The Bank has limits set for Net Open Positions and regularly reviews the positions in relation to the limits set. The limits are typically higher for currencies that are pegged to AED and lower for floating rate currencies. This helps the Bank minimise its FX risk.

12.2 MR1: Market Risk Under Standardized Approach

	(AED 000s)	a RWA
1	General Interest rate risk (General and Specific)	
2	Equity risk (General and Specific)	
3	Foreign exchange risk	16,198
4	Commodity risk	
	Options	
5	Simplified approach	
6	Delta-plus method	
7	Scenario approach	
8	Securitisation	
9	**Total**	**16,198**

13. Interest Rate

13.1 IRRBBA: Interest Rate Risk in the Banking Book

13.1.1 Interest Rate Risk in the Banking Book – Definition

Interest rate risk in the banking book is defined as the impact on the Bank's asset and liability exposures due to changes in interest rates. For the purpose of interest rate risk management, the Risk department at the Bank is responsible for monitoring and managing the risk. The computation uses Re-pricing gap and calculates the impact on Net Interest Income (NII) and Economic Value of Equity (EVE).

13.1.2 IRBB Management and Mitigation Strategy

The Bank continuously strives to evolve its risk management practices in line with the size and complexity of its business and regulatory/market practices.

- Repricing gap risk which measures the risk arising from the timing differences in the maturity and repricing of instruments' rate changes.
- Yield curve risk which expresses the losses if interest margin rates change for various terms and different currencies.
- Basis risk which covers the impact of relative changes in interest rates for financial instruments that have similar tenors but are priced using different interest rate indices.
- Option risk that arises from option derivative positions or from optional elements embedded in the on- and off-balance sheet positions, where a bank or its customer can alter the level and timing of their cash flows.
- Basis risk and Option risk are currently not material for the Bank but will be monitored as the Bank continues to grow.

The Bank is using both impact on NII and EVE for assessing the impact of interest rate movements on its Banking book. In addition to the standard shocks as prescribed by the "Model Management Guidance" note issued by the CBUAE in Nov 2022, the Bank also conducts stress tests by considering impact of stressed shocks on NII under Mild, Moderate and Severe scenarios and assesses the impact on profitability and capital.
The measurement of IRRBB includes the impact of rate shock on EVE and NII based on IRRBB guidelines.

13.1.3 Interest Rate Shock and Stress Scenarios

As per the IRRBB guidelines by CBUAE- Model Management guidance note, the Bank uses following 6 rate shock scenarios described in the aforementioned document to estimate impact on EVE and NII:

- Parallel Shock Up
- Parallel Shock Down
- Steepner
- Flattener
- Short rate Shock up
- Short rate Shock Down

13.1.4 Key Modelling and Parametric Assumptions

IRRBB in the Bank is quantified as the change in EVE or NII of the Bank due to change in interest rates. All future cash flows represent earnings or payments from the point of view of the Bank. These cash flows are segregated into time period buckets by constructing a residual maturity / re-pricing schedule. For non-maturity deposits (NMD), the Bank is segregating the core, non-core portion on a judgmental basis (given the current lack of historical data), within the prescribed caps for NMD behavioral distribution. The cash flows are considered as part of the repricing gap and discount factor does not consider any commercial margins.

Quantitative disclosure			
1	Average repricing maturity assigned to NMDs	Retail NMDs	1.69 years
1	Average repricing maturity assigned to NMDs	Corporate NMDs	1.17 years
2	Longest repricing maturity assigned to NMDs	Retail NMDs	4 years
2	Longest repricing maturity assigned to NMDs	Corporate NMDs	4 years

13.2 IRRBB1: Qualitative information on IRRBB

(AED 000s)	**ΔEVE**		**ΔNII**	
Period	**Dec 23**	**T-1**	**T**	**T-1**
Parallel up	145,812		107,137	
Parallel down	(159,163)		(107,137)	
Steepner	6,261			
Flattener	27,799			
Short rate up	85,156			
Short rate down	(90,732)			
Maximum	159,163	-		
Period	T		T-1	
Tier 1 capital	1,848,664			

14. Operational Risk

14.1 OR1: Operational Risk Framework

Operational Risk is defined as the risk of loss resulting from inadequate or failed internal processes, people, systems, or external events. The Bank has adopted the Basel risk definition of operational risk according to which strategic and reputational risk are excluded from purview of operational risk.

Operational Risk Governance

Operational Risk Management (ORM) starts with the Board of Directors, who have assigned the responsibility to BRCC. The BRCC approves the operational risk management policy as well as the operational risk appetite. The implementation of the ORM framework across the Bank sits with the Risk Management department. They are also responsible for monitoring adherence to the policies and risk appetite and escalation of breaches to the right authority for necessary corrective actions. The first line of defense, which consists of all business and front-line units, are primarily responsible for managing operational risks inherent in the products, activities, processes, and systems for which they are accountable. The risk management department has a dedicated operational risk unit under it.

Each Business Unit has an Operational Risk Champion(s) whose responsibility is to investigate and report any significant risk incidents / issues in their business unit to operational risk management for immediate action as well as, assisting in implementation of ORM frameworks and identifying and recording Key Risk Indicators (KRIs) and submitting to ORM on a periodic basis.

ORM Framework

The Bank has established an Operational Risk Management Framework to manage operational risk in an effective and comprehensive manner, fully integrated into the overall risk management processes. The ORM framework shall outline the strategic approach implemented for operational risk management and enable a culture for effective implementation of risk management processes.

The ORM framework includes the tools used for OR assessment across the Bank to support identification, measurement, and monitoring of operational risk exposures of the business at all levels. ORM components provide the foundation to capture all OR contributors paving way for root cause and control effectiveness analysis, which plays an important role in inherent and residual risk evaluation.

The major tools underpinning the identification and assessment of OR in the ORM framework are as follows:

- Loss/Incident Data Management (LDM)
- Risk and Control Self-Assessment (RCSA)
- Key Risk Indicators (KRIs)

Loss/ Incident Data Management (LDM):

Operational loss event is an incident leading to alteration in the expected outcome(s) of a business activity or process due to inadequate or failed processes, people, system, or external events. Operational loss events are further classified into:

- Actual Loss Event: An incident that has resulted in financial loss for the bank.
- Near Miss Event - Event(s) that did not result in loss, but had the potential to do so.
- Potential Loss Event: An incident that has been detected and may ultimately translate into financial loss or near miss for the Bank.

Reporting of loss events is an important component of the risk management program. The objective of LDM is to provide a consistent and structured approach to identify, capture, analyze and report on operational losses for assessing bank's exposure to OR, the effectiveness of internal controls, causes of large losses and information on whether control failures are isolated or systematic.

Risk Control Self-Assessment (RCSA):

In RCSA, the bank assesses the processes, which are central to its operations, against a library of potential threats and vulnerabilities and evaluating their potential impact.
It consistently evaluates risks with the following key considerations:

- Inherent Risk i.e. risk status before controls are considered.
- Residual Risk i.e. risk status after controls are considered.

The RCSAs are used on an enterprise-wide basis, including for control functions such as Risk Management, Compliance, Finance, etc.

Key Risk Indicators (KRIs):

KRIs are an important component of the operational risk management framework. It is defined as a measure that attempts to identify potential operating losses before such losses happen and translate risk dimensions into tractable and measurable events. They are used to identify trends within business activities and compare them to a predetermined threshold as well as monitor the main drivers of exposure associated with key risks.

Risk Mitigation Techniques

Apart from the regular monitoring and review, Bank utilizes specific measures to mitigate the risks arising out of operational risk. The measures include but are not limited to the following:

- Control Effectiveness Review: After each risk assessment, ORM function reviews existing control effectiveness and coordinate with other departments for new control implementation based on risk priority.
- Business Continuity Plan (BCP): Banks are exposed to disruptive events which may be severe and can disrupt core functions and bank's normal business. In order to address this, the Bank has established Business Continuity Plans.
- Insurance: Insurance is one of the ways to transfer the risk and insure the bank against Operational Risk losses. Based on the nature and risk criticality, Risk Management coordinates with the related department to ensure adequate insurance coverage is available.

Risk Escalation

Risk Escalation is a critical component of the ORM framework to ensure that any operational incident is recognized, understood, and managed at the appropriate level of seniority within the Bank.

Risk Reporting

Operational risk reporting plays a crucial role in providing executive management and the board of directors with a comprehensive understanding of the organization's risk landscape. It encompasses the identification, assessment, monitoring, and mitigation of risks that may impact the organization's operational efficiency and effectiveness.
By effectively communicating these risks, executive management and the board can make informed decisions about risk tolerance and mitigation strategies, thereby safeguarding the organization's assets and reputation.
The Bank aims is to provide a fair and transparent system of compensation that motivates and incentivizes

Risk Appetite and Threshold

The Strategy for managing OR is targeted towards calibration of identified risks against Bank's Risk Appetite Statement as well as thresholds or limits for inherent and residual risks ensuring consistency of risk identification and assessment on a bank-wide as well as group-wide basis. Operational Risk appetite is maintained and tracked on a continuous basis.

Operational Risk Capital Charge

Central Bank of UAE (CBUAE) communicated their decision that all banks in the UAE can adopt any of the following three approaches:

- Basic Indicator Approach (BIA)
- The Standardized Approach (TSA)/Alternative Standardized Approach (ASA)
- Advanced Measurement Approach (AMA)

Given the Bank's current product set, business complexity and size, the Bank follows Basic Indicator Approach for calculating regulatory capital requirements for OR.

15. Remuneration

15.1 REMA: Remuneration Policy

The remuneration policy is a robust framework designed to both reward employees and manage risk effectively. It outlines various forms of compensation and is instrumental in supporting sustainable growth and enhancing shareholder value, fostering a culture of pay-for-performance that attracts, motivates, and retains skilled and experienced employees. It upholds the highest standards of ethical decision-making, corporate governance, and is in compliance with legal and regulatory requirements. It also ensures fairness, equity, and transparency in practices, reinforcing the Bank's core values.

Scope

This policy applies to the Bank's Board and its employees.

Renumeration Principles

- The Bank's remuneration is: Aligned with business strategy and risk management framework.
- Based on job role, responsibilities, skills, and experiences.
- Based on clear, objective, and transparent quantitative and qualitative metrics and criteria embedded within a performance management system designed to promote a culture of high performance, accountability, compliant and ethical behavior.
- In compliance with all applicable laws, regulations, rules, and CBUAE guidance.
- Composed of fixed, variable, and discretionary components, and subject to risk-adjustment and deferral periods as required by law and regulations.
- Structured to discourage excessive risk-taking or reward inappropriate behavior.
- Structured to ensure claw back or withholding in case of non-compliance with applicable laws and regulations, or in the event of poor performance or misconduct.

Overview of performance metrics

- The performance metrics for the business teams is based on Balanced Scorecard and
- divided into four distinct perspectives and competencies metrics.
- Financial metrics that focus on key financial targets including Total Revenues, Total Costs, Net Profit and key drivers.
- Operational metrics that focus on contribution to the overall growth of the business through delivering key project launches, timely completion of compliance and risk related actions, and timely completion of Audits, both internal & regulatory.
- Customer metrics that focus on activities that deliver a high-quality service to both internal and external customers, such as Total Customer Base, Net Promoter Score, Customer Satisfaction Rate, and App Store Rating.
- People metrics that focus on employee engagement score, achieving nationalization of the workforce and continuous learning of the employees.

The bank sets performance objectives for its employees at the start of the performance year, and the attainment of performance metrics is assessed throughout the year based on a five-point rating scale. The employee performance metrics are separated into two distinct perspectives: KPIs and competencies metrics.

- KPIs focus on key targets and are measured bi-annually.
- Competencies metrics focus on behavior and values.

The Bank's Performance Management process 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' and 'Developing' for the performance year under consideration are not eligible to receive bonus/variable pay.

The total compensation offered to employees includes fixed and variable compensation. Fixed compensation includes Basic Salary and Allowances, and is a non-discretionary payment made to employees based on their job role and responsibilities and is independent of the Bank's performance.
Variable pay consists of any discretionary payments including annual bonus and deferred variable pay approved as per the Board's Delegation of Authority.

Functions of Board Executive Committee (BEC) & Board Nomination and Remuneration **Committee (BNRC)**

The Board Executive Committee & Board Nomination and Remuneration Committee (BNRC) are responsible for governing the Bank's remuneration framework as defined in the respective Delegation of Authority.

Senior Managers and Material Risk Takers

Employees that are part of the Executive Management team have been classified as Senior Managers.
For employees determined to be Senior Managers or Risk Takers, the Bank ensures that:

- A portion of their pay is based on individual, business-unit, and bank-wide performance measures.
- A significant portion of variable pay is deferred for at least three years (the percentage of deferred compensation will be according to the seniority).
- The Bank is able to clawback portions of deferred variable compensation if required, in the event of negative contributions to the bank or relevant line of business.
- Salaries are benchmarked in consultation with independent sources.

Special Payments

The Bank aims to provide a fair and transparent system of compensation that motivates and incentivizes employees to achieve their best while aligning their interests with the long-term success of the bank.

The Bank rewards individual and overall bank performance. The Bank believes in attracting and retaining top talent, and therefore may offer retention bonuses and sign-on awards to new employees. In the event of an employee leaving the bank, the Bank may also offer severance payments to help ease their transition.

However, the Bank is also committed to responsible financial management and ensuring that any net losses reported in a financial year will result in a contraction of the employee bonus pool.

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15.2 REM1: Remuneration Awarded During the Financial Year

	(AED 000s)		a	b
	Remuneration Amount		Senior Management	Other Material Risk-takers
1	Fixed Remuneration	Number of employees	10	10
2		Total fixed remuneration (3 + 5 + 7)	13,171	4,050
3		Of which: cash-based	13,171	4,050
4		Of which: deferred		
5		Of which: shares or other share-linked instruments		
6		Of which: deferred		
7		Of which: other forms		
8		Of which: deferred		
9	Variable Remuneration	Number of employees	10	10
10		Total variable remuneration (11 + 13 + 15)	2,503	616
11		Of which: cash-based	2,503	616
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)		15,674	4,666

15.3 REM 2: Remuneration Policy – Special payments

Special Payments	**Guaranteed Bonuses**		**Sign on Awards**		**Severance Payments**	
(AED 000s)	Number of employees	Total amount	Number of employees	Total amount	Number of employees	Total amount
Senior Management			1	100		
Other material risk-takers					1	95

15.4 REM 3: Remuneration Policy – Deferred

Not applicable.

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