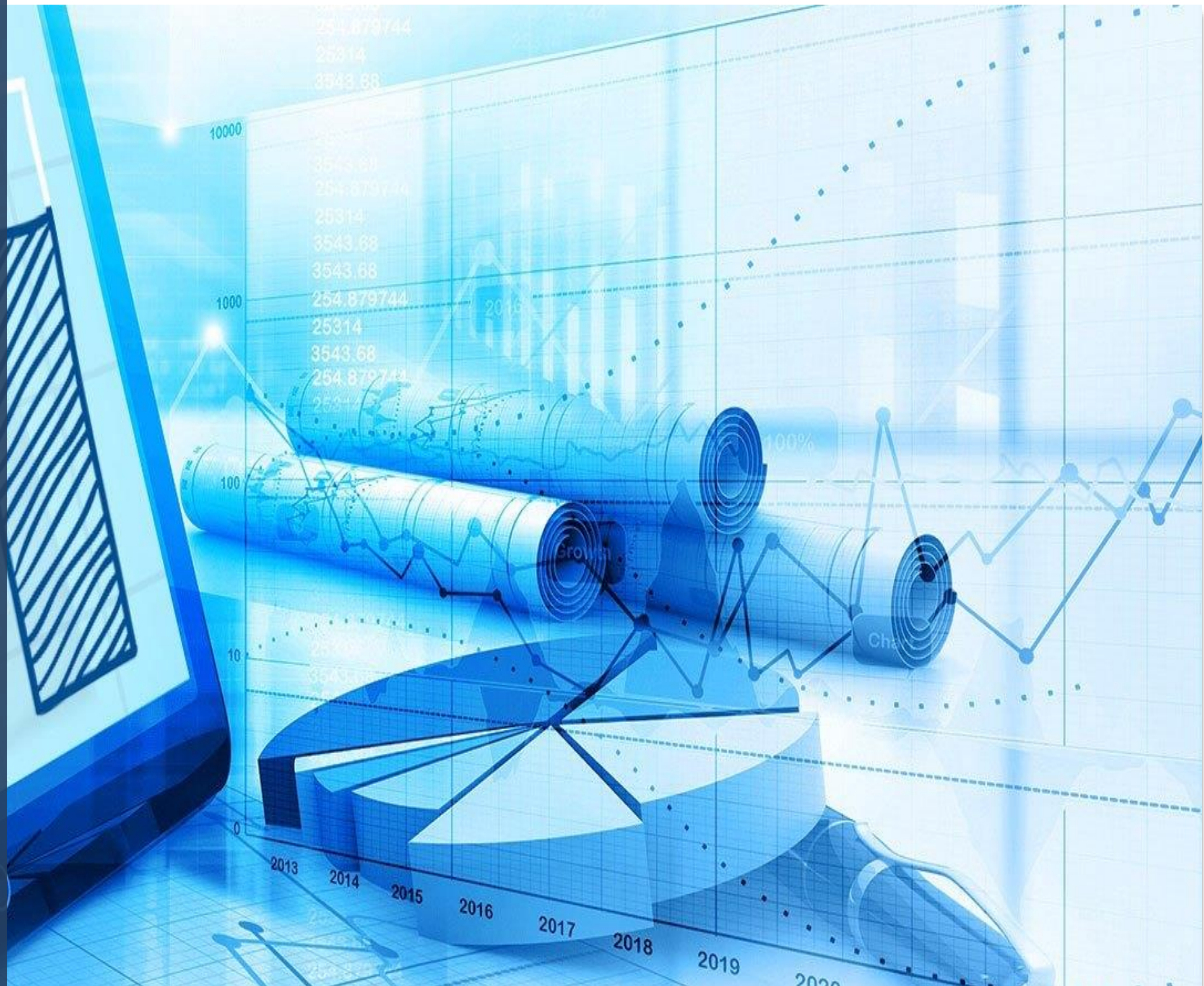
ARAB BANK PLC

RISK MANAGEMENT & PILLAR III DISCLOSURES

FOR THE PERIOD ENDED 31 December 2024



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1. Overview, risk management, key prudential metrics and RWA:

OVERVIEW

Introduction

The aim of the capital adequacy regime is to promote safety and soundness in the financial system. It is structured around three 'pillars': Pillar 1 on minimum capital requirements; Pillar 2 on the supervisory review process; and Pillar 3 on market discipline. Pillar 3 requires firms to publish a set of disclosures which allow market participants to assess the organization's key prudential metrics, risk exposures and risk assessment process. The disclosures contained in this document cover the qualitative and quantitative disclosure requirements of Pillar 3, set out in the Notice No. CBUAE/BSD/N/2020/4980, and are mainly based on audited/reviewed financial statements as at 31 December 2024 with comparative figures for 30 September 2024, 30 June 2024, 31 March 2024 and 31 December 2023 where relevant. Some of the comparative figure disclosures have been represented to comply with the latest published standards.

Objective

The objective of this report is to provide information on risk management in the Bank to relevant stakeholders and supervisory bodies. In particular, it describes the Bank's capital adequacy and liquidity position.

Scope

Arab Bank plc, United Arab Emirates Branches (interchangeably referred to as "AB UAE" or the "Bank") was incorporated in the United Arab Emirates ("UAE") as a commercial bank in 1971. The Head Office of the Branches is Arab Bank plc (interchangeably referred to as "HO" or the "Group"), a public shareholding bank, listed on the Amman Stock Exchange.

The Bank operates within the UAE through the following branches:

Abu Dhabi	3 branches
Dubai	3 branches
Sharjah	1 branch
Ras al-Khaimah	1 branch

Arab Bank – UAE Branches follows the pillar 1 of BaseI III Standard and guideline to measure and calculate the required capital charges and subsequent Pillar III disclosures. The scope of regulatory consolidation represents the data prepared in Banking Return Forms (BRF) as well as the capital adequacy computation according to the CBUAE regulations and explanatory notes, while the consolidated financial statements represent the figures in the audited financial statements prepared according to applicable International Accounting Standards and related IFRSs. There are differences between the scope of regulatory reporting and audited financial statements, which mainly comprise of netting of provisions and interest in suspense as well as different classifications of asset line items.

I. Key Metrics

The following table presents the breakdown of the Bank's key regulatory metrics, as measured and defined according to the CBUAE Basel & Liquidity Regulations.

Liquidity ratios (ELAR and ASRR) also remain well-buffered and trend comfortably against the binding requirements of 10% (floor) and 100% (cap) respectively.

		31-Dec-2024	**30-Sep-2024**	30-Jun-2024	31-Mar-2024	31-Dec-2023
		AED'000	***AED'000***	*AED'000*	*AED'000*	*AED'000*
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1)	**2,696,988**	2,761,491	2,620,550	2,503,039	2,376,593
1a	Fully loaded ECL accounting model	**2,696,988**	2,761,491	2,620,550	2,503,039	2,376,593
2	Tier 1	**2,696,988**	2,761,491	2,620,550	2,503,039	2,376,593
2a	Fully loaded ECL accounting model Tier 1	**2,696,988**	2,761,491	2,620,550	2,503,039	2,376,593
3	Total capital	**2,913,651**	2,972,242	2,828,647	2,699,866	2,566,623
3a	Fully loaded ECL accounting model total capital	**2,913,651**	2,972,242	2,828,647	2,699,866	2,566,623
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	**18,549,617**	18,092,991	17,899,773	16,988,109	16,236,679
	Risk-based capital ratios as a percentage of RWA					
5	Common Equity Tier 1 ratio (%)	**14.54%**	15.26%	14.64%	14.73%	14.64%
5a	Fully loaded ECL accounting model CET1 (%)	**14.54%**	15.26%	14.64%	14.73%	14.64%
6	Tier 1 ratio (%)	**14.54%**	15.26%	14.64%	14.73%	14.64%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	**14.54%**	15.26%	14.64%	14.73%	14.64%
7	Total capital ratio (%)	**15.71%**	16.43%	15.80%	15.89%	15.81%
7a	Fully loaded ECL accounting model total capital ratio (%)	**15.71%**	16.43%	15.80%	15.89%	15.81%
	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 (%)	**-**	-	-	-	-
10	Bank D-SIB additional requirements (%)	**-**	-	-	-	-
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 (%)	**5.21%**	5.93%	5.30%	5.39%	5.31%
	Leverage Ratio					
13	Total leverage ratio measure	**29,942,760**	29,675,214	28,797,295	27,391,140	26,945,807
14	Leverage ratio (%) (row 2/row 13)	**9.01%**	9.31%	9.10%	9.14%	8.82%
14a	Fully loaded ECL accounting model leverage ratio (%) (row 2A/row 13)	**9.01%**	9.31%	9.10%	9.14%	8.82%
14b	Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	**9.01%**	9.31%	9.10%	9.14%	8.82%
	Liquidity Coverage Ratio					
15	Total HQLA	**-**	-	-	-	-
16	Total net cash outflow	**-**	-	-	-	-
17	LCR ratio (%)	**0%**	0%	0%	0%	0%
	Net Stable Funding Ratio					
18	Total available stable funding	**-**	-	-	-	-
19	Total required stable funding	**-**	-	-	-	-
20	NSFR ratio (%)	**0%**	0%	0%	0%	0%

	ELAR					
21	Total HQLA	**8,094,908**	8,096,499	7,482,797	6,882,657	6,824,059
22	Total liabilities	**19,852,176**	19,859,609	19,290,546	18,712,681	18,520,949
23	Eligible Liquid Assets Ratio (ELAR) (%)	**40.78%**	40.77%	38.79%	36.78%	36.85%
	ASRR					
24	Total available stable funding	**19,603,757**	18,973,484	18,791,000	18,265,643	17,886,001
25	Total Advances	**13,345,347**	12,957,411	12,864,259	12,571,876	12,142,546
26	Advances to Stable Resources Ratio (%)	**68.08%**	68.29%	68.46%	68.83%	67.89%

II. Overview of RWA

The below table provides an overview of total RWA forming the denominator of the risk-based capital requirements

		RWA	RWA	**Minimum capital requirements**	Minimum capital requirements
	AED'000	**31-Dec-2024**	30-Sep-2024	**31-Dec-2024**	30-Sep-2024
1	Credit risk (excluding counterparty credit risk)	**17,277,390**	16,804,424	**1,814,126**	1,764,465
2	Of which: standardised approach (SA)	**17,277,390**	16,804,424	**1,814,126**	1,764,465
3	[redacted]				
4					
5					
6	Counterparty credit risk (CCR)	**55,637**	55,637	**5,842**	5,842
7	Of which: standardised approach for counterparty credit risk	**55,637**	55,637	**5,842**	5,842
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	[redacted]				
18	Of which: securitisation external ratings-based approach (SEC-ERBA)	-	-	-	-
19	Of which: securitisation standardised approach (SEC-SA)	-	-	-	-
20	Market risk	**26,762**	43,103	**2,810**	4,526
21	Of which: standardised approach (SA)	**26,762**	43,103	**2,810**	4,526
22	[redacted]				
23	Operational risk	**1,189,828**	1,189,828	**124,932**	124,932
24	[redacted]				
25					
26	**Total (1+6+10+11+12+13+14+15+16+20+23)**	**18,549,617**	18,092,992	**1,947,710**	1,899,764

2. Linkages between financial statements and regulatory exposures

Table 1 - Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

31 December 2024

			Carrying values of items:				
AED'000	**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 securitisation framework**	**Subject to market risk framework**	**Not subject to capital requirements or subject to deduction from capital**
Assets							
Cash and balances with Central Bank[1]	2,880,708	8,076,545	8,076,545	-	-	-	-
Due from banks	557,515	557,639	557,639	-	-	-	-
Due from the Head Office and branches abroad	262,057	262,057	262,057	-	-	-	-
Loans and advances[2]	12,405,835	13,274,057	13,274,057	-	-	-	-
Other financial assets[1]	5,758,537	669,855	669,855	-	-	-	-
Right-of-use assets	33,588	33,588	33,588	-	-	-	-
Other Assets[3]	657,714	657,714	650,754	3,400	-	-	3,560
Deferred tax assets	233,629	233,629	233,629	-	-	-	-
Property and equipment	8,305	8,305	8,305	-	-	-	-
Total Assets	**22,797,888**	**23,773,389**	**23,766,429**	**3,400**	**-**	**-**	**3,560**
Liabilities							
Due to banks	171,477	171,477	-	-	-	-	171,477
Due to the Head Offices and branches abroad	101,560	101,560	-	-	-	-	101,560
Customers' deposits	17,270,814	17,270,814	-	-	-	-	17,270,814
Security deposits[4]	1,236,420	1,236,420	973,164	-	-	-	263,256
Other liabilities	823,966	1,017,114	-	-	-	-	1,017,114
Provisions[2]	125,033	907,386	791,792	-	-	-	115,594
Deferred tax liability	240	240	-	-	-	-	240
Lease Contracts Liability	30,597	30,597	-	-	-	-	30,597
Subordinated loan[5]	-	-	-	-	-	-	-
Total Liabilities	**19,760,107**	**20,735,608**	**1,764,956**	**-**	**-**	**-**	**18,970,652**

Table 2 - Main sources of differences between regulatory capital adequacy exposure amounts and carrying values in financial statements

31 December 2024

	AED'000	**Total**	**Items subject to:**			
			Credit risk framework	**Securitisation framework**	**Counterparty credit risk framework**	**Market risk framework**
1	**Asset carrying value amount under scope of regulatory consolidation (as per template LI1)**	23,769,829	23,766,429	-	3,400	-
2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	(1,764,956)	(1,764,956)	-	-	-
3	**Total net amount under regulatory scope of consolidation**	22,004,873	22,001,473	-	3,400	-
4	Off-balance sheet amounts	13,885,365	6,503,999	-	57,282	-
5	*Differences in valuations*	-	-	-	-	-
6	*Differences due to different netting rules, other than those already included in row 2*	(18,138)	(18,138)	-	-	-
7	*Differences due to consideration of provisions*	-	-	-	-	-
8	*Differences due to prudential filters*	-	-	-	-	-
9	**Exposure amounts considered for regulatory purposes**	35,872,101	28,487,334	-	60,682	-

[1]Classification of M-bills as other financial assets in the financial statements whereas under balances with central bank under regulatory capital adequacy calculation purposes.

[2] The main differences between the loans and advances' asset carrying value reported in the audited financial statements and regulatory reporting is due to netting of provisions and interest in suspense in the financial statements while the carrying amounts for regulatory purposes are reported on a gross basis before regulatory adjustments and exclude general provisions.

[3] Items which are subject to regulatory deductions from capital, such as intangible assets, deferred tax assets (subject to threshold deduction) which are excluded from the asset carrying value amount under scope of regulatory capital adequacy calculation.

[4] Under capital adequacy calculation, the cash margins are calculated on a coverage basis (i.e. whichever is less of exposure value and cash margin) while in the financials they are reported on gross basis.

[5] Subordinated debts are considered tier 2 capital subject to amortization

3.Regulatory Capital

3.1 Capital Structure Summary

Consolidated Capital Structure under Basel III as on 31st December - *AED'000*		
Details	**2024**	2023
	AED'000	*AED'000*
Capital Base	**2,913,651**	2,566,623
1. Common Equity Tier 1 (CET1) Capital		
1.1) Share Capital	**620,704**	620,704
1.2) Share premium account	**-**	-
1.3) Eligible reserves	**333,783**	333,754
1.4) Retained Earnings/(-) Loss	**1,746,061**	1,450,080
1.5) Eligible amount of minority interest	**-**	-
1.6) Capital Shortfall, if any	**-**	-
CET1 capital before the regulatory adjustments and threshold deductions	**2,700,548**	2,404,537
Less: Regulatory deductions	**3,560**	2,893
Less: Threshold deductions	**-**	25,052
CET1 capital after the regulatory adjustments and threshold deductions	**2,696,988**	2,376,593
2. Additional Tier 1 (AT1) Capital		
2.1) Eligible AT1 capital (After grandfathering)	**-**	-
2.2) Other AT1 Capital e.g. (Share premium, minority interest)	**-**	-
Total AT1 capital	**-**	-
3. Tier 2 (T2) Capital		
3.1) Tier 2 instrument e.g. subordinated (After grandfathering and/or amortization)	**-**	-
3.2) Other Tier 2 Capital (including General Provision, etc.)	**216,663**	190,030
Total T2 Capital	**216,663**	190,030
Total T2 Capital after transitional arrangement (T2)	**216,663**	190,030

31 December 2024

Capital Requirement	**RWA**	**Capital Charge**	**Capital Ratio (%)**
AED'000			
1. Credit Risk - Standardized Approach	**17,333,027**	**1,819,968**	**10.500%**
2. Market Risk - Standardized Approach	**26,762**	**2,810**	**10.500%**
3. Operational Risk - Basic Indicator Approach	**1,189,828**	**124,932**	**10.500%**
Total Capital Requirements		**1,947,710**	
Capital Ratio			
a) Total for Top consolidated group			**15.71%**
b) Tier 1 ratio only for top consolidated group			**14.54%**
c) CET1 ratio only for top consolidated group			**14.54%**

In addition to minimum capital requirement of 10.5%, banks were also required to maintain a Capital Conservation buffer of 2.5% for the year 2024.

31 December 2023

Capital Requirement	RWA	Capital Charge	Capital Ratio (%)
AED'000			
1. Credit Risk - Standardized Approach	15,202,607	1,596,274	10.500%
2. Market Risk - Standarized Approach	53,857	5,655	10.500%
3. Operational Risk - Basic Indicator Approach	980,215	102,923	10.500%
Total Capital Requirements		1,704,851	
Capital Ratio			
a) Total for Top consolidated group			15.81%
b) Tier 1 ratio only for top consolidated group			14.64%
c) CET1 ratio only for top consolidated group			14.64%

In addition to minimum capital requirement of 10.5%, banks were also required to maintain a Capital Conservation buffer of 2.5% for the year 2023.

3.2 Composition of regulatory capital

		31-Dec-2024	Reference to CC2
	Common Equity Tier 1 capital: instruments and reserves	***AED'000***	
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	620,704	CC2(c)
2	Retained earnings	1,746,061	
3	Accumulated other comprehensive income (and other reserves)	333,783	
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**	**2,700,548**	
	Common Equity Tier 1 capital regulatory adjustments		
7	Prudent valuation adjustments	-	
8	Goodwill (net of related tax liability)	-	CC2(a)
9	Other intangibles including mortgage servicing rights (net of related tax liability)	3,560	CC2(b)
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**	**3,560**	
25	**Common Equity Tier 1 capital (CET1)**	**2,696,988**	
	Additional Tier 1 capital: instruments		
26	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	-	CC2(d)
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)**	**2,696,988**	
	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*	0	
42	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 30) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	-	
43	*Of which: instruments issued by subsidiaries subject to phase-out*	-	
44	Provisions	216,663	
45	**Tier 2 capital before regulatory adjustments**	**216,663**	
	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)**	**216,663**	
52	**Total regulatory capital (TC = T1 + T2)**	**2,913,651**	
53	**Total risk-weighted assets**	**18,549,617**	
	Capital ratios and buffers		
54	**Common Equity Tier 1 (as a percentage of risk-weighted assets)**	**14.54%**	
55	**Tier 1 (as a percentage of risk-weighted assets)**	**14.54%**	
56	**Total capital (as a percentage of risk-weighted assets)**	**15.71%**	
57	**Institution specific buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus higher loss absorbency requirement, expressed as a percentage of risk-weighted assets)**	**2.50%**	
58	**Of which: capital conservation buffer requirement**	**2.50%**	
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.**	**5.21%**	
	The CBUAE Minimum Capital Requirement		
62	Common Equity Tier 1 minimum ratio	**9.50%**	
63	Tier 1 minimum ratio	**11.00%**	
64	Total capital minimum ratio	**13.00%**	
	Amounts below the thresholds for deduction (before risk weighting)		
[redacted]			
66	Significant investments in common stock of financial entities	-	
[redacted]			
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)	259,995	
70	Cap on inclusion of provisions in Tier 2 under standardised approach	216,663	
[redacted]			
	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*	0	
78	*Amount excluded from T2 due to cap (excess after redemptions and maturities)*	(0)	

3.3 Reconciliation of regulatory capital to balance sheet

31 December 2024

	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	As of period-end	As of period-end	
Assets	***AED'000***	***AED'000***	
Cash and balances with Central Bank[1]	2,880,708	8,076,545	
Due from banks	557,515	557,639	
Due from the Head Office and branches abroad	262,057	262,057	
Loans and advances[2]	12,405,835	13,274,057	
Other financial assets[1]	5,758,537	669,855	
Right-of-use assets	33,588	33,588	
Other Assets	654,154	654,154	
Deferred tax assets[3]	233,629	233,629	
Property and equipment	8,305	8,305	
Goodwill and other intangible assets	3,560	3,560	
Of which: goodwill	-	-	(a)
Of which: intangibles (excluding MSRs)	3,560	3,560	(b)
Of which: MSRs	-	-	(b)
Total assets	**22,797,888**	**23,773,389**	
Liabilities			
Due to banks	171,477	171,477	
Due to the Head Offices and branches abroad	101,560	101,560	
Customers' deposits	17,270,814	17,270,814	
Security deposits [4]	1,236,420	1,236,420	
Other liabilities	823,966	1,017,114	
Provisions [2]	125,033	907,386	
Lease Contracts Liability	30,597	30,597	
Subordinated loan [5]	-	-	
Current and deferred tax liabilities	240	240	
Total liabilities	**19,760,107**	**20,735,608**	
Shareholders' equity			
Paid-in share capital	620,704	620,704	
Of which: amount eligible for CET1	620,704	620,704	(c)
Of which: amount eligible for AT1	-	-	(d)
Retained earnings	1,914,414	1,914,414	
Statutory reserve	310,352	310,352	

Other reserves	23,000	23,000	
Impairment Reserve	168,353	168,353	
Accumulated other comprehensive income	958	958	
Total shareholders' equity	**3,037,781**	**3,037,781**	

[1]Classification of M-bills as other financial assets in the financial statements whereas under balances with central bank under regulatory capital adequacy calculation purposes.

[2] The main differences between the loans and advances' asset carrying value reported in the audited financial statements and regulatory reporting is due to netting of provisions and interest in suspense in the financial statements while the carrying amounts for regulatory purposes are reported on a gross basis before regulatory adjustments and exclude general provisions.

[3] Items which are subject to regulatory deductions from capital, such as intangible assets, deferred tax assets (subject to threshold deduction) which are excluded from the asset carrying value amount under scope of regulatory capital adequacy calculation.

[4] Under capital adequacy calculation, the cash margins are calculated on a coverage basis (i.e. whichever is less of exposure value and cash margin) while in the financials they are reported on gross basis.

[5] Subordinated debt is considered tier 2 capital subject to amortization

31 December 2023

	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	As of period-end	As of period-end	
Assets	***AED'000***	***AED'000***	
Cash and balances with Central Bank[1]	2,154,666	6,805,696	
Due from banks	992,102	992,255	
Due from the Head Office and branches abroad	176,972	176,972	
Loans and advances[2]	11,219,339	12,426,959	
Other financial assets[1]	5,563,082	963,008	
Right-of-use assets	40,804	40,804	
Other Assets	568,065	566,477	
Deferred tax assets[3]	265,176	265,176	
Property and equipment	6,871	6,871	
Goodwill and other intangible assets	2,893	2,893	
Of which: goodwill	-	-	(a)
Of which: intangibles (excluding MSRs)	2,893	2,893	(b)
Of which: MSRs	-	-	(b)
Total assets	**20,989,970**	**22,247,111**	
Liabilities			
Due to banks	262,819	262,819	
Due to the Head Offices and branches abroad	25,161	25,161	
Customers' deposits	16,326,859	16,326,859	
Security deposits [4]	1,105,348	1,105,348	
Other liabilities	681,102	743,768	
Provisions [2]	35,817	1,230,292	

Lease Contracts Liability	34,658	34,658	
Subordinated loan [5]	-	-	
Current and deferred tax liabilities	223	223	
Total liabilities	**18,471,987**	**19,729,128**	
Shareholders' equity			
Paid-in share capital	620,704	620,704	
Of which: amount eligible for CET1	620,704	620,704	(c)
Of which: amount eligible for AT1	-	-	(d)
Retained earnings	1,450,080	1,450,080	
Statutory reserve	310,352	310,352	
Other reserves	23,000	23,000	
Impairment Reserve	112,954	112,954	
Accumulated other comprehensive income	893	893	
Total shareholders' equity	**2,517,983**	**2,517,983**	

[1]Classification of M-bills as other financial assets in the financial statements whereas under balances with central bank under regulatory capital adequacy calculation purposes.

[2] The main differences between the loans and advances' asset carrying value reported in the audited financial statements and regulatory reporting is due to netting of provisions and interest in suspense in the financial statements while the carrying amounts for regulatory purposes are reported on a gross basis before regulatory adjustments and exclude general provisions.

[3] Items which are subject to regulatory deductions from capital, such as intangible assets, deferred tax assets (subject to threshold deduction) which are excluded from the asset carrying value amount under scope of regulatory capital adequacy calculation.

[4] Under capital adequacy calculation, the cash margins are calculated on a coverage basis (i.e. whichever is less of exposure value and cash margin) while in the financials they are reported on gross basis.

[5] Subordinated debt is considered tier 2 capital subject to amortization

4. Main features of regulatory capital instruments

The summary of key characteristics of each instrument are in the below prescribed table:

	31 December 2024	**Share Capital**
		Quantitative / qualitative information
1	Issuer	**Arab Bank PLC - UAE Branches**
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
3	Governing law(s) of the instrument	UAE
	Regulatory treatment	
4	Transitional arrangement rules (i.e. grandfathering)	Common Equity Tier 1
5	Post-transitional arrangement rules (i.e. grandfathering)	Common Equity Tier 1
6	Eligible at solo/group/group and solo	Solo
7	Instrument type (types to be specified by each jurisdiction)	Share Capital
8	Amount recognised in regulatory capital (currency in millions, as of most recent reporting date)	AED 621 Mn
9	Nominal amount of instrument	AED 621 Mn
9a	Issue price	100
9b	Redemption price	100
10	Accounting classification	Shareholder's Equity
11	Original date of issuance	Various
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	Coupons / dividends	
17	Fixed or floating dividend/coupon	N/A
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
21	Existence of step-up or other incentive to redeem	No
22	Non-cumulative or cumulative	Non-cumulative

23	Convertible or non-convertible	Non-convertible
24	Write-down feature	None
25	If write-down, write-down trigger(s)	N/A
26	If write-down, full or partial	N/A
27	If write-down, permanent or temporary	N/A
28	If temporary write-own, description of write-up mechanism	N/A
28a	Type of subordination	N/A
29	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned).	Unsubordinated creditors
30	Non-compliant transitioned features	No
31	If yes, specify non-compliant features	N/A

5.Leverage Ratio

5.1 Summary comparison of accounting assets vs leverage ratio exposure

		31-Dec-2024	30-Sep-2024	30-Jun-2024	31-Mar-2024	31-Dec-2023
		AED'000	AED'000	AED'000	AED'000	AED'000
1	Total consolidated assets as per audited / interim reviewed financial statements	**22,797,888**	22,687,340	22,006,796	21,279,676	20,989,970
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	**57,282**	57,282	70,515	42,627	46,133
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)	**6,999,081**	6,835,758	6,654,055	6,016,050	5,888,686
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	**-**	-	-	-	-
12	Other adjustments	**88,509**	94,834	65,929	52,787	21,017
13	**Leverage ratio exposure measure**	**29,942,760**	29,675,214	28,797,295	27,391,140	26,945,806

Arab Bank UAE's leverage ratio remains comfortably above the 3% minimum requirement at 9.01% for Q4'24 (9.31% as of Q3'24).

5.2 Leverage ratio common disclosure template

		31-Dec-2024	30-Sep-2024	30-Jun-2024	31-Mar-2024	31-Dec-2023
On-balance sheet exposures		**AED'000**	AED'000	AED'000	AED'000	AED'000
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	**22,889,957**	22,785,896	22,083,461	21,354,128	21,038,933
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)	**(3,560)**	(3,722)	(10,737)	(21,665)	(27,945)
7	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)**	**22,886,397**	22,782,174	22,072,724	21,332,463	21,010,988
Derivative exposures						
8	Replacement cost associated with *all* derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	**13,182**	13,182	28,279	6,303	7,249
9	Add-on amounts for PFE associated with *all* derivatives transactions	**44,100**	44,100	42,236	36,324	38,884
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)**	**57,282**	57,282	70,515	42,627	46,133
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	**13,828,083**	13,760,079	12,803,751	12,187,121	11,365,248
20	(Adjustments for conversion to credit equivalent amounts)	**(6,829,002)**	(6,924,321)	(6,149,695)	(6,171,071)	(5,476,563)
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)**	**6,999,081**	6,835,758	6,654,056	6,016,050	5,888,685
Capital and total exposures						
23	**Tier 1 capital**	**2,696,988**	2,761,491	2,620,550	2,503,039	2,376,593
24	**Total exposures (sum of rows 7, 13, 18 and 22)**	**29,942,760**	29,675,214	28,797,295	27,391,140	26,945,806
Leverage ratio						
25	**Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)**	**9.01%**	9.31%	9.10%	9.14%	8.82%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	**9.01%**	9.31%	9.10%	9.14%	8.82%
26	CBUAE minimum leverage ratio requirement	**3%**	3%	3%	3%	3%
27	**Applicable leverage buffers**	**0%**	0%	0%	0%	0%

6. Liquidity

Liquidity risk Measurement

The bank uses several tools to measure liquidity risk in the balance sheet, in addition to the local liquidity tools required by CB-UAE. These metrics help management to plan and manage daily funding requirements and help to identify any behavioral and contractual mismatches in assets and liabilities that may expose the bank to roll risk. The metrics are:

1) **One Week and One Month Liquidity Ratios**: This represents net cash flows, including the counterbalancing capacity, as a percentage of liabilities. This is a measure of structural liquidity and can be an early warning of likely liquidity crisis.
2) **Cumulative Liquidity Gap Report by Currency**: This is a forward-looking model of inflows, outflows and available liquidity, which recognizes and predicts liquidity gaps on a behavioral and contractual basis. This model also identifies a liquidity horizon, which tells when the liquidity gap turns negative i.e. how long the bank can survive without incremental funding, given certain assumptions.
3) **Cumulative Contractual Liquidity Gap Model:** This model is similar to the abovementioned Cumulative Liquidity Gap Model except for the fact that the reported liquidity gaps are free of any assumptions, the products that have no maturity appear in a separate bucket and the counter-balancing buffer is reported separately. The tool gives insight on the actual liquidity gaps compared with the bank's liquidity buffer and assists Treasury in managing their intraday liquidity.
4) **Intergroup Borrowing and Lending**: This measure shows the net intercompany borrowing and lending position of the bank and measures the self-sustainability of the bank.
5) **Loan to Deposit Ratio:** The LTD is assessed at the aggregate and stand-alone basis in local and foreign currency to ensure that the bank has enough liquidity to cover any unforeseen funds requirements.
6) **Basel III Liquidity Ratios:** The Liquidity Coverage Ratio (LCR) is assessed based on Central Bank of Jordan (CBJ) on monthly basis, and Net Stable Funding Ratio (NSFR) is assessed according to draft CBJ guidelines on quarterly basis.
7) **Large Depositor Concentration**: Top ten depositors are defined as lenders or group of connected lenders to the bank.
8) **Stress Testing**: The impact of possible future liquidity stress scenarios are assessed on its cash flow, liquidity position and solvency. The liquidity stress testing methodology consists of hypothetical events inspired by the bank's own experience, regulatory requirements and external events of relevance to the bank's portfolio.
9) **Deposit Stickiness Analysis:** The bank has a methodology for analyzing the behavior of corporate and consumer clients on regular basis, which will lead to more accurate behavior cash flow assumption and assist in better liquidity risk management. Based on this methodology, deposits stickiness

assumptions were introduced at the local level in 2015 based on the historical analysis of deposits to reflect “business as usual” conditions. The analysis is based on Cash flow at Risk methodology at a 99% confidence level according to the below criteria:

a. **Deposit type**: Current Account, Saving Account, Time Deposit.
b. **Segment:** Retail and Corporate.
c. **Currency**: Local and Foreign currencies.
d. **Accounting area**: at the country level.
e. **Historical period**: two years daily data.
f. **Frequency:** daily, weekly, monthly, quarterly, semi annually and annual.

Liquidity Risk Monitoring

The local Middle Office reports the liquidity risk position to local management as well as to Global Treasury and Group Risk Management on daily basis using the standard liquidity risk reporting template which displays:

- The cumulative cash flow and liquidity position per time bucket
- The one week and one-month liquidity ratio
- One week and one-month liquidity ratio breaches, if any.

Furthermore, Global Treasury and Group Risk Management centrally monitor liquidity risk with the aim to identify trends, concentrations and other significant issues at the branch and group level.

Liquidity Risk Management

The liquidity risk limits for the bank are applied at the currency consolidated level (on- and off- balance sheet items and across all businesses). Limits are currently applied to:

- The one-week and one-month liquidity ratios,
- Intergroup Funding,
- Liquidity Coverage Ratio (LCR),
- Loan to Deposit Ratio.
- Interbank lending is subject to a maximum tenor of one month unless otherwise authorized by special approval from the Global Treasurer.
- The liquidity risk appetite is set by Group Risk Management in agreement with Global Treasury and it is approved by the Board of Directors on annual basis.

Liquidity Risk Mitigation

The bank has highly diversified and stable funding sources. In addition, the bank maintains a portfolio of liquid assets as a contingent funding source. These have been identified whether saleable or repo-able with an estimate of conservative haircuts and time needed to be liquefied. In addition, the bank has established strict guidelines for the provision of committed facilities. Moreover, the bank has a contingency Funding Plan (CFP), which is approved by HALCO and regularly updated on regular basis.

6.1 Eligible Liquid Assets Ratio

The following table presents the breakdown of the Bank's available high-quality liquid assets (HQLA), as measured and defined according to the CBUAE Liquidity Regulations.

The ratio remains comfortably above the minimum requirement of 10%

31st Dec 2024

AED'000

1	**High Quality Liquid Assets**	**Nominal amount**	**Eligible Liquid Asset**
1.1	Physical cash in hand at the bank + balances with the CBUAE	**7,307,910**	
1.2	UAE Federal Government Bonds and Sukuks	**814,308**	
	Sub Total (1.1 to 1.2)	**8,122,218**	**8,122,218**
1.3	UAE local governments publicly traded debt securities	**0**	
1.4	UAE Public sector publicly traded debt securities	**0**	
	Sub total (1.3 to 1.4)	**0**	**0**
1.5	Foreign Sovereign debt instruments or instruments issued by their respective central banks	**0**	**0**
1.6	**Total**	**8,122,218**	**8,122,218**
2	Total liabilities		**20,400,478**
3	**Eligible Liquid Assets Ratio (ELAR)**		**39.81%**

The above represents simple average of 3 monthly ELAR returns as submitted to CBUAE in Q4'24.

31st Dec 2023

AED'000

1	High Quality Liquid Assets	Nominal amount	Eligible Liquid Asset
1.1	Physical cash in hand at the bank + balances with the CBUAE	6,193,247	
1.2	UAE Federal Government Bonds and Sukuks	912,856	
	Sub Total (1.1 to 1.2)	7,106,103	7,106,103
1.3	UAE local governments publicly traded debt securities	-	
1.4	UAE Public sector publicly traded debt securities	-	
	Sub total (1.3 to 1.4)	-	-
1.5	Foreign Sovereign debt instruments or instruments issued by their respective central banks	-	-
1.6	Total	7,106,103	7,106,103
2	Total liabilities		18,699,678
3	Eligible Liquid Assets Ratio (ELAR)		38.00%

The above represents simple average of 3 monthly ELAR returns as submitted to CBUAE in Q4'23.

6.2 Advances to Stable Resources Ratio

The following table presents the breakdown of the Bank's Advances to Stable Resources Ratio (ASRR), as per the CBUAE Liquidity Regulations. The ratio remains comfortably below the maximum limit of 100%

		Items	31-Dec-2024	30-Sep-2024	30-Jun-2024	31-Mar-2024	31-Dec-2023
1		Computation of Advances	AED'000	AED'000	AED'000	AED'000	AED'000
	1.1	Net Lending (gross loans - specific and collective provisions + interest in suspense)	12,525,628	12,140,046	12,051,103	11,751,428	11,333,866
	1.2	Lending to non-banking financial institutions	-	-	-	-	-
	1.3	Net Financial Guarantees & Stand-by LC (issued - received)	819,719	817,365	813,156	820,448	808,680
	1.4	Interbank Placements	-	-	-	-	-
	1.5	Total Advances	13,345,347	12,957,411	12,864,259	12,571,876	12,142,546
2		Calculation of Net Stable Resources					
	2.1	Total capital + general provisions	3,129,423	3,018,721	2,881,494	2,761,387	2,633,068
		Deduct:					
	2.1.1	Goodwill and other intangible assets	3,560	3,722	4,252	3,730	2,893
	2.1.2	Fixed Assets	8,305	7,586	6,033	6,305	6,871
	2.1.3	Funds allocated to branches abroad	-	-	-	-	-
	2.1.5	Unquoted Investments	2,961	3,179	2,879	2,879	2,879
	2.1.6	Investment in subsidiaries, associates and affiliates	-	-	-	-	-
	2.1.7	Total deduction	14,826	14,487	13,164	12,914	12,643
	2.2	Net Free Capital Funds	3,114,597	3,004,234	2,868,330	2,748,473	2,620,425
	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	16,489,160	15,969,250	15,922,670	15,517,170	15,265,576
	2.3.6	Capital market funding/ term borrowings maturing after 6 months from reporting date	-	-	-	-	-
	2.3.7	Total other stable resources	16,489,160	15,969,250	15,922,670	15,517,170	15,265,576
	2.4	Total Stable Resources (2.2+2.3.7)	19,603,757	18,973,484	18,791,000	18,265,643	17,886,001
3		Advances TO STABLE RESOURCES RATIO (1.6/ 2.4*100)	68.08	68.29	68.46	68.83	67.89

7. Credit Risk

Credit Risk Measurement

- The main measure of Credit Risk is at the counterparty level where the exposure is measured in line with the bank's risk appetite at the industry and country levels as well as alignment with the credit standards applicable by the bank and detailed in the policies and procedures.
- All requests for credit facilities to new counterparties, or increases to facilities with existing counterparties, require the submission of a Credit Request (CR) via the Credit Department for approval.
- Borrower credit rating is an important aspect of credit risk assessment. It is a mandatory requirement by the Head Office to assign credit ratings for obligors by the business units. Such ratings are reviewed and approved by the Credit Department to ensure independence with a maker/checker process in place. In addition, and as part of Business Risk Review/Credit Risk Management process and the Credit Audit process, ratings are reassessed and checked on a sample basis.
- Arab Bank UAE is using Credit Lens to help support their lending processes. Credit Lens is a financial analysis and ratings platform that aggregates quantitative and qualitative information on individual obligors to obtain an assessment that can be used to determine a credit rating for each obligor.
- Group Risk Management centrally administers Credit Lens system at Head Office level and it is supported by Credit Group and CIB.
- The risk weights for each position are assigned in line with Central bank of UAE Basel III Regulations. This also covers the Credit Conversion Factors (CCF) of commitments and other off-balance sheet positions.
- In cases where combined (overlapped) limits are approved, these are treated as if they had the characteristics of the highest risk limit within the facility.
- Group IDs (Local and Global) are input on both the Customer Credit Report and the Core banking system enabling the MIS teams to pull aggregate group positions whether the group is local or global on funded and unfunded basis.
- All requests for consumer credit facilities to new customers require assessment by the consumer credit department under an approved credit policy framework and product programs.
- Arab Bank UAE in coordination with AB Group Head Office related departments (Finance, Risk and Credit) carried out the IFRS9 ECL Calculation based on AB Group IFRS9 Methodology, Processes and Corporate Governance, which was reviewed and approved by the Board of Directors. Moreover, the calculation and the results have been reviewed by our "AB UAE" external auditors and have shown no significant impact on overall capital and liquidity of the Branch.

- The assumptions considered while conducting the calculation are derived from the impairment requirements set in IFRS 9 accounting standard and Arab Bank group IFRS9 Methodology, processes and Corporate Governance. The calculation is done using reliable data where customer ratings and PDs were imported from Credit Lens; moreover, the management has applied multiple stress scenarios and assumptions.
- Arab Bank UAE enhanced its credit assessment process considering the IFRS 9 impairment stages and forward-looking Expected credit loss models.

Credit Risk Monitoring

- The credit risk monitoring process takes place during the on-boarding of the customer. The approved limits are documented by the credit administration unit, which is independent of the business and reports dually to the Head of Credit locally and the Global Head of Credit Admin at Head Office.
- The credit risk monitoring process first phase initially starts by the Documentation Unit who's responsible of ensuring the fulfilment with P&P, all approvals' terms, as well as supervising the preparation, review and custody of all required credit legal documentation.
- The documentation unit is responsible of confirming the completeness and validity of the credit package as well as the collateral values, existence and coverage. Subsequently; the preparation of all required Documents would take a place to proceed in the facilities renewal.
- Additionally, documentation team are controlling a share point to maintain a follow up procedure for all kind of exceptions in collaterals, securities and documents required by area management or Head office. This share point will also allow the team to assure full supervision of all credit documentation deferrals and expiries in full coordination with respective CIB and credit managers to mitigate any resulting risks.
- After that, the credit risk monitoring process proceeds to the second phase that is carried on in the Operations unit. The main responsibility of the unit is to review credit approvals as well as inputting and managing credit limits and approved terms and conditions in both the operating system and Trade finance system. In addition of managing the collateral recording system.
- The last phase of the credit risk monitoring process is ending in the Credit Monitoring & Reporting Unit, which will confirm post-approval compliance with guidelines, P&P, and terms of approval.
- Credit Monitoring & Reporting Unit is handling a following up process for all recurring excesses, significant past dues in limits, overdrawn accounts and Due CRs on a daily basis in addition to maintaining the data of UAE Central Bank Risk Bureau system through updating Arab Bank customer's facilities (Limit & Risk). This process will highlight to the RMs and area Managers any irregularities, negative account behavior or any other associated risk.
- Credit Monitoring & Reporting Unit is handling Data Quality development process, which will lead to accuracy in conducting all the daily, monthly, quarterly, semi-annual and annual reports to meet the requirements of H.O and Central Bank of Jordan and the Central Bank of UAE and all other departments and area needs.

- Credit Monitoring & Reporting Unit is fully responsible of reviewing all Cheques and bills discounting requests. This process initially starts with reviewing all Credit package in order to mitigate any associated risk. Once the request is approved, the unit develops data quality and monitoring system to follow up all transactions until the settlement.
- A quarterly "Portfolio" Credit Risk report and analysis is being conducted and presented to the Country Credit Committee (CCC) including discussions, recommendations and follow-ups on improvement and breaches issues. The final report with the CCC Minutes of meeting is submitted and shared with H.O. Credit and Risk Management Department. Moreover, other aggregate month end reports are generated by Group Risk Management (H.O.) on monthly basis showing the various country exposures by groups, rating, country of risk, product, industry etc. These are distributed to the CEO, Group Credit as well as all stakeholders within the bank with frequent compliance reporting and high-level portfolio reporting to the Risk Committee of the Board of Directors.

Credit Risk Management

- Credit risk is managed by the Credit Department and the Country Credit Committee, with delegated authorities based on a sliding scale with additional oversight by the Credit Risk Management department within Group Risk Management (H.O.).
- The decision-making process and the structure of the various Credit Committees at both AB-UAE and H.O. levels are governed by the Credit Policy Manual which is produced and maintained by Head Office and reviewed frequently.
- For some industries, industry studies, target markets and Risk Asset Acceptance Criteria (RAAC) are used to enhance financial analysis and improve credit risk management.
- The Consumer Banking portfolio of each product and sub product is being reviewed, analyzed and monitored on a monthly basis showing delinquency trends, vintage analysis and provisions using a proactive approach as an early detection technique for remedial.
- In addition to policy review and alignment in accordance with economic & political changes. A deviation assessment is an essential part of portfolio management through a monthly breakdown analysis of high deviation (type and the performance) under the deviation max ceiling per product, with the possibility of charging an additional pricing for some deviation cases covering the additional risk factors associated with the portfolio.
- As mentioned earlier within the Risk Appetite Statement and in line with regulatory initiatives in relation to Environmental Risks, Arab Bank has developed an Environmental and Social Risk Policy at Group Level. The policy defines Arab Bank's approach to Environmental and Social Risk and provides general guidelines on its management. It proposes the risk appetite, specifies industries to be avoided, and due diligence requirement for existing and new client exposure. It also defines the approach for stress testing, monitoring and reporting.
- The policy introduces a materiality categorization for potential Environmental and Social Risks (Categories A, B and C as illustrated in the policy document) and impacts that are based on the IFC's environmental and social categorization. Moreover, it is highlighted that Arab Bank will not engage in financing

activities or relationships that fall within category (A) above i.e., where there is evidence of significant damage to the environment. Examples: clearing of primary forests, illegal logging, construction or expansion of coal fired power plants. The policy is being followed by a number of process requirements intended to integrate the environmental risk assessment in the credit culture moving forward.

Credit Risk Mitigation

- The use of risk mitigates is currently determined on a case-by-case basis with regard to the underlying transaction. This is different from the consumer banking portfolio where economies of scale do exist and mitigates on a portfolio basis can be beneficial to both the bank and the customer.
- For corporate exposures, the main type of tangible collateral (as second way out) is cash deposits followed by real estate. As part of providing support to the credit exposures. We insist on having the personal / corporate guarantees of the owners where applicable.
- The bank has a collateral recording module that enables it as well to stress test the impact of economies downturn its portfolio in the future.
- Project finance is approved on a transaction-by-transaction basis with detailed due diligence performed prior to financing such project (i.e., Project's Feasibility, Project's Cash Flow, etc.). For contractors, project financing must be self-liquidating via either run off or pay back on the completion of the project.
- On the consumer side, we ensure that financed properties are mortgaged in our favor, financed cars are pledged, and in the case of most personal loans, we request salary transfer to the bank.
- According to the Credit Policy Manual (CPM), all tangible securities should be inspected at least once every other year.
- Real Estate property (as security) is appraised by an approved evaluator and is carried out once every other year for corporate exposures only. In case cash, stocks, shares and bonds are used as collateral, these are valued weekly or as often as necessary. This would be incorporated and highlighted in the Credit Recommendation (CR).
- All tangible, physical securities are to be insured with prime insurance companies acceptable to the bank and the bank's interest to be noted as loss payee. In the case of real estate property, insurance should cover at least fire accidents and earthquakes. Other types of insurance to be obtained as per local market practice and where necessary in consultation with the Insurance Division within Group Risk Management.
- In the event that the credit risk does not meet the Bank credit risk appetite and the Bank is unable to mitigate it, the Bank will decline the transaction or implement an exit strategy with existing counterparties.

Role of Senior Management

- The AB-UAE Management Credit Committee is the main approval authority in the country. It comprises the Area Manager, Head of Credit, Head of Corporate and Investment banking (CIB) in addition to credit, CIB and Financial Institutions/Project Finance staff (if required). The committee meets at least on a weekly basis and approvals take place in accordance with the delegated authority required by Head Office.
- CIB and Credit (at country level) reports to Head Office on a monthly basis regarding changes in the portfolio including any breaches of the Credit Policy Manual, updates on bad and doubtful accounts, and any other credit related issues which they wish and/ or required to be brought to the attention of Head Office.
- The Head of Credit at country level provides a summary report to the Country Management Committee and Local ALCO on a monthly basis covering the portfolio's composition, major movements, and changes in risk concentration. These reports are also shared and reviewed by Head Office through the Group Credit, CIB, and Group Risk Management.

Role of Head Office

- Head Office monitors credit risk at both Group and country levels in addition to the various Credit Committees based on delegated authorities, where for credits above $5 Million H.O. credit committees' approval is required.
- Borrower Credit Rating is an important aspect of credit risk assessment. It is a mandatory requirement by the Head Office to assign credit ratings for obligors by the business units. Such ratings are reviewed and approved by the Credit Department to ensure independence with a maker/checker process in place. In addition, and as part of Business Risk Review process and the Credit Audit process, ratings are reassessed and checked on a sample basis. Similarly, all credit organizational design, policies, procedures, processes and forms are provided and maintained by Head Office with regular checks to ensure compliance with all.
- All country specific changes to the Credit Policy Manual must be approved by Head Office.

7.1 Credit Quality of Assets

31 December 2024

	In AED'000	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[1]	795,815	12,443,875	665,913	580,487	85,426	12,573,777
2	Debt securities[2]	-	5,756,803	1,227	-	1,227	5,755,576
3	Off-balance sheet exposures[3]	84,487	15,207,004	48,072	43,364	4,708	15,243,419
4	**Total**	**880,302**	**33,407,682**	**715,212**	**623,851**	**91,361**	**33,572,772**

[1] This figure is net of interest received in advance

[2] This figure includes financial assets at amortized cost (including M-Bills from CBUAE)

[3] This figure includes trade finance (including irrevocable other commitments amounting to AED 1.2Bn), OTC derivatives, and excluding revocable other commitments.

7.2 Changes in stock of defaulted loans and debt securities

		31 Dec 2024	31 Dec 2023
		AED'000	**AED'000**
1	**Defaulted loans and debt securities at the end of the previous reporting period**	**1,124,234**	1,857,157
2	Loans and debt securities that have defaulted since the last reporting period	114,895	177,887
3	Returned to non-default status	-	-
4	Amounts written off	402,190	817,165
5	Other changes	(41,124)	(93,645)
6	**Defaulted loans and debt securities at the end of the reporting period (1+2-3-4±5)**	**795,815**	1,124,234

7.3 Additional disclosure related to the credit quality of assets

a) Qualitative disclosure (Definition of past due and impaired for accounting purpose):

The adoption of IFRS 9 has fundamentally changed the Banks loan loss impairment method by replacing IAS 39's incurred loss approach with a forward-looking ECL approach. From 1 January 2018, the Bank has been recording the allowance for expected credit losses for all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments. Equity instruments are not subject to impairment under IFRS 9.
The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL); unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss.

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Branch has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

The Branch calculates ECLs based on three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanism of the ECL calculations is outlined below and the key elements are, as follows:

PD The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period.

EAD The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected draw downs on committed facilities, and accrued interest from missed payments.

LGD The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

When estimating the ECLs, the Branch considers three scenarios (a base case, an upside and a downside). Each of these is associated with different PDs, EADs and LGDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

Significant increase in credit risk (SICR):

To assess whether the credit risk on a financial asset has increased significantly since origination, the Bank compares the risk of default occurring over the expected life of the financial asset at the reporting date to the corresponding risk of default at origination, using key risk indicators that are used in the Bank's existing risk management processes

The mechanisms of the ECL method are summarized below:

Stage 1: The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Branch calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the three scenarios, as explained above.

Stage 2: When a financial asset has shown a significant increase in credit risk since origination, the Branch records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

Stage 3: For financial assets which are considered credit-impaired, the Branch recognizes the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100% and with higher LGD than the first two stages.

Loan commitments and letter of credit When estimating LTECLs for undrawn loan commitments, the Branch estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability-weighting of the three scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.

Financial guarantee contracts The Branch's liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognized in the consolidated statement of income, and the ECL provision. For this purpose, the Branch estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The calculation is made using a probability-weighting of the three scenarios. The ECLs related to financial guarantee contracts are recognized within other liabilities.

The definition of default used in the measurement of expected credit losses and the assessment to determine movement between stages is consistent with the definition of default used for internal credit risk management purposes. IFRS 9 does not define default, but contains a rebuttable presumption that default has occurred when an exposure is greater than 90 days past due.

b) Quantitative Disclosures

i. Gross Credit Exposure by Currency type:

31 December 2024

In AED'000	**Loans**	**Debt Securities[1]**	**Total funded**	**Other Commitments[2]**	**OTC Derivatives**	**Other Off-Balance sheet exposures[3]**	**Total Non-Funded**	**Total**
FC	2,317,431	666,893	**2,984,324**	-	2,154,987	2,759,913	**4,914,900**	**7,899,224**
AED	10,922,259	5,089,910	**16,012,169**	1,249,584	1,951,512	7,175,495	**10,376,591**	**26,388,760**
Total	**13,239,690**	**5,756,803**	**18,996,493**	**1,249,584**	**4,106,499**	**9,935,408**	**15,291,491**	**34,287,984**

[1] This figure includes financial assets at amortized cost (including M-Bills from CBUAE)

[2]AED 1.2Bn represents the total irrevocable commitment out of the AED 4.4Bn other commitments

[3] This figure includes trade finance and acceptances and excludes the revocable other commitments

31 December 2023

In AED'000	Loans	Debt Securities[1]	Total funded	Other Commitments[2]	OTC Derivatives	Other Off-Balance sheet exposures	Total Non-Funded	Total
FC	1,919,226	960,128	2,879,354	-	1,704,052	2,463,743	4,167,795	7,047,149
AED	10,477,713	4,601,277	15,078,990	762,765	1,306,271	5,619,104	7,688,140	22,767,130
Total	12,396,939	5,561,405	17,958,344	762,765	3,010,323	8,082,847	11,855,935	29,814,279

[1] This figure includes financial assets at amortized cost (including M-Bills from CBUAE)

[2]AED 763Mn represents the total irrevocable commitment out of the AED 3.7Bn other commitments

[3] This figure includes trade finance and acceptances and excludes the revocable other commitments

ii. Gross Credit Exposure by Geography type:

31 December 2024

In AED'000

Geographic distribution	Loans	Debt Securities[1]	Total funded	Other Commitments[2]	OTC Derivatives	Other Off-Balance sheet exposures[3]	Total Non-Funded	Total
UAE	13,077,276	5,544,057	**18,621,333**	1,249,584	1,080,209	9,290,286	**11,620,080**	**30,241,413**
GCC excluding UAE	20,228	110,175	**130,403**	-	2,871,008	59,934	**2,930,942**	**3,061,345**
Arab League (excluding GCC)	142,186	-	**142,186**	-	155,282	55,172	**210,454**	**352,640**
Asia	-	102,571	**102,571**	-	-	354,865	**354,865**	**457,436**
Africa	-	-	**-**	-	-	-	**-**	**-**
North America	-	-	**-**	-	-	40,967	**40,967**	**40,967**
South America	-	-	**-**	-	-	-	**-**	**-**
Caribbean	-	-	**-**	-	-	-	**-**	**-**
Europe	-	-	**-**	-	-	134,177	**134,177**	**134,177**
Australia	-	-	**-**	-	-	6	**6**	**6**
Others	-	-	**-**	-	-	-	**-**	**-**
Total	**13,239,690**	**5,756,803**	**18,996,493**	**1,249,584**	**4,106,499**	**9,935,408**	**15,291,492**	**34,287,985**

[1] This figure includes financial assets at amortized cost (including M-Bills from CBUAE)

[2] AED 1.2Bn represents the total irrevocable commitment out of the AED 4.4Bn other commitments

[3] This figure includes trade finance and acceptances and excludes the revocable other commitments

ii. Gross Credit Exposure by Geography type (continued):

31 December 2023

In AED'000

Geographic distribution	Loans	Debt Securities[1]	Total funded	Other Commitments[2]	OTC Derivatives	Other Off-Balance sheet exposures	Total Non-Funded	Total
UAE	12,338,960	5,098,494	17,437,454	762,765	866,655	7,416,351	9,045,771	26,483,225
GCC excluding UAE	21,847	294,349	316,196	-	2,117,779	56,482	2,174,261	2,490,457
Arab League (excluding GCC)	36,132	-	36,132	-	25,889	49,007	74,896	111,028
Asia	-	168,562	168,562	-	-	386,816	386,816	555,378
Africa	-	-	-	-	-	-	-	-
North America	-	-	-	-	-	47,950	47,950	47,950
South America	-	-	-	-	-	-	-	-
Caribbean	-	-	-	-	-	-	-	-
Europe	-	-	-	-	-	123,737	123,737	123,737
Australia	-	-	-	-	-	6	6	6
Others	-	-	-	-	-	2,500	2,500	2,500
Total	12,396,939	5,561,405	17,958,344	762,765	3,010,323	8,082,847	11,855,935	29,814,279

[1] This figure includes financial assets at amortized cost (including M-Bills from CBUAE)

[2] AED 763Mn represents the total irrevocable commitment out of the AED 3.7Bn other commitments

[3] This figure includes trade finance and acceptances and excludes the revocable other commitments

iii. Gross Credit Exposure by Industry type:

31 December 2024

Industry Segment In AED'000	Loans	Debt Securities[1]	Total funded	Other Commitments[2]	OTC Derivatives	Other Off-Balance sheet exposures[3]	Total Non-Funded	Total
Crude Oil, Gas, Mining & Quarrying	319,677	186,196	**505,873**	-	32,574	536,416	**568,990**	**1,074,863**
Manufacturing	1,557,663	-	**1,557,663**	77,123	308,122	1,121,506	**1,506,751**	**3,064,414**
Electricity & Water	787,175	-	**787,175**	-	-	311,690	**311,690**	**1,098,865**
Construction	1,041,027	-	**1,041,027**	375,662	-	5,295,809	**5,671,471**	**6,712,498**
Real Estate	885,603	-	**885,603**	32,877	-	6,496	**39,373**	**924,976**
Trade	2,638,541	-	**2,638,541**	250,250	632,840	1,262,335	**2,145,425**	**4,783,966**
Transport, Storage, Communication	991,879	-	**991,879**	245,219	61,375	81,853	**388,447**	**1,380,326**
Financial Institutions	324,757	462,335	**787,092**	-	3,066,680	-	**3,066,680**	**3,853,772**
Services	1,475,861	-	**1,475,861**	268,453	4,909	1,319,303	**1,592,665**	**3,068,526**
Government	725,000	5,108,272	**5,833,272**	-	-	-	**-**	**5,833,272**
Retail/Consumer banking	2,492,507	-	**2,492,507**	-	-	-	**-**	**2,492,507**
All Others	-	-	**-**	-	-	-	**-**	**-**
Total	**13,239,690**	**5,756,803**	**18,996,493**	**1,249,584**	**4,106,499**	**9,935,408**	**15,291,491**	**34,287,984**

[1] This figure includes financial assets at amortized cost (including M-Bills from CBUAE)

[2] AED 1.2Bn represents the total irrevocable commitment out of the AED 4.4Bn other commitments

[3] This figure includes trade finance and acceptances and excludes the revocable other commitments

31 December 2023

Industry Segment In AED'000	Loans	Debt Securities[1]	Total funded	Other Commitments[2]	OTC Derivatives	Other Off-Balance sheet exposures	Total Non-Funded	Total
Crude Oil, Gas, Mining & Quarrying	130,296	110,175	240,471	104,586	-	266,717	371,303	611,774
Manufacturing	1,694,136	-	1,694,136	53,054	427,500	625,306	1,105,860	2,799,996
Electricity & Water	713,252	-	713,252	-	-	312,535	312,535	1,025,787
Construction	1,214,276	-	1,214,276	386,000	-	4,070,860	4,456,860	5,671,136
Real Estate	882,361	-	882,361	80,365	-	9,536	89,901	972,262
Trade	1,867,346	-	1,867,346	95,930	345,142	1,240,473	1,681,545	3,548,891
Transport, Storage, Communication	723,186	-	723,186	-	-	84,495	84,495	807,681
Financial Institutions	223,122	831,590	1,054,712	-	2,237,681	-	2,237,681	3,292,393
Services	1,732,120	-	1,732,120	42,830	-	1,472,925	1,515,755	3,247,875
Government	1,122,619	4,619,640	5,742,259	-	-	-	-	5,742,259
Retail/Consumer banking	2,094,225	-	2,094,225	-	-	-	-	2,094,225
All Others	-	-	-	-	-	-	-	-
Total	12,396,939	5,561,405	17,958,344	762,765	3,010,323	8,082,847	11,855,935	29,814,279

[1] This figure includes financial assets at amortized cost (including M-Bills from CBUAE)

[2] AED 763Mn represents the total irrevocable commitment out of the AED 3.7Bn other commitments

[3] This figure includes trade finance and acceptances and excludes the revocable other commitments

Gross Credit Exposure by residual contractual maturity:

31 December 2024

In AED'000

Residual Contractual Maturity	Loans	Debt Securities[1]	Total funded	Other Commitments[2]	OTC Derivatives	Other Off-Balance sheet exposures[3]	Total Non-Funded	Total
Less than 3 months	4,675,824	1,278,710	**5,954,534**	69,000	1,657,864	5,326,052	**7,052,916**	**13,007,450**
3 months to one year	2,322,005	3,931,575	**6,253,580**	319,000	1,031,144	2,170,071	**3,520,215**	**9,773,795**
One to five years	3,633,097	473,068	**4,106,165**	861,584	1,270,591	2,406,840	**4,539,015**	**8,645,180**
Over five years	2,608,764	73,450	**2,682,214**	-	146,900	32,445	**179,345**	**2,861,559**
Total	**13,239,690**	**5,756,803**	**18,996,493**	**1,249,584**	**4,106,499**	**9,935,408**	**15,291,491**	**34,287,984**

[1] This figure includes financial assets at amortized cost (including M-Bills from CBUAE)

[2]AED 1.2Bn represents the total irrevocable commitment out of the AED 4.4Bn other commitments

[3] This figure includes trade finance and acceptances and excludes the revocable other commitments

31 December 2023

In AED'000

Residual Contractual Maturity	Loans	Debt Securities[1]	Total funded	Other Commitments[2]	OTC Derivatives	Other Off-Balance sheet exposures	Total Non-Funded	Total
Less than 3 months	5,815,704	2,008,962	7,824,666	11,816	1,182,259	4,618,655	5,812,730	13,637,396
3 months to one year	1,444,712	2,564,703	4,009,415	292,762	237,716	1,736,404	2,266,882	6,276,297
One to five years	3,073,173	914,290	3,987,463	458,187	1,443,448	1,705,844	3,607,479	7,594,942
Over five years	2,063,350	73,450	2,136,800	-	146,900	21,944	168,844	2,305,644
Total	12,396,939	5,561,405	17,958,344	762,765	3,010,323	8,082,847	11,855,935	29,814,279

[1] This figure includes financial assets at amortized cost (including M-Bills from CBUAE)

[2]AED 763Mn represents the total irrevocable commitment out of the AED 3.7Bn other commitments

[3] This figure includes trade finance and acceptances and excludes the revocable other commitments

iii. Impaired loans by industry type:

31 December 2024

In AED'000

				[A]			[B]		[C]			[D]	[E]=A-B-C-D
Industry Segment	**Current^**	**Overdue^**			**Total Loans**	**Provision**				**Adjustment**		**Interest in Suspense**	**Net Overdue Assets**
		Less than 90 days	**90 days and above**	**Total**		**General* [Current]**	**General* [Overdue < 90 days]**	**Total General***	**Specific****	**Write Offs*****	**Write Backs*****		
Crude Oil, Gas, Mining & Quarrying	319,677	-	-	**-**	**319,677**	474	2,539	**3,013**	**-**	-	-	**-**	**(2,539)**
Manufacturing	1,497,120	2,380	58,163	**60,543**	**1,557,663**	3,208	4,005	**7,213**	**32,079**	13,620	21	**3,790**	**20,669**
Electricity & Water	787,175	-	-	**-**	**787,175**	4,958	-	**4,958**	**-**	-	-	**-**	**-**
Construction	614,451	12,989	413,587	**426,576**	**1,041,027**	613	1,548	**2,161**	**351,101**	360	26,507	**50,011**	**23,916**
Real estate	871,542	743	13,318	**14,061**	**885,603**	710	943	**1,653**	**10,044**	-	1,978	**3,274**	**(200)**
Trade	2,555,290	1,510	81,741	**83,251**	**2,638,541**	3,176	410	**3,586**	**53,537**	38,306	66	**26,674**	**2,630**
Transport, Storage, Communication	895,787	2,938	93,154	**96,092**	**991,879**	2,730	40,000	**42,730**	**52,248**	-	1,202	**39,439**	**(35,595)**
Financial Institutions	324,757	-	-	**-**	**324,757**	-	-	**-**	**-**	-	-	**-**	**-**
General Services	1,455,673	5,263	14,925	**20,188**	**1,475,861**	5,534	50	**5,584**	**9,331**	349,308	-	**155**	**10,652**
Government	725,000	-	-	**-**	**725,000**	-	-	**-**	**-**	-	-	**-**	**-**
Retail/Consumer banking	2,241,725	128,387	122,395	**250,782**	**2,492,507**	7,613	6,916	**14,529**	**72,147**	593	17,858	**44,599**	**127,120**
All Others	-	-	-	**-**	**-**	-	-	**-**	**-**	-	-	**-**	**-**
Total	**12,288,197**	**154,210**	**797,283**	**951,493**	**13,239,690**	**29,016**	**56,411**	**85,427**	**580,487**	**402,187**	**47,632**	**167,942**	**146,653**

*** General provisions represent Stage 1 and Stage 2 Expected Credit Loss ('ECL') segregated for current and less than 90 days overdue.**

**** Specific provisions represent Stage 3 Expected Credit Loss ('ECL') (i.e. 90 days and above)**

***** Write-offs and write-backs include both provisions and interest in suspense amounts.**

^ Gross of interest in suspense

v. Impaired loans by industry type (continued):

31 December 2023

In AED'000				[A]			[B]		[C]			[D]	[E]=A-B-C-D
Industry Segment	Current^	Overdue^			Total Loans	Provision				Adjustment		Interest in Suspense	Net Overdue Assets
		Less than 90 days	90 days and above	Total		General* [Current]	General* [Overdue < 90 days]	Total General*	Specific**	Write Offs***	Write Backs***		
Crude Oil, Gas, Mining & Quarrying	130,296	-	-	-	130,296	516	2,521	3,037	-	14,404	-	-	(2,521)
Manufacturing	1,679,961	-	14,175	14,175	1,694,136	4,420	30,370	34,790	12,191	223,015	8,693	1,985	(30,371)
Electricity & Water	713,252	-	-	-	713,252	3,001	-	3,001	-	-	-	-	-
Construction	751,200	24,204	438,872	463,076	1,214,276	3,697	391	4,088	349,597	209,916	11	49,905	63,183
Real estate	867,795	168	14,398	14,566	882,361	622	726	1,348	12,022	-	4,815	404	1,414
Trade	1,756,120	1,620	109,606	111,226	1,867,346	3,561	-	3,561	73,353	150,553	23,948	27,064	10,809
Transport, Storage, Communication	629,014	1,270	92,902	94,172	723,186	2,248	40,000	42,248	53,451	43,055	32,378	39,439	(38,718)
Financial Institutions	223,122	-	-	-	223,122	-	-	-	-	-	-	-	-
General Services	1,382,363	445	349,312	349,757	1,732,120	2,649	4,005	6,654	283,446	122,067	209	65,868	(3,469)
Government	1,122,619	-	-	-	1,122,619	39	-	39	-	-	-	-	-
Retail/Consumer banking	1,819,550	169,706	104,969	274,675	2,094,225	5,778	5,081	10,859	62,914	54,070	8,440	36,336	170,344
All Others	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	11,075,292	197,413	1,124,234	1,321,647	12,396,939	26,531	83,094	109,625	846,974	817,080	78,494	221,001	170,671

*** General provisions represent Stage 1 and Stage 2 Expected Credit Loss ('ECL') segregated for current and less than 90 days overdue.**
**** Specific provisions represent Stage 3 Expected Credit Loss ('ECL') (i.e. 90 days and above)**
***** Write-offs and write-backs include both provisions and interest in suspense amounts.**
^ Gross of interest in suspense

vi. Impaired loans by Geography:

The below table illustrates the impaired loans by geography:

31 December 2024

In AED'000

Geographic distribution	Current^	Overdue			Total Loans	Provision				Adjustment		IIS	Net Overdue Assets
		Less than 90 days	90 days and above	Total		General* [Current]	General* [Overdue < 90 days]	Total General*	Specific**	Write Offs***	Write Backs***		
UAE	12,125,783	154,210	797,283	**951,493**	**13,077,276**	28,935	56,411	**85,346**	**580,487**	402,187	47,632	**167,942**	**146,653**
GCC excluding UAE	20,228	-	-	**-**	**20,228**	49	-	**49**	**-**	-	-	**-**	**-**
Arab League (excluding GCC)	142,186	-	-	**-**	**142,186**	32	-	**32**	**-**	-	-	**-**	**-**
Asia	-	-	-	**-**	**-**	-	-	**-**	**-**	-	-	**-**	**-**
Africa	-	-	-	**-**	**-**	-	-	**-**	**-**	-	-	**-**	**-**
North America	-	-	-	**-**	**-**	-	-	**-**	**-**	-	-	**-**	**-**
South America	-	-	-	**-**	**-**	-	-	**-**	**-**	-	-	**-**	**-**
Caribbean	-	-	-	**-**	**-**	-	-	**-**	**-**	-	-	**-**	**-**
Europe	-	-	-	**-**	**-**	-	-	**-**	**-**	-	-	**-**	**-**
Australia	-	-	-	**-**	**-**	-	-	**-**	**-**	-	-	**-**	**-**
Others	-	-	-	**-**	**-**	-	-	**-**	**-**	-	-	**-**	**-**
Total	**12,288,197**	**154,210**	**797,283**	**951,493**	**13,239,690**	**29,016**	**56,411**	**85,427**	**580,487**	**402,187**	**47,632**	**167,942**	**146,653**

*** General provisions represent Stage 1 and Stage 2 Expected Credit Loss ('ECL') segregated for current and less than 90 days overdue.**
**** Specific provisions represent Stage 3 Expected Credit Loss ('ECL') (i.e. 90 days and above)**
***** Write-offs and write-backs include both provisions and interest in suspense amounts.**
^ Gross of interest in suspense.

vi. Impaired loans by Geography (continued):

The below table illustrates the impaired loans by geography:

31 December 2023

In AED'000

Geographic distribution	Current ^	Overdue ^			Total Loans	Provision				Adjustment		Interest in Suspense	Net Overdue Assets
		Less than 90 days	90 days and above	Total		General* [Current]	General* [Overdue < 90 days]	Total General*	Specific**	Write Offs***	Write Backs***		
UAE	11,017,313	197,413	1,124,234	1,321,647	12,338,960	26,485	83,094	109,625	846,974	817,080	78,448	221,001	170,671
GCC excluding UAE	21,847	-	-	-	21,847	46	-	-	-	-	46	-	-
Arab League (excluding GCC)	36,132	-	-	-	36,132	-	-	-	-	-	-	-	-
Asia	-	-	-	-	-	-	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-
North America	-	-	-	-	-	-	-	-	-	-	-	-	-
South America	-	-	-	-	-	-	-	-	-	-	-	-	-
Caribbean	-	-	-	-	-	-	-	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-
Australia	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	11,075,292	197,413	1,124,234	1,321,647	12,396,939	26,531	83,094	109,625	846,974	817,080	78,494	221,001	170,671

* General provisions represent Stage 1 and Stage 2 Expected Credit Loss ('ECL') segregated for current and less than 90 days overdue.
** Specific provisions represent Stage 3 Expected Credit Loss ('ECL') (i.e. 90 days and above)
*** Write-offs and write-backs include both provisions and interest in suspense amounts.
^ Gross of interest in suspense.

vii. Reconciliation of changes in provision for impaired loans:

Refer to note 11 (h) and (i) to the consolidated financial statement for the year ended 31st December 2024 & note 11 (g) and (h) to the consolidated financial statement for the year ended 31st December 2023 under Loans & Advances, Net for the movement of the allowance in impairment for more details.

		2024	2023
Description		**AED'000**	AED'000
Opening balance of provision for impaired loans		**956,599**	1,577,671
Charge for the year			
Add:	Specific provision	**65,846**	67,473
Add:	General Provision	**15,367**	41,455
Less:	Write-off of impaired loans	**(323,101)**	(645,314)
Less:	Write-off of impaired loans to income statement	**-**	-
Less:	Recovery of loan loss provision (Specific)	**(39,032)**	(71,783)
Less:	Recovery of previously written off to income statement	**-**	-
Less:	Write-back of provision for loans (General provision)	**(9,766)**	(12,903)
Less:	Adjustment of loan loss provision	**-**	-
Closing balances of provision for impaired loans		**665,913**	956,599

7.4 Credit risk mitigation techniques - overview

- Overview of net exposure after CRM:

31 December 2024

Quantitative disclosure		**Exposure**	**Risk Weighted Assets**
In AED'000			
	Gross exposure prior to Credit Risk Mitigation	**37,657,495**	**18,315,260**
Less	**Exposure covered by on-balance sheet netting**	**-**	**-**
Less	**Exposure covered by eligible financial collateral**	**973,164**	**973,164**
Less	**Exposure covered by guarantees**	**18,138**	**9,069**
Less	**Exposure covered by Credit Derivative**	**-**	**-**
Net exposure after Credit Risk Mitigation		**36,666,194**	**17,333,027**

31 December 2023

Quantitative disclosure		Exposure	Risk Weighted Assets
In AED'000			
	Gross exposure prior to Credit Risk Mitigation	33,633,436	16,089,125
Less	Exposure covered by on-balance sheet netting	-	-
Less	exposure covered by eligible financial collateral	876,931	876,931
Less	Exposure covered by guarantees	19,173	9,587
Less	Exposure covered by Credit Derivative	-	-
Net exposure after Credit Risk Mitigation		32,737,333	15,202,607

- Below is an illustration of CRM distribution by collateral type:

31 December 2024

	In AED'000	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[1]	**12,240,019**	**990,842**	**387,658**	**8,829**	**8,829**	**-**	**-**
2	Debt securities[2]	**5,756,803**	**-**	**-**	**-**	**-**	**-**	**-**
3	**Total**	**17,996,822**	**990,842**	**387,658**	**8,829**	**8,829**	**-**	**-**
4	Of which defaulted	**795,815**	**-**	**-**	**-**	**-**	**-**	**-**

[1] This figure is net of interest received in advance

[2] This figure includes financial assets at amortized cost (including M-Bills from CBUAE)

7.5 Qualitative disclosures on banks' use of external credit ratings under the SA for credit risk

i. Gross credit exposure as per Standardized Approach:

The standardised approach requires banks to use risk assessments prepared by ECAIs to determine the risk weightings applied to rated counterparties. As advised by CBUAE; Moody's Investor Service (Moody's), Standard and Poor's rating agency (S&P) and Fitch ratings (Fitch) have been used for ratings purpose.

If there is only one rating, that rating is used to determine the risk weight of the exposure. If there are two ratings that map to different risk weights, the higher risk weight is applied.

If there are three ratings with different risk weights, the ratings corresponding to the two lowest risk weights is referred to. If these give rise to the same risk weight, that risk weight is applied. If different, the higher risk weight is applied

The below schedule illustrates the credit risk profile of Exposures Not Subject to deduction by counterparty classifications, rated/ unrated:

31 December 2024

In AED'000

Assets	Exposure not subject to deduction				
	Rated	Unrated	Total	Post CRM	RWA Post CRM
CLAIMS ON SOVEREIGNS	8,696,827	-	8,696,827	8,696,827	-
CLAIMS ON PUBLIC SECTOR ENTERPRISES (PSEs) including (GRE)	432,183	762,640	1,194,823	1,194,823	610,543
CLAIMS ON MULTI LATERAL DEVELOPMENT BANKS	-	-	-	-	-
CLAIMS ON BANKS	2,212,772	-	2,212,772	2,212,772	1,089,928
CLAIMS ON SECURITIES FIRMS	-	-	-	-	-
CLAIMS ON CORPORATES	250,047	19,538,434	19,788,481	19,788,481	12,211,012
CLAIMS INCLUDED IN THE REGULATORY RETAIL PORTFOLIO	601,062	-	601,062	601,062	396,889
CLAIMS SECURED BY RESIDENTIAL PROPERTY	1,770,018	-	1,770,018	1,770,018	747,225
CLAIMS SECURED BY COMMERCIAL REAL ESTATE	1,456,467	-	1,456,467	1,456,467	1,430,647
PAST DUE LOANS	88,651	-	88,651	88,651	87,602
HIGHER-RISK CATEGORIES	2,466	-	2,466	2,466	3,699
OTHER ASSETS	1,054,137	-	1,054,137	1,054,137	699,844
CREDIT DERIVATIVES (Banks Selling protection)	-	-	-	-	-
Total	**16,564,630**	**20,301,074**	**36,865,703**	**36,865,703**	**17,277,390**

The below schedule illustrates the credit risk profile of Exposures Subject to deduction by counterparty classifications, rated/ unrated:

In AED'000

Assets	Exposure subject to deduction				
	Rated	Unrated	Total	Post CRM	RWA Post CRM
CLAIMS ON SOVEREIGNS	-	-	-	-	-
CLAIMS ON PUBLIC SECTOR ENTERPRISES (PSEs) including (GRE)	-	-	-	-	-
CLAIMS ON MULTI LATERAL DEVELOPMENT BANKS	-	-	-	-	-
CLAIMS ON BANKS	-	-	-	-	-
CLAIMS ON SECURITIES FIRMS	-	-	-	-	-
CLAIMS ON CORPORATES	-	-	-	-	-
CLAIMS INCLUDED IN THE REGULATORY RETAIL PORTFOLIO	-	-	-	-	-
CLAIMS SECURED BY RESIDENTIAL PROPERTY	-	-	-	-	-
CLAIMS SECURED BY COMMERCIAL REAL ESTATE	-	-	-	-	-
PAST DUE LOANS	-	-	-	-	-
HIGHER-RISK CATEGORIES	-	-	-	-	-
OTHER ASSETS	-	-	-	-	-
CREDIT DERIVATIVES (Banks Selling protection)	-	-	-	-	-
Total	-	-	-	-	-

i. Gross credit exposure as per Standardized Approach (continued):

The below schedule illustrates the Credit risk profile of gross credit exposure by counterparty classifications, rated/ unrated:

31 December 2023

In AED'000

Assets	Exposure not subject to deduction				
	Rated	Unrated	Total	Post CRM	RWA Post CRM
CLAIMS ON SOVEREIGNS	7,447,410	-	7,447,410	7,447,410	-
CLAIMS ON PUBLIC SECTOR ENTERPRISES (PSEs) including (GRE)	509,937	377,457	887,394	887,394	301,280
CLAIMS ON MULTI LATERAL DEVELOPMENT BANKS	-	-	-	-	-
CLAIMS ON BANKS	3,176,131	-	3,176,131	3,176,131	1,352,225
CLAIMS ON SECURITIES FIRMS	-	-	-	-	-
CLAIMS ON CORPORATES	294,851	16,367,416	16,662,267	16,662,267	10,412,011
CLAIMS INCLUDED IN THE REGULATORY RETAIL PORTFOLIO	580,355	-	580,355	580,355	361,559
CLAIMS SECURED BY RESIDENTIAL PROPERTY	1,409,968	-	1,409,968	1,409,968	564,387
CLAIMS SECURED BY COMMERCIAL REAL ESTATE	1,318,134	-	1,318,134	1,318,134	1,290,280
PAST DUE LOANS	100,371	-	100,371	100,371	99,231
HIGHER-RISK CATEGORIES	1,684	-	1,684	1,684	2,526
OTHER ASSETS	931,578	-	931,578	931,578	774,124
CREDIT DERIVATIVES (Banks Selling protection)	-	-	-	-	-
Total	15,770,418	16,744,873	32,515,291	32,515,291	15,157,622

The below schedule illustrates the credit risk profile of Exposures Subject to deduction by counterparty classifications, rated/ unrated:

In AED'000

Assets	Exposure subject to deduction				
	Rated	Unrated	Total	Post CRM	RWA Post CRM
CLAIMS ON SOVEREIGNS	-	-	-	-	-
CLAIMS ON PUBLIC SECTOR ENTERPRISES (PSEs) including (GRE)	-	-	-	-	-
CLAIMS ON MULTI LATERAL DEVELOPMENT BANKS	-	-	-	-	-
CLAIMS ON BANKS	-	-	-	-	-
CLAIMS ON SECURITIES FIRMS	-	-	-	-	-
CLAIMS ON CORPORATES	-	-	-	-	-
CLAIMS INCLUDED IN THE REGULATORY RETAIL PORTFOLIO	-	-	-	-	-
CLAIMS SECURED BY RESIDENTIAL PROPERTY	-	-	-	-	-
CLAIMS SECURED BY COMMERCIAL REAL ESTATE	-	-	-	-	-
PAST DUE LOANS	-	-	-	-	-
HIGHER-RISK CATEGORIES	-	-	-	-	-
OTHER ASSETS	25,051	-	25,051	25,051	62,627
CREDIT DERIVATIVES (Banks Selling protection)	-	-	-	-	-
Total	25,051	-	25,051	25,051	62,627

ii. Recognition of External Credit Assessment Institutions (ECAI)

The standardised approach requires banks to use risk assessments prepared by ECAIs to determine the risk weightings applied to rated counterparties. As advised by CBUAE.

If there is only one rating, that rating is used to determine the risk weight of the exposure. If there are two ratings that map to different risk weights, the higher risk weight is applied.

If there are three ratings with different risk weights, the ratings corresponding to the two lowest risk weights is referred to. If these give rise to the same risk weight, that risk weight is applied. If different, the higher risk weight is applied.

ECAIs risk assessments are used within the Group as part of the determination of risk weightings for the following classes of exposure:

- Sovereigns
- Public Sector Enterprises
- Banks
- Corporates

All other exposure classes are assigned risk weightings as prescribed in the CBUAE standards.

AB-UAE's financial assets by external ratings (excluding derivatives) as at 31 Dec 2024:

	31 December 2024						
	Cash balances with Central Banks and due from banks	**Loans and advances to customers**	**Fair value through profit or loss**	**Fair value through OCI**	**Financial assets at amortised cost**	**Guarantees, letters of credit and unused credit facilities**	**Total**
	AED'000	**AED'000**	**AED'000**	**AED'000**	**AED'000**	**AED'000**	**AED'000**
Stage 1							
AAA to AA-	**3,018,640**	**413,820**	**-**	**-**	**5,192,598**	**2,372**	**8,627,430**
A+ to A-	**199,040**	**-**	**-**	**-**	**488,184**	**411,476**	**1,098,700**
BBB+ to B-	**468,242**	**1,009,489**	**-**	**-**	**76,021**	**104,069**	**1,657,821**
Below B-	**-**	**-**	**-**	**-**	**-**	**6,343**	**6,343**
Unrated	**14,482**	**10,579,422**	**-**	**2,961**	**-**	**12,971,150**	**23,568,015**
	3,700,404	**12,002,731**	**-**	**2,961**	**5,756,803**	**13,495,410**	**34,958,309**
Stage 2							
AAA to AA-	-	-	-	-	-	-	-
A+ to A-	-	-	-	-	-	-	-
BBB+ to B-	-	-	-	-	-	-	-
Below B-	-	-	-	-	-	-	-
Unrated	-	**441,144**	-	-	-	**248,186**	**689,330**
	-	**441,144**	-	-	-	**248,186**	**689,330**
Past due but not impaired							
Individually impaired							
Stage 3							
AAA to AA-	-	-	-	-	-	-	-
A+ to A-	-	-	-	-	-	-	-
BBB+ to B-	-	-	-	-	-	-	-
Below B-	-	-	-	-	-	-	-
Unrated	-	**795,815**	-	-	-	**84,487**	**880,302**
	-	**795,815**	-	-	-	**84,487**	**880,302**
Gross	**3,700,404**	**13,239,690**	**-**	**2,961**	**5,756,803**	**13,828,083**	**36,527,941**
ECL's							
Stage 1	**124**	**28,564**	**-**	**-**	**1,227**	**4,425**	**34,340**
Stage 2	**-**	**56,782**	**-**	**-**	**-**	**440**	**57,222**
Stage 3	**-**	**580,568**	**-**	**-**	**-**	**43,362**	**623,930**
	124	**665,914**	**-**	**-**	**1,227**	**48,227**	**715,492**
Net	**3,700,280**	**12,573,776**	**-**	**2,961**	**5,755,576**	**13,779,856**	**35,812,449**

7.6 Standardised approach - credit risk exposure and Credit Risk Mitigation (CRM) effects

31 December 2024

	In AED'000	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	**8,696,827**	**0**	**8,696,827**	**0**	**0**	**0%**
2	Public Sector Entities	**1,003,884**	**190,939**	**1,003,884**	**109,381**	**610,543**	**55%**
3	Multilateral development banks	**0**	**0**	**0**	**0**	**0**	**0%**
4	Banks	**1,592,306**	**620,466**	**1,619,505**	**418,586**	**1,089,928**	**53%**
5	Securities firms	**0**	**0**	**0**	**0**	**0**	**0%**
6	Corporates	**6,806,470**	**12,982,154**	**7,171,130**	**5,886,584**	**12,211,012**	**94%**
7	Regulatory retail portfolios	**600,094**	**968**	**601,071**	**-22**	**396,889**	**66%**
8	Secured by residential property	**1,770,018**	**0**	**1,770,018**	**0**	**747,225**	**42%**
9	Secured by commercial real estate	**1,450,112**	**6,355**	**1,450,112**	**6,035**	**1,430,647**	**98%**
10	Equity Investment in Funds (EIF)	**0**	**0**	**0**	**0**	**0**	**0%**
11	Past-due loans	**795,816**	**84,484**	**5,216**	**83,435**	**87,602**	**99%**
12	Higher-risk categories	**2,466**	**0**	**2,466**	**0**	**3,699**	**150%**
13	Other assets	**1,054,137**	**0**	**1,054,137**	**0**	**699,845**	**66%**
14	**Total**	**23,772,130**	**13,885,366**	**23,374,366**	**6,503,999**	**17,277,390**	**58%**

7.7 Standardised approach - exposures by asset classes and risk weights:

31 December 2024

In AED'000

	Risk Weight / Asset classes	0%	20%	35%	50%	75%	100%	150%	Others	Total credit exposures amount (post CCF and post-CRM)
1	Sovereigns and their central banks	8,696,827	-	-	-	-	-	-	-	8,696,827
2	Public Sector Entities	-	432,183	-	313,950	-	367,132	-	-	1,113,265
3	Multilateral development banks	-	-	-	-	-	-	-	-	-
4	Banks	27,199	420,991	-	1,174,686	-	408,872	6,343	-	2,038,091
5	Securities firms	-	-	-	-	-	-	-	-	-
6	Corporates	643,956	-	-	128,313	-	11,032,091	76,021	1,177,333	13,057,714
7	Regulatory retail portfolios	83,908	-	-	-	481,008	36,133	-	-	601,049
8	Secured by residential property	-	-	1,573,527	-	-	196,491	-	-	1,770,018
9	Secured by commercial real estate	25,500	-	-	-	-	1,430,647	-	-	1,456,147
10	Equity Investment in Funds (EIF)	-	-	-	-	-	-	-	-	-
11	Past-due loans	1,049	-	-	-	-	87,602	-	-	88,651
12	Higher-risk categories	-	-	-	-	-	-	2,466	-	2,466
13	Other assets	644,108	14,482	-	-	-	194,613	-	200,934	1,054,137
14	**Total**	**10,122,547**	**867,656**	**1,573,527**	**1,616,949**	**481,008**	**13,753,581**	**84,830**	**1,378,267**	**29,878,365**

8. Counterparty Risk

8.1 Qualitative disclosure related to counterparty credit risk:

Treasury is permitted to enter into trades with counterparties with approved limits. These limits are reviewed annually as part of the country credit review process where the Head of Treasury is able to propose increases or reductions to existing limits and the potential inclusion of new counterparties. These are reviewed by the Credit Department and submitted to HO for approval.

Any adverse event affecting the credit standing of any names in the approved counterparty list will be advised immediately in a note to ALCO and HO for appropriate action. Treasury will act accordingly upon any notice received.

AB UAE's objectives and policies on managing the risks that arise in connection with derivatives are included in note 2.3 and note 26 of the annual financial statements.

AB UAE uses the Mark to Market approach for the calculation of counterparty credit risk on its derivative population.

The gross notional amounts represent the amounts of all outstanding contracts at year-end. It is the sum of the absolute amount of all purchases and sales of derivative instruments. The notional amounts of the derivatives provide a basis for comparison with instruments recognised on the balance sheet, but does not indicate the amounts of future cash flows involved or the current fair value of the instruments and therefore, do not indicate AB UAE's exposure to credit or price risks.

Derivatives are measured at their fair value, which is calculated as the present value of future expected net contracted cash flows at market related rates as of the balance sheet date.

AB UAE enters into the following main types of derivative contracts:

Interest Rate Swaps

These are over-the-counter ("OTC") agreements between two parties to exchange periodic payments of interest over a set period based on notional principal amounts. AB UAE enters into interest rate swaps, exchanging fixed rates for floating rates of interest based on notional amounts.

Currency Forward Contracts

Forward foreign exchange contracts are OTC agreements to deliver, or take delivery of, a specified amount of an asset or financial instrument based on a specified rate applied against the underlying asset or financial instrument, at a specified date.

Derivative financial instruments held or issued for trading purposes

AB UAE may take limited short-term positions within the prescribed market risk limits approved by the Board. Also included under the classification are any derivatives entered into for risk management purposes that do not meet the IFRS9 hedge accounting criteria.

Derivative financial instruments held or issued for hedging purposes

As part of its asset and liability management, AB UAE uses derivatives for hedging purposes in order to reduce its exposure to market risk. This is achieved by hedging specific financial instruments, portfolios of fixed rate financial instruments and forecast transactions.

The accounting treatment, explained in note 2.3 hedge accounting of the annual financial statements, depending on the nature of the item hedged and compliance with IFRS9 hedge accounting criteria

8.2 Analysis of counterparty credit risk (CCR) exposure by approach:

31 December 2024

	In AED'000	Replacement cost	Potential future exposure	EEPE	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
1	SA-CCR (for derivatives)	9,416	31,500		1.4	57,282	55,637
2	[redacted]			-	-	-	-
3	Simple Approach for credit risk mitigation (for SFTs)					-	-
4	Comprehensive Approach for credit risk mitigation (for SFTs)					-	-
5	[redacted]					-	-
6	**Total**						**55,637**

8.3 Credit valuation adjustment (CVA) capital charge:

31 December 2024

		a	b
	In AED'000	**EAD post-CRM**	**RWA**
1	All portfolios subject to the Standardised CVA capital charge	-	-
2	All portfolios subject to the Simple alternative CVA capital charge	57,282	55,637

8.4 Standardised approach - CCR exposures by regulatory portfolio and risk weights:

31 December 2024

In AED'000

	Asset classes / Risk Weights	0%	20%	50%	75%	100%	150%	Others	Total credit exposure
1	Sovereigns and their central banks	-	-	-	-	-	-	-	-
2	Public Sector Entities	-	-	-	-	-	-	-	-
3	Multilateral development banks	-	-	-	-	-	-	-	-
4	Banks	-	-	**3,290**	-	**42,010**	-	-	**45,300**
5	Securities firms	-	-	-	-	-	-	-	-
6	Corporates	-	-	-	-	**11,982**	-	-	**11,982**
7	Regulatory retail portfolios	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-
14	**Total**	**-**	**-**	**3,290**	**-**	**53,992**	**-**	**-**	**57,282**

8.5 Composition of collateral for CCR exposure:

In AED'000	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash - domestic currency	-	-	-	-	-	-
Cash - other currencies	-	-	-	-	-	-
Domestic sovereign debt	-	-	-	-	-	-
Government agency debt	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**

8.6 Credit derivative exposures:

AB UAE does not have any credit derivative exposures.

8.7 Exposures to central counterparties:

		31-Dec-2024	
		EAD (post-CRM) AED'000	RWA AED'000
1	**Exposures to QCCPs (total)**		-
2	Exposures for trades at QCCPs (excluding initial margin and default fund contribution); of which:	-	-
3	(i) OTC derivatives	-	-
4	(ii) Exchange-traded derivatives	-	-
5	(iii) Securities financing transactions	-	-
6	(iv) Netting sets where cross-product netting has been approved	-	-
7	Segregated initial margin	-	
8	Non-segregated initial margin	-	-
9	Pre-funded default fund contributions	-	-
10	Unfunded default fund contributions	-	-
11	**Exposures to non-QCCPs (total)**		**55,637**
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contribution); of which:	-	-
13	(i) OTC derivatives	**57,282**	**55,637**
14	(ii) Exchange-traded derivatives	-	-
15	(iii) Securities financing transactions	-	-
16	(iv) Netting sets where cross-product netting has been approved	-	-
17	Segregated initial margin	-	
18	Non-segregated initial margin	-	-
19	Pre-funded default fund contributions	-	-
20	Unfunded default fund contributions	-	-

9. Market Risk

9.1 General qualitative disclosure requirements related to market risk

Market risk remains very low due to the minimal size of the trading portfolio. The bank mainly faces two key market risks; interest rate risk in the banking book and foreign exchange risks, as follows:

- Interest rate risk in the banking book arises mainly from investing excess liquidity in longer term treasury bonds. AB UAE NII is positive AED 52mm and PV01 is (AED 300K) for the whole book as of end of Dec 2024).
- The bank assesses the IRRBB on regular basis and implemented CBUAE's methodology, which was issued in December 2022 as part of the ICAAP regulations, to assess Pillar II for Interest Rate Risk in the Banking Book (IRRBB) (The full assessment is included in section 6.3.1).
- Strict foreign exchange risk limits are set to define exposure and sensitivity tolerance for dealing in foreign exchange. In Treasury, positions are usually held open only for small risk equivalents and the majority of positions arising from customers are covered on a daily basis. Positions are measured and supervised by local management daily and by global management weekly (AB UAE FX Open position is AED26,889 mm as of end of Dec 2024).

Market risk is transferred from CIB and Consumer Banking to Treasury, where it can be managed centrally, via the Transfer Pricing system. In addition, the treasury system includes a risk measurement system (Fusion Risk) that generates all necessary ALCO reports, stress testing analyses, and liquidity Basel III ratio calculations.

Market Risk Measurement

There are several tools used to measure market risk across AB UAE:

1. **Present Value One Basis Point (PV01)**: The interest rate gaps are used to estimate the risk to economic value of a one basis point interest rates upward parallel shift.
2. **Net Interest Income 100 Basis Point (NII 100):** The interest rates gaps are used to estimate the net interest income at risk for the first and second years of a standard parallel upward shift of 100 basis points across each yield curve.
3. **Foreign Currency Net Open Position:** Net open position for each currency, including gold and silver are calculated as the mismatches between assets and liabilities denominated in currencies other than the functional currency.
4. **Stress Testing**: The Stress Testing framework assesses the impact of possible future market risk stresses on its profitability and capital adequacy ratio. The stress testing methodology consists of a blend of standard and hypothetical shocks and covers exposures to most material risk factors for AB UAE.

Market Risk Monitoring

Middle Office reports the IRR and FX risk positions to local management on a daily basis, as well as to Global Treasury and Group Risk Management on a regular basis, using standard reporting templates that highlight the branch's exposures. Furthermore, the reports highlight the level of utilization under each type of limit, as well as any limit breaches. The Treasury System allows for immediate notification of breaches as well as automated preparation of market and liquidity risk reports, which include stress tests.

Furthermore, Global Treasury and Group Risk Management centrally control and monitor market risk in order to identify trends, concentrations, and other significant issues at the branch and Group levels.

Market Risk Management

The branch's IRR and FX limits are applied to the consolidated positions arising in the banking and trading books and consists of the following limit types:

1. Total Net PV01 Limit,
2. PV01 Currency Sub-limits (maximum permissible exposure per currency),
3. PV01 Time Band and Bucket Sub-limit,
4. IRRBB Limits (EVE and NII),
5. Overnight Foreign Currency Open Position Limits,
6. Intraday Foreign Currency Open Position Limits,
7. FX Stop Loss Limits,
8. Permitted Products,
9. Permitted Currencies.

Market Risk Mitigation

- Treasury may use any combination of permitted products to ensure that the above-mentioned limits are not exceeded. In practice, Treasury may hedge any position that would result in a limit excess if left unhedged.
- The key risk mitigants for FX risk are achieved by:
  1. Identifying the sources of foreign exchange risk in the bank's portfolio.
  2. Analysing the size, complexity and components of each type of foreign exchange risk position.
  3. Ensuring that appropriate levels of procedures, controls, and monitoring techniques are implemented and properly administered.
  4. Implementing an effective system to identify and forecast foreign exchange positions.

5. Using appropriate hedging activities or other market techniques in managing foreign exchange risk.
6. Ensuring that limits are conservative and in line with business requirements and regulatory guidelines if any.
7. Limiting the permissible currencies that the country can hold overnight.

Role of Senior Management

Detailed reports on market risk are made available to senior management who receive the market and liquidity risk reports and are notified immediately of any breach of the limits. The key responsibilities of the ALCO in AB UAE are:

1. Ensure that the country's business strategy (including decisions on pricing, products, and asset/liability mix) is executed in a way which is consistent with all relevant policies/guidelines and risk limits.
2. Manage and ensure compliance with the established policies, procedures and guidelines in terms of:
    - Liquidity and funding requirements.
    - Market risk of the country's position.
3. Assess the Country's current balance sheet composition and devise its future developments in line with AB UAE Executive Committee and High ALCO decisions.
4. Review the impact of changes in business strategies and plans on ALM goals and requirements in line with AB UAE Executive Committee and High ALCO decisions and communicate the targets to line functions.
5. Review proposals for new products to be offered by the bank specifically on their impact on the balance sheet and ALM targets/goals as and when needed.

Role of Head Office

The key responsibilities of the High ALCO (Head Office Level) are:

- Develop, monitor, and review the ALM strategy, liquidity management strategy, and the bank market risk management strategy.
- Review the liquidity risk and market risk positions of the bank.
- Develop and monitor the liquidity and market risk limits of the bank.
- Assess the market environment and adjust ALM strategy, liquidity management strategy, and market risk management strategy as required.

9.2 Market risk under the standardised approach (SA)

		31-Dec-2024	31-Dec-2023
		RWA	RWA
		AED'000	AED'000
1	General Interest rate risk (General and Specific)	6,887	12,122
2	Equity risk (General and Specific)	-	-
3	Foreign exchange risk	19,875	22,985
4	Commodity risk	-	-
	Options		
5	Simplified approach	-	18,750
6	Delta-plus method	-	-
7	[redacted]		
8	Securitisation	-	-
9	**Total**	**26,762**	53,857

10.Interest Rate risk in Banking Book (IRRBB):

10.1 Qualitative disclosure:

Most of the bank's exposure to interest rate risk resides in the banking book, as there is minimal trading exposure. Interest rate risk in the Banking Book is recognised and managed within the market risk management (Please refer to section Market risk monitoring).

Interest rate risk arises from the possibility that changes in interest rates will affect the future profitability, cash flow or the fair value of financial instrument. The bank is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off-balance sheet instrument that mature or re price in a given period. The Board of Directors has established acceptable level of interest rate risk by setting limits on the interest rate gaps for stipulated periods. The bank manages interest rate risk by matching the re pricing of assets and liabilities through risk management strategies and monitors the position on a daily basis to ensure they are maintained within establishment limits. Adherences to those are monitored by ALCO.

10.2 Quantitative information on IRRBB

Interest Rate risk is also assessed by measuring the impact of defined movement in interest yield curve on bank net interest income. The following impact on the net interest income and regulatory capital for the year of an immediate and permanent movement in interest yield curves as at:

31 December 2024

In reporting currency (AED'000)	ΔEVE		ΔNII	
Period	**2024**	**2023**	**2024**	**2023**
Parallel up	(77,381)	(66,623)	254,868	77,223
Parallel down	91,541	79,620	(253,326)	(77,226)
Steepener	(2,112)	(21,610)	(266,469)	
Flattener	(14,428)	4,498	322,523	
Short rate up	(47,436)	(14,441)	400,087	
Short rate down	48,351	26,424	(398,656)	
Maximum	(77,381)	(66,623)	(398,656)	
Period	**2024**		**2023**	
Tier 1 capital	2,696,988		2,376,593	

Sr.	Description	Assumption
1	Average repricing maturity assigned to NMDs	An average repricing maturity of 4.5 years is assigned to NMDs.
2	Longest repricing maturity assigned to NMDs	The longest repricing maturity assigned to NMDs is 5 years.

11. Prudential valuation adjustments (PVAs):

Equity position in Banking Book

At initial recognition, the Branches can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment's revaluation reserve. Where the asset is disposed of, the cumulative gain or loss previously accumulated in the investment's revaluation reserve is not transferred to income statement, but is reclassified to retained earnings

1. Quantitative details of equity position:

Type (In AED'000)	**2024**		2023	
	Publicly Traded	Privately Held	Publicly Traded	Privately Held
Equities	-	**2,961**	-	2,879
Collective investment scheme	-	**-**	-	-
Any other investment	-	**-**	-	-
Total	**-**	**2,961**	-	2,879

2. Realised, unrealised and latent revaluation gains (losses) during the year

Gains (losses)	**2024**	2023
	AED'000	AED'000
Realised gains (losses) from sale and liquidation	-	-
Unrealised gains (losses) recognized in the balance sheet but not through P&L	1,198	1,116
Latent revaluation gains (losses) for investment recorded at cost but not recognized in balance sheet or P&L	-	-
Total	1,198	1,116

3. Items in (2) above included in Tier 1/2 capital

Tier Capital	**2024**	2023
	AED'000	AED'000
Amount included in Tier 1 capital	**431**	402
Amount included in Tier 2 capital	**-**	-
Total	**431**	402

4. Capital requirement by equity grouping

Grouping	2024	2023
	AED’000	AED’000
Strategic investment	-	-
Available for sale	**2,961**	2,879
Held for trading	-	-
Total capital requirement	**311**	302

5. Equity Investments (Quoted / Unquoted) - Including private equity investments

In AED’000	2024		2023	
Particulars	Banking Book	Trading Book	Banking Book	Trading Book
Quoted	-	-	-	-
Unquoted	2,961	-	2,879	-
Total	2,961	-	2,879	-

6. A breakdown of the constituent elements of the bank's PVA:

31 December 2024

	In AED’000	Equity	Interest rates	FX	Credit	Commodities	Total	Of which: In the trading book	Of which: In the banking book
1	Closeout uncertainty, of which:	-	-	-	-	-	-	-	-
2	*Mid-market value*	-	-	-	-	-	-	-	-
3	*Closeout cost*	-	-	-	-	-	-	-	-
4	*Concentration*	-	-	-	-	-	-	-	-
5	Early termination	-	-	-	-	-	-	-	-
6	Model risk	-	-	-	-	-	-	-	-
7	Operational risk	-	-	-	-	-	-	-	-
8	Investing and funding costs						-	-	-
9	Unearned credit spreads						-	-	-
10	Future administrative costs	-	-	-	-	-	-	-	-
11	Other	**1,198**	-	-	-	-	-	-	**1,198**
12	**Total adjustment**	**1,198**	-	-	-	-	-	-	**1,198**

Prudential valuation adjustments are only performed for our equity investments through OCI and all other instruments are marked-to-market. The fair value of those instruments is systematically determined as they are integrated with external market maker models.

12. Operational Risk:

Operational Risk is defined in accordance with the Basel Committee and the Central Bank of the UAE as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This Includes legal and Compliance risk, but excludes strategic and reputational risk, the bank has established separate frameworks to address both Strategic and Reputational risks. The Bank has developed dedicated frameworks to independently manage Strategic, Reputational, Fraud, and Outsourcing risks, ensuring a structured approach aligned with Enterprise Risk Management (ERM) program. These risks are defined as follows:

- **Strategic Risk:** “Strategic risk is the risk of current or prospective impact on a Bank’s earnings, capital, reputation, or standing; arising from changes in the environment of which the Bank operates in and from adverse strategic decisions, improper implementation of strategic decisions, or lack of responsiveness to industry, economic or technological changes”.
- **Reputational Risk**: “The risk arising from negative perception on the part of customers, counterparties, shareholders, investors, debt-holders, market analysts, other relevant parties or regulators that can adversely affect a bank’s ability to maintain existing, or establish new, business relationships and continued access to sources of funding (e.g. through the interbank or securitization market).
- **Fraud Risk:** "Any intentional act or omission designed to deceive others, resulting in the victim suffering a loss and/or the perpetrator achieving a gain.”
- **Outsourcing Risk**: “Outsourcing refers to the bank’s use of a third party (either an affiliated entity within the Arab bank Group or an entity that is external to the group) to perform activities on a continuing basis that would normally be undertaken by the bank, now or in the future”.
- The Enterprise Risk Management - Operational Risk Management Frameworks outline the roles, responsibilities and methodologies for the identification, measurement, management and monitoring of operational risks across the bank. The following are the main tools currently being implemented:
  - A Risk and Control Self-Assessments (RCSA) plan has been developed covering bank’s key products/processes. The RCSA involves the following:
    - The identification and scoring of risks in terms of impact and likelihood.
    - The assessment of existing control effectiveness.
    - The development of mitigation actions by the risk owners.
  - A set of Key Risk Indicators has been established for the business units / functional areas of the bank. Data related to these indicators are being reported by related LOB / function on a regular basis for monitoring and to ensure that proper mitigation actions have been taken.
  - Incidents related to Operational Risks are reported to Risk Management by related functions, these incidents are categorized according to Basel Event Types and mapped to related Line of Business/Function. Investigation and root cause analysis are carried out to prevent recurrence of such incidents.
  - A customized risk profile based on risks reported through operational incidents, RCSAs, KRIs, Audit Reports, Customer Complaints Reports, or any other source.
- The Operational Risk Management (ORM) within Group Risk Management provides governance support.

- Risk awareness and training are key components of the Risk Management process. The Bank promotes a culture of risk awareness across Bank staff at all levels, to enable them to manage risks imbedded within their day-to-day activities.
- Arab Bank is currently using Accelerate GRC solution which supports the implementation of the ERM Frameworks systematically.

Operational Risk Measurement

- The bank strongly believes that an integrated approach for the operational risk management is necessary. Therefore, external and internal risk factors are considered together with their impact on the business objectives.
- The Bank's Risk Universe is used to identify potential risks inherent within the product / process under review. This will create a structured way to identify risks and also provide common language for the management of risks by all LOBs / Functions across the Bank.
- For each risk, identified risk score is determined by stakeholders based on the risk impact and Likelihood.
- Incident reporting (including near misses) enables the analysis of root causes and mapping to Basel Loss Event categories and business lines.
- Assessment of reported incidents, including near misses, to enhance risk mitigation strategies and refine capital estimates.
- Conducting operational risk training for AB-UAE staff on an induction and ongoing basis, through risk workshops and briefings.
- Top operational risks and incidents are discussed through the Executive Committee meetings on periodic basis to ensure that mitigating actions are implemented.

Operational Risk Monitoring

- The reporting process is critical to ensure that control over the management of risks is maintained and that issues are escalated where necessary. Central to this are the Country Business and Control Units which are responsible for the following:
    - Regular risk monitoring and providing regular reports of identified risks to Country and Business Line management and Group Risk Management.
    - The follow up of agreed management actions arising from risk monitoring on a regular basis to ensure that all have been implemented in a timely manner.
    - Escalation of risk and control issues to appropriate levels of management.
- There are no thresholds for Operational Risk incidents reporting whether considered a loss or a near miss. The rationale for this is that even small operational risk incidents may indicate the absence / failure of key controls that may allow even bigger losses to occur. The operational risk events are reported once occurred and escalated to senior management as required.

- Risks are continuously monitored by the Risk Owners. This can be achieved using various tools such as:
    - Risk & Control and Self-Assessment (RCSA).
    - Internal / External Audit reports
    - Key Risk Indicators.
    - Key Performance Indicators.

- Any material changes in risk exposure resulting from the monitoring activities should be reported to the appropriate level of management.
- The bank has developed a structure for collecting and reporting Key Risk Indicators which increases awareness of operational risk issues, as well as further supports the RCSA and Incident Reporting.

Operational Risk Management

- Management ensures that the various risks are reviewed on a regular basis and appropriate countermeasures are implemented.
- The Line of Business / Function is responsible for the identification, measurement, management and monitoring of risk, in line with the Enterprise Risk Management (ERM) frameworks of the Bank.
- Governance is through the Executive Committee, which meets on a monthly basis to discuss current operational risk issues, incidents and agree on mitigating actions.
- UAE Risk Management ensures implementation of the operational risk management frameworks and policies (which incorporates the requirements of Basel and Capital Requirements Directive) and is an enabler to support operational risk management in the LOBs / Functions

Operational Risk Mitigation

- There are essential elements that are consistently being applied to mitigate risk within the bank as follows:
- Risk Response: The objective of risk response strategy is to reduce residual risk to an acceptable tolerance by treating each risk. One or more of the following risk response options can be adopted:
  - Reduction / Mitigation: Action is taken to reduce the risk impact, likelihood, or both. This action may include additional controls, process automation, or any changes on day-to-day business or operations.
  - Sharing or transferring: Action is taken to reduce the risk impact, by transferring / sharing the potential liability resulting from a certain risk occurrence. Such technique may include the purchase of insurance policies, or outsourcing of activities.
  - Avoidance: Action is taken to stop or exit the activities for which risks are identified. Such activities may include branch shut down, stopping certain products or services, etc. The decision of avoiding risks is usually taken when the cost of managing the risk is not justifiable in comparison with the overall financial and / or non-financial benefits from those activities.
  - Acceptance: Risks are generally accepted with no further treatment in cases where:
    - A satisfactory (but may not be the optimum) solution is in place.
    - The most cost-effective solution is adopted.
    - The current setup provides the best achievable result.
    - The Risk score is an absolute minimum.

In addition to the specific controls that are embedded in the various processes, business insurance policies are in place covering the following:

1. Directors & Officers Liability
2. Worldwide Bankers Policy
3. Professional Indemnity
4. Electronic and Computer Crime
5. Commercial Combined (property and contents)
6. Computer Insurance Scheme
7. Cyber Crime Insurance

Role of Senior Management

- Ensuring alignment with the Bank's risk appetite and strategic objectives
- Implementing risk management policies and methodologies in line with the related policies, procedures, frameworks and regulatory requirements.
- Identifying, assessing, and managing risks in line with the risk assessment methodology, including new and emerging risks that materially impact the risk profile of AB UAE.
- Reporting incidents in line with the incident reporting process and ensure that preventive and corrective actions have been implemented.
- Investigation is carried out in specific cases to determine reasons behind operational incidents, and whether there were any lapses in controls or compliance issues.
- Reporting and monitoring the major risk exposures on a regular basis, and ensuring such risks are within the acceptable levels.
- Developing and implementing corrective action plans for material risks and breaches and escalating any outstanding actions.
- Addressing internal and external audit findings in addition to regulatory inspections.
- Leading the implementation of projects and the change management process in line with the strategic direction of the Bank.
- The various Operational Risk issues are discussed and addressed in the Executive Committee and ownership of mitigating actions is assigned to related LOB / Function, this ensures that actions which involve various departments are well coordinated.
- Ensure recommendations, issues or outstanding actions from risk monitoring, and reports are addressed.
- Policies and procedures are reviewed to ensure that the appropriate controls have been built into the process design. In particular, the Maker/Checker role as well as segregation of duties.

Role of Head Office

- Developing, maintaining, and overseeing the implementation of operational risk. Ensure risk exposures remain within acceptable levels and reporting them in line with Bank's risk appetite.
- The bank's policy ensures that all risk events are reported and logged into the risk event database. Each case is documented and tracked through resolution.
- Audit reports are analysed to determine any weaknesses in controls. This is achieved via close cooperation with Internal Audit on the review and analysis of specific cases.

Information Security Management

Group Risk Management at Head Office, working together with the Information Technology Group has rolled out several initiatives to enhance the information Security of the bank. These initiatives are to back the bank's Information Security Policies and Procedures and include:

1. Regular Penetration testing
2. Vulnerability Management
3. Web-based training.
4. Outsourced Monitoring Security Services.
5. Implementation of Technical controls
6. Anti-phishing
7. DDOS (Denial of Service) Protection.
8. Security and Event Monitoring.
9. File Integrity Monitoring.
10. Along with several other initiatives such as encryption, Client Backup of critical data and the implementation of a policy compliance tool.

Business Continuity and Resilience Risk Management

The bank's Risk Management and in coordination with the Parent's Risk Management department is managing Business Continuity and Resilience Risk that includes implementing an integrated approach to crisis management and business continuity planning. The bank uses a centralized database for maintaining and updating the Business Contingency plans of all major departments at Head Office and countries. The Business Continuity Management Framework is according to ISO22301 requirements and international industry standards covering:

- Business Continuity Plans
- Pandemic threats
- Damage Assessment Plan
- Crisis Management Plans
- Incident Management Plans
- Evacuation Plans with regular testing
- Dedicated Business Alternate Site and IT Disaster Recovery Site

Pandemic precautionary and contingency measures reflected in the Bank's relative business continuity plans assuring the business resilience and including the Work from Home process through secure and monitored remote access.

13.1 Remuneration policy

The remuneration policy for Arab Bank is formed through the HR committee at Arab Bank Head Office which is delegated by the Board's committee of Nomination & Remuneration to review, approve and oversee the HR policies related to Talent Acquisition, Remuneration and performance management.

The policy comprises of multiple pillars including but not limited to Market Surveys, Salary Pay Ranges and Grading Structure, Job Evaluation all done by our external consultant Korn Ferry.

The Remuneration policy is tailored in each region to be aligned with the market practices and subject to compliance with the Labor Laws in relevant operating jurisdictions of the Bank.

The policy is covering employees of the Bank as determined by the Remuneration Committee from time-to-time. Moreover, the Remuneration Committee would apply risk-based compensation arrangements for approved persons and material risk takers who have the most significant impact on the risk profile of the Bank (implemented in HO and some regional branches as per country regulatory directives).

The design and structure of the policy is built on information collected which include salaries, allowances, benefits and performance incentives paid in the market. It is analyzed to provide competitive pay, benefits and performance incentives schemes that commensurate with affordability, competition, inflation and sound risk management.

The following are key features and objectives of our remuneration policy which include:

- Remuneration must be sufficient enough to attract, retain and motivate persons of the quality needed to successfully run the Bank.
- Incentive decisions should be consistent with an assessment of the region's financial condition and future prospects.
- Mix of fixed and variable remuneration should be reflective of the role played by employees and their contribution to the growth of the Bank.
- Remuneration must be adjusted for all types of risk to discourage imprudent and excessive risk taking.

Arab Bank, in its performance management system deploys a significant emphasis and weights to the "How" elements that refer to control and regulatory objectives that govern the achievement of business objectives; adherence to risk standards, customer satisfaction, regulatory compliance, and code of Conduct.

The Nomination & Remuneration Committee review the Remuneration policy every year and endorse it after ensuring its relevancy.

Staff whose work is monitored by risk and control management teams do not participate in nor influence the objective setting and evaluation of such risk and control management teams or their corresponding incentives criteria, to ensure their independent control authority and warrant a performance management environment that is free of any hierarchical influence, excessive authority or conflict of interest. Towards the same purpose, staff in risk and control do not participate in, or influence, neither the objectives setting and evaluation of risk-taking staff nor their corresponding incentives criteria.

13.2 Remuneration awarded during the financial year

31 December 2024

	Remuneration Amount AED'000		**Senior Management**	**Other Material Risk-takers**
1	Fixed Remuneration	**Number of employees**	**11**	**-**
2		**Total fixed remuneration (3 + 5 + 7)**	**13,389**	**-**
3		*Of which: cash-based*	**13,389**	-
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**	**1**	**-**
10		**Total variable remuneration (11 + 13 + 15)**	**1,111**	**-**
11		*Of which: cash-based*	**1,111**	-
12		*Of which: deferred*	**74**	-
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)**		**14,500**	-

13.3 Special payments

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					1	771
Other material risk-takers						

13.4 Deferred remuneration

Deferred and retained remuneration	Total amount of outstanding deferred remuneration	Of which: Total amount of outstanding deferred and retained remuneration exposed to ex post explicit and/or implicit adjustment	Total amount of amendment during the year due to ex post explicit adjustments	Total amount of amendment during the year due to ex post implicit adjustments	Total amount of deferred remuneration paid out in the financial year
Senior management	74	-	-	-	-
Cash					
Shares					
Cash-linked instruments					
Other					
Other material risk-takers					
Cash					
Shares					
Cash-linked instruments					
Other					
Total					