ANNUAL INTEGRATED REPORT 2023

مصرف عجمان
Ajman Bank

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Inspiring Sharia'a Values | قيمنا مستمدة من الشريعة السمحاء

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Ajman Bank PJSC

Independent auditor's report and financial statements

For the year ended 31 December 2023

These audited financial statements are subject to Central Bank of UAE approval and adoption by shareholders at the Annual General Meeting.

مصرف عجمان
Ajman Bank

BOARD OF DIRECTORS' REPORT

The Board of Directors has pleasure in submitting their report and the audited financial statements for the year ended 31 December 2023.

Incorporation and registered offices

Ajman Bank PJSC was incorporated as a Public Joint Stock Company listed on Dubai Financial Market. The registered address of the Bank is P.O. Box 7770, Ajman, United Arab Emirates. The Bank was legally incorporated on 17 April 2008 and was registered with the Securities and Commodities Authority on 12 June 2008 and obtained a license from the Central Bank of the UAE to operate as a Head Office on 14 June 2008. On 1 December 2008, the Bank obtained a branch banking license from UAE Central Bank and commenced its operations on 22 December 2008.

Principal activities

The principal activities of the Bank are to undertake banking, financing and investing activities through various Islamic financing and investment products such as Murabaha, Ijarah, Mudaraba, Musharaka, Wakala and Sukuk. The activities of the Bank are conducted in accordance with the Islamic Shariah principles and within the provisions of its Memorandum and Articles of Association through its branches in the United Arab Emirates.

Basis of preparation of consolidated financial statements

These financial statements have been prepared in accordance with International Financial Reporting Standards and the applicable requirements of United Arab Emirates laws, including the UAE Federal Decree Law No. 32 of 2021 and Decretal Federal Law No.14 of 2018.

Financial commentary

The Bank's results for the year 2023 showed strong financial performance as follows:

- Total operating income of the Bank for the year 2023 increased to AED 1,560 million (up by 66%) as compared to AED 942 million in the year 2022. Net operating income of the Bank for the year 2023 increased to AED 857 million (up by 31%) as compared to AED 654 million in the year 2022. The Bank incurred net loss of AED 390 million for the year 2023 due to additional provisions. These provisions have addressed the required asset quality issues and made our portfolio healthier to achieve a strong comeback in FY2024 strategically positioning Ajman Bank for sustained growth and long-term success.
- Total expenses (excluding impairment / credit losses) amounted to AED 370 million (up by 15%) compared to AED 321 million in the year 2022.
- Total assets of the Bank amounted to AED 24.9 billion (up by 18%) as compared to AED 21.1 billion in the year 2022 and total liabilities amounted to AED 22.3 billion (up by 20%) as compared to AED 18.6 billion in the year 2022.
- Islamic financing and investing assets (including due from banks and other financial institutions) increased to AED 15.5 billion (up by 6%) as compared to the year 2022 amounting AED 14.6 billion.
- Islamic customers' deposits (including due to banks and other financial institutions) increased to AED 21.3 billion (up by 16%) as compared to the year 2022 amounting AED 18.3 billion.
- The Bank successfully increased its share capital to AED 2.7 billion during the year by way of AED 550 million rights issue which was oversubscribed 7.4 times.

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الإمارات العربية المتحدة

مصرف عجمان
Ajman Bank

Board of Directors

The following are the Directors of the Bank as at 31 December 2023:

H.H. Sheikh Ammar Bin Humaid Bin Rashed Al Nuaimi	Chairman
H.H Sheikh Rashed Bin Humaid Bin Rashed Al Nuaimi	Vice Chairman
Mr. Abdulla Mohammed Hassan Mohammed Al Hosani	Board Member
Mr. Mahmood Khaleel Ahmed Al Sayed Al Hashmi	Board Member
Mr. Faisal Hassan Ibrahim Galadari	Board Member
Mr. Ali Rashed Humaid Al Mazroei	Board Member
Mr. Faisal Aqil Mohamed Al Bastaki	Board Member

Auditors

The financial statements for the year ended 31 December 2023 have been audited by Ernst & Young Middle East (Dubai Branch).

By order of the Board of Directors

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H.H. Sheikh Ammar Bin Humaid Bin Rashed Al Nuaimi

Chairman

14 February 2024

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Ajman Bank PJSC

Independent auditor's report and financial statements
For the year ended 31 December 2023

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF AJMAN BANK PJSC

Report on the audit of the financial statements

Opinion

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

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

Basis for opinion

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

Key audit matters

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

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

Report on the audit of the financial statements (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Expected credit loss allowance against Islamic financing and investing assets As at 31 December 2023, the Bank's gross Islamic financing and investing assets amounted to AED'000 14,409,813 (2022: AED'000 13,125,799), against which an Expected Credit Loss ("ECL") allowance of AED'000 633,820 (2022: AED'000 491,681) was recorded. We considered this as a key audit matter, as the determination of ECL under the requirements of IFRS 9 – Financial Instruments ("IFRS 9") involves significant estimation and management judgment, and this has a material impact on the financial statements of the Bank. The key areas of judgment include: 1. Categorization of Islamic financing and investing assets into Stages 1, 2 and 3 based on the identification of: (a) exposures with a significant increase in credit risk ("SICR") since their origination; and (b) individually impaired / defaulted exposures. 2. Assumptions used in the ECL model for determining probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD") including, but not limited to assessment of financial condition of counterparties, expected future cash flows, developing and incorporating forward looking assumptions, macroeconomic factors and the associated scenarios and expected probability weightages. 3. The need to apply post model overlays using expert credit judgment to reflect all relevant risk factors that might not have been captured by the ECL model. The application of these judgments continues to result in heightened estimation uncertainty around ECL calculations, and therefore affected the associated audit risk thereon as at 31 December 2023.	We obtained and updated our understanding of management's assessment of ECL allowance in respect of Islamic financing and investing assets including the Bank's internal rating model, accounting policy, model methodology including any key changes made during the year. We also compared the Bank's accounting policy and methodology for ECL allowance with the requirements of IFRS 9. We assessed the design and implementation, and tested the operating effectiveness of the key controls in relation to: - the ECL model (including governance over the model; its validation during the year; any model updates performed during the year; and approval of the key inputs, assumptions and post model overlays, if any); - the classification of financing into Stages 1, 2 and 3 and timely identification of SICR, and the determination of default/ individually impaired exposures; and - the data inputs into the ECL model. For a sample of customers, we assessed: – the internal ratings determined by management based on the Bank's internal models, and considered these assigned ratings in light of external market conditions and available industry information, and also assessed that these were consistent with the ratings used as input in the ECL model; – management's computations for ECL; and – for selected Islamic financing and investing assets, we assessed management's assessment of recoverable cash flows, including the impact of collateral, and other sources of repayment, if any.

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

Report on the audit of the financial statements (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Expected credit loss allowance against Islamic financing and investing assets (continued) Refer to the summary of material accounting policies note 4 for the impairment of financial assets; note 5 which contains the disclosure of critical accounting judgments and key sources of estimation uncertainty relating to impairment losses on financial assets and the impairment assessment methodology used by the Bank; note 11 which contains the disclosure of impairment against Islamic financing and investing assets; and note 6 for details of credit quality analysis and key assumptions and factors considered in determination of ECL.	We assessed the appropriateness of the Bank's criteria for the determination of SICR and default, the identification of individually impaired exposures; and the resultant staging classifications. Furthermore, for a sample of exposures, we assessed the appropriateness of the corresponding staging classification of Islamic financing and investing assets as at 31 December 2023. We assessed the governance process established by the Bank and the qualitative factors considered by the Bank when applying any overlays or making any adjustments to the outputs from the ECL model, due to data or model limitations or otherwise. We assessed the reasonableness of the underlying assumptions used by the Bank in the ECL model, including forward looking assumptions. We tested the completeness and accuracy of data supporting the ECL calculations as at 31 December 2023. Where required, we involved our specialists to assist us in reviewing model calculations, evaluating interrelated inputs and assessing the reasonableness of assumptions used in the ECL model, particularly around macroeconomic variables, forecasted macroeconomic scenarios and probability weights; and of assumptions used in post model overlays. We assessed the adequacy of the disclosures in the financial statements.

Report on the audit of the financial statements (continued)

Other information

Other information consists of the information included in the Bank's Annual Report for the year ended 31 December 2023, other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The Bank's Annual Report for the year ended 31 December 2023 is expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

Report on the audit of the financial statements (continued)

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

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

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

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

Further, as required by the UAE Federal Decree Law No. 32 of 2021, we report that for the year ended 31 December 2023:

i) the Bank has maintained proper books of account;

ii) we have obtained all the information we considered necessary for the purposes of our audit;

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

iv) the financial information included in the board of directors' report is consistent with the books of account of the Bank;

v) investments in shares and stocks during the year ended 31 December 2023 are disclosed in notes 13 and 14 to the financial statements;

vi) note 32 reflects material related party transactions and the terms under which they were conducted;

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

viii) note 36 reflects the social contributions made during the year.

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

For Ernst & Young

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

14 February 2024

Dubai, United Arab Emirates

Statement of financial position
as at 31 December 2023

	Notes	2023 AED'000	2022 AED'000
ASSETS			
Cash and balances with the Central Bank	9	**4,467,728**	2,176,800
Due from banks and other financial institutions	10	**1,714,027**	1,990,329
Islamic financing and investing assets, net	11	**13,775,993**	12,634,118
Islamic investment securities at amortised cost	12	**263,029**	116,039
Islamic investment securities at fair value	13	**2,781,228**	2,305,409
Investment in associates	14	**-**	88,703
Investment properties	15	**385,755**	381,064
Property and equipment	16	**125,787**	127,081
Other Islamic assets	17	**1,421,985**	1,290,820
Total assets		**24,935,532**	21,110,363
LIABILITIES AND EQUITY			
Liabilities			
Islamic customers' deposits	18	**19,724,748**	16,331,976
Due to banks and other financial institutions	19	**1,604,754**	1,991,773
Other liabilities	20	**931,078**	271,537
Total liabilities		**22,260,580**	18,595,286
Equity			
Share capital	21	**2,723,500**	2,100,000
Treasury shares	21	**(27,675)**	-
Statutory reserve	22	**253,676**	286,331
Investment fair value reserve		**(276,735)**	(334,393)
General impairment reserve	23	**60,835**	105,810
(Accumulated losses) retained earnings		**(58,649)**	357,329
Total equity		**2,674,952**	2,515,077
Total liabilities and equity		**24,935,532**	21,110,363

To the best of our knowledge, and in accordance with the applicable reporting principles for financial reporting, the financial statements present fairly, in all material respects, the financial position, financial performance and cash flows of the Bank.

H.H. Sheikh Ammar Bin Humaid Al Nuaimi
Chairman

Mustafa Al Khalfawi
Chief Executive Officer

The accompanying notes 1 to 39 form an integral part of these financial statements.

Income statement
for the year ended 31 December 2023

	Notes	2023 AED'000	2022 AED'000
Operating income			
Income from Islamic financing and investing assets	24	**1,210,033**	673,950
Income from Islamic investment securities	25	**169,756**	83,592
Fees, commission and other income	26	**179,982**	184,788
Total operating income before depositors' share of profit		**1,559,771**	942,330
Depositors' share of profits		**(702,245)**	(287,824)
Net operating income		**857,526**	654,506
Expenses			
Staff costs	27	**(245,583)**	(225,110)
General and administrative expenses	28	**(95,878)**	(68,989)
Depreciation of property and equipment	16	**(28,520)**	(26,895)
Impairment of associates	14	**(88,703)**	(88,610)
Credit loss expense on financial assets	29	**(730,018)**	(70,723)
Impairment loss on non-financial assets		**(59,183)**	(12,113)
Total expenses		**(1,247,885)**	(492,440)
(Loss)/profit for the year		**(390,359)**	162,066
Basic and diluted (loss)/earnings per share (AED)	30	**(0.153)**	0.066

Statement of comprehensive income
for the year ended 31 December 2023

	2023 **AED'000**	2022 AED'000
(Loss)/profit for the year	**(390,359)**	162,066
Other comprehensive income/(loss):		
Items that will not be reclassified subsequently to income statement		
Fair value gain/(loss) on equity securities at FVTOCI	**15,402**	(49,375)
	15,402	(49,375)
Items that will be reclassified subsequently to income statement		
Fair value gain/(loss) on Sukuk investment securities at FVTOCI	**50,189**	(246,119)
Reclassification to the income statement	**(2,542)**	13,883
	47,647	(232,236)
Other comprehensive income/(loss) for the year	**63,049**	(281,611)
Total comprehensive loss for the year	**(327,310)**	(119,545)

The accompanying notes 1 to 39 form an integral part of these financial statements.

Statement of changes in equity
for the year ended 31 December 2023

	Share capital AED'000	Treasury shares AED'000	Statutory reserve AED'000	Investment fair value reserve AED'000	General impairment reserve AED'000	(Accumulated losses) retained earnings AED'000	Total AED'000
At 1 January 2022	2,100,000	-	270,124	(51,930)	112,364	204,064	2,634,622
Profit for the year	-	-	-	-	-	162,066	162,066
Other comprehensive loss	-	-	-	(281,611)	-	-	(281,611)
Total comprehensive income (loss) for the year	-	-	-	(281,611)	-	162,066	(119,545)
Transfer on disposal of equity instruments at FVTOCI	-	-	-	(852)	-	852	-
Transfer to statutory reserve (Note 22)	-	-	16,207	-	-	(16,207)	-
Transfer from general impairment reserve (Note 23)	-	-	-	-	(6,554)	6,554	-
At 31 December 2022	2,100,000	-	286,331	(334,393)	105,810	357,329	2,515,077
Loss for the year	-	-	-	-	-	(390,359)	(390,359)
Other comprehensive income	-	-	-	63,049	-	-	63,049
Total comprehensive income (loss) for the year	-	-	-	63,049	-	(390,359)	(327,310)
Issuance of share capital (Note 21)	550,000	-	-	-	-	-	550,000
Issuance cost of share capital (Note 21)	-	-	-	-	-	(2,485)	(2,485)
Issuance of stock dividends (Note 21)	73,500	-	-	-	-	(73,500)	-
Treasury shares (Note 21)	-	(27,675)	(32,655)	-	-	-	(60,330)
Transfer on disposal of equity instruments at FVTOCI	-	-	-	(5,391)	-	5,391	-
Transfer from general impairment reserve (Note 23)	-	-	-	-	(44,975)	44,975	-
At 31 December 2023	**2,723,500**	**(27,675)**	**253,676**	**(276,735)**	**60,835**	**(58,649)**	**2,674,952**

The accompanying notes 1 to 39 form an integral part of these financial statements.

Statement of cash flows
for the year ended 31 December 2023

	Notes	2023 AED'000	2022 AED'000
Cash flows from operating activities			
(Loss)/profit for the year		**(390,359)**	162,066
Adjustments for:			
Depreciation of property and equipment	16	**28,520**	26,895
Amortisation of discount on Islamic investment securities at amortised cost		**(106)**	(23)
Credit loss expense on financial assets	29	**730,018**	70,723
Income from Islamic investment securities		**(165,018)**	(90,630)
Write-off of property and equipment		**446**	-
Impairment loss on non-financial assets		**59,183**	12,113
Fair value gain on investment properties	15	**(24)**	(9,444)
Realized (gain)/loss on disposal of Islamic investment securities		**(4,620)**	7,038
Impairment of associates	14	**88,703**	88,610
(Gain)/loss on disposal of property and equipment		**(7,130)**	109
Operating cash flows before changes in operating assets and liabilities		**339,613**	267,457
Changes in operating assets and liabilities:			
Islamic financing and investing assets		**(1,411,541)**	2,478,838
Due from banks and other financial institutions		**297,738**	(1,501,132)
Statutory deposit with the Central Bank		**(241,882)**	(48,695)
International Murabahat with the Central Bank		**(1,220,000)**	(980,000)
Other Islamic assets		**(198,713)**	(112,406)
Islamic customers' deposits		**3,392,772**	1,068,930
Due to banks and other financial institutions		**(387,019)**	(2,219,340)
Other liabilities		**211,477**	36,899
Net cash generated from/(used in) operating activities		**782,445**	(1,009,449)
Cash flows from investing activities			
Purchase of Islamic investment securities		**(620,251)**	(823,570)
Proceeds from sale of Islamic investment securities		**104,984**	744,528
Purchase of property and equipment	16	**(31,081)**	(30,079)
Proceeds from disposal of property and equipment		**10,539**	51
Profit income on Islamic investment securities		**126,362**	97,861
Additions to investment properties	15	**(4,667)**	(11,881)
Net cash used in investing activities		**(414,114)**	(23,090)
Cash flows from financing activities			
Issuance of share capital	21	**550,000**	-
Issuance cost of share capital	21	**(2,485)**	-
Treasury shares	21	**(60,330)**	-
Net cash generated from financing activities		**487,185**	-
Net increase/(decrease) in cash and cash equivalents		**855,516**	(1,032,539)
Cash and cash equivalents as at 1 January		**1,125,897**	2,158,436
Cash and cash equivalents as at 31 December	31	**1,981,413**	1,125,897

The accompanying notes 1 to 39 form an integral part of these financial statements.

1. General information

Ajman Bank PJSC (the "Bank") was incorporated as a Public Joint Stock Company listed on Dubai Financial Market. The registered address of the Bank is P.O. Box 7770, Ajman, United Arab Emirates ("UAE"). The Bank was legally incorporated on 17 April 2008 and was registered with the Securities and Commodities Authority ("SCA") on 12 June 2008 and obtained a license from the Central Bank of the UAE to operate as a Head Office on 14 June 2008. On 1 December 2008, the Bank obtained a branch banking license from UAE Central Bank and commenced its operations on 22 December 2008.

In addition to its Head office in Ajman, the Bank operates through nine branches and three pay offices in the UAE. The financial statements combine the activities of the Bank's head office and its branches.

The principal activities of the Bank are to undertake banking, financing and investing activities through various Islamic financing and investment products such as Murabaha, Ijarah, Mudaraba, Musharaka, Wakala and Sukuk. The activities of the Bank are conducted in accordance with the Islamic Shariah principles and within the provisions of its Memorandum and Articles of Association.

2. Application of new and revised International Financial Reporting Standards ("IFRS")

2.1 New and amended standards and interpretations

The Bank applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023 (unless otherwise stated). The Bank has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 17 Insurance Contracts
IFRS 17 Insurance Contracts is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply. The overall objective of IFRS 17 is to provide a comprehensive accounting model for insurance contracts that is more useful and consistent for insurers, covering all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

The new standard had no impact on the Bank's financial statements.

Definition of Accounting Estimates - Amendments to IAS 8
The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the Bank's financial statements.

2. Application of new and revised International Financial Reporting Standards ("IFRS") (continued)

2.1 **New and amended standards and interpretations (continued)**

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments have had an impact on the Bank's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Bank's financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12
The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities.

The amendments had no impact on the Bank's financial statements.

International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12
The amendments to IAS 12 have been introduced in response to the OECD's BEPS Pillar Two rules and include:
• A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
• Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The mandatory temporary exception – the use of which is required to be disclosed – applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after 1 January 2023, but not for any interim periods ending on or before 31 December 2023.

The amendments had no impact on the Bank's financial statements as the Bank is not in scope of the Pillar Two model rules as its revenue is less than EUR 750 million/year.

2. Application of new and revised International Financial Reporting Standards ("IFRS") (continued)

2.2 **Standards issued but not yet effective**

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Bank's financial statements are disclosed below. The Bank intends to adopt these standards, if applicable, when they become effective.

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

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

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

Amendments to IAS 1: Classification of Liabilities as Current or Non-current
In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The Bank is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7
In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted, but will need to be disclosed.

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

3. Definitions

The following terms are used in the financial statements with the meaning specified:

Murabaha

Murabaha in banking practice is a contract whereby the Bank (the “Seller”) sells an asset to its customer (the “Purchaser”), on a deferred payment basis, after purchasing the asset and gaining possession thereof and title thereto, where the Seller has purchased and acquired that asset, based on a promise received from the Purchaser to buy the asset once purchased according to specific Murabaha terms and conditions. The Murabaha sale price comprises the cost of the asset and a pre-agreed profit amount. Murabaha profit is internally accounted for on a time-apportioned basis over the period of the contract based on the principal amount outstanding. The Murabaha sale price is paid by the Purchaser to the Seller on an installment basis over the period of the Murabaha as stated in the contract.

Wakala

Wakala is an agreement between two parties whereby one party is a fund provider (the “Muwakkil”) who provides a certain amount of money (the “Wakala Capital”) to an agent (the “Wakeel”), who invests the Wakala Capital in a Shariah compliant manner and according to the feasibility study or investment plan submitted to the Muwakkil by the Wakeel. The Wakeel is entitled to a fixed fee (the “Wakala Fee”) as a lump sum amount or a percentage of the Wakala Capital. The Wakeel may be granted any excess over and above a certain pre-agreed rate of return as a performance incentive. In principle the Wakala profit is distributed on declaration or distribution by the Wakeel. However, since the Wakala profit is always reliably estimated it is internally distributed on a time-apportioned basis over the Wakala tenure based on the Wakala Capital outstanding. The Wakeel would bear the loss in case of its misconduct, negligence or violation of any of the terms and conditions of the Wakala Agreement; otherwise the loss would be borne by the Muwakkil, provided the Muwakkil receives satisfactory evidence that such loss was due to force majeure and that the Wakeel neither was able to predict the same nor could have prevented the negative consequences of the same on the Wakala. Under the Wakala agreement the Bank may act either as Muwakkil or as Wakeel, as the case may be.

Istisna’

Istisna’ is a sale contract between two parties whereby the Bank (the “Sani” or “Seller”) undertakes to construct, for its customer (the “Mustasni” or “Purchaser”), a specific asset or property (being “Al-Masnoo”) according to certain pre-agreed specifications to be delivered during a pre-agreed period of time in consideration of a pre-determined price, which comprises the cost of construction and a profit amount. The work undertaken is not restricted to be accomplished by the Sani’ alone and the whole or part of the construction or development can be undertaken by third parties under the control and responsibility of the Sani’. Under an Istisna’ contract, the Bank could be the Sani’ or the Mustasni’. Istisna’a profit (difference between the sale price of Al-Masnoo to the customer and the Bank’s total Istisna’a cost) is internally accounted for on a time-apportioned basis over the period of the contract based on the principal amount outstanding.

3. Definitions (continued)

Mudaraba

Mudaraba is a contract between two parties whereby one party is a fund provider (the "Rab Al Mal") who would provide a certain amount of funds (the "Mudaraba Capital"), to the other party (the "Mudarib"). Mudarib would then invest the Mudaraba Capital in a specific enterprise or activity deploying its experience and expertise for a specific pre-agreed share in the resultant profit, if any. The Rab Al Mal is not involved in the management of the Mudaraba activity. In principle the Mudaraba profit is distributed on declaration or distribution by the Mudarib. However, since the Mudaraba profit is always reliably estimated it is internally distributed on a time-apportioned basis over the Mudaraba tenure based on the Mudaraba Capital outstanding. The Mudarib would bear the loss in case of its misconduct, negligence or violation of any of the terms and conditions of the Mudaraba contract; otherwise the loss would be borne by the Rab Al Mal, provided the Rab Al Mal receives satisfactory evidence that such loss was due to force majeure and that the Mudarib neither was able to predict the same nor could have prevented the negative consequences of the same on the Mudaraba. Under the Mudaraba contract the Bank may act either as Mudarib or as Rab Al Mal, as the case may be.

Musharaka

Musharaka is an agreement between the Bank and its customer, whereby both parties contribute towards the capital of the Musharaka (the "Musharaka Capital"). The Musharaka Capital may be contributed in cash or in kind, as valued at the time of entering into the Musharaka. The subject of the Musharaka may be a certain investment enterprise, whether existing or new, or the ownership of a certain property either permanently or according to a diminishing arrangement ending up with the acquisition by the customer of the full ownership. The profit is shared according to a pre-agreed profit distribution ratio as stipulated under the Musharaka agreement. In principle Musharaka profit is distributed on declaration or distribution by the managing partner. However, since the Musharaka profit is always reliably estimated, it is internally distributed on a time-apportioned basis over the Musharaka tenure based on the Musharaka Capital outstanding. Whereas the loss, if any, is shared in proportion to their capital contribution ratios, provided in the absence of the managing partner's negligence, breach or default, the Bank receives satisfactory evidence that such loss was due to force majeure and that the managing partner neither was able to predict the same nor could have prevented the negative consequences of the same on the Musharaka.

Ijarah

Ijarah is an agreement whereby the Bank (the "Lessor") leases an asset to its customer (the "Lessee") (after purchasing or acquiring the specified asset, either from a third party seller or from the customer itself, according to the customer's request and based on his promise to lease), against certain rental payments for specific lease term or periods, payable on fixed or variable rental basis.

3. Definitions (continued)

Ijarah (continued)

The Ijarah agreement specifies the leased asset, duration of the lease term, as well as, the basis for rental calculation and the timing of rental payment. The Lessee undertakes under this agreement to renew the lease periods and pay the relevant rental payment amounts as per the agreed schedule and applicable formula throughout the lease term.

The Lessor retains the ownership of the asset throughout the lease term. At the end of the lease term, upon fulfillment of all the obligations by the Lessee under the Ijarah agreement, the Lessor will sell the leased asset to the Lessee at nominal value based on a sale undertaking given by the Lessor.

Ijarah rentals accrue upon the commencement of the lease and continues throughout the lease term based on the outstanding fixed rentals (which predominantly represent the cost of the leased assets).

Sukuk

Sukuk are certificates of equal value representing undivided shares in ownership of tangible assets, usufruct and services or (in the ownership of) the assets of particular projects or special investment activity. The Bank may invest in Sukuk in the secondary market or participate in new Sukuk or issue Sukuk.

4. Summary of material accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and the applicable requirements of United Arab Emirates laws, including the UAE Federal Decree Law No. 32 of 2021 and Decretal Federal Law No.14 of 2018.

(b) Basis of preparation

The financial statements of the Bank have been prepared on the historical cost basis except for certain financial instruments and investment properties that are measured at fair value at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for assets, goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Bank takes into account when pricing the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for measurements that have some similarities to fair value but are not fair value such as value in use in IAS 36.

4. Material accounting policies (continued)

(b) Basis of preparation (continued)

In addition, for financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than that quoted prices included within Level 1, that are observable for the asset or liability either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The financial statements are presented in Arab Emirates Dirham (AED) and all values are rounded to the nearest thousands dirham, except when otherwise indicated.

The principal accounting policies are set out below:

(c) Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances held with central and other banks and highly liquid financial assets with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of change in their fair value, and are used by the Bank in the management of its short term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(d) Due from banks

Due from banks are stated at cost less any amounts written-off and allowance for impairment, if any.

(e) Financial instruments

Financial assets and liabilities are recognised when Bank becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition

4. Material accounting policies (continued)

(e) Financial instruments (continued)

Business model assessment

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual revenue, maintaining a particular profit rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected
- The frequency, volume and timing of sales in prior periods, the reasons for such sales; and
- Its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at FVTPL. Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognised immediately in profit or loss.

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Specifically:

(i) financing instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and profit on the principal amount outstanding (SPPI), are subsequently measured at amortised cost;

(ii) financing instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the instruments, and that have contractual cash flows that are SPPI, are subsequently measured at fair value through other comprehensive income (FVTOCI);

(iii) all other financing instruments (e.g. instruments managed on a fair value basis, or held for sale) and equity investments are subsequently measured at FVTPL. However, the Bank may make the following irrevocable election/designation at initial recognition of a financial asset on an asset-by-asset basis;

(iv) the Bank may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies, in other comprehensive income (OCI); and

(v) the Bank may irrevocably designate a financing instruments that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

4. Material accounting policies (continued)

(e) Financial instruments (continued)

Financial assets (continued)

Islamic financing and investing assets

Islamic financing and investing assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financing and receivables (including cash and cash equivalents, Islamic finance receivables, due from banks and other financial institutions, and other receivables) are measured at amortised cost using the effective profit method, less any impairment.

Profit income is recognised by applying the effective profit rate, except for short-term receivables when the effect of discounting is immaterial.

(i) Financing instruments at amortised cost or at FVTOCI

The Bank assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Bank's business model for managing the asset.

For an asset to be classified and measured at amortised cost or at FVTOCI, its contractual terms should give rise to cash flows that are solely payments of principal and profit on the principal outstanding (SPPI).

For the purpose of SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are payments of principal). Profit consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic financing risks and costs, as well as a margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

Contractual cash flows that are SPPI are consistent with a basic financing arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic financing arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI. An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The Bank determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective.

The Bank's business model does not depend on management's intentions for an individual instrument, therefore the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

The Bank has more than one business model for managing its financial instruments which reflect how the Bank manages its financial assets in order to generate cash flows. The Bank's business models determine whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

At initial recognition of a financial asset, the Bank determines whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Bank reassess its business models each reporting period to determine whether the business models have changed since the preceding period. For the current and prior reporting period the Bank has not identified a change in its business models.

When a financing instrument measured at FVTOCI is derecognised, the cumulative gain/loss previously recognised in OCI is reclassified from equity to profit or loss. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss but transferred within equity.

Financing instruments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment.

4. Material accounting policies (continued)

(e) Financial instruments (continued)

Financial assets (continued)

(ii) Financial assets at FVTPL

Financial assets at FVTPL are:

(i) assets with contractual cash flows that are not SPPI; or/and
(ii) assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
(iii) assets designated at FVTPL using the fair value option.

These assets are measured at fair value, with any gains/losses arising on remeasurement recognized in profit or loss.

Fair value option

A financial instrument with a reliably measurable fair value can be designated as FVTPL (the fair value option) on its initial recognition even if the financial instrument was not acquired or incurred principally for the purpose of selling or repurchasing. The fair value option can be used for financial assets if it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities, or recognizing related gains and losses on a different basis (an "accounting mismatch"). The fair value option can be elected for financial liabilities if: (i) the election eliminates an accounting mismatch; (ii) the financial liability is part of a portfolio that is managed on a fair value basis, in accordance with a documented risk management or investment strategy; or (iii) there is an embedded derivative in the financial or non-financial host contract and the derivative is not closely related to the host contract. These instruments cannot be reclassified out of the FVTPL category while they are held or issued. Financial assets designated as FVTPL are recorded at fair value and any unrealized gains or losses arising due to changes in fair value are included in investment income.

(iii) Reclassifications

If the business model under which the Bank holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Bank's financial assets. During the current period and previous accounting period, there was no change in the business model under which the Bank holds financial assets and therefore no reclassifications were made. Changes in contractual cash flows are considered under the accounting policy on modification and derecognition of financial assets described below.

4. Material accounting policies (continued)

(e) Financial instruments (continued)

Financial assets (continued)

(iv) Impairment

The Bank recognises loss allowances for ECLs on the following financial instruments that are not measured at FVTPL:

- Due from banks and other financial institutions
- Islamic investments securities at FVTOCI
- Islamic financing and investing assets
- Other Islamic assets
- Off balance sheet exposures subject to credit risk

No impairment loss is recognised on Islamic equity investments.

With the exception of purchased or originated credit impaired (POCI) financial assets (which are considered separately below), ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).
- A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.
- ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Bank under the contract and the cash flows that the Bank expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EPR.
- for undrawn financial commitments, the ECL is the difference between the present value of the difference between the contractual cash flows that are due to the Bank if the holder of the commitment draws down the finance and the cash flows that the Bank expects to receive if the finance is drawn down; and
- for financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed financing instrument less any amounts that the Bank expects to receive from the holder, the customer or any other party.

The Bank measures ECL on an individual basis, or on a collective basis for portfolios of finances that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original EPR, regardless of whether it is measured on an individual basis or a collective basis.

4. Material accounting policies (continued)

(e) Financial instruments (continued)

Financial assets (continued)

(v) Credit-impaired financial assets

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

- significant financial difficulty of the customer or issuer;
- a breach of contract such as a default or past due event;
- the financer of the customer, for economic or contractual reasons relating to the customer's financial difficulty, having granted to the customer a concession that the financer would not otherwise consider;
- the financer of the customer has downgraded the ratings because of deterioration in financial condition of the customer; or
- the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event-instead; the combined effect of several events may have caused financial assets to become credit-impaired. The Bank assesses whether financing instruments that are financial assets measured at amortised cost or FVTOCI are credit-impaired at each reporting date. To assess if sovereign and corporate financing instruments are credit impaired, the Bank considers factors such as delinquency, watchlist indication, restructuring flag, deterioration in credit ratings and the ability of the customer to raise funding.

A financial asset is considered credit-impaired when a concession is granted to the customer due to a deterioration in the customer's financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted the asset is deemed credit impaired when there is observable evidence of credit-impairment including meeting the definition of default. The definition of default (see below) includes unlikeliness to pay indicators and a backstop if amounts are overdue for 90 days or more. However, the cases where the impairment is not recognized for assets beyond 90 days overdue are supported by reasonable information.

(vi) Purchased or originated credit-impaired (POCI) financial assets

POCI financial assets are treated differently because the asset is credit-impaired at initial recognition. For these assets, the Bank recognized all changes in lifetime ECL since initial recognition as a loss allowance with any changes recognized in profit or loss. A favourable change for such assets creates an impairment gain.

4. Material accounting policies (continued)

(e) Financial instruments (continued)

Financial assets (continued)

(vii) Definition of default

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

The Bank considers the following as constituting an event of default:

- the customer is past due more than 90 days on any material credit obligation to the Bank; or
- the customer is unlikely to pay its credit obligations to the Bank in full.

The definition of default is appropriately tailored to reflect different characteristics of different types of assets. Further, there are cases where the criteria of 90 days overdue are rebutted based on management assessment. When assessing if the customer is unlikely to pay its credit obligation, the Bank takes into account both qualitative and quantitative indicators. The information assessed depends on the type of the asset, for example in corporate financing a qualitative indicator used is the 'watchlist flag', which is not used for retail financing. Quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis. The Bank uses a variety of sources of information to assess default which are either developed internally or obtained from external sources.

(viii) Significant increase in credit risk

The Bank monitors all financial assets, issued financial commitments and financial guarantee contracts that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Bank will measure the loss allowance based on lifetime rather than 12-month ECL. The Bank's accounting policy is not to use the practical expedient that financial assets with 'low' credit risk at the reporting date are deemed not to have had a significant increase in credit risk. As a result, the Bank monitors all financial assets, issued financial commitments and financial guarantee contracts that are subject to impairment for significant increase in credit risk.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Bank compares the internal risk rating of the financial instrument at the reporting date based on the remaining maturity of the instrument with the internal risk rating when the financial instrument was first recognised. In making this assessment, the Bank considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Bank's historical experience and expert credit assessment including forward-looking information.

For corporate financing, forward-looking information includes the future prospects of the macroeconomic indicators like Crude Oil price, GDP growth rate, real estate price index, etc. obtained from regulatory guidelines, economic expert reports, financial analysts, governmental bodies and other similar organisations, as well as consideration of various internal and external sources of actual and forecast economic information. For retail, financing forward looking information includes the same economic forecasts as corporate financing with additional forecasts of local economic indicators.

4. Material accounting policies (continued)

(e) Financial instruments (continued)

Financial assets (continued)

(viii) Significant increase in credit risk (continued)

The Bank allocates its counterparties to a relevant internal credit risk grade depending on their credit quality. The Bank considers the credit risk upon initial recognition of asset and whether there has been a significant increase in it on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Bank compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal risk grade;
- external credit rating (as far as available);
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer's ability to meet its obligations;
- actual or expected significant changes in the operating results of the customer;
- significant changes in the expected performance and behaviour of the customer, including changes in the payment status of customers in the group and changes in the operating results of the customer; and
- Macroeconomic information: in its models, the Bank relies on a broad range of forward looking information as economic inputs, such as: average crude oil prices, real estate Dubai and Abu Dhabi, inflation, GDP growth rate etc. along with various transformations of the same. The inputs and models used for calculating expected credit losses may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are made as temporary adjustments using expert credit judgement.

Regardless of the analysis above, a significant increase in credit risk is presumed if a customer is more than 30 days past due in making a contractual payment.

The qualitative factors that indicate significant increase in credit risk are reflected in PD models on a timely basis.

However, the Bank still considers separately some qualitative factors to assess if credit risk has increased significantly. For corporate financing there is particular focus on assets that are included on a 'watch list' given an exposure is on a watch list once there is a concern that the creditworthiness of the specific counterparty has deteriorated.

For retail financing, when an asset becomes 30 days past due, the Bank considers that a significant increase in credit risk has occurred and the asset is in stage 2 of the impairment model, i.e. the loss allowance is measured as the lifetime ECL.

(ix) Modification and derecognition of financial assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. In addition, the introduction or adjustment of existing covenants of an existing finance would constitute a modification even if these new or adjusted covenants do not yet affect the cash flows immediately but may affect the cash flows depending on whether the covenant is or is not met (e.g. a change to the increase in the profit rate that arises when covenants are breached).

4. Material accounting policies (continued)

(e) Financial instruments (continued)

Financial assets (continued)

(ix) Modification and derecognition of financial assets (continued)

The Bank renegotiates finances to customers in financial difficulty to maximise collection and minimise the risk of default. A finance forbearance is granted in cases where although the customer made all reasonable efforts to pay under the original contractual terms, there is a high risk of default or default has already happened and the customer is expected to be able to meet the revised terms. The revised terms in most of the cases include an extension of the maturity of the finance, changes to the timing of the cash flows of the finance (principal and profit payment), reduction in the amount of cash flows due (principal and profit forgiveness) and amendments to covenants. The Bank has an established forbearance policy which applies for corporate and retail financing.

When a financial asset is modified the Bank assesses whether this modification results in derecognition. In accordance with the Bank's policy a modification results in derecognition when it gives rise to substantially different terms.

In the case where the financial asset is derecognised the loss allowance for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on 12-month ECL except in the rare occasions where the new finance is considered to be originated credit impaired. This applies only in the case where the fair value of the new finance is recognised at a significant discount to its revised par amount because there remains a high risk of default which has not been reduced by the modification. The Bank monitors credit risk of modified financial assets by evaluating qualitative and quantitative information, such as if the customer is in past due status under the new terms.

Where a modification does not lead to derecognition the Bank calculates the modification gain/loss comparing the gross carrying amount before and after the modification (excluding the ECL allowance). Then the Bank measures ECL for the modified asset, where the expected cash flows arising from the modified financial asset are included in calculating the expected cash shortfalls from the original asset.

The Bank derecognises a financial asset only when the contractual rights to the asset's cash flows expire (including expiry arising from a modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognise the financial asset and also recognises a collateralised financing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain/loss that had been recognised in OCI and accumulated in equity is recognised in profit or loss, with the exception of equity investment designated as measured at FVTOCI, where the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss.

4. Material accounting policies (continued)

(e) Financial instruments (continued)

Financial assets (continued)

(x) Write-offs

Financial assets are written off when there is no reasonable expectation of recovery, such as a customer failing to engage in a payment plan with the company. The company categorises a finance or receivable for write off after almost all possible avenues of payments have been exhausted. However where finances or receivables have been written off, the company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

Financial liabilities

(i) Classification and subsequent measurement

In both the current period and prior period, financial liabilities are classified and subsequently measured at amortised cost, except for:

- Financial liabilities at fair value through profit or loss: the classification is applied to Islamic derivatives and other financial liabilities designated as such at initial recognition. Gains and losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in fair value of the financial liability that is attributable to the changes in credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains or losses attributable to changes in the credit risk of the liability are also presented in the profit or loss;
- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition or when the continuing involvement approach applies. When the transfer of financial assets did not qualify for derecognition, a financial liability is recognised for the consideration received for the transfer; and
- Financial guarantee contracts and financial commitments.

Effective profit method

The effective profit method is a method of calculating the amortised cost of a financial liability and of allocating profit expense over the relevant period. The effective profit rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective profit rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

4. Material accounting policies (continued)

(e) Financial instruments (continued)

Financial liabilities (continued)

(ii) Derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

The exchange between the Bank and its original financer of financing instruments with substantially different terms, as well as substantial modifications of the terms of existing liabilities, are accounted for as an extinguishment of the original financial liability and a recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective profit rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability.

In addition, other qualitative factors such as, currency that the instrument is denominated in, changes in the type of profit rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of financing instruments or modification of terms is accounted for as an extinguishment, any cost or fees incurred as recognised as part of the gain or loss on extinguishment. If an exchange or modification is not accounted for as an extinguishment, any cost or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified customer fails to make payments when due in accordance with the terms of a financing instrument.

Financial guarantee contracts issued by a Bank entity are initially measured at their fair values and, if not designated as at FVTPL and not arising from a transfer of a financial asset, are subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the Bank’s revenue recognition policies.

Financial guarantee contracts not designated at FVTPL are presented as provisions on the statement of financial position and the remeasurement is presented in other revenue.

The Bank has not designated any financial guarantee contracts as at FVTPL.

4. Material accounting policies (continued)

(e) Financial instruments (continued)

Islamic derivative financial instruments

Islamic derivative financial instruments are primarily used in trading activities. These are also used to manage our exposure to profit, currency, credit and other market risks. All Islamic derivative financial instruments are recorded in statement of financial position at fair value.

When Islamic derivative financial instruments are used in trading activities, the realized and unrealized gains and losses on these Islamic derivative financial instruments are recognized in other income. Islamic derivative financial instruments with positive fair values are presented as asset and Islamic derivative financial instruments with negative fair values are reported as liabilities. In accordance with our policy for offsetting financial assets and financial liabilities, the net fair value of certain Islamic derivative assets and liabilities are reported as an asset or liability, as appropriate. Valuation adjustments are included in the fair value of Islamic derivative assets and Islamic derivative liabilities. Premiums paid and premiums received are part of Islamic derivative assets and Islamic derivative liabilities, respectively. When derivatives are used to manage our own exposures, we determine for each derivative whether hedge accounting can be applied.

(f) Investment in associates

An associate is an entity over which the Bank has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in an associate is initially recognised in the statement of financial position at cost and adjusted thereafter to recognise the Bank's share of the profit or loss and other comprehensive income of the associate. When the Bank's share of losses of an associate exceeds the Bank's interest in that associate (which includes any long-term interests that, in substance, form part of the Bank's net investment in the associate), the Bank discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Bank has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Bank's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Bank's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount.

The Bank discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment is classified as held for sale. When the Bank retains an interest in the former associate and the retained interest is a financial asset, the Bank measures the retained interest at fair value at that date is regarded as its fair value on initial recognition in accordance with IFRS 9.

4. Material accounting policies (continued)

(f) Investment in associates (continued)

The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. Gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the associate.

Unrealized gains and losses resulting from transactions between the Bank and the associate are eliminated to the extent of the interest in the associate.

(g) Property and equipment

Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Subsequent costs

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Bank and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in the income statement as incurred.

Depreciation

Depreciation is recognised in statement of income on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

	Years
Leasehold improvements	7
Computers equipment and software	3 to 7
Furniture, fitting and equipment	5
Vehicles	5
Right-of-use assets	2 to 5
Buildings	25

Depreciation methods, useful lives and residual values are reassessed at the reporting date. Gain and losses on disposals are determined by comparing proceeds with the carrying amount. The differences are included in the income statement.

Capital work in progress is stated at cost. When commissioned, capital work in progress is transferred to the appropriate asset category and depreciated in accordance with the Bank’s accounting policies.

4. Material accounting policies (continued)

(h) Investment properties

Investment properties is held to earn rental income and/or capital appreciation. Investment properties includes cost of initial purchase, developments transferred from property under development, subsequent cost of development, and fair value adjustments. Investment properties is reported at valuation based on fair value at the end of the reporting period. The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. The fair value is determined on a periodic basis by independent professional valuers. Fair value adjustments on investment properties are included in the income statement in the period in which these gains or losses arise.

All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred. The fair value of Investment properties is based on the nature, location and condition of the specific asset.

(i) Assets acquired in settlement of Islamic financing and investing assets

The Bank occasionally acquires real estate and other collateral in settlement of Islamic financing and investing assets. Such real estate and other collateral are stated at the lower of the net recognized value of Islamic financing and investing assets and the current fair value of such assets at the date of acquisition. Gains or losses on disposal and recognized losses on revaluation are recognized in the income statement.

(j) Islamic customers' deposits, due to banks and other financial institutions and other liabilities

Islamic customers' deposits, due to banks and other financial institutions and other liabilities are initially recognised at fair value and subsequently measured at amortised cost.

(k) Provisions and contingent liabilities

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event, it is probable that the Bank will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Contingent liabilities, which include certain guarantees and letters of credit pledged as collateral security, are possible obligations that arise from past events whose existence will be confirmed only by the occurrence, or non-occurrence, of one or more uncertain future events not wholly within the Bank's control. Contingent liabilities are not recognized in the financial statements but are disclosed in the notes to the financial statements.

4. Material accounting policies (continued)

(l) Acceptances

Acceptances are recognised as financial liabilities in the statement of financial position with a contractual right of reimbursement from the customer as a financial asset. Therefore, commitments with respect to acceptances have been accounted for as financial assets and financial liabilities.

(m) Revenue recognition

Income from Islamic financing and investing assets and Islamic investments securities, including fees which are considered an integral part of the effective profit of a financial instrument, are recognized in the income statement using the effective profit rate method.

(n) Fees, commission and other income

Fees, commission and other income from banking services provided by the Bank are recognized on an accrual basis when the service has been provided.

(o) Dividend income

Dividend income is recognised when the Bank's right to receive the payment is established.

(p) Employees' benefits

The Bank provides end of service benefits for its expatriate employees. The entitlement to these benefits is based upon the employees' length of service and completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Pension and national insurance contributions for the U.A.E. citizens are made by the Bank in accordance with the applicable laws and regulations for U.A.E. citizens.

(q) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that have suffered an impairment loss are reviewed for possible reversal of impairment at each reporting date.

(r) Foreign currency transactions

Transactions denominated in foreign currencies are translated into AED at the rates of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into AED at the foreign exchange rates ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated into AED at the foreign exchange rates ruling on the date of the transaction. Realised and unrealised exchange gains and losses have been dealt within the income statement.

4. Material accounting policies (continued)

(s) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is a person or group of persons that allocates resources and assesses the performance of the operating segments of an entity. The Bank has determined the Executive Committee as its chief operating decision maker. All transactions between business segments are conducted on an arm´s length basis, with intra-segment revenue and costs being eliminated in head office. Income and expenses directly associated with each segment are included in determining business segment performance.

(t) Fiduciary activities

The Bank acts as trustee/manager and in other capacities that result in holding or placing of assets in a fiduciary capacity on behalf of trusts or other institutions. Such assets and income arising thereon are not included in the Bank’s financial statements as they are not assets of the Bank.

(u) Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and reported net in the statement of financial position only when there is a legally enforceable right to set off the recognised amounts or when the Branches intend to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(v) Fair value measurement principles

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

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

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

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

If an asset or a liability measured at fair value has a bid price and an ask price, then the Bank measures assets and long positions at a bid price and liabilities at an ask price.

4. Material accounting policies (continued)

(v) Fair value measurement principles (continued)

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

The fair value of a demand deposit is not less than the amount payable on demand, using the present value from the first date on which the amount could be required to be paid.

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

5. Critical accounting judgments and key sources of estimation uncertainty

The Bank's financial statements and its financial result are influenced by accounting policies, assumptions, estimates and management judgment, which necessarily have to be made in the course of preparation of the financial statements.

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Estimates and judgments are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events. Accounting policies and management's judgments for certain items are especially critical for the Bank's results and financial situation due to their materiality.

Critical judgments in applying the Bank's accounting policies

The following are the critical judgments, apart from those involving estimations, that the management has made in the process of applying the Bank's accounting policies and that have the most significant effect on the amounts recognized in financial statements:

Business model assessment

Business model assessment: Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Bank determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Bank monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Bank's continuous assessment of whether the business model for which the remaining financial assets are held continue to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

5. Critical accounting judgments and key sources of estimation uncertainty (continued)

Critical judgments in applying the Bank's accounting policies (continued)

Significant increase of credit risk

Significant increase of credit risk: As explained in Note 6, ECL is measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. However, in assessing whether the credit risk of an asset has significantly increased the Bank takes into account qualitative and quantitative reasonable and supportable forward looking information.

Establishing groups of assets with similar credit risk characteristics

Establishing groups of assets with similar credit risk characteristics: When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics (e.g. instrument type, credit risk, stage classification etc.). The Bank monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that if there is a credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets.

Models and assumptions used

The Bank uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

a) Classification of and measurement of financial assets and liabilities

The Bank classifies financial instruments, or its component parts, at initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual agreement and the definitions of the instruments. The substance of the financial instrument, rather than the legal form, governs its reclassification in the statement of financial position.

The Bank determines the classification at initial recognition and, when allowed and appropriate, re-evaluates this designation at every statement of financial position date.

In measuring financial assets and liabilities, some of the Bank's assets and liabilities are measured at a fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Bank uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Bank engages independent professionally qualified valuers to perform the valuation. The Bank works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

b) Fair value measurement

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs such as volatility for longer dated derivatives and discount rates, prepayment rates and default rate assumptions for asset backed securities. The management believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

5. Critical accounting judgments and key sources of estimation uncertainty (continued)

Critical judgments in applying the Bank's accounting policies (continued)

Models and assumptions used (continued)

c) Islamic derivative financial instruments

Subsequent to initial recognition, the fair value of Islamic derivative financial instruments measured at fair value are generally obtained by reference to quoted market prices, discounted cash flow models and recognized pricing models as appropriate. When prices are not available, fair values are determined by using valuation techniques which refer to observable market data. These include comparison with similar instruments where market observable prices exist, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. The main factors which management considers when applying a model are:

(i) The likelihood and expected timing of future cash flows on the instrument. These cash flows are usually governed by the terms of the instrument, although management judgment may be required in situations where the ability of the counterparty to service the instrument in accordance with the contractual terms is in doubt; and

(ii) An appropriate discount rate of the instrument. Management determines this rate, based on its assessment of the appropriate spread of the rate for the instrument over the risk-free rate. When valuing instruments by reference to comparable instruments, management takes into account the maturity, structure and rating of the instrument with which the position held is being compared. When valuing instruments on a model basis using the fair value of underlying components, management considers, in addition, the need for adjustments to take account of a number of factors such as bid-offer spread, credit profile, servicing costs of portfolios and model uncertainty.

Determining whether it is reasonably certain that an extension or termination option in a lease agreement will be exercised

Extension and termination options are included in a number of tenancy lease agreement entered into the Bank. These terms are used to maximise operational flexibility in terms of managing contracts. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment.

Key sources of estimation uncertainty

The following are key estimations that the management has used in the process of applying the Bank's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and determining the forward looking information relevant to each scenario: When measuring ECL the Bank uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.
- Probability of default: PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.
- Loss Given Default: LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the financier would expect to receive, taking into account cash flows from collateral and integral credit enhancements.
- Determination of appropriate rate to discount the lease payments.

6. Financial risk management

The Bank's activities expose it to a variety of financial risks and involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial services business, and the operational risks are an inevitable consequence of being in business. The Bank's aim is, therefore, to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Bank's financial performance.

Risk is inherent in the Bank's activities but it is managed through a process of ongoing identification, measurement and monitoring, and is subject to risk limits and other controls.

The Bank's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of realizable and up-to-date information systems. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice. The Risk management tone is set right at the top from the Board of Directors ("Board") and gets implemented through a well-defined risk management structure and framework.

6.1 Risk management Framework

The Bank's Risk Management Framework is comprised of a collection of principles designed to help the Bank anticipate and handle risks more effectively. Core objective of risk management framework is to provide a reasonable degree of assurance to the Board that the risks threatening Bank's achievement of its core purpose are being identified, measured, monitored and controlled through an effective integrated risk management framework.

The Bank manages risks using three lines of defence. Business departments along with support and control divisions, as the first line of defence, identify, control and manage risk in their day-to-day activities by ensuring that activities are within the Bank's risk appetite and follow all relevant internal policies and processes. Risk, Compliance and Internal Shariah Control departments, as the second line of defence, monitors and facilitates the implementation of effective risk management practices and assists the first line of defence in risk-related matters. Internal audit and internal Shariah audit, as the third line of defence, provides assurance to management and the Board of the effectiveness of risk management practices employed by the first two lines of defence.

6.2 Risk management structure

The Board oversees the affairs of the Bank, including approving and overseeing the implementation of the Bank-wide Risk Management framework. To ensure Risk Management is accorded specialized attention, the Board has established and delegated various authorities to the Board Risk Committee.

Board of Directors

The Board of Directors are responsible for the overall risk management approach and for approving the risk management strategies and principles. Board ensure appropriate risk management framework, internal control, compliance and reporting systems are in place and operating efficiently.

Board Executive Committee ("BEC")

The BEC is to assist the Board in fulfilling its responsibilities with respect to overseeing the implementation of the overall strategy, business plan and objectives.

6. Financial risk management (continued)

6.2 Risk management structure (continued)

Board Audit Committee (“BAC”)
The purpose of the BAC shall be to assist the Board in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the audit process, and the bank’s process for monitoring compliance with laws and regulatory requirements and the code of conduct/fraud policy.

Board Risk Committee (“BRC”)
The BRC mandate is to assist the Board in ensuring that the Bank manages risk in accordance with its risk management framework including the Board approved risk appetite limits for all relevant risk categories and risk concentrations through policies, procedures, and process by providing governance, oversight and strategic direction.

Board Compliance Committee (“BCC”)
The BCC is to assist the Board in fulfilling its responsibilities with respect to overseeing the management of the bank’s compliance with applicable laws and regulations issued by the Central Bank and other applicable authorities, and reviewing the implementation of compliance and financial crime management policy framework across Ajman Bank.

Board Nomination and Compensation Committee (“BNCC”)
The BNCC assists the Board in overseeing the affairs related to the Bank’s human capital including implementation of the overall compensation and performance management framework and ensures its alignment with Bank’s long-term interests.

Internal Shariah Supervision Committee (“ISSC”)

The ISSC is responsible for Shariah governance in terms of overview and approval of products and documentation in relation to Shariah compatibility and overall Shariah compliance as mentioned in Standard Re. Shariah Governance – issued by Central Bank of UAE under the notice No. CBUAE/BSD/N/2020/2123.

Risk Management Division (“RMD”)

The RMD is responsible for implementing and maintaining risk related procedure to ensure independent control process. Department monitor portfolio credit risk, market & liquidity risk, operational risk against the risk appetite framework established for the Bank.

Internal Audit

Management processes at the Bank are audited periodically by the internal audit function, which examines both the adequacy of the procedures and the Bank’s compliance with the procedures. Internal audit discusses the results of its assessments with management, and reports its findings and recommendations directly to the Audit Committee.

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

6. Financial risk management (continued)

6.2.1 Risk measurement and reporting systems

The Bank measures credit risk losses using current IFRS-9 regulations, where macro-economic models are used to do the early recognition of impairment. Whereas market, liquidity and operational risks are measured using standards currently enforced under regulatory guidelines. Further, the Bank uses quantitative analysis and methods to estimate business risk and revise risk strategies based on risk appetite. These analysis and methods reflect the expected loss likely to arise in normal course of business where as Bank also estimate unexpected losses which might occur due to unforeseen events based on statistical techniques and probabilities associated with it. Bank also runs multiple stress scenarios based on extreme macroeconomic events which are likely to occur, as well as idiosyncratic risk factors which are specific to Bank. This helps the Bank in doing its own internal assessment of the capital requirement and in turn establish the risk appetite framework of the Bank.

Monitoring and controlling risks is primarily performed in relation to limits established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept, with additional emphasis on selected industries.

Model Risk Management
The bank uses a number of quantitative models in a many of its business and regulatory activities. The extensive use of models in decision making, under-writing a credit facility, provisioning requires to oversee this process and manage risk arising from this process called ‘model risk’.

The Bank has established a framework to manage the development, implementation, approval, validation and ongoing use of modeling processes. It sets out an effective governance and management structure with clearly defined roles and responsibilities, policies and controls for managing model risk. The Framework is reviewed on a regular basis to ensure it meets regulatory standards and international practices.

6.2.2 Credit risk and concentrations of risk

Credit risk is defined as the risk that the Bank’s customers, clients or counter parties fail to perform or are unwilling to pay profit, repay the principal or otherwise to fulfil their contractual obligations under finance agreements or other credit facilities, thus causing the Bank to suffer a financial loss.

Credit risk also arises through the downgrading of counter parties, whose credit instruments are held by the Bank, thereby resulting in the value of the assets to fall. As credit risk is the Bank’s most significant risk, considerable resources, expertise and controls are devoted to managing this risk within the core departments of the Bank.

6. Financial risk management (continued)

6.2 Risk management structure (continued)

6.2.2 Credit risk and concentrations of risk (continued)

Management of credit risk

The Bank's Credit Risk Management Framework includes:

- Establishment of an authorization structure and limits for the approval and renewal of credit facilities;
- Reviewing and assessing credit exposures in accordance with the authorization structure and limits, prior to facilities being sanctioned to customers; renewals and reviews of facilities are subject to the same review process;
- Diversification of financing and investment activities;
- Limiting concentrations of exposure to industry sectors, geographic locations and counterparties; and
- Reviewing compliance, on an ongoing basis, with agreed exposure limits relating to counterparties, industries and countries and reviewing limits in accordance with the Bank's risk management strategy and market trends.

6.2.3 Significant increase in credit risk

The Bank monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Bank will measure the loss allowance based on lifetime rather than 12-month ECL.

Internal credit risk ratings

In order to adequately assess the credit exposure profile, the Bank has acquired a globally acclaimed system for obligor and facility internal risk rating. It facilitates the analysis of credit proposals by putting a robust risk rating system as well as structurally supports the Bank in estimating various elements of risk. The system is comprised of 22 notch obligor risk rating in ten scales from 1 to 10. Such a credit risk grades are defined using both quantitative and qualitative factors that are indicative of default. The table below provides a mapping of the Bank's internal credit risk grades to external ratings.

6. Financial risk management (continued)

6.2 Risk management structure (continued)

6.2.3 Significant increase in credit risk (continued)

Internal credit risk ratings (continued)

Bank's credit risk grades	*Agency rating*	*Description*
1	AAA	Very Low credit risk
2	AA+ to AA-	Very Low credit risk
3	A+ to A-	Low credit risk
4	BBB+ to BBB-	Moderate credit risk
5	BB+ to BB-	Substantial credit risk
6	B+ to B-	High credit risk
7	CCC+ to C	Very High credit risk
8	DDD	Substandard
9	DD	Doubtful
10	D	Loss

The credit risk grades are designed and calibrated to reflect the risk of default as credit risk deteriorates. As the credit risk increases the difference in risk of default between grades changes. Each exposure is allocated to a credit risk grade at initial recognition, based on the available information about the counterparty. The exposures are monitored and the credit risk grade is updated to reflect current information. The monitoring procedures followed are both general and tailored to the type of exposure.

The following data are typically used to monitor the Bank's exposures:

- Payment record, including payment ratios and ageing analysis;
- Extent of utilization of granted limit;
- Forbearances (both requested and granted);
- Changes in business, financial and economic conditions;
- Credit rating information supplied by external rating agencies; and
- Information obtained by periodic review of customer files including audited financial statements review, market data such as prices of credit default swaps (CDS) or quoted bonds/sukuk where available, changes in the financial sector the customer operates etc.

The Bank monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Bank will measure the loss allowance based on lifetime rather than 12-month ECL.

Bank assessed significant increase in credit risk for group of assets and moved from stage 1 to stage 2 based on following factors:

- Credit risk rating change beyond the Bank's established threshold related to initial recognition;
- Instrument is past due beyond 30 days; and
- Instrument's credit risk is considered higher based on qualitative criteria of the Bank.

6. Financial risk management (continued)

6.2 Risk management structure (continued)

6.2.4 Measurement of ECL

The Bank calculates ECL using statistical models and based on probability-weighted scenarios. IFRS9 considers the calculation of ECL by multiplying the probability of default (PD), loss given default (LGD) and exposure of default (EAD). The Bank has developed methodologies and models taking into account the relative size, quality and complexity of the portfolios.

These risk parameters are generally derived from developed statistical models and other historical data and are adjusted to reflect forward-looking information.

The key elements used in the computation of ECL are as follows:

Probability of default (PD): is an estimate of the likelihood of default over a given time horizon;
• Loss given default (LGD): is an estimate of the loss arising in the case where default occurs at a given time;
• Exposure at default (EAD): is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date.

These elements are derived from our internally developed statistical models based on our historical data and the macroeconomic data provided by the Moody's Analytics. They are adjusted to reflect probability-weighted forward-looking information.

Macroeconomic factors, scenarios and forward looking information

IFRS9 requires an unbiased and probability weighted estimate of credit losses by evaluating a range of possible outcomes that incorporates forecasts of future economic conditions. When estimating the ECL, the Bank considered three scenarios (baseline, upturn and downturn) with a weightage of 40%, 30% and 30% respectively.

Macroeconomic factors and forward looking information are required to be incorporated into the measurement of ECL. Measurement of ECLs at each reporting period should reflect reasonable and supportable information at the reporting date about past events, current conditions and forecasts of future economic conditions.

The table below summarises the principal macroeconomic indicators included in the economic scenarios used at 31 December 2023 for the years 2023 to 2028, for UAE which is the country where the Bank operates and therefore is the country that has a material impact on ECLs.

6. Financial risk management (continued)

6.2 Risk management structure (continued)

6.2.4 Measurement of ECL (continued)

Macroeconomic Variables	Scenario	2023	2024	2025	2026	2027	2028
Crude Oil Price (Price Per Barrel, $)	Baseline	88	84	72	69	69	69
	Upturn	90	87	72	69	69	69
	Downturn	85	70	65	68	68	68
Expenditure on Natural Gas and Oil (Amount in Billion AED)	Baseline	415	419	429	441	455	471
	Upturn	415	419	431	443	458	475
	Downturn	415	417	424	433	446	462
Real Domestic Demand (Amount in Billion USD)	Baseline	388	404	423	437	449	462
	Upturn	392	415	441	455	468	481
	Downturn	382	381	384	402	422	437
Hotel Occupancy Dubai (In Percentage)	Baseline	87	86	82	81	80	79
	Upturn	88	89	86	82	81	79
	Downturn	85	79	75	77	79	79
Real Gross Capital Formation (Amount in Billion USD)	Baseline	111	111	111	111	112	113
	Upturn	112	115	118	118	118	119
	Downturn	107	98	100	107	106	107
Government Revenue (Amount in Billion AED)	Baseline	567	586	601	608	625	647
	Upturn	591	644	632	632	648	671
	Downturn	534	463	491	536	579	608

PD is an estimate at certain point in time which is derived based on model output of regression of historical observed default rates against macro-economic variables. These outputs are calibrated against through the cycle (TTC) PD which is currently used by the Bank, and assessed using rating tools tailored to various categories of counterparties and exposures. These statistical models are based on market data, as well as internal data compromising both quantitative as well as qualitative factors. PDs are estimated considering the contractual maturities of exposures by building term structure of default using the cumulative survival probability.

LGD is an estimate of the loss magnitude arising on in case the customer defaults. It is based on the difference between the contractual cash flows due and those that the financier would expect to receive, taking into account cash flows from any collateral. The LGD models for secured assets consider forecasts of future collateral valuation taking into account sale discounts, time to realization of collateral, cost of realization of collateral and cure rates (i.e. exit from non-performing status). LGD models for unsecured assets consider time of recovery and recovery rates. The calculation is on a discounted cash flow basis, where the cash flows are discounted by the original effective profit rate (EPR) of the finance.

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

6. Financial risk management (continued)

6.2 Risk management structure (continued)

6.2.4 Measurement of ECL (continued)

EAD represent the expected exposures in the event of a default. The Bank derives the EAD from the current exposures to the counterparty and the potential changes to the current amount allowed under the contract including amortization. The EAD for the on balance sheet items are its gross carrying amount whereas for off balance sheet items such as letters of credits, financial and general guarantees undrawn non-cancellable finance commitments are estimated by applying credit conversion factors on the committed exposures.

The measurement of loss allowance is done on individual basis for corporate portfolio where as it is measured on collective basis for retail portfolio (measurement on collective basis is more practical for retail portfolio where portfolio constituents share similar portfolio attributes). In relation to the assessment of whether there has been a significant increase in credit risk it is necessary to perform the assessment on a collective basis as noted below.

Groupings based on shared risks characteristics:

When ECL are measured on a collective basis, the financial instruments are grouped based on shared risk characteristics, such as:

- Instrument type;
- Credit risk grade;
- Collateral type.

The groupings are reviewed on a regular basis to ensure that each group is comprised of homogenous exposures.

The Bank has in place policies, which govern the determination of eligibility of various collaterals, to be considered for credit risk mitigation, which includes the minimum operational requirements that are required for the specific collateral to be considered as effective risk mitigating. The Bank’s major collaterals are mortgaged properties, investments, vehicles and deposits under lean.

The collateral is valued periodically, depending on the type of collateral. Specifically for mortgaged property, a framework for valuation of mortgaged properties is established to ensure adequate policies and procedures are in place for efficient and proper conduct of valuation of mortgaged properties and other related activities in relation to the interpretation, monitoring and management of valuation of mortgaged properties.

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

6. Financial risk management (continued)

6.2 Risk management structure (continued)

6.2.4 Measurement of ECL (continued)

Summarised information of the Bank's maximum exposure to credit risk before collateral held per class of financial asset (subject to impairment) is provided in following table:

	31 December 2023			31 December 2022		
	Gross carrying amount AED'000	**ECL allowance AED'000**	**Carrying amount AED'000**	Gross carrying amount AED'000	ECL allowance AED'000	Carrying amount AED'000
Balances with the Central Bank						
Stage 1	**4,322,845**	**-**	**4,322,845**	2,034,734	-	2,034,734
Due from banks and other financial institutions						
Stage 1	**1,724,825**	**(10,798)**	**1,714,027**	1,996,093	(5,764)	1,990,329
Islamic financing and investing assets						
Stage 1	10,188,344	(68,904)	10,119,440	7,307,578	(26,115)	7,281,463
Stage 2	1,908,374	(88,597)	1,819,777	3,615,644	(80,805)	3,534,839
Stage 3	2,313,095	(476,319)	1,836,776	2,202,577	(384,761)	1,817,816
	14,409,813	**(633,820)**	**13,775,993**	13,125,799	(491,681)	12,634,118
Islamic investment securities at amortised cost						
Stage 1	**265,467**	**(2,438)**	**263,029**	118,920	(2,881)	116,039
Islamic investment securities at FVTOCI (*)						
Stage 1	2,498,904	(3,963)	2,494,941	2,077,608	(4,631)	2,072,977
Stage 3	-	-	-	54,506	(54,506)	-
	2,498,904	**(3,963)**	**2,494,941**	2,132,114	(59,137)	2,072,977
Other Islamic financial assets						
Stage 1	831,326	(4,385)	826,941	794,783	-	794,783
Stage 2	247	(126)	121	25,108	(3)	25,105
Stage 3	36,031	(21,071)	14,960	30,128	(19,190)	10,938
	867,604	**(25,582)**	**842,022**	850,019	(19,193)	830,826
Financial commitments and financial guarantees (off balance sheet exposures)						
Stage 1	316,207	(2,329)	313,878	477,341	(626)	476,715
Stage 2	73,557	(1,837)	71,720	83,699	(2,766)	80,933
Stage 3	345,082	(321,687)	23,395	30,213	(9,463)	20,750
	734,846	**(325,853)**	**408,993**	591,253	(12,855)	578,398
	24,824,304	**(1,002,454)**	**23,821,850**	20,848,932	(591,511)	20,257,421

(*) Impairment allowance is recognised under "Revaluation reserve of investments designated at FVTOCI".

6. Financial risk management (continued)

6.2 Risk management structure (continued)

6.2.4 Measurement of ECL (continued)

Risks relating to credit-related commitments

The Bank makes available to its customers, guarantees and letters of credit which require that the Bank makes payments in the event that the customer fails to fulfil certain obligations to other parties. These instruments expose the Bank to a similar risk to financing and investing assets and these are monitored by the same control processes and policies.

6.3 Credit risk and concentrations of risk

Concentration of credit risk

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, the Bank's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. The Bank monitors concentrations of credit risk by industry sectors and geographic location. Identified concentration of credit risk is controlled and managed accordingly.

By geographic location

Based on the domicile of the counterparties, the following table sets out the Bank's main credit exposures at their carrying amounts, categorized by geographical region:

On balance sheet items

2023	UAE AED'000	GCC AED'000	Other AED'000	Total AED'000
Balances with the Central Bank	4,322,845	-	-	4,322,845
Due from banks and other financial institutions	753,473	1,666	969,686	1,724,825
Islamic financing and investing assets:				
- Retail	3,858,068	-	5,999	3,864,067
- Corporate	10,214,548	-	330,525	10,545,073
- Treasury	673	-	-	673
Islamic investment securities at amortised cost	119,158	-	146,309	265,467
Islamic investment securities at FVTOCI	991,821	1,391,806	111,314	2,494,941
Other Islamic financial assets	867,604	-	-	867,604
Total	**21,128,190**	**1,393,472**	**1,563,833**	**24,085,495**

6. Financial risk management (continued)

6.3 Credit risk and concentrations of risk (continued)

Concentration of credit risk (continued)

By geographic location (continued)

On balance sheet items (continued)

2022	UAE AED'000	GCC AED'000	Other AED'000	Total AED'000
Balances with the Central Bank	2,034,734	-	-	2,034,734
Due from banks and other financial institutions	743,864	664	1,251,565	1,996,093
Islamic financing and investing assets:				
- Retail	3,127,849	-	-	3,127,849
- Corporate	9,336,063	40,727	330,525	9,707,315
- Treasury	673	-	-	673
- Investments	289,962	-	-	289,962
Islamic investment securities at amortised cost	118,920	-	-	118,920
Islamic investment securities at FVTOCI	746,812	1,229,841	96,324	2,072,977
Other Islamic financial assets	850,019	-	-	850,019
Total	17,248,896	1,271,232	1,678,414	20,198,542

Off balance sheet items

2023	**UAE AED'000**	**GCC AED'000**	**Other AED'000**	**Total AED'000**
Commitments and others	**311,742**	**-**	**-**	**311,742**
Letters of credit and guarantee	**404,741**	**18,363**	**-**	**423,104**
Total	**716,483**	**18,363**	**-**	**734,846**

2022	UAE AED'000	GCC AED'000	Other AED'000	Total AED'000
Commitments	161,893	-	12,244	174,137
Letters of credit and guarantee	315,204	18,363	83,549	417,116
Total	477,097	18,363	95,793	591,253

6. Financial risk management (continued)

6.3 Credit risk and concentrations of risk (continued)

Credit risk exposure per class of financial asset, internal rating and stage

An analysis of the Bank's credit risk exposure per class of financial asset (subject to impairment), internal rating and stage without taking into account the effects of any collateral or other credit enhancements is provided in the following tables. These amounts in the table represent gross carrying amounts. For financial commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

- **Due from banks and other financial institutions**

	2023					2022
	Stage 1 12 months ECL AED'000	**Stage 2 Life time ECL AED'000**	**Stage 3 Life time ECL AED'000**	**POCI Life time ECL AED'000**	**Total AED'000**	Total AED'000
Normal	1,724,825	-	-	-	1,724,825	1,996,093
Gross carrying amount	**1,724,825**	**-**	**-**	**-**	**1,724,825**	1,996,093
Impairment allowance	(10,798)	-	-	-	(10,798)	(5,764)
Carrying amount	**1,714,027**	**-**	**-**	**-**	**1,714,027**	1,990,329

- **Islamic financing and investing assets**

	2023					2022
	Stage 1 12 months ECL AED'000	**Stage 2 Life time ECL AED'000**	**Stage 3 Life time ECL AED'000**	**POCI Life time ECL AED'000**	**Total AED'000**	Total AED'000
Normal	10,188,344	1,073,589	-	-	11,261,933	10,259,742
Watchlist	-	834,785	-	-	834,785	663,480
Substandard	-	-	926,815	-	926,815	1,304,160
Doubtful	-	-	801,295	-	801,295	178,111
Loss	-	-	584,985	-	584,985	720,306
Gross carrying amount	**10,188,344**	**1,908,374**	**2,313,095**	**-**	**14,409,813**	13,125,799
Impairment allowance	(68,904)	(88,597)	(476,319)	-	(633,820)	(491,681)
Carrying amount	**10,119,440**	**1,819,777**	**1,836,776**	**-**	**13,775,993**	12,634,118

6. Financial risk management (continued)

6.3 Credit risk and concentrations of risk (continued)

- **Islamic investment securities at amortised cost**

	2023					
	Stage 1 12 months ECL AED'000	**Stage 2 Life time ECL AED'000**	**Stage 3 Life time ECL AED'000**	**POCI Life time ECL AED'000**	**Total AED'000**	2022 Total AED'000
Normal	265,467	-	-	-	265,467	118,920
Gross carrying amount	**265,467**	**-**	**-**	**-**	**265,467**	118,920
Impairment allowance	(2,438)	-	-	-	(2,438)	(2,881)
Carrying amount	**263,029**	**-**	**-**	**-**	**263,029**	116,039

- **Islamic investment securities at FVTOCI**

	2023					
	Stage 1 12 months ECL AED'000	**Stage 2 Life time ECL AED'000**	**Stage 3 Life time ECL AED'000**	**POCI Life time ECL AED'000**	**Total AED'000**	2022 Total AED'000
Normal	2,498,904	-	-	-	2,498,904	2,077,608
Loss	-	-	-	-	-	54,506
Gross carrying amount	**2,498,904**	**-**	**-**	**-**	**2,498,904**	2,132,114
Impairment allowance	(3,963)	-	-	-	(3,963)	(59,137)
Carrying amount	**2,494,941**	**-**	**-**	**-**	**2,494,941**	2,072,977

- **Other Islamic financial assets**

	2023					
	Stage 1 12 months ECL AED'000	**Stage 2 Life time ECL AED'000**	**Stage 3 Life time ECL AED'000**	**POCI Life time ECL AED'000**	**Total AED'000**	2022 Total AED'000
Normal	831,326	-	-	-	831,326	819,891
Watchlist	-	247	-	-	247	-
Substandard	-	-	97	-	97	12,067
Doubtful	-	-	392	-	392	121
Loss	-	-	35,542	-	35,542	17,940
Gross carrying amount	**831,326**	**247**	**36,031**	**-**	**867,604**	850,019
Impairment allowance	(4,385)	(126)	(21,071)	-	(25,582)	(19,193)
Carrying amount	**826,941**	**121**	**14,960**	**-**	**842,022**	830,826

6. Financial risk management (continued)

6.3 Credit risk and concentrations of risk (continued)

- **Financial commitments and financial guarantees**

	2023					2022
	Stage 1 12 months ECL AED'000	**Stage 2 Life time ECL AED'000**	**Stage 3 Life time ECL AED'000**	**POCI Life time ECL AED'000**	**Total AED'000**	Total AED'000
Normal	316,207	73,301	-	-	389,508	532,900
Watchlist	-	256	-	-	256	28,140
Substandard	-	-	29,883	-	29,883	256
Loss	-	-	315,199	-	315,199	29,957
Gross carrying amount	**316,207**	**73,557**	**345,082**	**-**	**734,846**	591,253
Impairment allowance	(2,329)	(1,837)	(321,687)	-	(325,853)	(12,855)
Carrying amount	**313,878**	**71,720**	**23,395**	**-**	**408,993**	578,398

Expected credit loss allowance

More information about the significant changes in the gross carrying amount of financial assets during the year that contributed to changes in the loss allowance, is provided in the table below:

Balances with the Central Bank

	Stage 1 AED'000	**Stage 2 AED'000**	**Stage 3 AED'000**	**Total AED'000**
As at 1 January 2023	2,034,734	-	-	2,034,734
Change in exposure	2,288,111	-	-	2,288,111
As at 31 December 2023	**4,322,845**	**-**	**-**	**4,322,845**

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
As at 1 January 2022	2,047,984	-	-	2,047,984
Change in exposure	(13,250)	-	-	(13,250)
As at 31 December 2022	2,034,734	-	-	2,034,734

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6. Financial risk management (continued)

6.3 Credit risk and concentrations of risk (continued)

Due from banks and other financial institutions

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
As at 1 January 2023	1,996,093	-	-	1,996,093
Change in exposure	(32,259)	-	-	(32,259)
New financial assets recognized	421,808	-	-	421,808
Financial assets derecognized	(660,817)	-	-	(660,817)
As at 31 December 2023	**1,724,825**	**-**	**-**	**1,724,825**

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
As at 1 January 2022	489,876	-	-	489,876
Change in exposure	228,765	-	-	228,765
New financial assets recognized	1,277,528	-	-	1,277,528
Financial assets derecognized	(76)	-	-	(76)
As at 31 December 2022	1,996,093	-	-	1,996,093

Islamic financing and investing assets

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
As at 1 January 2023	7,307,578	3,615,644	2,202,577	13,125,799
- Transfer to stage 1	1,492,346	(1,492,346)	-	-
- Transfer to stage 2	(632,994)	976,181	(343,187)	-
- Transfer to stage 3	(182,118)	(515,197)	697,315	-
Change in exposure	229,484	(204,714)	110,302	135,072
New financial assets recognized	2,748,074	51,988	810	2,800,872
Financial assets derecognized	(774,026)	(523,182)	(227,195)	(1,524,403)
Write-offs	-	-	(127,527)	(127,527)
As at 31 December 2023	**10,188,344**	**1,908,374**	**2,313,095**	**14,409,813**

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6. Financial risk management (continued)

6.3 Credit risk and concentrations of risk (continued)

Islamic financing and investing assets (continued)

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
As at 1 January 2022	10,800,485	3,478,651	1,783,236	16,062,372
- Transfer to stage 1	113,843	(113,843)	-	-
- Transfer to stage 2	(1,522,864)	1,820,586	(297,722)	-
- Transfer to stage 3	(247,646)	(1,129,518)	1,377,164	-
Change in exposure	(354,204)	(198,838)	(72,667)	(625,709)
New financial assets recognized	728,157	139,724	-	867,881
Financial assets derecognized	(2,210,193)	(381,118)	(129,699)	(2,721,010)
Write-offs	-	-	(457,735)	(457,735)
As at 31 December 2022	7,307,578	3,615,644	2,202,577	13,125,799

Islamic investment securities at amortised cost

	Stage 1 AED'000	**Stage 2 AED'000**	**Stage 3 AED'000**	**Total AED'000**
As at 1 January 2023	118,920	-	-	118,920
Change in exposure	239	-	-	239
New financial assets recognised	146,308	-	-	146,308
As at 31 December 2023	**265,467**	**-**	**-**	**265,467**

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
As at 1 January 2022	-	-	-	-
New financial assets recognised	118,920	-	-	118,920
As at 31 December 2022	118,920	-	-	118,920

Islamic investment securities at FVTOCI

	Stage 1 AED'000	**Stage 2 AED'000**	**Stage 3 AED'000**	**Total AED'000**
As at 1 January 2023	2,077,608	-	54,506	2,132,114
Change in exposure	269,972	-	-	269,972
New financial assets recognised	151,324	-	-	151,324
Write-offs	-	-	(54,506)	(54,506)
As at 31 December 2023	**2,498,904**	**-**	**-**	**2,498,904**

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

6. Financial risk management (continued)

6.3 Credit risk and concentrations of risk (continued)

Islamic investment securities at FVTOCI (continued)

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
As at 1 January 2022	2,362,983	-	54,506	2,417,489
Change in exposure	(313,030)	-	-	(313,030)
New financial assets recognised	153,701	-	-	153,701
Financial assets derecognized	(126,046)	-	-	(126,046)
As at 31 December 2022	2,077,608	-	54,506	2,132,114

Other Islamic financial assets

	Stage 1 AED'000	**Stage 2 AED'000**	**Stage 3 AED'000**	**Total AED'000**
As at 1 January 2023	794,783	25,108	30,128	850,019
Change in exposure	36,543	(24,861)	7,879	19,561
Write-offs	-	-	(1,976)	(1,976)
As at 31 December 2023	**831,326**	**247**	**36,031**	**867,604**

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
As at 1 January 2022	760,021	942	33,793	794,756
- Transfer to stage 1	352	(352)	-	-
Change in exposure	33,705	24,518	1,027	59,250
New financial assets recognized	705	-	-	705
Write-offs	-	-	(4,692)	(4,692)
As at 31 December 2022	794,783	25,108	30,128	850,019

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

6. Financial risk management (continued)

6.3 Credit risk and concentrations of risk (continued)

Financial commitments and financial guarantees

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
As at 1 January 2023	477,341	83,699	30,213	591,253
- Transfer to stage 1	11,884	(11,884)	-	-
- Transfer to stage 2	-	256	(256)	-
- Transfer to stage 3	(166,025)	-	166,025	-
Change in exposure	(715)	1,486	(1,076)	(305)
New financial commitments and financial guarantees recognized	99,535	-	285,242	384,777
Financial commitments and financial guarantees derecognised	(105,813)	-	(135,066)	(240,879)
As at 31 December 2023	**316,207**	**73,557**	**345,082**	**734,846**

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
As at 1 January 2022	463,710	63,762	19,357	546,829
- Transfer to stage 2	(37,957)	37,957	-	-
- Transfer to stage 3	(12,359)	-	12,359	-
Change in exposure	(24,029)	(27,426)	-	(51,455)
New financial commitments and financial guarantees recognized	234,968	10,401	-	245,369
Financial commitments and financial guarantees derecognised	(146,992)	(995)	(1,503)	(149,490)
As at 31 December 2022	477,341	83,699	30,213	591,253

The tables below analyse the movement of the ECL allowance during the year per class of financial assets.

Due from banks and other financial institutions

	Stage 1 12-month ECL AED'000	Stage 2 Life time ECL AED'000	Stage 3 Lifetime ECL AED'000	Total AED'000
Loss allowance as at 1 January 2023	5,764	-	-	5,764
Change in credit risk	5,935	-	-	5,935
New financial assets recognized	226	-	-	226
Financial assets derecognized	(1,127)	-	-	(1,127)
Loss allowance as at 31 December 2023	**10,798**	**-**	**-**	**10,798**

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

6. Financial risk management (continued)

6.3 Credit risk and concentrations of risk (continued)

Due from banks and other financial institutions (continued)

	Stage 1 12-month ECL AED'000	Stage 2 Life time ECL AED'000	Stage 3 Lifetime ECL AED'000	Total AED'000
Loss allowance as at 1 January 2022	275	-	-	275
Change in credit risk	945	-	-	945
New financial assets recognized	4,608	-	-	4,608
Financial assets derecognized	(64)	-	-	(64)
Loss allowance as at 31 December 2022	5,764	-	-	5,764

Islamic financing and investing assets

	Stage 1 12-month ECL AED'000	**Stage 2 Life time ECL AED'000**	**Stage 3 Lifetime ECL AED'000**	**Total AED'000**
Loss allowance as at 1 January 2023	26,115	80,805	384,761	491,681
Changes in the loss allowance				
- Transfer to stage 1	31,152	(31,152)	-	-
- Transfer to stage 2	(1,513)	15,371	(13,858)	-
- Transfer to stage 3	(477)	(11,981)	12,458	-
Change in credit risk	9,058	40,707	312,597	362,362
New financial assets recognized	7,077	1,753	759	9,589
Financial assets derecognized	(2,508)	(6,906)	(92,871)	(102,285)
Write-offs and other transfers	-	-	(127,527)	(127,527)
Loss allowance as at 31 December 2023	**68,904**	**88,597**	**476,319**	**633,820**

	Stage 1 12-month ECL AED'000	Stage 2 Life time ECL AED'000	Stage 3 Lifetime ECL AED'000	Total AED'000
Loss allowance as at 1 January 2022	33,394	88,681	778,668	900,743
Changes in the loss allowance				
- Transfer to stage 1	1,190	(1,190)	-	-
- Transfer to stage 2	(384)	64,089	(63,705)	-
- Transfer to stage 3	(700)	(24,152)	24,852	-
Change in credit risk	(3,958)	(41,574)	117,871	72,339
New financial assets recognized	2,592	10,337	-	12,929
Financial assets derecognized	(6,019)	(15,386)	(15,190)	(36,595)
Write-offs and other transfers	-	-	(457,735)	(457,735)
Loss allowance as at 31 December 2022	26,115	80,805	384,761	491,681

6. Financial risk management (continued)

6.3 Credit risk and concentrations of risk (continued)

Islamic investment securities at amortised cost

	Stage 1 12-month ECL AED'000	**Stage 2 Life time ECL AED'000**	**Stage 3 Lifetime ECL AED'000**	**Total AED'000**
Loss allowance as at 1 January 2023	2,881	-	-	2,881
Change in credit risk	(2,466)	-	-	(2,466)
New financial assets recognized	2,023	-	-	2,023
Loss allowance as at 31 December 2023	**2,438**	**-**	**-**	**2,438**

	Stage 1 12-month ECL AED'000	Stage 2 Life time ECL AED'000	Stage 3 Lifetime ECL AED'000	Total AED'000
Loss allowance as at 1 January 2022	-	-	-	-
New financial assets recognized	2,881	-	-	2,881
Loss allowance as at 31 December 2022	2,881	-	-	2,881

Islamic investment securities at FVTOCI

	Stage 1 12-month ECL AED'000	**Stage 2 Life time ECL AED'000**	**Stage 3 Lifetime ECL AED'000**	**Total AED'000**
Loss allowance as at 1 January 2023	4,631	-	54,506	59,137
Change in credit risk	(1,177)	-	-	(1,177)
New financial assets recognised	509	-	-	509
Write-offs	-	-	(54,506)	(54,506)
Loss allowance as at 31 December 2023	**3,963**	**-**	**-**	**3,963**

	Stage 1 12-month ECL AED'000	Stage 2 Life time ECL AED'000	Stage 3 Lifetime ECL AED'000	Total AED'000
Loss allowance as at 1 January 2022	3,545	-	50,078	53,623
Change in credit risk	(1,674)	-	4,428	2,754
New financial assets recognised	3,353	-	-	3,353
Financial assets derecognized	(593)	-	-	(593)
Loss allowance as at 31 December 2022	4,631	-	54,506	59,137

Notes to the financial statements
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6. Financial risk management (continued)

6.3 Credit risk and concentrations of risk (continued)

Other Islamic financial assets

	Stage 1 12-month ECL AED'000	Stage 2 Life time ECL AED'000	Stage 3 Lifetime ECL AED'000	Total AED'000
Loss allowance as at 1 January 2023	-	3	19,190	19,193
Change in credit risk	4,385	123	3,857	8,365
Write-offs	-	-	(1,976)	(1,976)
Loss allowance as at 31 December 2023	**4,385**	**126**	**21,071**	**25,582**

	Stage 1 12-month ECL AED'000	Stage 2 Life time ECL AED'000	Stage 3 Lifetime ECL AED'000	Total AED'000
Loss allowance as at 1 January 2022	1	2	16,849	16,852
Change in credit risk	-	1	7,033	7,034
Financial assets derecognized	(1)	-	-	(1)
Write-offs	-	-	(4,692)	(4,692)
Loss allowance as at 31 December 2022	-	3	19,190	19,193

Financial commitments and financial guarantees

	Stage 1 12-month ECL AED'000	Stage 2 Life time ECL AED'000	Stage 3 Lifetime ECL AED'000	Total AED'000
Loss allowance as at 1 January 2023	626	2,766	9,463	12,855
Changes in the loss allowance				
- Transfer to stage 1	1,632	(1,632)	-	-
- Transfer to stage 3	(3)	-	3	-
Change in credit risk	25	703	162,046	162,774
New financial commitments and financial guarantees recognized	116	-	285,241	285,357
Financial commitments and financial guarantees derecognised	(67)	-	(135,066)	(135,133)
Loss allowance as at 31 December 2023	**2,329**	**1,837**	**321,687**	**325,853**

6. Financial risk management (continued)

6.3 Credit risk and concentrations of risk (continued)

Financial commitments and financial guarantees (continued)

	Stage 1 12-month ECL AED'000	Stage 2 Life time ECL AED'000	Stage 3 Lifetime ECL AED'000	Total AED'000
Loss allowance as at 1 January 2022	1,209	724	9,789	11,722
Changes in the loss allowance				
- Transfer to stage 2	(31)	31	-	-
Change in credit risk	(139)	1,265	(110)	1,016
New financial commitments and financial guarantees recognized	470	765	28	1,263
Financial commitments and financial guarantees derecognised	(883)	(19)	(244)	(1,146)
Loss allowance as at 31 December 2022	626	2,766	9,463	12,855

As discussed above in the significant increase in credit risk section, under the Bank's monitoring procedures, a significant increase in credit risk is identified before the exposure has defaulted, and at the latest when the exposure becomes 30 days past due. This is the case mainly for Islamic financing and investing assets to customers and more specifically for retail financing exposures because for corporate financing and other exposures, there is more customer specific information available which is used to identify significant increase in credit risk. The table below provides an analysis of the gross carrying amount of Islamic financing and investing assets to customers by past due status:

	2023		2022	
	Gross carrying amount AED'000	**ECL AED'000**	Gross carrying amount AED'000	ECL AED'000
Normal or Past due up to 30 days	**12,705,105**	**382,299**	11,031,650	134,349
Past due 31 - 60 days	**183,825**	**7,542**	437,458	1,475
Past due 61 - 90 days	**218,413**	**56,297**	49,395	1,613
Past due 91 - 180 days	**479,651**	**25,354**	167,426	5,995
Past due of more than 180 days	**822,819**	**162,328**	1,439,870	348,249
	14,409,813	**633,820**	13,125,799	491,681

6. Financial risk management (continued)

6.3 Credit risk and concentrations of risk (continued)

Financial commitments and financial guarantees (continued)

Modified financial assets
As a result of the Bank's forbearance activities, financial assets might be modified. The following tables refer to modified financial assets where modification does not result in derecognition.

Financial assets (with loss allowance based on lifetime ECL) modified during the year are as follows:

	2023	2022
	AED'000	AED'000
Gross carrying amount before modification	**1,068,775**	876,880
ECL allowance before modification	**(193,557)**	(55,371)
Net amortized cost before modification	**875,218**	821,509
Net amortized cost after modification	**875,218**	821,509

Collateral held as security and other credit enhancements

The Bank holds collateral or other credit enhancements to mitigate credit risk associated with financial assets. The Bank holds financial instrument of AED 3.5 billion for which regulatory minimum LGD is applied (i.e. 1% for fully cash secured or 5% fully collateralised other than cash) at 31 December 2023 (31 December 2022: AED 2.2 billion).

Mortgage financing

The Bank holds residential and commercial properties as collateral for the mortgage financing it grants to its customers. The Bank monitors its exposure to retail mortgage financing using the LTV ratio, which is calculated as the ratio of the gross amount of the finance, or the amount committed for financing commitments, to the value of the collateral. The valuation of the collateral excludes any adjustments for obtaining and selling the collateral. At 31 December 2023, the carrying amount of credit impaired mortgage financing was AED 134 million (2022: AED 106 million) and the value of the respective collateral was AED 272 million (2022: AED 223 million).

Personal financing

The Bank's personal financing portfolio consists of unsecured financing and credit cards.

Corporate financing

The Bank requests collateral and guarantees for corporate financing. The most relevant indicator of corporate customers' creditworthiness is an analysis of their financial performance and their liquidity, leverage, management effectiveness and growth ratios. The valuation of collateral is closely monitored especially if the performance of financing deteriorates.

For credit-impaired financing the Bank obtains appraisals of collateral to inform its credit risk management actions. At 31 December 2023, the net carrying amount of credit impaired Islamic financing and investing assets to corporate customers was AED 1,998 million (2022: AED 1,800 million) and the value of the respective collateral was AED 1,709 million (2022: AED 1,662 million).

6. Financial risk management (continued)

6.3 Credit risk and concentrations of risk (continued)

Islamic investment securities

Islamic investment securities

Islamic investment securities comprise of investment in Sukuk and equity shares.

The table below presents analysis of investments by external rating agency at 31 December 2023 and 2022:

	2023 AED'000	2022 AED'000
AA to AA-	**328,043**	318,326
A+ to A-	**594,165**	555,035
BBB+ to BBB-	**830,689**	684,553
BB+ to BB	**87,099**	69,205
B+ to B-	**327,264**	305,496
CCC	**187,362**	29,804
Unrated	**692,073**	461,910
	3,046,695	2,424,329

Assets obtained by taking possession of collateral

The Bank obtained the following financial and non-financial assets during the year by taking possession of collateral held as security against Islamic financing and investing assets and held at the year end. The Bank has done revaluation of these properties and there is no indication of any impairment as of 31 December 2023. The Bank's policy is to realise collateral on a timely basis. The Bank does not use non-cash collateral for its operations.

	2023 AED'000	2022 AED'000
Property	**174,650**	142,375
Total assets obtained by taking possession of collateral	**174,650**	142,375

6.4 Market risk

Market risk arises from changes in market rates such as market price, foreign exchange and profit rate. Market risk management is designed to limit the amount of potential losses on open positions which may arise due to unforeseen changes in profit rates, currency rates and price movements. The Bank uses appropriate models, based on standard market practice, for the valuation of its positions and receives regular market information in order to regulate market risk.

6. Financial risk management (continued)

6.4 Market risk (continued)

The trading market risk framework comprises the following elements:

- Limits to ensure that risk-takers do not exceed aggregate risk and concentration parameters set by senior management.
- Independent mark-to-market valuations, reconciliation of positions and tracking of stop-losses for trading positions are performed on a timely basis.

The policies, procedures and the trading limits are set to ensure the effective implementation of the Bank's market risk policies. These policies are reviewed periodically to ensure they remain in line with the Bank's overall market risk policies.

Profit rate risk

Profit rate risk arises from the possibility that changes in profit rates will affect future profitability or the fair values of financial instruments. The Bank is exposed to profit rate risk as a result of mismatches or gaps in the amounts of assets, liabilities and off-balance sheet instruments that mature or re-price in a given period.

The Bank is exposed to the effects of fluctuations in the prevailing levels of profit rates which arise from the Islamic financing and investing assets amounting to AED 13,776 million (2022: AED 12,634 million), investment securities amounting to AED 2,758 million (2022: AED 2,184 million), International Murabaha with Central bank AED 3,080 million (2022: AED 1,420 million), due from banks and financial institutions AED 1,572 million (2022: AED 1,958 million), customer deposits amounting to AED 14,588 million (2022: AED 12,061 million) and AED 1,477 million (2022: AED 1,939 million) from due to banks and other financial institutions.

Sensitivity analysis

The amount mentioned in the table below reflect an equal but opposite potential effect on profit or loss based on assumed 50 basis point negative or positive movement in profit rates with all other variables being constant.

	2023		2022	
	Total AED'000	**Effect on profit/(loss) AED'000**	Total AED'000	Effect on profit/(loss) AED'000
Profit based assets	**19,557,709**	**58,749**	17,941,522	41,985
Profit based liabilities	**14,961,411**	**39,893**	15,988,076	44,617

Currency risk

The Bank is not significantly exposed to movements in foreign currency exchange rates as its assets and liabilities are mainly denominated in AED, GCC currency or USD.

6. Financial risk management (continued)

6.4 Market risk (continued)

Price risk

Price risk is the possibility that investment pricing will fluctuate, affecting the fair value of investments and other instruments that derive their value from a particular instrument or index of price.

The Bank manages the price risk by maintaining a diversified portfolio in terms of geographical and industry distribution.

The amount mentioned in the table below reflect an equal but opposite potential effect on profit before tax and investments based on assumed 5% strengthening or weakening prices with all other variable constant.

		Impact on equity	
	Benchmark	**2023**	2022
		AED'000	AED'000
Islamic investments securities at fair value	± 5%	**139,061**	115,270

6.5 Liquidity risk management

Liquidity risk is the risk that the Bank will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and availability of high quality liquid asset which could be used as collateral to secure additional funding, if required.

The primary tool for monitoring liquidity is the maturity mismatch analysis, which is monitored over successive time bands and across functional currencies. Guidelines are established for the cumulative negative cash flow over successive time bands.

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6. Financial risk management (continued)

6.5 Liquidity risk management (continued)

Maturity profile:
The maturity profile of the assets and liabilities at 31 December 2023 based on the remaining period from the end of the reporting period to the contractual maturity date is as follows:

	Within 3 months AED'000	Over 3 to 6 months AED'000	Over 6 to 12 months AED'000	Over 1 to 5 years AED'000	Over 5 years AED'000	Undated AED'000	Total AED'000
Assets							
Cash and balances with Central Bank	2,487,728	880,000	1,100,000	-	-	-	**4,467,728**
Due from banks and other financial institutions	1,303,228	23,331	360,874	26,594	-	-	**1,714,027**
Islamic financing and investing assets, net	2,409,453	1,200,286	2,105,618	4,209,145	3,851,491	-	**13,775,993**
Islamic investments securities at amortised cost	-	-	18,152	244,877	-	-	**263,029**
Islamic investments securities at fair value	-	721	104,465	1,670,377	719,378	286,287	**2,781,228**
Investment properties	-	-	-	-	-	385,755	**385,755**
Property and equipment	-	-	-	-	-	125,787	**125,787**
Other Islamic assets	152,774	15,140	-	-	-	1,254,071	**1,421,985**
Total assets	**6,353,183**	**2,119,478**	**3,689,109**	**6,150,993**	**4,570,869**	**2,051,900**	**24,935,532**
Liabilities and equity							
Islamic customers' deposits	5,706,586	2,359,074	8,207,619	3,188,865	262,604	-	**19,724,748**
Due to banks and other financial institutions	1,491,173	73,248	40,333	-	-	-	**1,604,754**
Other liabilities	378,086	97,815	-	-	-	455,177	**931,078**
Equity	-	-	-	-	-	2,674,952	**2,674,952**
Total liabilities and equity	**7,575,845**	**2,530,137**	**8,247,952**	**3,188,865**	**262,604**	**3,130,129**	**24,935,532**

6. Financial risk management (continued)

6.5 Liquidity risk management (continued)

Maturity profile:

The maturity profile of the assets and liabilities at 31 December 2022 based on the remaining period from the end of the reporting period to the contractual maturity date is as follows:

	Within 3 months AED'000	Over 3 to 6 months AED'000	Over 6 to 12 months AED'000	Over 1 to 5 years AED'000	Over 5 years AED'000	Undated AED'000	Total AED'000
Assets							
Cash and balances with Central Bank	1,736,800	-	440,000	-	-	-	2,176,800
Due from banks and other financial institutions	507,510	626,757	336,146	519,916	-	-	1,990,329
Islamic financing and investing assets, net	1,684,939	1,529,765	1,273,953	4,219,547	3,925,914	-	12,634,118
Islamic investments securities at amortised cost	-	-	-	116,039	-	-	116,039
Islamic investments securities at fair value	-	-	-	1,231,962	841,016	232,431	2,305,409
Investment in associates	-	-	-	-	-	88,703	88,703
Investment properties	-	-	-	-	-	381,064	381,064
Property and equipment	-	-	-	-	-	127,081	127,081
Other Islamic assets	148,126	68,528	-	-	-	1,074,166	1,290,820
Total assets	4,077,375	2,225,050	2,050,099	6,087,464	4,766,930	1,903,445	21,110,363
Liabilities and equity							
Islamic customers' deposits	3,988,686	1,322,517	6,461,218	4,238,560	320,995	-	16,331,976
Due to banks and other financial institutions	1,905,975	62,249	23,549	-	-	-	1,991,773
Other liabilities	140,741	28,912	-	-	-	101,884	271,537
Equity	-	-	-	-	-	2,515,077	2,515,077
Total liabilities and equity	6,035,402	1,413,678	6,484,767	4,238,560	320,995	2,616,961	21,110,363

6. Financial risk management (continued)

6.5 Liquidity risk management (continued)

During the year, the key measure used by the Bank for managing liquidity risk is the ratio prescribed by Central Bank. For this purpose, only high quality liquid assets were considered, which include cash and cash equivalents, Murabaha with Central Bank and Shariah compliant securities (Sukuk) with 0% risk weight with a liquid market. Denominator comprise of total liabilities excluding provisions from total liabilities. This prescribed ratio was more stringent and comprehensive in managing the Bank's liquidity positions. The liquidity ratio at the reporting dates were as follows:

	2023	2022
At 31 December	**25%**	16%

6.6 Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Bank's operations and are faced by all business entities.

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage, to the Bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The Bank has established an Operational Risk framework of policies and procedures to identify, assess, control, manage and report risks to the BRC and senior management. The primary responsibility to ensure these risks are managed and monitored, resides with the businesses within the Bank. The Bank's businesses are supported by embedded risk resources and Operational Risk Management as a second line of defence to ensure robust risk management.

Compliance with policies and procedures is supported by periodic reviews undertaken by the Internal Audit Department. The results of these reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the BAC and senior management of the Bank.

6. Financial risk management (continued)

6.7 Climate-related matters

The Bank and its customers may face significant climate-related risks in the future. These risks include the threat of financial loss and adverse non-financial impacts that encompass the political, economic and environmental responses to climate change. The key sources of climate risks have been identified as physical and transition risks. Physical risks arise as the result of acute weather events such as hurricanes, floods and wildfires, and longer-term shifts in climate patterns, such as sustained higher temperatures, heat waves, droughts and rising sea levels and risks. Transition risks may arise from the adjustments to a net-zero economy, e.g., changes to laws and regulations, litigation due to failure to mitigate or adapt, and shifts in supply and demand for certain commodities, products and services due to changes in consumer behaviour and investor demand. These risks are receiving increasing regulatory, political and societal scrutiny, both within the country and internationally. While certain physical risks may be predictable, there are significant uncertainties as to the extent and timing of their manifestation. For transition risks, uncertainties remain as to the impacts of the impending regulatory and policy shifts, changes in consumer demands and supply chains.

The Bank is in the process of embedding climate risk in its risk framework, including the development of a comprehensive sustainable finance and climate risk framework. The Board Risk Committee is responsible for the oversight over management of climate risk. In addition, the Bank will start assessing its model landscape to incorporate climate-related risks and their impact on borrower's credit risk. The Bank will also make significant progress in building the knowledge and capacity of its workforce in matters relating to climate-related risk. Despite the progress, the Bank acknowledges the need for further efforts to fully integrate climate in the Bank's risk assessments and management protocols.

Therefore, the impact of this matter remains uncertain and depends on future developments that cannot be accurately predicted at this stage, and a reliable estimate of such an impact cannot be made at the date of authorisation of these financial statements. Notwithstanding, these developments could impact the Bank's future financial results, cash flows and financial position.

6.8 Capital management

In February 2017, the Central Bank of the UAE adopted 'Basel III' and published enhanced regulatory capital requirements rules vide notifications 52 and 60/2017. In addition to the minimum capital requirements, Basel III introduces capital conservation buffer (CCB) and countercyclical buffers (CCyB) to induce banking organizations to hold capital in excess of regulatory minimums.

6. Financial risk management (continued)

6.8 Capital management (continued)

After adoption of Basel III, the regulatory capital is computed under the following items:

(i) Tier 1 capital, which is composed of;

a - Common equity tier 1 (CET 1) - comprise of share capital, statutory reserves, retained earnings and accumulated other comprehensive income reserves,

b - Additional tier 1 (AT 1)- comprise of any instrument which is not included in CET1.

(ii) Tier 2 capital, which includes general provisions (after implementation of IFRS - 9, the ECL classified that is classified under stage 1 and 2).

In addition to the above, all banks are required to maintain a capital conservation buffer (CCB) to encourage the banks to hold capital over and above the minimum requirements.

As per current requirement of the Central Bank of UAE, banks are required to maintain minimum capital levels as below:

	2023	2022
Capital element		
Minimum common equity tier 1 (CET 1) ratio	**7%**	7%
Minimum Tier I capital ratio	**8.5%**	8.5%
Minimum capital adequacy ratio	**10.5%**	10.5%
Capital conservation buffer (CCB)	**2.5%**	2.5%

The Bank's assets are risk weighted as to their relative credit, market, and operational risk. Credit risk and market risk includes both on and off-balance sheet risks. Credit risk is defined as the risk of default on a financial obligation that may arise from a customer failing to make required payments. Such risk includes loss of principal and profit, disruption to cash flows, and increased collection costs. Market risk is defined as the risk of losses in on and off-balance sheet positions arising from movements in market prices and includes profit rate risk, foreign exchange risk, equity exposure risk, commodity risk, and options risk. Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events.

For Central Bank reporting purposes, the Bank is currently following the standardised measurement approach for credit, market and operational risk, as per Pillar 1 of Basel II.

The Bank's policy is to maintain a strong capital base so as to maintain market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position. Historically the Bank has followed a conservative dividend policy to increase capital from internal resources to meet future growth.

The Bank and its individually regulated operations have complied with all externally imposed capital requirements throughout the year.

6. Financial risk management (continued)

6.8 Capital management (continued)

The Bank is required to report capital resources and risk-weighted assets under the Basel III Pillar 1 framework, as shown in the following table:

	2023	2022
	AED'000	AED'000
Tier 1 capital		
Share capital	**2,723,500**	2,100,000
Reserves	**(159,137)**	276,130
	2,564,363	2,376,130
Tier 2 capital		
General provision and fair value reserve	**203,511**	191,168
Total regulatory capital	**2,767,874**	2,567,298
Risk weighted assets		
Credit risk	**16,280,881**	15,293,420
Market risk	**71,115**	42,813
Operation risk	**1,363,687**	1,136,484
Total risk weighted assets	**17,715,683**	16,472,717
Capital adequacy ratio on regulatory capital	**15.62%**	15.59%
Capital adequacy ratio on Tier 1 capital	**14.48%**	14.42%

Capital allocation

The allocation of capital between specific operations and activities is, to a large extent, driven by the optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based on the inherent risk it carries. The process of allocating capital to specific operations and activities is undertaken independently of those responsible for the operation, by Finance and Risk Groups, and is subject to review by the Bank's Assets and Liabilities Committee (ALCO) as appropriate.

Although maximisation of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Bank to particular operations or activities, it is not the sole basis used for decision making. Account also is taken of synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Bank's longer term strategic objectives. The Bank's policies in respect of capital management and allocation are reviewed regularly by the Board.

7. Classification of financial assets and liabilities

(a) The table below sets out the Bank's classification of each class of financial assets and liabilities and their carrying amounts as at 31 December:

	At fair value AED'000	Amortised cost AED'000	Total AED'000
2023			
Financial assets:			
Cash and balances with the Central Bank	**-**	**4,467,728**	**4,467,728**
Due from banks and other financial institutions	**-**	**1,714,027**	**1,714,027**
Islamic financing and investing assets, net	**-**	**13,775,993**	**13,775,993**
Islamic investment securities at amortised cost	**-**	**263,029**	**263,029**
Islamic investments securities at fair value	**2,781,228**	**-**	**2,781,228**
Other Islamic assets	**80**	**842,022**	**842,102**
Total	**2,781,308**	**21,062,799**	**23,844,107**
Financial liabilities:			
Islamic customers' deposits	**-**	**19,724,748**	**19,724,748**
Due to banks and other financial institutions	**-**	**1,604,754**	**1,604,754**
Other liabilities	**2,659**	**554,587**	**557,246**
Total	**2,659**	**21,884,089**	**21,886,748**
2022			
Financial assets:			
Cash and balances with the Central Bank	-	2,176,800	2,176,800
Due from banks and other financial institutions	-	1,990,329	1,990,329
Islamic financing and investing assets, net	-	12,634,118	12,634,118
Islamic investment securities at amortised cost	-	116,039	116,039
Islamic investments securities at fair value	2,305,409	-	2,305,409
Other Islamic assets	19	830,826	830,845
Total	2,305,428	17,748,112	20,053,540
Financial liabilities:			
Islamic customers' deposits	-	16,331,976	16,331,976
Due to banks and other financial institutions	-	1,991,773	1,991,773
Other liabilities	9	183,684	183,693
Total	9	18,507,433	18,507,442

8. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, differences can arise between book values and the fair value estimates. Underlying the definition of fair value is the presumption that the Bank is a going concern without any intention or requirement to materially curtail the scale of its operation or to undertake a transaction on adverse terms.

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of Islamic financial assets and Islamic financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).

- The fair values of other Islamic financial assets and Islamic financial liabilities (excluding Islamic derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

- The fair values of Islamic derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency Waad contracts are measured using quoted forward exchange rates and yield curves derived from quoted profit rates matching maturities of the contracts. Profit rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted profit rates.

Fair value of the Bank's financial assets and financial liabilities that are measured at fair value on a recurring basis

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

8. Fair value measurement (continued)

The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position.

	Level 1 AED'000	**Level 2 AED'000**	**Level 3 AED'000**	**Total AED'000**
At 31 December 2023				
Financial assets				
Islamic investments securities at fair value	**2,608,285**	**-**	**172,943**	**2,781,228**
Positive fair value of Islamic derivative financial instruments	**80**	**-**	**-**	**80**
	2,608,365	**-**	**172,943**	**2,781,308**
Financial liabilities				
Negative fair value of Islamic derivative financial instruments	**2,659**	**-**	**-**	**2,659**
	2,659	**-**	**-**	**2,659**
At 31 December 2022				
Financial assets				
Islamic investments securities at fair value	2,180,171	-	125,238	2,305,409
Positive fair value of Islamic derivative financial instruments	19	-	-	19
	2,180,190	-	125,238	2,305,428
Financial liabilities				
Negative fair value of Islamic derivative financial instruments	9	-	-	9
	9	-	-	9

Notional amount of Islamic derivative financial instruments is AED 3.55 billion as at 31 December 2023 (2022: AED 1.44 billion).

There were no transfers between Level 1 and 2 during the year. Below is reconciliation of Level 3 fair value measurement of financial assets:

	2023 AED'000	2022 AED'000
Balance at 1 January	**125,238**	185,732
Purchases during the year	**20,000**	71,720
Fair valuation gain/(loss)	**53,570**	(54,128)
Disposals during the year	**(25,865)**	(78,086)
Total	**172,943**	125,238

8. Fair value measurement (continued)

The effect of unobservable input on fair value measurement

Although the Bank believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3, changing one or more of the assumptions used by ± 10% to reasonably possible alternative assumptions would have the following effects.

	Effect on OCI	
	Favorable AED'000	**Unfavorable AED'000**
31 December 2023	**17,294**	**(17,294)**
31 December 2022	12,524	(12,524)

- In respect of those financial assets and financial liabilities measured at amortised cost, which are of short term nature (up to 1 year), management believes that carrying amount is equivalent to its fair value.
- In respect of Islamic investments securities, management has used the quoted price when available to assess fair value or used a present value calculation (PVC) based on market observable inputs.
- Islamic financing and investing assets are fair valued based on PVC which takes into account original underlying cash financing credit grading and expected prepayments. These features are used to estimate the present value of the expected cash flows and using risk-adjusted profit rates. However, this technique is subject to inherent limitations, such as estimation of the appropriate risk-adjusted profit rate, and different assumptions and inputs would yield different results.
- Fair values of deposits from banks and customers are estimated using the PVC methodology, applying the applicable rates that are offered for deposits of similar maturities and terms. The fair value of deposits payable on demand is considered to be the amount payable at the reporting date.

9. Cash and balances with the Central Bank

(a) The analysis of the Bank's cash and balances with the Central Bank as at 31 December 2023 and 2022 is as follows:

	2023 AED'000	2022 AED'000
Cash on hand	**144,883**	142,066
Balances with the Central Bank:		
Current accounts	**523,470**	137,241
Reserve requirements with the Central Bank (*)	**719,375**	477,493
International Murabahat with the Central Bank	**3,080,000**	1,420,000
Total	**4,467,728**	2,176,800

Cash and balances with the Central Bank as at 31 December 2023 and 2022 were held within the U.A.E.

(*) The reserve requirements kept with the Central Bank are not available for use in the Bank's day to day operations, and cannot be withdrawn without the approval of the Central Bank. The level of reserve required changes periodically in accordance with the directives of the Central Bank.

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10. Due from banks and other financial institutions

(a) The analysis of the Bank's due from banks and other financial institutions as at 31 December 2023 and 2022 is as follows:

	2023 AED'000	2022 AED'000
Current accounts	**153,278**	37,981
Islamic deposits with banks and financial institutions	**1,571,547**	1,958,112
	1,724,825	1,996,093
Less: Impairment loss allowance (Note 29)	**(10,798)**	(5,764)
Total	**1,714,027**	1,990,329

(b) The geographical analysis of due from banks and other financial institutions as at 31 December 2023 and 2022 is as follows:

	2023 AED'000	2022 AED'000
Within the U.A.E.	**753,473**	743,864
Outside the U.A.E.	**960,554**	1,246,465
Total	**1,714,027**	1,990,329

11. Islamic financing and investing assets, net

(a) The analysis of the Bank's Islamic financing and investing assets, net, as at 31 December 2023 and 2022 is as follows:

	2023 AED'000	2022 AED'000
Islamic financing assets		
Vehicles murabahat	**43,530**	81,381
Commodities murabahat	**5,472,404**	4,519,240
Total murabahat	**5,515,934**	4,600,621
Ijarahs	**8,852,914**	8,609,685
Istisna'a	**347**	3,092
Islamic credit cards	**46,478**	27,011
	14,415,673	13,240,409
Deferred income	**(685,993)**	(694,563)
Total Islamic financing assets	**13,729,680**	12,545,846
Islamic investing Assets		
Wakala	**680,133**	579,953
Total Islamic investing assets	**680,133**	579,953
Total Islamic financing and investing assets	**14,409,813**	13,125,799
Less: Impairment loss allowance (Note 29)	**(633,820)**	(491,681)
Total Islamic financing and investing assets, net	**13,775,993**	12,634,118

11. Islamic financing and investing assets, net

(b) The Bank, in the ordinary course of providing finance, holds collateral as security to mitigate credit risk associated with Islamic financing and investing assets. The collaterals include mortgage on land and buildings and lien on savings and investment deposits and equity. The estimated value of collaterals for Islamic financing and investing assets other than retail assets which are mainly asset-based financing, is as follows:

	2023 **AED’000**	2022 AED’000
Property and mortgages	**8,583,217**	8,677,740
Deposits and equities	**1,888,478**	1,138,984

(c) Analysis of Islamic financing and investing assets, net, by industry group and geography as at 31 December 2023 and 2022 are as follows:

	Within the U.A.E. AED’000	**Outside the U.A.E. AED’000**	**Total AED’000**
2023			
Economic sector			
Government	**448,362**	**330,525**	**778,887**
Manufacturing and services	**3,302,534**	**-**	**3,302,534**
Trade	**1,357,878**	**-**	**1,357,878**
Real estate	**6,317,583**	**-**	**6,317,583**
Consumer home finance	**1,222,783**	**5,999**	**1,228,782**
Consumer financing	**1,424,149**	**-**	**1,424,149**
	14,073,289	**336,524**	**14,409,813**
Impairment loss allowance			**(633,820)**
Total			**13,775,993**

	Within the U.A.E. AED’000	Outside the U.A.E. AED’000	Total AED’000
2022			
Economic sector			
Government	12,044	330,525	342,569
Manufacturing and services	3,224,291	40,727	3,265,018
Trade	742,485	-	742,485
Real estate	5,647,878	-	5,647,878
Consumer home finance	1,783,976	-	1,783,976
Consumer financing	1,343,873	-	1,343,873
	12,754,547	371,252	13,125,799
Impairment loss allowance			(491,681)
Total			12,634,118

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12. Islamic investment securities at amortised cost

	2023 AED'000	2022 AED'000
Sukuk instruments	**265,467**	118,920
Less: Impairment loss allowance (Note 29)	**(2,438)**	(2,881)
	263,029	116,039

13. Islamic investment securities at fair value

	2023 AED'000	2022 AED'000
Islamic investment securities at FVTOCI		
Sukuk instruments	**2,494,941**	2,072,977
Equity instruments	**216,432**	232,432
	2,711,373	2,305,409
Islamic investment securities at FVTPL		
Equity instruments	**69,855**	-
	2,781,228	2,305,409

(a) The geographical analysis of the Islamic investment securities at fair value as at 31 December 2023 is as follows:

	Within the U.A.E. AED'000	Other G.C.C. countries AED'000	Rest of the world AED'000	Total AED'000
2023				
Sukuk instruments at FVTOCI				
Quoted	**963,321**	**1,391,806**	**111,314**	**2,466,441**
Unquoted	**28,500**	**-**	**-**	**28,500**
	991,821	**1,391,806**	**111,314**	**2,494,941**
Equity instruments at FVTOCI				
Quoted	**140,094**	**-**	**-**	**140,094**
Unquoted	**21,250**	**-**	**55,088**	**76,338**
	161,344	**-**	**55,088**	**216,432**
Equity instruments at FVTPL				
Quoted	**1,750**	**-**	**-**	**1,750**
Unquoted	**68,105**	**-**	**-**	**68,105**
	69,855	**-**	**-**	**69,855**
Total	**1,223,020**	**1,391,806**	**166,402**	**2,781,228**

13. Islamic investment securities at fair value (continued)

(a) The geographical analysis of the Islamic investment securities at fair value as at 31 December 2022 is as follows:

2022	Within the U.A.E. AED'000	Other G.C.C. countries AED'000	Rest of the world AED'000	Total AED'000
Sukuk instruments at FVTOCI				
Quoted	718,312	1,229,841	96,324	2,044,477
Unquoted	28,500	-	-	28,500
	746,812	1,229,841	96,324	2,072,977
Equity instruments at FVTOCI				
Quoted	135,694	-	-	135,694
Unquoted	41,650	-	55,088	96,738
	177,344	-	55,088	232,432
Total	924,156	1,229,841	151,412	2,305,409

(b) Analysis of Islamic investment securities at fair value by industry group as at 31 December 2023 and 2022 is as follows:

	2023 AED'000	2022 AED'000
Government	**1,071,684**	1,259,879
Manufacturing and services	**343,240**	196,287
Real estate	**113,487**	76,338
Financial institutions	**1,252,817**	772,905
Total	**2,781,228**	2,305,409

14. Investment in associates

Information about the associates and the nature of the investment is shown below:

Name	**Nature of Business**	**Country of incorporation**	**% Interest held**	**Measurement method**
Makaseb Real Estate Investment SPV Limited	Real Estate Investments	United Arab Emirates	- *	Equity
Makaseb 3 Real Estate Investment SPV Limited	Real Estate Investments	United Arab Emirates	44%	Equity

(*) During the year, the Bank acquired the underlying assets of Makaseb Real Estate Investment SPV Limited amounting to AED 174.6 million and classified this amount under "Assets acquired in settlement of Islamic financing and investing assets" under "Other Islamic assets" in settlement of its exposure and interest in the fund.

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14. Investment in associates (continued)

The carrying amounts of these associates as at 31 December are as follows:

	2023 **AED'000**	2022 AED'000
Makaseb Real Estate Investment SPV Limited	**-**	-
Makaseb 3 Real Estate Investment SPV Limited	**-**	88,703
Balance at the end of the year	**-**	88,703

Movement in investment in associates is as follows:

	2023 **AED'000**	2022 AED'000
At beginning of the year	**88,703**	177,313
Impairment loss during the year	**(88,703)**	(88,610)
Balance at the end of the year	**-**	88,703

15. Investment properties

(a) Movement in investment properties during the years ended 31 December 2023 and 2022 is as follows:

	2023 **AED'000**	2022 AED'000
As at 1 January	**381,064**	359,739
Additions during the year	**4,667**	11,881
Change in fair value during the year (Note 26)	**24**	9,444
As at 31 December	**385,755**	381,064

(b) Details of the Bank's investment properties and information about the fair value hierarchy as at 31 December 2023 and 31 December 2022 are as follows:

	Level 1 AED'000	**Level 2 AED'000**	**Level 3 AED'000**	**Fair value AED'000**
31 December 2023	**-**	**-**	**385,755**	**385,755**
31 December 2022	-	-	381,064	381,064

15. Investment properties (continued)

The Bank's investment properties consist of four commercial properties in the Emirate of Ajman. As at 31 December 2023 and 2022, the fair values of the properties are based on valuations performed by an accredited independent valuer who is a specialist in valuing these types of investment properties. A valuation model in accordance with that recommended by the International Valuation Standards Committee has been applied. The Bank has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

Using the discounted cash flow (DCF) method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a real property interest. To this projected cash flow series, a market-derived discount rate is applied to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate. The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related re-letting, redevelopment, or refurbishment. The appropriate duration is typically driven by market behavior that is a characteristic of the class of real property. Periodic cash flow is typically estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance cost, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

Significant increases (decreases) in estimated rental value and rent growth per annum in isolation would result in a significantly higher (lower) fair value of the properties. Significant increases (decreases) in the long-term vacancy rate and discount rate (and exit yield) in isolation would result in a significantly lower (higher) fair value. Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and discount rate (and exit yield), and an opposite change in the long-term vacancy rate.

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16. Property and equipment

	Leasehold improvements AED'000	Furniture, fittings and equipment AED'000	Vehicles AED'000	Computer equipment and software AED'000	Right-of-use assets AED'000	Capital work in progress* AED'000	Land and buildings AED'000	Total AED'000
Cost								
At 1 January 2022	66,840	49,643	1,393	108,956	18,067	20,569	68,886	334,354
Additions	22	645	590	5,593	8,035	15,194	-	30,079
Transfers	1,966	2,333	-	10,993	-	(15,292)	-	-
Disposals	(1,773)	-	(316)	-	(5,227)	-	-	(7,316)
At 31 December 2022	67,055	52,621	1,667	125,542	20,875	20,471	68,886	357,117
Additions	158	652	469	3,723	6,162	19,917	-	31,081
Transfers	2,676	53	-	19,965	-	(22,694)	-	-
Disposals	-	(10,775)	(877)	(4,277)	(6,911)	-	-	(22,840)
Write offs	(1,312)	-	-	-	-	-	-	(1,312)
At 31 December 2023	**68,577**	**42,551**	**1,259**	**144,953**	**20,126**	**17,694**	**68,886**	**364,046**
Accumulated depreciation								
At 1 January 2022	55,893	41,428	897	90,106	11,756	-	10,217	210,297
Charge for year	3,448	3,575	163	12,882	5,311	-	1,516	26,895
Disposals	(1,613)	-	(316)	-	(5,227)	-	-	(7,156)
At 31 December 2022	57,728	45,003	744	102,988	11,840	-	11,733	230,036
Charge for year	2,769	2,222	210	16,239	5,564	-	1,516	28,520
Disposals	-	(7,899)	(347)	(4,274)	(6,911)	-	-	(19,431)
Write offs	(866)	-	-	-	-	-	-	(866)
At 31 December 2023	**59,631**	**39,326**	**607**	**114,953**	**10,493**	**-**	**13,249**	**238,259**
Net book value								
At 31 December 2023	**8,946**	**3,225**	**652**	**30,000**	**9,633**	**17,694**	**55,637**	**125,787**
At 31 December 2022	9,327	7,618	923	22,554	9,035	20,471	57,153	127,081

* Capital work in progress comprises cost incurred on IT projects.

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17. Other Islamic assets

	2023 AED'000	2022 AED'000
Accrued income on Islamic financing and investing assets	**116,850**	81,359
Accrued income on Islamic investment securities	**29,298**	19,403
Prepaid expenses	**8,153**	5,708
Staff advances	**15,631**	13,960
Acceptances (Note 20)	**1,126**	2,540
Foreign currency forward contracts	**80**	19
Assets acquired in settlement of Islamic financing and investing assets (*)	**530,050**	429,782
Financial assets acquired in settlement of Islamic financing and investing assets (**)	**644,383**	644,383
Rent receivable	**14,797**	45,910
Other	**87,199**	66,949
	1,447,567	1,310,013
Less: Impairment loss allowance (Note 29)	**(25,582)**	(19,193)
	1,421,985	1,290,820

(*) Assets acquired in settlement of Islamic financing and investing assets include properties with a carrying value of AED 418.4 million which are beneficially held by the Bank but the title deed of these properties is not yet transferred in the Bank's name (Note 33). The fair value of these assets amounted to AED 355.4 million; accordingly, during the year the Bank booked an impairment loss of AED 63 million against these assets.

(**) On 22 December 2021, the Bank signed a settlement agreement with a customer wherein both parties agreed that the Bank acquires the assets of the customer in settlement of the financial obligation. The fair value of those assets as at the settlement date amounted to AED 644 million. Also, along with this settlement agreement, a separate agreement was signed with the customer to lease-back and operate the real estate properties with an option to buy back the assets after the end of the third year at a pre-determined price. Accordingly, the Bank has accounted for these assets as financial assets in accordance with IFRS 9 – Financial Instruments.

18. Islamic customers' deposits

(a) The analysis of the Islamic customers' deposits as at 31 December 2023 and 2022 is as follows:

	2023 AED'000	2022 AED'000
Current accounts	**4,750,220**	4,038,007
Mudarba deposits:		
Savings accounts	**381,772**	358,124
Term deposits	**29,760**	22,468
	5,161,752	4,418,599
Wakala deposits	**14,176,456**	11,493,360
Escrow accounts	**315,954**	337,179
Margin accounts	**70,586**	82,838
	19,724,748	16,331,976

All Islamic customers' deposits as at 31 December 2023 and 2022 were held within the U.A.E.

19. Due to banks and other financial institutions

(a) The analysis of the due to banks and other financial institutions as at 31 December 2023 and 2022 is as follows:

	2023 AED'000	2022 AED'000
Current accounts	**128,025**	53,139
Investment deposits	**1,476,729**	1,938,634
Total	**1,604,754**	1,991,773

(b) The geographical analysis of the Bank's due to banks and other financial institutions as at 31 December 2023 and 2022 is as follows:

	2023 AED'000	2022 AED'000
Within the U.A.E.	**855,517**	1,117,367
Outside the U.A.E.	**749,237**	874,406
Total	**1,604,754**	1,991,773

20. Other liabilities

	2023 AED'000	2022 AED'000
Accrued profit on Islamic customers' deposits and placements by banks	**391,640**	115,665
Provisions for staff salaries and benefits	**24,921**	35,398
Managers' cheques	**65,459**	43,314
Acceptances (Note 17)	**1,126**	2,540
Lease liability	**10,010**	8,196
Impairment loss allowance on financial commitments and financial guarantees * (Note 29)	**325,853**	12,855
Other	**112,069**	53,569
	931,078	271,537

(*) During the year 2023, the Bank has recorded a provision of AED 285 million to cover any contingencies that will arise from the claim against the properties under dispute (Note 33.3).

21. Share capital and treasury shares

Share capital	**2023 AED'000**	2022 AED'000
2,723,500,000 (31 December 2022: 2,100,000,000) shares of AED 1 each, issued and fully paid	**2,723,500**	2,100,000

21. Share capital and treasury shares (continued)

The annual general meeting of the shareholders in its meeting held on 19 April 2023 approved to distribute dividends in the form of bonus shares of 3.5% of the Bank's current paid-up capital by issuing 73,500,000 bonus shares amounting to AED 73,500,000. In addition, the general assembly of the shareholders in its meeting held on 13 June 2023 resolved to increase the Bank's issued share capital from AED 2,173,500,000 to AED 2,723,500,000 by way of a rights issue of 550,000,000 shares at an issue price of AED 1 per new share, which is equal to the nominal value of the Bank's ordinary shares. The Bank completed the process of issuing 550,000,000 shares for AED 550,000,000 and the dealing in the new shares on Dubai Financial Market commenced on 16 August 2023. Issuance costs in relation to the new shares amounting to AED 2.5 million were incurred and recorded as an equity transaction.

Treasury shares
The Bank engaged a third-party licensed Market Maker on the Dubai Financial Market that offers liquidity provision services, to place buy and sell orders of the Bank's shares with the objective of reducing bid/ask spreads as well as reducing price and volume volatility. At 31 December 2023, the Market Maker held 27,674,759 of Ajman Bank's shares on behalf of the Bank, which are classified under equity as treasury shares at par value of AED 1 at 31 December 2023. During the year, AED 32.7 million has been utilised from share premium reserve (included under statutory reserve) to account for premium paid on acquisition of treasury shares, net of realized gains/losses on disposal of such shares. At the end of the contract term with the Market Maker, the Bank will have the option to either transfer the outstanding shares under its name or dispose of the shares in the market.

22. Statutory reserve

The U.A.E. Commercial Companies Law and the Articles of Association of the Bank, require that 10% of the profit attributable to the shareholders is transferred to a non-distributable statutory reserve until this reserve equals 50% of the paid-up share capital. This reserve is not available for distribution other than in circumstances stipulated by law. Included under statutory reserve is a share premium reserve amounting to AED'000 142,345 as at 31 December 2023 (2022: AED'000 175,000).

23. General impairment reserve

In accordance with the requirements of the Central Bank of the U.A.E., the excess of the credit impairment provisions calculated in accordance with CBUAE requirements over the ECL allowance calculated under Stage 1 and Stage 2 as per IFRS 9 is transferred to 'General impairment reserve' as an appropriation from retained earnings. This reserve is not available for payment of dividends.

24. Income from Islamic financing and investing assets

	2023 **AED'000**	2022 AED'000
Income from Ijarahs	**638,905**	398,719
Income from Murabahat	**463,485**	243,974
Income from Wakala	**107,551**	31,164
Income from Istisna'a financing	**92**	93
	1,210,033	673,950

25. Income from Islamic investment securities

	2023 **AED'000**	2022 AED'000
Income from Islamic investment securities at FVTOCI	**93,528**	85,940
Realized gain/(loss) on disposal of Islamic investment securities at FVTOCI	**1,874**	(8,370)
Income from Islamic investment securities at FVTPL	**51,900**	1,332
Income from Islamic investment securities at amortised cost	**22,454**	4,690
Total	**169,756**	83,592

26. Fees, commission and other income

	2023 **AED'000**	2022 AED'000
Processing and evaluation fees	**22,391**	17,558
Arrangement fee	**6,465**	4,863
Foreign exchange income	**35,234**	34,515
Trade related commission and fees	**4,738**	4,817
Investment agent fees	**5,855**	10,405
Account and credit card related fees	**5,294**	7,377
Rental Income	**72,059**	69,117
Fair value gain on investment properties (Note 15)	**24**	9,444
Other	**27,922**	26,692
Total	**179,982**	184,788

27. Staff costs

	2023 **AED'000**	2022 AED'000
Salaries and allowances	**149,969**	122,077
Other staff related cost	**95,614**	103,033
	245,583	225,110

28. General and administrative expenses

	2023 AED'000	2022 AED'000
Premises and equipment maintenance costs	**20,716**	17,508
Brokerage and commissions	**5,649**	1,865
Communication expenses	**6,459**	4,678
Insurance/takaful expenses	**13,316**	9,975
Legal, professional and consultancy fees	**9,888**	3,448
Security services including cash in transit services	**3,878**	2,611
Software license	**2,545**	1,741
License fees	**3,710**	3,302
Printing and stationary	**1,497**	1,137
Marketing, designing and product development expenses	**1,329**	2,727
Rental expenses	**1,055**	1,065
Finance lease charges	**261**	233
Others	**25,575**	18,699
	95,878	68,989

29. Impairment allowance of financial assets

The movement in impairment allowance by financial asset category is as follows:

	Opening balance AED'000	Net charge during the year AED'000	Write-off, net of recoveries and other transfers AED'000	Closing balance AED'000	Net charge 31 December 2022 AED'000
Due from banks and other financial institutions (Note 10)	**5,764**	**5,034**	**-**	**10,798**	5,489
Islamic financing and investing assets (Note 11)	**491,681**	**269,666**	**(127,527)**	**633,820**	48,673
Islamic investment securities at amortised cost (Note 12)	**2,881**	**(443)**	**-**	**2,438**	2,881
Islamic investment securities at FVTOCI (*)	**59,137**	**(668)**	**(54,506)**	**3,963**	5,514
Other Islamic assets (Note 17)	**19,193**	**8,365**	**(1,976)**	**25,582**	7,033
Financial commitments and financial guarantees (Note 20)	**12,855**	**448,064**	**(135,066)**	**325,853**	1,133
Total	**591,511**	**730,018**	**(319,075)**	**1,002,454**	70,723

(*) Impairment allowance is recognised under "Revaluation reserve of investments designated at FVTOCI".

The credit impairment provisions calculated in accordance with CBUAE requirements were in excess of ECL allowance calculated under IFRS 9 as explained in note 23.

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

30. Basic and diluted (loss) earnings per share

(Loss) earnings per share are computed by dividing the (loss) profit for the year by the weighted average number of shares outstanding during the year as follows:

	2023	2022
Basic (loss)/earnings per share		
(Loss)/profit for the year (AED'000)	**(390,359)**	162,066
Weighted average number of shares outstanding At 1 January (in thousands)	**2,100,000**	2,100,000
Effect of bonus shares issued in 2023 (in thousands)	**73,500**	73,500
Effect of rights issue of shares (in thousands)		
Bonus element	**-**	275,761
New shares issued	**383,954**	-
Weighted average number of shares outstanding at 31 December (in thousands)	**2,557,454**	2,449,261
Basic and diluted (loss)/earnings per share (AED)	**(0.153)**	0.066

As at 31 December 2023 and 2022, there were no potential dilutive shares outstanding.

31. Cash and cash equivalents

	2023 AED'000	2022 AED'000
Cash and balances with the Central Bank (Note 9)	**4,467,728**	2,176,800
Due from banks and other financial institutions (original maturity less than three months)	**433,060**	406,590
	4,900,788	2,583,390
Less: Statutory deposit with the Central Bank (Note 9)	**(719,375)**	(477,493)
Less: International Murabahat with the Central Bank (original maturity more than three months)	**(2,200,000)**	(980,000)
	1,981,413	1,125,897

32. Related parties transactions

(a) Certain "related parties" (such as directors, key management personnel and major shareholders of the Bank and companies of which they are principal owners) are customers of the Bank in the ordinary course of business. Transactions with such related parties are made on substantially the same terms, including profit rates and collateral, as those prevailing at the same time for comparable transactions with external customers and parties. Such related party transactions are disclosed below.

(b) The Bank is controlled by Ajman Government who owns 26% (2022: 26%) of the issued and paid capital.

Transactions

Transactions with related parties are shown below:

	2023			2022		
	Major shareholders AED'000	**Director and other related parties AED'000**	**Total AED'000**	Major shareholders AED'000	Director and other related parties AED'000	Total AED'000
Depositors' share of profit	**204,114**	**5,606**	**209,720**	111,945	848	112,793
Income from Islamic financing and investing assets	**5,949**	**14,268**	**20,217**	11,013	20,106	31,119

During the year, AED 2.5 million (31 December 2022: AED 1.5 million) was approved as Directors' remuneration by the shareholders at the annual general meeting held on 19 April 2023 and recorded in the income statement.

Balances

Balances with related parties at the reporting date are shown below:

	2023			2022		
	Major shareholders AED'000	**Director and other related parties AED'000**	**Total AED'000**	Major shareholders AED'000	Director and other related parties AED'000	Total AED'000
Islamic financing and investing assets	**235,891**	**333,102**	**568,993**	255,764	539,744	795,508
Customers' deposits	**5,436,438**	**181,766**	**5,618,204**	4,644,762	113,859	4,758,621

32. Related parties transactions (continued)

Compensation of management personnel

Key management compensation is as shown below:

	2023	2022
	AED'000	AED'000
Short term employment benefits	**8,663**	8,445
Terminal benefits	**514**	387
Total	**9,177**	8,832

33. Contingencies and commitments

33.1 Capital commitments

At 31 December 2023, the Bank had outstanding capital commitments of AED 45 million (31 December 2022: AED 49 million), which will be funded within the next twelve months.

33.2 Credit related commitments and contingencies

Credit related commitments include commitments to extend credit which are designed to meet the requirements of the Bank's customers.

The Bank had the following credit related commitments and contingent liabilities as at 31 December:

	2023	2022
	AED'000	AED'000
Investment commitments	**26,500**	161,893
Commitments to extend credit	**-**	12,244
Letters of credit	**30,541**	116,616
Letters of guarantee	**392,563**	300,500
Legal claim (Note 33.3)	**285,242**	-
	734,846	591,253

33.3 Legal claims

Litigation is a common occurrence in the banking industry due to the nature of the business. The Bank has an established protocol for dealing with such claims, many of which are beyond its control. At the reporting date, the Bank has several unresolved legal claims and based on the advice from legal counsel, management believes that these claims will not result in any material financial loss to the Bank, other than what has been already provided for in these financial statements.

33. Contingencies and commitments (continued)

33.3 Legal claims (continued)

During previous years, the Bank signed settlement agreements with a customer wherein both parties agreed that the Bank acquires the assets of the customer in settlement of the financial obligation. The carrying value of the properties recorded under “Assets acquired in settlement of Islamic financing and investing assets” was AED 418.4 million while the fair value of these properties amounted to AED 355.4 million. Accordingly, during the year 2023, the Bank booked an impairment loss of AED 63 million against these properties (Note 17). The Bank had a first-degree mortgage over the properties; however, the transfer of the title deed of the mortgaged properties in the Bank’s name in accordance with provisions of the settlement agreements with the Bank’s customer could not be completed due to some attachments and claims on such properties enforced by Dubai Courts in different cases filed by third parties against the Bank and the Bank’s customer.

The Dubai Court of First Instance judgement indicated that the third party shall have a claim to the properties under dispute in the limit of AED 250 million, in addition to interest and legal charges. On 20 July 2023, the Dubai Court of Appeal confirmed the judgment of the Dubai Court of First Instance. The Bank has filed an appeal before the Dubai Court of Cassation demanding revocation of the previous judgments.

During the year 2023, the Bank has recorded a provision of AED 285 million to cover any contingencies that will arise from the claim against the properties under dispute (Note 20).

34. Segment analysis

Following the management approach of IFRS 8, operating segments are reported in accordance with the internal reporting provided to the Executive Committee (the chief operating decision-maker), which is responsible for allocating resources to the reportable segments and assesses its performance.

For operating purposes, the Bank is organised into the following business segments:

- Consumer banking – comprising personal banking and priority banking where various products are offered like private customer current accounts, savings accounts, deposits, credit and debit cards, personal finance and house mortgage;
- Corporate banking - incorporating transactions with corporate bodies including government and public bodies and comprising of Islamic financing and investing assets, deposits and trade finance transactions;
- Investment banking – comprising investment solutions, wealth management, leasing of commercial and residential properties; and
- Treasury - incorporating activities of the dealing room, related money market, foreign exchange transactions with other banks and financial institutions including the Central Bank of the UAE.

As the Bank’s segment operations are all financial with a majority of revenues deriving income from Islamic financing and investing assets and the Executive Committee relies primarily on net income to assess the performance of the segment, the total income and expense for all reportable segments is presented on a net basis.

The Bank’s management reporting is based on a measure of operating profit comprising income from Islamic financing and investing assets and securities, impairment charges, net fee and commission income, other income and expenses.

Segment assets and liabilities comprise operating assets and liabilities, being the majority of the balance sheet items.

34. Segment analysis (continued)

Segment results of operations

The segment information provided to the Board of Directors for the reportable segments is as follows:

	Consumer banking AED'000	Corporate banking AED'000	Treasury AED'000	Investment banking (*) AED'000	Others (*) AED'000	Total AED'000
At 31 December 2023						
Net income from Islamic financing and investing assets	208,711	386,235	(87,158)	-	-	**507,788**
Income from Islamic investment securities	-	65,491	104,265	-	-	**169,756**
Impairment of associates	-	(88,703)	-	-	-	**(88,703)**
Impairment charges on financial and non-financial assets	4,785	(794,592)	606	-	-	**(789,201)**
Fees, commission and other income	43,116	111,803	25,063	-	-	**179,982**
Staff costs	(160,723)	(58,668)	(26,192)	-	-	**(245,583)**
General and administrative expenses and depreciation of property and equipment	(92,999)	(22,086)	(9,313)	-	-	**(124,398)**
Operating profit/(loss)	**2,890**	**(400,520)**	**7,271**	**-**	**-**	**(390,359)**
Segment assets	**3,773,772**	**13,383,178**	**5,836,205**	**-**	**1,942,377**	**24,935,532**
Segment liabilities	**6,318,865**	**14,258,606**	**745,440**	**-**	**937,669**	**22,260,580**

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

34. Segment analysis (continued)

Segment results of operations (continued)

	Consumer banking AED'000	Corporate banking AED'000	Treasury AED'000	Investment banking AED'000	Others AED'000	Total AED'000
At 31 December 2022						
Net income from Islamic financing and investing assets	149,254	276,364	(45,885)	6,393	-	386,126
Income from Islamic investment securities	-	-	70,535	13,057	-	83,592
Impairment of associates	-	-	-	(88,610)	-	(88,610)
Impairment charges on financial and non-financial assets	(13,435)	(50,239)	(5,954)	(2,484)	(10,724)	(82,836)
Fees, commission and other income	36,340	35,047	22,947	98,966	(8,512)	184,788
Staff costs	(51,246)	(17,818)	(831)	(1,714)	(153,501)	(225,110)
General and administrative expenses and depreciation of property and equipment	(33,226)	(8,150)	(2,236)	(23,440)	(28,832)	(95,884)
Operating profit/(loss)	87,687	235,204	38,576	2,168	(201,569)	162,066
Segment assets	3,029,670	11,376,399	3,772,131	1,766,980	1,165,183	21,110,363
Segment liabilities	5,562,341	10,914,199	1,804,079	-	314,667	18,595,286

Revenue from major products and services

Revenue from major products and services are disclosed in Note 24 in the financial statements.

Information about major customers

No single customer contributed 10% or more to the Bank's revenue for both years ended 31 December 2023 and 2022.

(*) During the year ended 31 December 2023, investment banking segment is merged with corporate banking for operating purposes. Also, all the indirect costs are allocated to business segments.

35. Maturity profile of financial liabilities

	2023		
	Up to 1 year AED'000	**1 - 5 years AED'000**	**Total AED'000**
Islamic customers' deposits	**16,273,278**	**3,451,470**	**19,724,748**
Due to banks and other financial institutions	**1,604,754**	**-**	**1,604,754**
Other liabilities	**557,246**	**-**	**557,246**
	18,435,278	**3,451,470**	**21,886,748**
Commitments and contingent liabilities	**408,820**	**326,026**	**734,846**

	2022		
	Up to 1 year AED'000	1 - 5 years AED'000	Total AED'000
Islamic customers' deposits	12,093,416	4,238,560	16,331,976
Due to banks and other financial institutions	1,991,773	-	1,991,773
Other liabilities	183,693	-	183,693
	14,268,882	4,238,560	18,507,442
Commitments and contingent liabilities	219,410	371,843	591,253

36. Social contributions

The social contribution (including donations and charities) made during the year amounted to AED 0.3 million (2022: AED 0.2 million).

37. Comparative information

Certain comparative amounts in the notes to the financial statements have been adjusted to confirm with the current period's presentation.

38. Taxation

On 9 December 2022, the UAE Ministry of Finance released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (Corporate Tax Law or the Law) to enact a Federal corporate tax (CT) regime in the UAE. The CT regime is effective from 1 June 2023 and accordingly, it has an income tax related impact on the financial statements for accounting periods beginning on or after 1 June 2023.

38. Taxation (continued)

The Cabinet of Ministers Decision No. 116 of 2022 specifies the threshold of income over which the 9% tax rate would apply and accordingly, the Law is now considered to be substantively enacted from the perspective of IAS 12 – Income Taxes. A rate of 9% will apply to taxable income exceeding AED 375,000 and a rate of 0% will apply to taxable income not exceeding AED 375,000 and a rate of 0% on qualifying income of free zone entities.

Based on the assessment conducted by the Bank, it has been determined that the CT Law does not have any effect on deferred taxes in the financial statements for the year ended 31 December 2023. Moving forward, the Bank will continue to monitor further developments and assess the impact of the corporate tax on its financial statements, particularly focusing on both current and deferred tax implications, in light of any further explanations and instructions regarding the application of the CT Law.

39. Approval of financial statements

The financial statements were approved by the Board of Directors and authorized for issue on 14 February 2024.

CORPORATE GOVERNANCE
REPORT 2023

مصرف عجمان
Ajman Bank

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Inspiring Sharia'a Values | قيمنا مستمدة من الشريعة السمحاء

OUR VISION

To be the favorite Islamic Bank in UAE through our commitment to Service, Speed, Specialization.

Service

Speed

Specialization

OUR CORE VALUES

Our brand is not merely a name and a logo; it is a promise to our clients about who we are as a company and what we stand for as an organization. Each and every experience with our clients is an opportunity to express our brand personality; this is defined by our brand values.

Excellence

We believe in and demonstrate outstanding service and we commit to being the best.

Knowledge

We have the knowledge, as well as skills and experience, to deliver information or to respond to your questions in a quick and reliable manner.

Friendliness

We are friendly and approachable people who have the time to listen to you. Our attitude is a true expression of a modern society: fresh, warm, and welcoming.

Clarity

We explain our products and services simply, clearly, and accurately to help you make the right decision.

Fairness

We believe in an honest, fair, and equal partnership – irrespective of ethnic, social, and religious backgrounds

Creativity

We strive to develop new ideas, modern systems, and innovative products and services. We believe in continuous development and improvement.

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A Message from the Chairman

On behalf of the Board of Directors, I am pleased to present Ajman Bank's Corporate Governance Report for Year 2023. Good governance has always been one of Ajman Bank's top priorities, and one of the main reasons behind achieving a sustained track record of strong financial and operational performance.

Maintaining good governance is central to the Bank's growth strategy and future goals. It underpins our integrity and disciplined culture, reinforcing the trust and confidence our investors, customers, business partners and communities place in us.

Thanks to the insightful and forward-thinking leadership of His Highness Sheikh Mohamed Bin Zayed Al Nahyan, President of the UAE, the nation is strengthening its position as a global exemplar of sustainability, ensuring a prosperous future for generations to come. This commitment aims to safeguard our environments, resources, and society while advancing sustainable development goals on both local and global scales.

Ajman Bank maintains a robust corporate governance framework modelled on the regulatory requirements and leading practices in UAE. The Board is committed to ensuring continuous enhancement of the Bank's governance framework in line with best practice and evolving regulatory environment. In doing so, we safeguard the interests of our stakeholders including the shareholders, community, customers, and our environment. We have a strong Board with extensive corporate and retail banking experience, diverse skill sets, a disciplined approach to governance, and a deep understanding of Islamic Banking. This governance structure ensures that Ajman Bank serves all our stakeholders and delivers effectively on our vision to be one of the most effective and efficient Banks in in the UAE.

Ajman Bank strives to comply with the legislative and regulatory and directives, issued by the Central Bank of CBUAE (the "CBUAE"), the Securities and Commodities Authority of the UAE (the "SCA") and the Dubai Financial Market (the "DFM"). The Bank's Corporate Governance Manual is aligned with the relevant regulatory requirements. The Board is also ultimately responsible for Ajman Bank's compliance with the principles of Islamic Sharia and is supported by the Bank's Internal Sharia Supervision Committee (the "ISSC") in this regard.

Ajman Bank keeps its policies under regular review, particularly in the areas of corporate governance, risk management, internal controls, compliance, internal audit, financial reporting, external audit, and outsourcing, to ensure that they meet all relevant regulatory requirements. Updates and amendments to strategic policies are approved by the Board of Ajman Bank, where material changes are required.

H.H Sheikh Ammar Bin Humaid Bin Rashid Al Noaimi

Our Board of Directors

H.H Sheikh Ammar Bin Humaid Bin Rashid Al Noaimi
Chairman

H.H Sheikh Rashid Bin Humaid Bin Rashid Al Noaimi
Vice Chairman

Mr. Abdullah Mohammed Hassan Alhosani
Board Member

Mr. Ali Rashid Humaid Almazroei
Board Member

Mr. Faisal Aqil Albastaki
Board Member

Mr. Faisal Hassan Ibrahim Galadari
Board Member

Mr. Mahmood Khaleel Alhashmi
Board Member

Our Board of Directors

H.H Sheikh Ammar Bin Humaid Bin Rashid Al Noaimi

Chairman

H.H Sheikh Rashid Bin Humaid Bin Rashid Al Noaimi

Vice Chairman

Our Board of Directors

Mr. Abdullah Mohammed Hassan Alhosani

Board Member

Mr. Abdullah Alhosani is a seasoned banker and a prominent business figure in the UAE. Over a career spanning more than 30 years, he has held key leadership positions in various Banks including National Bank of Abu Dhabi, First Gulf Bank, Commercial Bank of Dubai, and Mashreq Bank.

In addition to banking, Mr. Hosni has played a key role in development and growth of Al Salem Investment Company, and sits on the board of directors of Union Insurance Company and Gulf Cement Company.

By qualification he holds a Bachelors in Accounting and Economics from UAE University.

Mr. Faisal Aqil Al Bastaki

Board Member

Mr. Faisal Aqil Al Bastaki serves as a Board Member for Ajman Bank, bringing his vast experience and strategic insight to guide the bank towards sustainable growth and success. His role emphasizes governance, strategic planning, and the enhancement of shareholder value, further solidifying his reputation as a visionary leader in the financial sector.

Mr. Al Bastaki stands out as a respected figure in the banking and finance sector, with a distinguished career spanning more than three decades. His journey includes pivotal roles such as the CEO of Emirates Development Bank from 2019 to 2021, where he significantly contributed to aligning the bank's operations with the UAE's National Agenda. His leadership in developing innovative financing solutions for priority sector companies underscores his commitment to economic development.

Before leading Emirates Development Bank, Mr. Al Bastaki served as Deputy CEO at Emirates Islamic and Dubai Bank from 2005 to 2018, where he was instrumental in strategizing and implementing growth plans across various banking divisions including retail, private, priority, and SME banking. His tenure at Emirates Bank International, holding roles from Head of Al Shaheen (Priority Banking) to General Manager and Branch Manager, reflects his versatile banking expertise and leadership skills.

Mr. Al Bastaki's educational background is as impressive as his professional journey, holding a Bachelor's degree in Computer Science and Statistics from UAE University. He also enhanced his leadership skills through executive development programs at prestigious institutions like IMD in Switzerland and the University of Virginia, Darden in the USA.

Our Board of Directors

Mr. Ali Rashed Hamid Al Mazrouei
Board Member

Mr. Ali Rashed Hamid Al Mazrouei is a distinguished board member at Ajman Bank and the current CEO of Al Bahri and Al Mazrouei Group, a conglomerate with a diverse portfolio established in 1968 in Dubai. His leadership extends across a spectrum of industries, including trade, real estate, industry, tourism, and travel, demonstrating a versatile and dynamic approach to business management.

His career in finance and management began at Citibank Group in Dubai, where from 2000 to 2007, he excelled as Vice President of Financial Management. In this role, he was instrumental in overseeing small and medium enterprise projects and leading the planning and analysis department for a significant region encompassing Turkey, the Middle East, and Africa.

Mr. Al Mazrouei's governance and strategic insight are further evidenced by his active participation on various boards, including his role as a Board Member of the Dubai Financial Market PJSC, National Bonds Corporation, Taaleem Holding PJSC, and Emirates NBD REIT, where he contributes significantly to audit and investment committees.

Mr. Al Mazrouei has a solid educational foundation with a Bachelor of Business Administration from the American University in Dubai, and a MBA from Southern New Hampshire University, USA. His academic background, combined with his extensive professional experience, positions him as a leader capable of navigating complex business landscapes and contributing to the growth and sustainability of his ventures.

Mr. Faisal Hassan Ibrahim Galadari
Board Member

Mr. Faisal Hassan Ibrahim Galadari, serving as a Board Member for Ajman Bank, is a prominent figure in the banking industry with an illustrious career spanning over 35 years. His guidance has been instrumental in navigating Ajman Bank through the competitive and fast-evolving banking landscape, highlighting his capacity for strategic innovation and organizational development.

As the Chief Executive Officer at Al Masraf Bank, Abu Dhabi, UAE, Mr. Galadari brings a wealth of experience in Corporate, Consumer, and Islamic Banking, as well as Branch Management.

Mr. Galadari's tenure is characterized by his dynamic and results-oriented approach, effectively transforming various operational and distribution channels, and significantly enhancing customer service and satisfaction. His expertise in financial services, coupled with a profound understanding of consumer marketing, branding, and customer loyalty, has led to the transformation of underperforming units into high-paced organizations under his guidance.

Mr. Galadari holds a Bachelor of Commerce from Cairo University, Egypt, and has participated in several advanced management programs at IMD Switzerland. His strategic leadership, profound industry knowledge, and commitment to excellence have established him as a key influencer and thought leader in the UAE's banking sector.

Our Board of Directors

Mr. Mahmood Khaleel Alhashmi

Board Member

Mr. Alhashmi's has over 33 years of experience spread across financial, government, media, tourism and other sectors. Throughout his career, Mr. Alhashmi has achieved tangible milestones and undertaken diverse projects in both established and newly founded entities. His expertise spans the fields of overall and partial economics, finance, business projects, and the development of special areas such as economic zones, free zones, industrial zones, and logistics areas. This experience has equipped him with proficiency in both general and specialized areas, including strategic planning, business development, international investment fund management, marketing, corporate governance, institutional excellence, risk management, project management, research and development, feasibility studies, and corporate operations.

He is currently serving as the Director-General of the Tourism Development Department in Ajman, Chairman of the Board of Trustees of the Arab Network for Communication and Public Relations, and also assigned the task of establishing the Coordination Office for Special Education Affairs in the Emirate. Previously he served as the CEO of Ajman Media City Free Zone,

Director General of Ajman Free Zone and Director General of the Economic Development Department in Ajman. He also work with the Central Bank of UAE for 18 years where he held multiple positions.

A Message from Our Group CEO

Our commitment to embed good governance in our core culture, operations and strategy can be seen, not only in the achievements outlined in this report, but also with the establishment of a dedicated Environmental, Social and Governance Division in Ajman Bank in 2023. The division is mandated to promote and ensure maintenance of highest standards of corporate governance practices, aimed at safeguarding the interests of stakeholders, promote informed, objective, and transparent decision making at all levels, and foster ethical and compliant practices in the Bank.

Our commitment to upholding the highest standards of corporate governance and ethical conduct includes our efforts to always do business the right way for our shareholders, clients, and communities. Our internal processes, structures and policies help ensure compliance with laws and regulations and provide clear lines of oversight for decision-making and accountability. These disciplines represent just one dimension of our governance. The other dimension is our corporate culture. Our corporate culture is championed by our leaders and is sustained by every employee. We build and protect our culture by promoting Ajman Bank's Core Values to all stakeholders, as well as by implementing our Corporate Governance Framework and Code of Conduct seamlessly.

We also know that actions speak louder than words. As we work to serve our clients, and communities, and generate returns for our shareholders, we understand that success is only meaningful and sustainable when it is achieved the right way, with the right values. This includes our unshakeable commitment to environmentally and socially responsible banking. Our commitment to this principle is the key to sustaining public trust and confidence in our Bank, and the key to our long-term success.

Mustafa Mohammed Saeed Al Khalfawi

Ajman Bank's Executive Managemet

Mustafa Khalfawi
Group Chief Executive Officer

Maryam Al Shorafa
Group Chief Corporate Communications Officer

Rahul Talwalkar
Group Chief Credit Officer

Thaera Taryam
Group Chief Customer Officer (Acting)

Ediz Ozsoy
Group Chief Financial Officer

Omar AlNuaimi
Group Chief Human Resource Officer

Majdi Darwish
Group Chief Internal Auditor

Salem Al Shamsi
Group Chief Operating Office

Rana Saud
Group Chief Risk Officer

Badreldin Elmogadam
Group General Counsel & Board Secretary

Muhammed Iqtadar
Group Head of Compliance

Faizal Kundil
Group Head of Consumer Banking

Abdul Nasser Al Mannaie
Group Head of Internal Shaira Audit

Dr. Fazal Rahim
Group Head of Internal Sharia Control

Kashif Raza
Group Head of Wholesale Banking

Tuan Ahamath
Head of Treasury (Acting)

Mustafa Al Khalfawi
Group Chief Executive Officer

Mustafa Al Khalfawi, is the Chief Executive Officer of Ajman Bank leading a team of senior executive bankers. He is a renowned figure in the UAE banking landscape. With over two decades of deep-rooted experience in the sector, he has carved a special niche for himself through his extensive expertise and visionary leadership.

Prior to his appointment at Ajman Bank, Mustafa was a pivotal figure at First Abu Dhabi Bank (FAB), holding the dual roles of Head of Global Banking UAE and Global Head of Government, Sovereigns & Public Sectors. In these capacities, he led a dynamic team of senior bankers and relationship managers, overseeing a vast array of strategic investment banking clients across various industries. His tenure at FAB was marked by his adept handling of the UAE GREs, Government Sovereign, and extensive conglomerate groups.

Additionally, Mustafa's role at FAB extended to being the Chief Executive Officer of the bank's ADGM branch, where he was instrumental in aligning the branch's offshore operations with FAB's strategic vision. He also contributed significantly as a Board Member of FAB Islamic and MAGNATI Company, and actively participated in the Wholesale Banking Committee of the Union Banking Federation of the UAE.

Mustafa's journey in the banking world began at Al Futtaim Group, followed by a notable period in consumer banking as the regional manager at Emirates NBD's Deira Branch, before his transition to FAB in 2008. His career is adorned with numerous accolades and recognitions, reflecting his substantial contributions to the banking sector through various groundbreaking projects and transactions.

In his new role at Ajman Bank, Mustafa is set to usher in a new era of growth and innovation, leveraging his profound industry knowledge, commitment to customer-centricity, and operational excellence. His leadership is poised to steer Ajman Bank towards unprecedented heights in the realm of Sharia-compliant financial solutions and services.

Mustafa holds an Executive Masters in Big Data and Business Analytics from ESCP Business School (Ecole Superieure de Commerce de Paris) as well as a Bachelors in 'Marketing and Management' from the Ajman University of Science and Technology (AUST). In addition, he has also completed various prestigious leadership programmes including: Frontiers in Finance from Yale School of Management and Leadership Program in Eras of Disruption from Said Business School, Oxford University.

Ajman Bank Executive Management

Maryam Al Shorafa

Group Chief Corporate Communication Officer

Maryam Al Shorafa is the Group Chief Corporate Communication Officer at Ajman Bank. As a member of the executive committee she is responsible for the strategic market positioning of Ajman Bank and leads the enterprise-wide brand and media strategy for both consumer and commercial products and services. In addition, she overseas customer research and analytics as well as wealth management marketing programs for the organisation.

With an outstanding all-round experience of nearly two decades, Maryam represents the successful leadership model at Ajman Bank who has been playing an instrumental role in supporting the bank's vision and long-term growth through her strategic marketing perspective and innovative policy acumen in the most critical areas. She joined Ajman Bank in 2008 and made a major contribution in the launch of the bank in 2009. Ever since, she has progressively risen in her career holding various senior executive positions including Head of Ladies Banking.

Over the years, Maryam has been widely recognised for her professional excellence as well as contribution to society by several prestigious publications and professional accolades. Most recently she was named the 'Banking Corporate Communications & Marketing Expert of the Year' by the Corporate Vision Magazine.

A firm believer in the significant role women play in the growth and development of the community, Maryam has been at the forefront of supporting numerous women's activities and causes serving both corporate and non-profit initiatives. She played an active role as a board member of Ajman Business Women's Council (operating under the umbrella of Ajman Chamber of Commerce and Industry) for three years that led her to being elected to the position of Secretary General of the council in March 2012. She has also been the board member for the UAE Girls Guides as well as the Pink Caravan Ambassador since 2011.

An Emirati national well-versed in Arabic and English languages, Maryam earned her Higher Diploma in Information Administration from Dubai Women's College – Higher Colleges of Technology. In 2004 she was presented with a Post Graduate Degree in Educational / Instructional Technology from the University of Southern Queensland.

Rahul Talwalkar

Group Chief Credit Officer

Rahul Talwalkar is the Group Chief Credit Officer at Ajman Bank UAE. With over 25 years of extensive banking experience, Mr. Talwalkar has served leading banks in various capacities and has a proven track record in strategic transformation and risk management. His professional journey is marked by significant achievements having worked across key financial markets in Asia, the Middle East, and Europe, including positions in India, UK, Singapore, KSA and the UAE.

Rahul's educational background is as diverse and robust as his professional experience. He holds a Bachelor of Engineering degree in Electrical Engineering from the College of Engineering, Pune, India, and an MBA with an emphasis on Finance from the Indian Institute of Management, Ahmedabad (IIMA), one of the top business schools in Asia. Additionally, he has earned the prestigious Chartered Financial Analyst (CFA) designation from the Association for Investment Management & Research (AIMR), USA.

Prior to joining Ajman Bank, Rahul was the EVP – Risk and Compliance Director at Saudi Global Enterprise engaged in SGE program under Vision 2030. His other notable positions include Senior VP/Managing Director & Head of Credit Investment Banking at First Abu Dhabi Bank (FAB) as well as well as senior roles at ING Bank in various capacities that contributed to enhancing his expertise in credit risk management and corporate finance.

Ajman Bank Executive Management

Thaera Taryam

Acting Group Chief Customer Officer

Thaera Hamad Omran Taryam is the Acting Group Chief Customer Officer at Ajman Bank have been promoted from the position of Head of PMO and Business Intelligence. With over 20 years experience in banking, Thaera specializes in Islamic banking.

Her comprehensive understanding of the banking sector, combined with leadership skills honed over years of managing high-pressure situations and teams, positions her as a distinguished figure in the industry. Thaera's ambition extends beyond her extensive banking experience; she seeks opportunities to apply her knowledge and skills in new sectors, contributing to organizational growth and national development.

Prior to joining Ajman Bank she was the Senior Branch Manager at Emirates Islamic Bank's Umm Al Quwain and Ajman Bank branches where she demonstrated exceptional leadership and management capabilities.

Thaera's journey in the banking sector began in retail banking, progressing from a Retail Banking Executive to a Team Leader at Emirates Islamic Bank, where she managed high net worth clients and royal family accounts with excellence. Her career foundation was laid at Emirates Bank International as a Customer Service Supervisor, developing her skills in retail banking operations and customer service.

Educated at Al Ain University with a high school diploma from Al Gubaiba High School, Thaera has complemented her academic background with numerous training courses, including Business English, Islamic Banking Operations, and various customer service and financial products courses from prestigious institutions such as the University of Cambridge and the Emirates Institute for Banking & Financial Studies.

Thaera's skill set encompasses managerial, supervisory, and leadership abilities, combined with strong problem-solving, organizational, and time management capabilities. Her commitment to excellence is evidenced by awards recognizing her as the top branch and branch manager in audits and for best service in Emirates Islamic Bank.

Ediz Ozsoy

Group Chief Financial Officer

Ediz Ozsoy recently joined Ajman Bank as the Group Chief Financial Officer. Ediz is a senior Finance professional with extensive finance leadership experience spanning over more than 30 years all in the Banking sector. His areas of expertise include financial control, financial planning and analysis, strategy, taxation, budgeting, balance sheet management and performance monitoring.

Prior to joining Ajman bank, Ediz was the UAE Country CFO for all UAE entities of Citibank in the UAE including onshore, DIFC and ADGM branches. He was also a board member of Citi Bahrain and Qatar. Prior to that he was country CFO for Citibank Turkey. Ediz also possesses significant business and product side experience including strategic planning, partnership and alliance execution, sales, relationship and product management.

Academically, Ediz is a graduate in Economics from Istanbul University.

Ajman Bank Executive Management

Omar AlNuaimi

Group Chief Human Resource Officer

Omar AlNuami is Ajman Bank's Group Chief HR Officer. He joined the Bank upon its inception in 2008 and since then has been serving in various HR positions and has overall more than 20 years of experience concentrated in the field of human capital and administration.

Omar has played a lead role in building the rich and diversified human capital and culture in the Bank that reflects the Bank's commitment to its people. He extensively worked on initiatives such as Emiratization, training and development, recruitment and talent induction, human capital planning and budgeting, and compensation and reward mechanism. Under Omar's leadership, the Bank is undertaking transformation initiatives to enhance performance measurement and recognition system of the Bank.

Prior to joining Ajman Bank Omar worked Mashreq Bank and National Bank of Abu Dhabi. Academically, Omar is a graduate of Skyline University UAE and has completed various professional qualifications and trainings in the field of HR. Omar recently also attended an HR leaders development program at Oxford University.

Majdi Darwish

Group Chief Internal Auditor

Majdi H. Darwish, CPA, CIA, CISA, CISM, CFE, CBA, CRP, CICA, holds the position of Group Chief Internal Auditor, bringing a wealth of experience in Internal Audit, Risk Management, and Governance with a focus on the banking sector. With 18 years dedicated to internal audit roles within banks and an additional four years of external audit experience with Ernst & Young (EY), he has established himself as a leader in his field. Prior to joining Ajman Bank, he served as Deputy of CIA at Sharjah Islamic Bank.

A Jordanian national, Majdi masters strong leadership and analytical skills with an innovative approach to solving complex problems. His professional qualifications are equally impressive and includes industry's top certifications such as Certified Information Systems Auditor (CISA), Certified Information Security Manager (CISM), Certified Public Accountant (CPA), Certified Internal Auditor (CIA), Certified Fraud Examiner (CFE), and several others, underscoring his comprehensive expertise in his field.

In his current role at Ajman Bank, Majdi spearheads internal audit function, focusing on strategic planning, risk management, and governance processes. His achievements include the automation of processes leading to significant efficiency improvements and cost reductions, obtaining quality assurance certificates with exceptional ratings, and being recognized globally for the internal audit functions under his leadership.

Majdi is also an accomplished speaker and trainer, sharing knowledge at international audit conferences and through professional training programs. He is in the process of publishing a book on internal audit best practices, showcasing his commitment to advancing the profession.

Ajman Bank Executive Management

Salem Al Shamsi

Group Chief Operating Officer

Salem Abdulla Hamad Rashid Al Shamsi is the Chief Operating Officer at Ajman Bank. He oversees critical departments including Operations, Information Technology, Continuous Improvement, Administration, Internal Control, Digital Banking, PMO & BI, as well as Real Estate & Asset Management. His role emphasizes his passion for creating innovative strategies and expanding technological solutions in the banking sector. His responsibilities showcase his collaborative efforts in refining the bank's strategic direction and supporting unit implementations to achieve bank-wide objectives.

Salem has over 23 years of extensive professional experience in the banking and finance sector, enriched by a global perspective gained from his education in the United States. Salem's leadership journey also includes significant contributions as the Group Head of Retail Banking and Head of Government Business at Ajman Bank where he demonstrated exceptional skills in business management, client negotiations, and the development of segmentation strategies. His earlier roles at Emirates Islamic Bank and the National Bank of Dubai highlight his adaptability and proficiency in managing corporate banking operations and establishing strong business relationships.

As a graduate of Eckerd College Florida, specializing in International Business Management.

Rana Saud

Group Chief Risk Officer

Rana M Saud Khalid has been leading the Bank's Risk Department as CRO since April 2022 and served as the Deputy CRO for over 2 years before appointment as CRO. He joined Ajman Bank in 2013 and has more than 20 years of experience in risk management, direct investments and private equity and investment banking.

Reporting independently to the Board Risk Committee, Rana Saud has the overall responsibility for risk management including financial and non-financial risks as well as ESG risks. Rana Saud has played a lead role in establishing and consistently enhancing the Bank's risk management infrastructure. Under his leadership, the Bank has instituted a strong three lines of defence model which enables collaborative management, monitoring and timely mitigation of risks. The Bank's Risk Appetite framework has been consistently enhanced to ensure Board's active oversight over material risks and timely action to mitigate risk events across the Bank's risk taxonomy. The three lines of defence model is further strengthened by a strong risk culture and promoting a balanced risk/reward approach across the Bank.

Rana Saud chairs the Bank's Executive Risk Committee and Model Oversight Committee and is a member of ALCO and IT Steering Committee, and a non-voting member of Credit Execution Committee. He is also a member of the UAE Bank Federation Risk Management Advisory Committee.

Prior to joining Ajman Bank, he worked at some reputed local and global banks. Rana Saud is a graduate from King's College, London.

Ajman Bank Executive Management

Badreldin Elmogadam
Group General Counsel & Board Secretary

Badreldin Eltahir Elmogadam is the General Counsel & Board Secretary at Ajman Bank. A high-profile legal professional with 25 years of specialized experience in the realm of banking and advisory services, Badreldin has been instrumental in establishing and managing the bank's legal processes and requirements. As a seasoned legal expert, Badreldin's competencies span drafting and vetting legal documents, providing legal consultancy and litigation support, ensuring statutory and regulatory compliance, and addressing Islamic banking legal matters. He possesses exceptional expertise and experience to analyze complex legal scenarios, providing advisory on intricate legal issues, and demonstrating skills in corporate litigation and international law.

Prior to his current role Badreldin was the Head of Legal Affairs Division & Deputy General Counsel at Ajman Bank from 2008 to 2021, where he played a key role in the establishment of Ajman Bank. His responsibilities encompass a wide array of functions from managing board matters and corporate governance to overseeing legal department activities, affirming his versatile skill set in both strategic and operational legal aspects.

His career also includes significant roles at Qatar Islamic Bank as a Legal Advisor, and at the law firm of M. Al-Abdulla in association with David, Arnold & Co-Opper as a Senior Legal Counsel, where he honed his skills in handling legal cases, drafting contracts, and providing legal opinions.

Educationally, Badreldin holds a Bachelor of Laws (LL.B "Honors") from the University of Khartoum, and various other certifications, including a Bar Examination Certificate and a Certified Board Secretary qualification. His training and qualifications cover English Legal System, Sudanese Law, Islamic Laws, and international arbitration, providing a robust foundation for his legal expertise.

Muhammed Iqtadar
Group Head of Compliance

Muhammed Khalid Iqtadar is the Acting Head of Compliance at Ajman Bank. Iqtadar is a highly experienced and versatile senior executive with over 25 years of expertise in internal audit, risk management, and compliance within the banking sector.

Iqtadar's core competencies are deeply rooted in establishing and re-engineering processes for audit divisions, developing and executing robust audit strategies, and leading operations in compliance and risk management.

At Ajman Bank, he has played pivotal roles, leading the creation and implementation of comprehensive compliance frameworks in line with CBUAE regulations, focusing on AML, KYC, and Sanctions. His tenure as Head of Operational, BCM & Fraud Risk Management at Ajman Bank involved developing and implementing enterprise-wide strategies for operational risk, fraud, and business continuity management. He has a track record of managing and maintaining effective frameworks in line with regulatory guidelines and best practices.

Prior to joining Ajman Bank Iqtadar held senior roles at Commercial Bank International, Habib Bank AG Zurich – United Arab Emirates.

He holds an array of professional qualifications, including CAMS, CFE, ACMA, CGMA, ACPA, AFA, MIPA, PMP, CISA, CISM, CGEIT, CRISC, CPDSE, GRCP, GRCA, CACM, CICA, and an MBA. His academic credentials include an MBA from the University of Northampton, UK, and a Bachelor of Commerce from the University of Karachi.

Ajman Bank Executive Management

Faizal Kundil

Group Head of Consumer Banking

Faizal Kundil is leading the Bank's Consumer Business covering consumer and business banking segments. He joined Ajman Bank in January 2021 and has overall 25+ years of experience in retail/ consumer banking. Under Faizal's leadership the Bank's consumer banking portfolio has seen healthy growth on both asset and liability sides. He combines deep product knowledge, including Islamic Finance, with strategic approach to value creation which has resulted in enhancing client satisfaction, trust and loyalty, and client engagement levels.

Faizal's possess diverse experience in consumer business strategic planning, product and marketing strategy and execution, sales & distribution expansion, product development, alternative channels, digital and payment solutions modernization and sales development. Under his leadership, the Bank has systematically delivered on ambitious budgets and has consistently increased its standards for innovation and performance.

Faizal previously worked with Citibank, Standard Chartered Bank, Dubai Islamic Bank, Emirates Islamic Bank and FAB Group in consumer banking related roles.

He holds a Certificate in Accelerate Leadership Program from Harvard Business School and Bachelor's Degree in Commerce from Delhi University, India

Abdul Nasser Al Mannaie

Head of Internal Sharia Audit

Abdul Nasser Ahmed Ibrahim Al Mannaie is Head of Internal Sharia Audit at Ajman Bank since May 2020. With a rich career spanning 22 years, specializing in Sharia Control and Sharia Audit, Abdul Nasser plays a pivotal role in developing and updating internal Sharia audit manuals, creating annual Sharia audit plans, and ensuring Islamic Sharia compliance across all bank activities.

Prior to his current role, he was the Head of Sharia Compliance at Ajman Bank from 2009 to 2020, where he was responsible for implementing frameworks based on Fatwas and Sharia Board rulings, supervising Sharia-compliant product structuring, and providing ongoing Sharia consultancy.

Before Joining Ajman Bank he served as the Sharia Coordinator at Noor Islamic Bank developing investment contract policies and contributing to the Noor Waqf Project. At Sharjah Islamic Bank, he led the Sharia Compliance Division, ensuring bank-wide Sharia compliance and serving as the Secretary to the Sharia Board.

His professional qualifications include a Bachelor of Islamic Studies from the College of Islamic & Arabic studies. Alongside, he has attained numerous certifications in Sharia and Financial Control, Ijarah Finance, Murabaha Contracts, and is a Certified Zakat Accounting Specialist among others. His professional memberships include AAOIFI and several fellowships from the Saudi Judicial Scientific Society.

Ajman Bank Executive Management

Dr. Fazal Rahim

Head of Sharia Control & ISSC Secretary

Dr. Fazal Rahim Abdul Rahim holds the position of Head of Sharia Control & ISSC Secretary at Ajman Bank. He is a renowned Shari'ah scholar and a leading figure in Islamic banking and finance, with an impressive career spanning over 26 years.

Fazal is a distinguished figure in the Islamic banking world, whose vast experience and deep knowledge have significantly contributed to the growth and development of Islamic finance both in the UAE and internationally. He is highly respected for his deep knowledge and expertise in Sharia advice relating to Islamic products, services, and transactions across the Islamic banking and finance industry.

Fazal's contributions extend beyond his role at Ajman Bank. He is a member of the Sharia Board of several Islamic Investment and Financing companies and plays a significant role in the Islamic Banking Committee of the UAE Banking Federation (UAEBF). His involvement in various committees and boards, both within Ajman Bank and in the wider Islamic finance community, showcases his commitment to advancing the field of Islamic finance. Prior to joining Ajman Bank, Dr. Rahim had numerous senior positions in Noor Islamic Bank, Doha Islamic and Doha Bank.

Fazal has an illustrious academic background, holding a PhD in Islamic Economics from the University Sains Islam Malaysia (USIM), a Master's degree in Economics, and a Bachelor's degree in Islamic Studies & Arabic from the University of Karachi, Pakistan. He further augmented his expertise with a Postgraduate Diploma in Islamic Banking and Insurance from IIBI, London, and is a certified Sharia Adviser and Auditor by AAOIFI, Bahrain.

Throughout his career, he has been instrumental in the development and structuring of Sharia-compliant products and services. His major areas of expertise include Sharia Board Coordination, Sharia Consultancy, Compliance, Training, Research and Development, Sharia Audit, Sharia Remedial Management, Takaful, Investment Funds, and Sukuk.

Kashif Raza

Group Head of Wholesale Banking

Kashif Raza is the Group Head of Wholesale Banking at Ajman Bank. He has over 25 years of banking experience, out of which 18 years are in large banks in UAE. Kashif has served leading Islamic banks in various capacities and has a proven track record in client coverage, syndicated financing, project finance and DCM mandates. He played a leading role in multiple complex, innovate and landmark financing transactions in the UAE/GCC.

Prior to joining Ajman Bank, Kashif was the Head of Corporate Finance and Investment at ADIB. His role was mainly to deliver optimal and sustainable revenue growth, as well as provide senior strategic client/investor coverage for corporate finance and investment banking deals with a specific focus on regional sovereigns, large corporate and financial institutions. His other notable positions include Director of Capital Markets and Syndications at DIB Capital, and other senior roles at Standard Chartered Bank, United Bank Limited, Grant Thronton, and MCB Bank Limited.

Kashif's educational background complements his experience in strategic client coverage, corporate finance, investment banking and asset management. He holds a bachelor's degree in commerce from S.M Commerce College, Pakistan, as well as an MBA degree from the Institute of Business Administration, Pakistan.

Ajman Bank Executive Management

Tuan Ahamath

Head of Treasury

Tuan Ahamath is a senior treasury professional having more than 30 years if experience in treasury and capital markets. Tuan joined Ajman Bank in 2018, and is currently serving as the Head of Treasury in acting capacity before which has was leading the Bank's Money Market & FX desks and Asset Liability management.

Tuan is a seasoned treasury professional having proven proficiency in executing strategic and tactical plans in order to manage liquidity/ fx and risk controls, meanwhile proactively safeguarding assets against money market and foreign exchange exposures. His experience is concentrated in Shariah compliant money market and FX products, building and enhancing treasury processes, product program enhancement and capital optimization.

Prior to joining Ajman Bank, worked with Dubai Islamic Bank and Noor Bank and was a pioneer member of setting up Treasury at the formation. Began his career at Emirates Bank, Colombo branch and at Seylan bank - Sri Lanka.

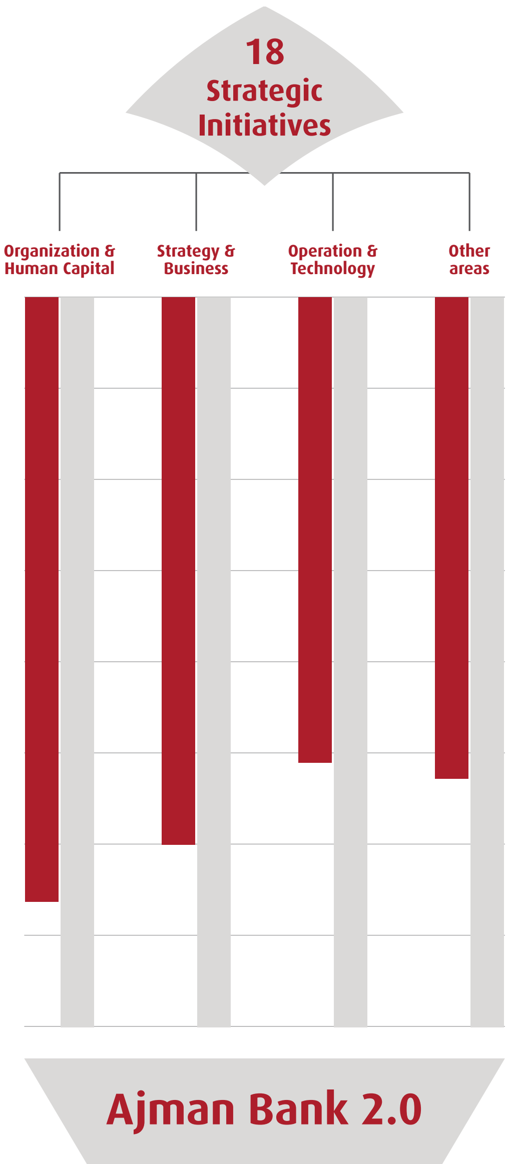
Tuan Holds a Bachelor's Degree in Business Administration and an ACI certificate holder.

2023 – A proud year of transformative enhancements in our Corporate Governance Framework

Key Activities in 2023

Launch of Enterprise Transformation - Ajman Bank 2.0 Plan

Following the appointment of Mr. Mustafa Mohammed Saeed Al Khalfawi as CEO in September 2023, the Bank launched an ambitious enterprise transformation plan that renewed the Bank's immediate priorities as well as refined our long-terms vision. The transformation encompasses four key organizational themes organized into 18 strategic initiatives.



Establishment of Corporate Governance and extension of its mandate to wider ESG efforts

Ajman Bank believes in and is committed to good corporate governance, to provide a basis for its future development and sustainable growth. In 2023 a dedicated Corporate Governance Division was established to promote and ensure maintenance of highest standards of corporate governance, aimed at safeguarding the interests of stakeholders and promote informed, objective, and transparent decision making at all level. The mandate of the Division was later enhanced to lead the integration of sustainability into the way we make decisions, to further align with the UAE's vision for sustainable development. Further details about the role of ESG Division are presented in subsequent sections of the report.

Development of an Enterprise Policy and Procedures Delegation of Authority Framework

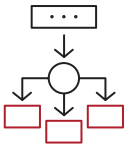
Ajman Bank has a comprehensive range of policies and procedures in place designed to help ensure that it is well managed, with effective oversight and controls as part of its commitment to high standards of corporate governance.

In 2023, the Board and senior management supported improvements to governance initiatives to encourage simplification and promote effective decision making. Such improvements included establishing an Enterprise Policy and Procedures Delegation of Authority Matrix. This DoA helps to ensure that the policies/ procedures across the bank are approved by the right authorities based on the nature of the policies and ensures that the Board and Board Committees exercise adequate oversight over strategic policy setting.

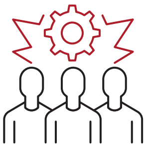
The Enterprise Policy and Procedures DoA also empowers the management to implement policies and procedures within the direction set by the Board. This change encourages a risk-based decision-approval approach that enhances the efficiency of the policy review process, as well as reinforces accountability and decision taking across the bank.

Annual Board Assessment

The Bank conducted the first Annual Board Assessment Exercise in line with regulatory requirements. The assessment was conducted under the direction of the Board as a whole and each of its committees. The assessment focused on assessing key areas which are considered as key indicators of an effective Board including:

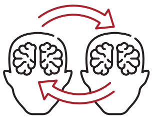


Board
Structure



Board size
and composition

Board Procedures and
documentation



Board Strategic
Planning

Board meetings
and discussions

Relationship between the
Board and its Committees

Board oversight
of Risks and Controls

Board
Training

The recommendations stemming from the annual assessment will be implemented, and a follow-up review on the recommendations will be conducted in the next Board Assessment. More details on the assessment are presented in subsequent sections of the report.

Development of the Board Member Identification, Selection and Induction Policy

Ajman Bank is aware of the importance of the role of the Board of Directors in ensuring the protection of the shareholders' and other stakeholders' interests, ensuring that the Bank is governed and directed to its purpose while complying with the applicable regulatory requirements and promoting long-terms success of the Bank. The achievement of these objectives is linked to maintaining the right composition of the Board that comprises of members who collectively bring together the right balance of skills required for an effective Board. In anticipation of the maturing term of our Board of Directors in 2024, the Board approved an enhanced Board member identification, selection and induction policy. The policy is meant to bring together regulatory requirements and leading industry practices to ensure a clear and rigorous process for identifying, selecting, and inducting new members to the Board. More details on the policy are presented in subsequent sections of the report.

Reinforcement of the Board Code of Conduct

Ajman Bank's Code of Conduct for The Members of the Board of Directors was reviewed and approved by the Board in 2023. The updated Code of Conduct conforms with the applicable Corporate Governance Regulations of the UAE. It provides guiding principles for the Directors of Ajman Bank to follow and enables each director individually to identify and understand aspects of their conduct that may have a potential legal, regulatory, reputational, financial or other type of impact on the bank, its stakeholders or the members of the Board personally.

Further details on Code of Conduct for the members of the Board are presented in subsequent sections of the report.

Transformation of the Management Committees

The Group CEO has established several committees to provide specialist oversight for matters delegated by the Board to the Group CEO and senior management, which help fulfil their responsibilities. These committees support the Group CEO and senior management in areas such as credit execution & oversight, risk management, investments, IT transformation, Human Resources, Vendor Management, etc.

In 2023, Ajman Bank transformed its existing Management Committee structure to better align with industry standards and best practices. Ajman Bank also updated its management committee charters to align with all of those changes.

Further details on the current Management committees and their respective mandates can be found can be found in subsequent sections of the report.

Implementation of the Code of Conduct for Third Party Service Providers

Ajman Bank is committed to maintaining high standards of professional, ethical, responsible, and well governed business practices in all its activities. Procurement of services from third parties is a key activity, in which the Bank wishes to ensure that the Bank's standards and expectations, and applicable legal and regulatory requirements, are meticulously applied.

Accordingly, Ajman Bank introduced a detailed Code of Conduct for Third Party Service Providers in 2023. The Code sets forth the principles and standards of conduct that the Bank expects third party suppliers, their staff, and if applicable the supplier's subcontractors and sub-suppliers to meet during the provision of services to the Bank.

Further details about the Code of Conduct for Third Party Service Providers can be found in subsequent sections of the report.

Outsourcing Materiality Assessment

Ajman Bank Risk implemented in 2023 an enhanced Outsourcing Materiality and Risk Assessment Model to systematically assess all procurement activities across the bank. This Model enables the Bank to assess its outsourced activities objectively and consistently. The model also enables the bank to effectively manage its material outsourced arrangements and conduct enhanced due diligence (where required) in line with regulatory requirements.

Enhancement of the Corporate Governance Disclosures

Ajman Bank is committed to providing timely, consistent, and accurate information to its stakeholders. It always ensures that consistent disclosure practices are applied and that all members of the business community, including individual investors, have prompt and simultaneous access to the disclosed information.

Accordingly, in its efforts to continuously enhance transparency and disclosures, in line with regulatory requirements and industry practices, Ajman Bank has updated its disclosure requirements as evident in both the corporate governance and ESG report to cover the key quantitative and qualitative information related to financial performance and financial stability, risk management factors, remuneration, corporate governance, sustainability, related-party transactions, and others.

Corporate Culture built on our core commitment to Service, Speed, Specialization and Sustainability

We are committed to continuously improving our Corporate Governance approach to ensure we remain at the forefront of best practice, adapting to changes in the regulatory, policy and business environment. In 2023, we concluded multiple initiatives to improve our overall governance awareness across the bank. The Head of ESG being the Secretary of the Executive Committee spearheads efforts to enhance transparency, oversight, collaboration and decision making across the Bank. Various initiatives/ events were undertaken during 2023 to enhance corporate culture including ExCo offsites, Business Townhalls, Staff breakfasts with the Group CEO, morning huddles and structured business process re-engineering workshops to promote our core commitment to Service, Spead, Specialization and Sustainability. Those initiatives ensure that a two-way dialogue is maintained between the senior management of Ajman Bank and its employees and foster and build our corporate culture.

Information Security & Data Privacy Initiatives

Ensuring that our Bank is secure and that our customers and reputation are protected from cyberattacks is a critical element of our approach to ensuring adequate risk management and governance.

Ajman Bank implemented several initiatives to enhance the maturity and effectiveness of data governance. In 2023, the Bank enhanced the Consumer Data Protection Framework to better align with key regulatory requirements and invested significantly in enhancing the protection of its data, including adopting new technologies/ tools that monitor the banks digital footprint, external surface, and brand protection.

Customer data protection and privacy was identified as a Material topic for the Bank following the GRI methodology to ESG disclosures. Further details of our achievements and plans in this areas are covered in the ESG report.

Digital/Innovation Initiatives

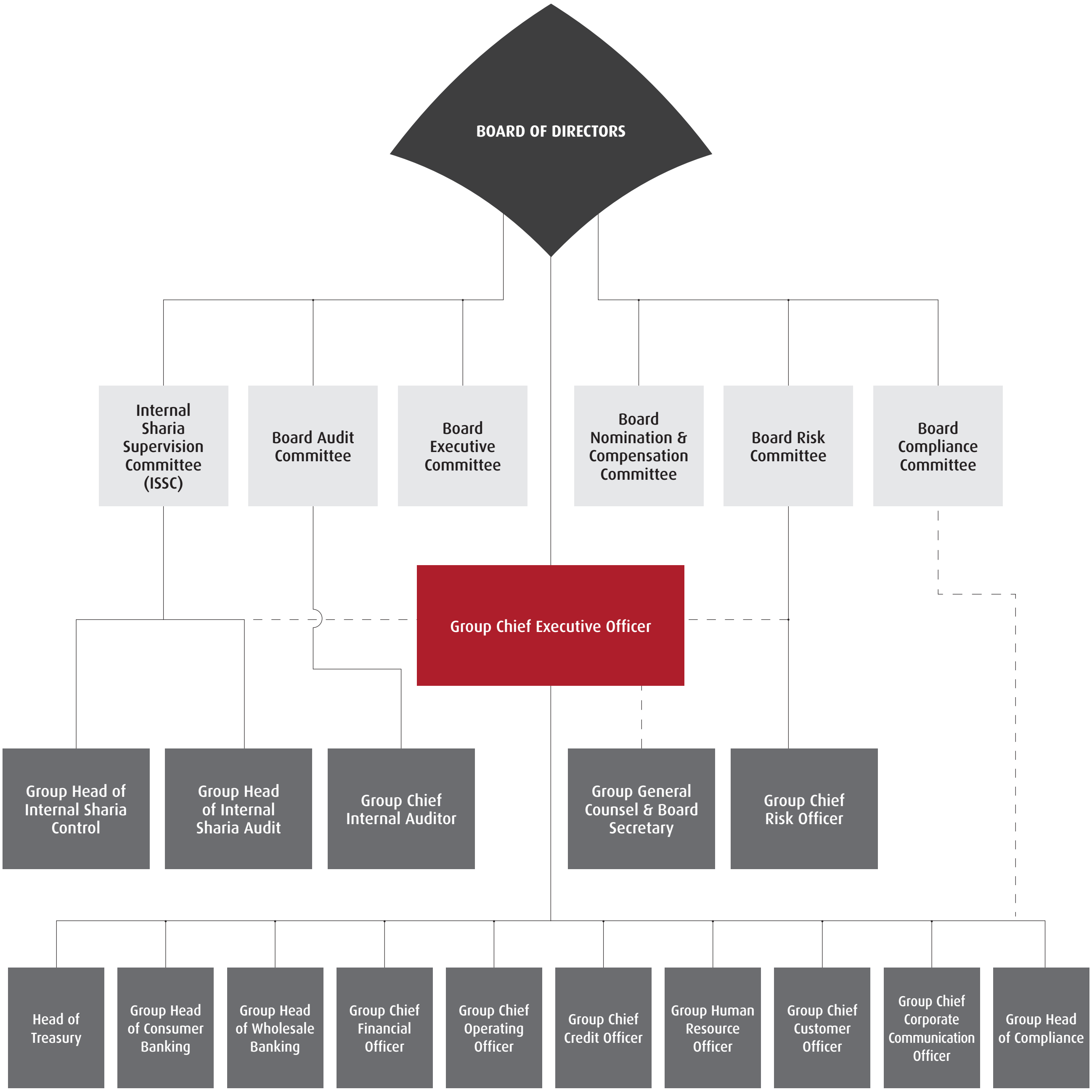
Ajman Bank aims to remain a forerunner in launching technologically innovative and customer friendly Sharia 'a complaint products and services, accordingly in 2023, Ajman Bank embarked on a "Digital Journey", in order to leverage the latest technology and develop innovative products and services to cater to its customers' evolving needs:

- Our Flagship Ajman Bank Digital App: New features were introduced that enable customers to effortlessly register for the app, log in securely, and open digital accounts. The App also encompasses features to enable parents to effortlessly open and manage accounts for their children, with robust parental controls to monitor and guide their financial activity.
- Enabling electronic submission of cheques: Corporate customers can electronically submit their cheques to the bank through our system, eliminating the need for physical cheque delivery. The bank can promptly process the provided images/data, expediting transactions either upon physical cheque reconciliation or based on internal policies.
- Enhancing the Vendor Management System: Enhancement and automation of all vendor payment methods through online integration with Ajman Bank's Payment system.

The digitalization efforts at Ajman Bank reflect our commitment to innovation and to improving our customer experience. By leveraging technology, we continue to enhance the convenience and efficiency of our banking services and foster stronger relationships with our customers and stakeholders. As a material ESG topic, the same has been covered in more detail in our ESG report 2023.

Our Governance

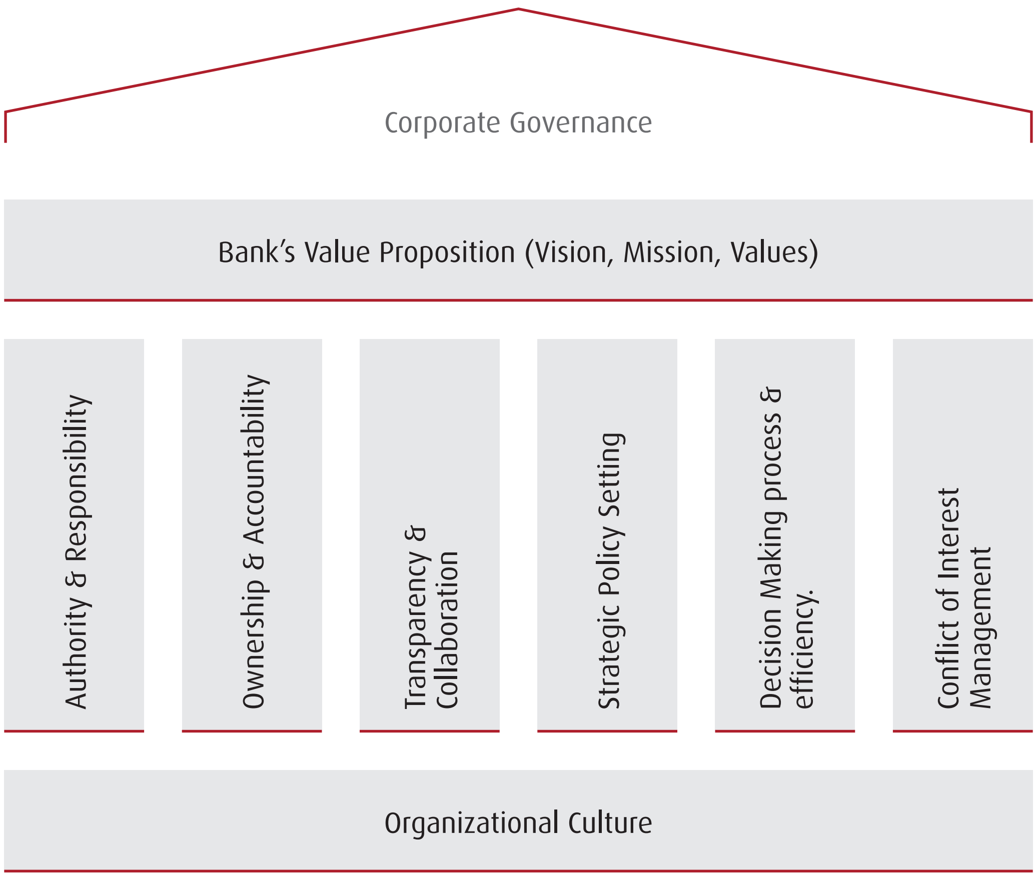
Our Governance Structure



Our Corporate Governance Framework

Ajman Bank maintains a robust corporate governance framework modelled on the highest Industry practices and global standards. We are committed to continuously reviewing and improving our approach to ensure we remain at the forefront of best practice, adapting to changes in the regulatory, policy and business environment.

Our Corporate Governance Framework comprises of six (6) key pillars: Authority & Responsibility, Ownership & accountability, Transparency & collaboration, Policy setting, decision making & efficiency, as well as, conflict of Interest management. The approach in which we assess and manage the six (6) pillars is documented in our corporate Governance Manual that establishes the minimum standards of Ajman Bank's approach to corporate governance with a view to ensure a clear value proposition, and a sound organizational culture. The Corporate Governance additionally outlines a clear and appropriate apportionment of responsibilities between the Board and the management and ensures that their individual responsibilities are clearly demarcated, and that the affairs of the bank can be adequately monitored and controlled by the Board and senior management of the bank.



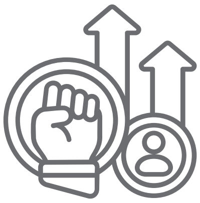
The Board periodically reviews the Ajman Bank's Corporate Governance framework (or elements thereof) to ensure it remains appropriate to the Bank's operational structure and the risks that it faces, as well as its size, complexity, business strategy, risk profile, markets, and regulatory requirements.

Environmental, Social and Governance (ESG) Division

Ajman Bank believes in and is committed to good corporate governance, to provide a basis for its future development and sustainable growth, to support trust in its activities and to enable it to contribute to the successful development of the financial system of the UAE. In its effort to continuously improve the corporate governance in the bank, the bank established in 2023 a dedicated ESG Division to promote and ensure maintenance of highest standards of corporate governance, aimed at safeguarding the interests of stakeholders, promote informed, objective, and transparent decision making at all levels, and foster ethical and compliant practices in the Bank. The role of ESG Division can be summarized under four (4) main areas:

Board Empowerment

To ensure that the Board's oversight over the Bank's affairs is enhanced and the Board is enabled to take informed and objectives decisions that uphold the interests of the Bank as well as its stakeholders.

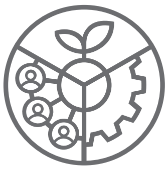


Organizational Governance

To enhance management oversight and decision making at senior management level. This entails streamlining the functioning of management committees, reviewing functional structure, roles and responsibilities, and key policies to promote ownership, accountability, responsibility, and functional performance.

Environmental, Social and Governance (ESG)

Leading the bank's initiatives to integrate sustainability practices into its operations and implement ESG strategies that align with the UAE's vision for sustainable development and adhere to global best practices.



Corporate Governance Operations

To facilitate implementation and monitor adherence to a comprehensive corporate governance framework across the Bank, encompassing policies and guidelines, monitoring conflicts of interests, remediating corporate governance issues and providing advisory to all stakeholders of the Bank in relation to corporate governance.

Code of Conduct for The Members of the Board of Directors

Integrity is a cornerstone of the Ajman Bank's governance principles and one of its core behaviors. Directors should act honestly and fairly with high ethical standards, due skill, care, and attention in their dealings with all stakeholders. A Board of member code of conduct was developed and approved by the board in a workshop held in 2023. In that workshop, the Code of Conduct was discussed in detail, and then subsequently approved by the Board.

The Board Code of Conduct conforms with the applicable Corporate Governance Regulations of the UAE. The guiding principles of the board code of conduct entail the below Seven (7) principles:

- Compliance with Legislative & Regulatory Directives
- Stewardship
- Duty of Care & Diligence
- Duty of Loyalty & Confidentiality
- Managment of Conflict of Interests
- Combatting Bribery, Corruption & Crimal Conduct
- Consumer Protection

Employee Code of Conduct

Ajman Bank believes that every employee has a responsibility to live up to the expectations set forth in the Employee code. By adhering to our code of conduct, we build a culture of trust, respect, and responsibility. It is through this kind of behavior that we can build strong relationships with our clients, partners, and the broader community. Ajman Bank being committed to the teachings of the Sharia ‘a principles, it is the policy of the Bank to conduct business by maintaining the highest standards of professional ethics and code of conduct.

Professional Ethics

Ajman Bank’s employee code of conduct outlines the directives and standards which employees are required to maintain while performing their duties on behalf of the bank. Conducting the business to the highest standards of professional ethics is crucial to the preservation of the Bank’s corporate image.

Integrity

Ajman Bank employees must act with Integrity and in a fair, honest and professional manner with due skill, care and diligence at all times in their relationship with Customers. All Employees must work with due skill, care and diligence, act at all times with integrity i.e. treat every customer equally, keep their commitments, provide high quality service act in a fair, honest and professional manner with Customers, etc.

Fair treatment of Customers

Without any discrimination, all employees, with due skill, care and diligence, act fairly, honestly and professionally in their relationship with all Customers, regardless of their religion, gender, age, income level, and marital status. Ajman Bank maintains a control framework that articulates and clearly demonstrates Its values and culture with respect to treating the Consumer fairly and address such matters as:

- Good ethics, values and transparency in promoting and selling Financial Products and/or Services to Consumers;
- Positive Consumers relations, Complaint management and Complaint resolution;
- Assisting People of Determination;
- Equal, Fair treatment of all Consumers;
- Confidentiality and safeguarding of Consumers’ information and assets;
- Addressing conflicts of interest; and
- Service performance standards that provide timely delivery of Financial Products and/or Services.

Code of Conduct for Third Party Service Providers

Ajman Bank is committed to maintaining high standards of professional, ethical, responsible, and well governed business practices in all its activities. Procurement of services from third parties is a key activity, in which the Bank wishes to ensure that the Bank's standards and expectations, and applicable legal and regulatory requirements, are meticulously applied. Accordingly, Ajman Bank recently introduced a standalone Code of Conduct for Third Party Service Providers. The Code sets forth the principles and standards of conduct that the Bank expects third party suppliers, their staff, and if applicable the supplier's subcontractors and sub-suppliers to meet during the provision of services to the Bank. By agreeing to provide services to Ajman Bank or by entering into a contractual arrangement to provide services to Ajman Bank, the Supplier undertakes to comply with the code at all times.

Conflict of Interest

The code of conduct mandates suppliers to act in a way that ensures conflicts of interest are avoided to the extent possible, disclosed to the Bank with complete transparency, and appropriately managed to ensure that the Bank's interests are always upheld. In case a conflict of interest arises, at any time, the supplier must promptly disclose the same to the Bank and provide all necessary information to the Bank as required by the Bank to understand, investigate, and manage the conflict of interest.

Bribery Corruption and Criminal Conduct

Ajman Bank has zero tolerance for corrupt and criminal conduct and such behavior will not be tolerated in any form. Ajman Bank suppliers must not engage in any form of corruption or criminal misconduct, including fraud, breach of sanctions, money-laundering, insider trading, anti-competitive practices, bribery and corruption, and the violation of consumer and human rights.

Insider Trading Policy

Ajman Bank aims to operate at the highest levels of integrity and transparency. It prohibits the misuse of Material and Nonpublic information in the trading of financial instruments. The Bank has an approved Insider Trading Policy that applies to all persons (including Ajman Bank's Board of Directors, and Executive management) who have access or come into possession of Material, Non-public information or Inside Information before its public release. The policy aims to:

- Ensure adherence to the highest ethical standards of conduct.
- Reduce potential risks arising from the Bank's employee (and other insiders) dealing in the Banks's securities.
- Identify sanctions penalties of non-compliance to the Insider Trading policy.
- Minimize the risk of contravening any relevant legal or regulatory requirements, and conflicts of interest with the Bank and/or its clients by ensuring the Bank's securities are traded only when there is no conflict of interest.

Our Risk Governance Model

The Board of Directors and Senior management are collectively responsible for establishing Ajman Bank's objectives, and high-level strategies to achieve said objectives, and establishing governance structures to manage risks. The Board of Directors provides oversight of the Bank's internal control system, risk management processes, and financial reporting integrity and establishes the Bank's ethical tone, culture, and code of conduct. The Board also oversees the design, implementation, and monitoring of internal controls to support organizational objectives.

The Senior Management of Ajman Bank implements the strategies and objectives approved by the Board, ensuring the presence of appropriate processes and controls. Additionally, the senior management provide regular and timely reports to the Board on the Bank's performance, including risk exposures, internal control effectiveness, and compliance status. Ajman Bank's Risk Governance Model is designed to meet regulatory requirements as well as best industry practices. Our Risk Model is based on the three lines of defense model as set out below:

Model Risk
Conduct Risk
Liquidity Risk
Strategic Risk
Credit Risk
Market Risk
Compliance Risk
Information Security
Operational Risk
ESG Risk
Credit concentration Risk
Profit rate Risk
Reputational Risk

1ST LINE OF DEFENSE

2ND LINE OF DEFENSE

3RD LINE OF DEFENSE

Our Risk Governance Model - Continued

First Line of Defense

The first line of defense consists of the front-line employees of Business Units and Support Functions who conduct day-to-day operations of the Bank and are the key sources of risk. The Business Units and Support Functions at Ajman Bank follow a systematic risk process and implement internal controls and other risk responses to treat the risks associated with the Bank's operations. It is the responsibility of Business Units and Support Functions to actively manage risks and periodically report on identified risks. The Business Units for Ajman Bank include Consumer and Wholesale Banking and Treasury, whereas support functions include functions such as Credit, Finance, Operations, Information Technology, etc. As the Bank's first line of defense these functions:

- Collaborate with other lines of defense, share information, coordinate efforts, and ensure a comprehensive approach to risk management.
- Identify and assess risks associated with their operational activities including understanding potential risks, their likelihood, and potential impacts on the Bank's objectives.
- Implement and adhere to internal control policies and procedures to mitigate risks.
- Comply with relevant laws, regulations, and internal policies including risk appetite related to their operational activities.
- Upon occurrence of any risk event, support second line of defense with investigating the incident, root causes analysis, and implement corrective measures to prevent recurrence.

Second line of defense

The second line of defense for the Ajman Bank includes the Bank's Risk Department, Compliance, and Internal Shariah Control. The second line of defense ensures that the controls and risk management processes implemented by the first line of defense are designed appropriately.

The Risk Department led by the Chief Risk Officer provides an independent oversight on the Risk Management of the Bank. The key responsibilities of the Risk Department include the establishment of policies and procedures, development of models for estimation of risk, and management of risks in a holistic manner across the Bank. Risk Department also performs tasks related to identification of risk, conducting risk analysis, conducting data analytics and reporting observations/insights.

Ajman Bank's Compliance Department led by Head of Compliance, provides an independent oversight on the Bank's compliance with applicable rules, regulations, and guidelines. Compliance is also responsible to undertake tasks pertaining to anti-money laundering, and countering financing of terrorism including, examination of suspicions transactions, assessment of Bank's anti-money laundering, and countering financing of terrorism framework, and required reporting to CBUAE.

Bank's Internal Shariah Control, led by Head of Internal Shariah Control provides consultation related to contracts and documents and other aspects related to the Bank's products and services, including products manual, policies, internal procedures.

Third line of defense

The third line of defense including Internal Audit and Shariah Audit work alongside the first and second lines to strengthen internal controls and risk management practices across the Bank leading to enhanced accountability, transparency, and governance. The Internal Audit Department performs the independent review of the Bank's Risk Management processes and activities of Ajman Bank's Business Units and Support Functions. By acting as an independent and objective function, the internal audit provides assurance to senior management and the Board of Directors regarding the Bank's risk management and control processes.

Ajman Bank's Internal Shariah Audit, undertakes Shariah audits, monitors the Bank's compliance with Islamic Shariah, and ensures the adequacy of internal procedures and Shari'ah governance frameworks. To ensure independence, the Internal Shariah Audit shall report findings directly to the ISSC and Board Audit Committee.

Audit and Internal Control

Oversight of financial reporting and integrity of Ajman Bank's financial disclosures are also key roles performed by the Board. The Board ensures that comprehensive and independent risk management, compliance, and audit functions, as well as an effective overall system of internal controls are in place. The Board Audit Committee assists the Board in discharging its responsibilities with regards to ensuring an effective internal controls environment and approves the annual internal audit plan, as well as monitoring the effectiveness of Internal Audit and the committed measures to address identified deficiencies.

EXTERNAL AUDITOR	
a. Overview of Ajman Bank's auditor	
Profile of the Bank's Auditor	Ernst & Young (EY) is one of the largest global professional services/ Accounting firms worldwide. EY was appointed by the decision of the Bank's general assembly on April 5, 2021.
b. Statement of fees and costs related to the audit or services provided by the external auditor	
Audit Office Name	Ernst & Young Middle East (Dubai Branch)
Name of Audit Partner	Anthony O'Sullivan
Number of years the Audit Office was assigned as the external auditor of the Bank	Three (3) years
Number of years the Audit Partner was assigned to Audit the Bank	(3) years
Total Audit Fees for 2023 (AED)	550,000
Details and nature of the other services provided by the Bank's auditor (if any) and in the absence of other services	It was agreed that the auditor would carry out limited assurance/agreed upon procedures on the Bank's BRF returns, Pillar 3 disclosures and Rights issue, as appropriate.
The value of fees and costs of special services other than auditing the financial statements for the year 2023 (AED), if any, and in the absence of other fees	AED 250,000 (BRF: AED 50,000, Pillar 3: AED 100,000, Rights issue: AED 100,000)
INTERNAL CONTROL	
How the Internal Audit Department deals with any issues identified within the bank (if any).	Findings (if any) are communicated by Internal Audit to the respective departments within the bank. The Board Audit Committee is updated on the status of the actions taken to remediate the audit findings on a quarterly basis.
Number of reports issued by the Internal Control Department of the Board of Directors of the company.	48 Reports were issued during the Year 2023
COMPLIANCE	
Details of the Fines (if any) in 2023, their causes, and how to address them and avoid their recurrence in the future.	Ajman Bank has only one financial penalty due to delay in issuing 'no liability letters' to a few of its customers. To avoid such occurrences in future, Ajman Bank has put in place controls to ensure that all customers' requests are timely processed.

Board Information

Overview of The Board

The Board of Ajman Bank aims to set the tone from the top and establish culture of clear and effective Corporate Governance across the Bank, as well as ensure high standards and best practices in Corporate Governance, taking into consideration all applicable laws, regulations, and regulatory requirements.

The Board of Ajman Bank is vested with powers to conduct the Bank's operations and to achieve its Shariah compliant goals. Only the provisions of applicable laws, Ajman Bank's Articles of Association (AoA), or a resolution taken by the Bank's General Assembly, supersede and limit the authority and powers of the Board. The Board has the primary responsibility for the welfare of Ajman Bank by guiding and monitoring the business and affairs of the Bank.

The Board of Ajman Bank is responsible for approving the overall strategic direction and policy framework for Ajman Bank. This responsibility is discharged through Board's oversight of Ajman Bank's management, which is responsible for the day-to-day conduct of the business. The Board also sets standards of conduct, including the Bank's general moral and ethical tone, compliance with applicable laws and regulations, standards for financial practices and reporting, qualitative standards for operations and services, and other standards that reflect the views of the Board as to the conduct of the business in the best interests of the Bank.

The Board is also responsible for ensuring that management maintains a system of internal control which provides assurance of effective and efficient operations, accurate financial reporting and compliance with law and regulations. In carrying out this responsibility, the Board shall consider what is appropriate for the bank's business and reputation, the materiality of the financial and other risk inherent in the business and the relative cost and benefits of implementing such controls.

Consideration of Female Candidates for Board Membership

The Board recognizes the importance of gender, social and ethnic diversity, and the strengths diversity brings to Board effectiveness. Diversity is considered when considering appointments at both Board and senior management level.

The Three (3) years term of the board is coming to an end in 2024. There has been no change in the members of the Board during the current term and no vacancy arose for which female nominations could be sought. The Annual General Assembly meeting is planned to be held in April 2024 in which the members of the Board will be subject to elections. Following efforts have been undertaken to seek female nominations:

1. The requirements for female candidate were deliberated upon in detail with the Board in Corporate Governance Workshop held in Jun 3, 2023. The Board acknowledged regulatory requirements and expressed its commitment to seeking female candidates nominated.
2. The Board approved annual board assessment report in September 2023 which included recommendations that the Bank shall strive to seek 20% female candidates in the upcoming elections.
3. The Board approved a board member nomination, selection, and induction policy in Sep 2023 to ensure efficient execution of the board terms renewal in 2024. This policy detailed the process for seeking female nominations.
4. The Bank will undertake efforts to encourage nomination of female candidates, which will be subject to vetting by the Board, CBUAE No Objection Certificate (NOC) and successful candidates shall be subject to voting in the upcoming AGM.

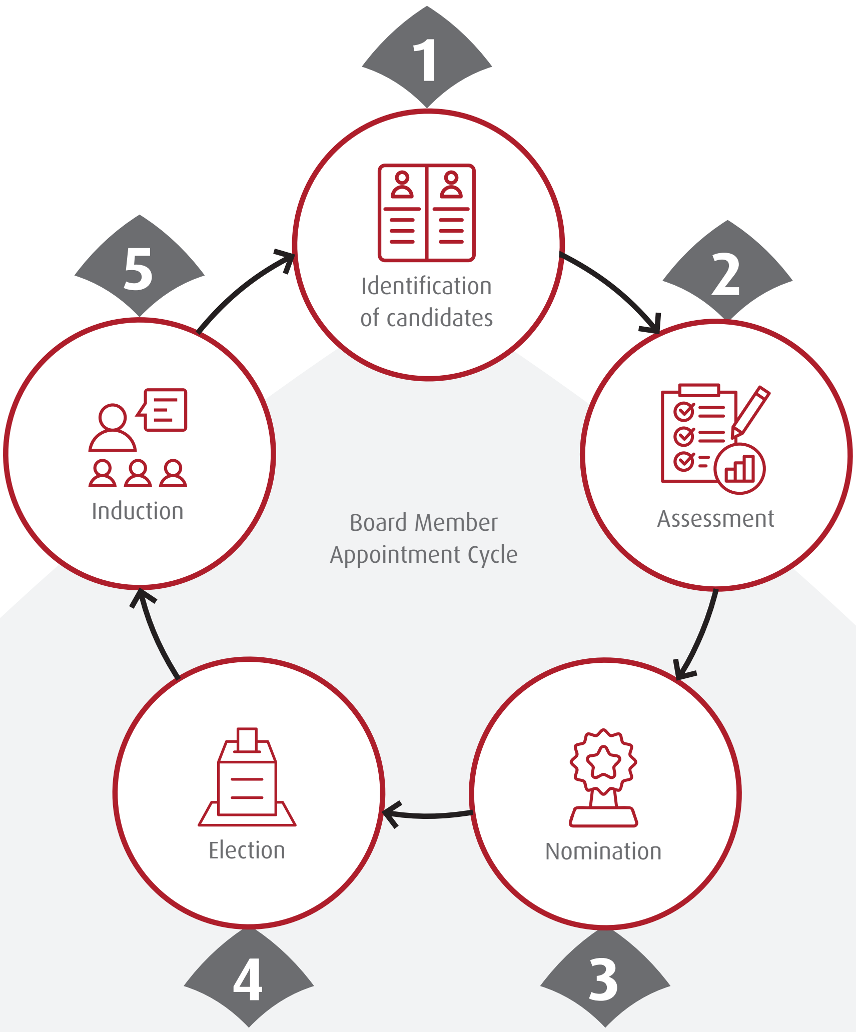
Selection of Board Members

Ajman Bank's Board Member Identification, Selection and Induction Process Standards outlines the framework of the selection process for Directors. Candidates to be appointed as members of the Board of Directors must meet requirements of trustworthiness, knowledge, experience, compatibility, and dedication, all in accordance with applicable regulations.

The process of board member appointment starts with identification of potential candidates, which may be triggered as and when a position in the Board becomes vacant, or if a new board member is required to be appointed upon completion of the Board's term or succession in case of a scheduled retirement of an existing member.

Shareholders, assisted by the Board Nomination and Compensation Committee (BNCC) may identify/ nominate candidates for board membership, who shall be assessed in line with the fit and proper criteria and other regulatory requirements pertaining to board membership and composition. Qualified candidates who meet the bank's requirements, fit and proper criteria and other regulatory requirements shall then be nominated for election by the General Assembly.

In 2023, there were no changes to the members of the Board of Directors. The Board through the NCC continue to monitor that the areas of the relevant expertise are covered in the existing composition of the Board.



Board Member Induction

Ajman Bank provides an extensive and robust Director's induction program for all newly appointed Directors, which is tailored to fit their role, experience, and skillset. The induction program includes meetings with other Directors, executive management, as well as comprehensive guidance on the duties and responsibilities of Directors, as well as the following topics:

- Bank's Governance & Organization
- Bank's Code of Conduct for Board Members
- Business & Strategy
- Policy Framework
- Risk Management
- Regulatory Environment
- Other Matters of Significance

In 2023, there were no new Board members on-boarded. Accordingly, no induction sessions were held.

Board Training

Ajman Bank continuously assesses the expertise and competencies of its Board members through a mapping exercise that is annually updated to ensure the skills and experience of Directors remain relevant to the Bank's strategy and operating environment. Upon the completion of the mapping exercise a training program is developed that aims to:

1. Establish a clear direction for the planning and implementation of Board of Directors training;
2. Empower and equip the Board Members with skills and attitudes required to perform their challenging role according to the best corporate governance practices;
3. Promote better understanding of professional requirements as well as sensitization to professional, socio-economic and political environment in which the Bank operates; and
4. Promote an environment promoting learning and development by the Board by serving as a role model for all the other employees in the Bank.

An annual review of training program is conducted to ensure that Board members acquire, maintain, and enhance knowledge and skills relevant to their responsibilities. The Board also regularly engages with executive management on specialist topics, as and when required.

The Board dedicates sufficient time, budget and other resources to an ongoing training and development program and draws on external expertise, as and when required. The Board has access to independent external professional advice and may request an opinion to support in fulfilling its responsibilities, including the conduct or direction of any investigation in relation to the Bank's affairs. In 2023, Board members participated in a number of deep-dive sessions where the below topics were covered:


Corporate Governance


Enterprise Risk Management


UAE Regulations and Compliance


Remuneration and Compensation


IFRS 9


Information Security

Annual Board Assessment

The Board conducts a rigorous annual performance evaluation of the Board and Board Committees, with a view to constructively identify achievements as well as improvement areas. In 2023, the assessment was conducted under the direction of the Board as a whole and each of its committees. The assessment focused on assessing key areas which are considered as key indicators of an effective Board including board structure, board size and composition, board meetings and discussions, relationship between the board and its committees, board procedures and documentation, board strategic planning, board training & development, as well as Board oversight of risks and controls. The Board's annual assessment followed the Internal Evaluation Process below.

Internal Board Evaluation Process

Upon the completion of the Board Assessment Exercise FY 2023, the recommendations stemming from the annual assessment will be implemented, and a follow up review on the recommendations will be conducted in the next Board Assessment in 2024.

Related Party Transactions

Ajman Bank has a Related Party Transactions Policy that establishes the guiding principles to identify and manage actual and potential conflicts of interest in Ajman Bank. This policy sets the ground rules that ensure that the Bank's decisions in connection with such Related Party Transactions are entered into in the best interests of Ajman Bank, its shareholders and its customers.

Board members are required to disclose to the Bank all interests and relationships which could or might be seen to affect his/her ability to perform duties as a Board member. Any such interests declared are recorded in the Board's Register of Interests, which is maintained by the ESG Division. Where a Board member has a personal interest in any matter which is to be considered by the Board, he will declare it at the earliest opportunity whether that interest is already set out in the Register of Interests or not. All transactions in which a director and/or other related parties might have potential interests are provided to the Board for its review and approval. Any Director that is an interested party neither participates in the discussions nor votes on such matters.

During 2023, all related party transactions were approved by and were all conducted on an arm's-length basis. Directors with potential conflicts did not participate in relevant discussions or vote. These transactions were undertaken as part of Ajman Bank's day-to-day operations.

i. Transactions

	FY 2023			FY 2022		
	Major shareholders AED '000	Directors and other related parties AED '000	Total AED '000	Major shareholders AED '000	Directors and other related parties AED '000	Total AED '000
Depositors' Share of profit	**204,114**	**5,606**	**209,720**	111,945	848	112,793
Income from islamic financing and investing assets	**5,949**	**14,268**	**20,217**	11,013	20,106	31,119
During the year, AED 2.5 Million (31 December 2022: AED 1.5 Million) Was approved as directors' remuneration by the shareholders at the annual general meeting held on 19 April 2023 and recorded in the income statement.						

ii. Balances

	FY 2023			FY 2022		
	Major shareholders AED '000	Directors and other related parties AED '000	Total AED '000	Major shareholders AED '000	Directors and other related parties AED '000	Total AED '000
Islamic financing and investing assets	**235,891**	**333,102**	**568,993**	255,764	539,744	795,508
Customers' deposits	**5,436,438**	**181,766**	**5,618,204**	4,644,762	113,859	4,758,621

iii. Board Member Related Party Shareholdings

There were no transactions for board members, their spouses, and their children in the Bank's securities during 2023.

Board Meetings

Board of Directors

i. Board Mandate

- The Board is responsible for approving the overall strategic direction and policy framework for Ajman Bank. This responsibility is discharged through Board's oversight of Ajman Bank's management, which is responsible for the day-to-day conduct of the business.
- Sets standards of conduct, including the Bank's general moral and ethical tone, compliance with applicable laws and regulations, standards for financial practices and reporting, qualitative standards for operations and services, and other standards that reflect the views of the Board as to the conduct of the business in the best interests of the Bank.
- Establishes policy direction and the fundamental objectives of the Bank.
- Supervises the management of the business and affairs of the Bank.
- Ensures that the principal risks facing the Bank are identified, assessed, and mitigated, and that there are systems in place to effectively monitor and manage these risks.
- Approves and thereafter review at least annually, the Bank's operational risk strategies, policies, and processes, including disaster recovery and business continuity plans.
- Assumes responsibility for the appointment of and performance evaluation of the Chief Executive Officer.
- Provides leadership and direction for the Bank in establishing and maintaining a high standard of corporate ethics and integrity.

ii. Board Attendance

The Board regularly discuss topics that are fundamental to the direction of Ajman Bank, including business performance, long-term planning, strategy, risk appetite and management, succession planning, and human resources. Please refer to the table below for the board meetings conducted in 2023:

Meeting Date	No. of Attendees	Number of Director attendees by proxy	Name of Absent Member	No. of resolutions passed
Feb 02, 2023	7/7	N/A	-	10
Apr 05, 2023	7/7	N/A	-	11
Aug 01, 2023	4/7	N/A	• H.H Sheikh Rashid Bin Humaid Al Noaimi • Mahmood Khaleel Alhashmi • Faisal Hassan Galadari	7
Oct 16, 2023	6/7	N/A	• H.H Sheikh Rashid Bin Humaid Al Noaimi	9
Nov 11, 2023	5/7	N/A	• Abdullah Mohammed Alhosani • Mahmood Khaleel Alhashmi	6
Dec 07, 2023	6/7	N/A	• Mahmood Khaleel Alhashmi	5

Board Audit Committee

i. Committee Mandate

- Provides an open avenue of communication between Bank, the external auditors and the Board of Directors.
- Reviews the external auditors' proposed audit scope and approach, including coordination of audit effort with internal audit.
- Reviews the performance of external auditor's service and recommending the appointment/re-appointment or discharge of external auditor duties to the Board of Directors while the final decision rests with Annual general meeting. No objection to be obtained from UAE CB for dismissal or change of external auditors.
- Ensures that the bank has an independent, permanent and effective Internal Audit function.
- Reviews and approves Internal Audit Plan and all major changes to the plan, its scope and budget for Internal Audit function to ensure that audit plan is prepared based on robust risk assessment including inputs from Senior Management and the Board and updated at least every year.
- Ensures that Internal Audit Plan scope is covering and including evaluation of effectiveness and efficiency of Internal Control, Risk Management, Compliance Function and Governance System and the entire banks' activities including Branches and Risk measurement framework elements such as risk limits and internal models.
- Reviews Internal Audit reports including the response and the results of follow up by Senior Management to ensure that timely and effective actions are taken to address audit finding.
- Reviews and approves the performance appraisal of the Chief Internal Auditor and concur with the annual compensation and salary adjustment.
- Reviews interim and annual audited financial statements with the management to ensure that such financial statements have been prepared in accordance with and complies with the requirements of applicable International Financial Reporting Standards.
- Assesses the appropriateness of accounting policies, practices, and disclosures and whether the quality of financial reporting is adequate.
- Considers the effectiveness of the Bank's Internal Control System, including Information Technology Security and Controls.
- Understands the scope of Internal and external auditors' review of internal control over financial reporting, and obtain reports in significant finding and recommendations, together with management's response.

ii. Committee Membership

Board Committee	Member Name	Member Position
Board Audit Committee	• Faisal Hassan Galadari • Mahmood Khaleel Alhashmi • Ali Rashid Almazroei	• Chairman* • Member • Member

* *The Chairman of the Audit Committee acknowledges his responsibility documented in the committee charter, and his constant review of the committee's effectiveness.*

iii. Committee Attendance

Meeting Date	No. of Attendees	Name of Absent Member	Additional Comments
January 9, 2023	3/3	-	-
February 07, 2023	3/3	-	-
March 21, 2023	3/3	-	Meeting was held remotely
May 3, 2023	3/3	-	Meeting was held remotely
June 20, 2023	3/3	-	-
July 26, 2023	3/3	-	Meeting was held remotely
September 25, 2023	3/3	-	-
November 2, 2023	3/3	-	-

Board Compliance Committee

i. Committee Mandate

- Ensures appropriate compliance framework is in place and is operating effectively.
- Ensures adherence to the internal policy and procedures, local regulatory requirements & regulations, as well as International Best Practices.
- Performs ongoing assessment of Ajman Bank's Compliance Function.
- Reviews Ajman Bank's compliance with the regulatory, as well as financial crime compliance requirements. Identification, measurement, monitoring and controlling Ajman Bank's principal business risk with regards to financial crimes and regulatory risks.
- Reviews the findings of any internal or external review/examination reports (related to financial crimes) prepared by Compliance Division, Internal Audit or any external entity.
- The Committee reviews all the matters associated with the compliance function and areas that pose any potential risk or threat to Ajman Bank's compliance to regulatory requirements. The Committee evaluates compliance related matters and put an immediate action plan to ensure that controls are in place to mitigate such risks.

ii. Committee Membership

Board Committee	Member Name	Member Position
Compliance Committee	• Faisal Aqil Albastaki • Abdullah Mohammed Alhosani • Mahmood Khaleel Alhashmi	• Chairman* • Member • Member

* *The Chairman of the Compliance Committee acknowledges his responsibility documented in the committee charter, and his constant review of the committee's effectiveness.*

iii. Committee Attendance

Meeting Date	No. of Attendees	Name of Absent Member	Additional Comments
February 8, 2023	3/3	-	-
April 13, 2023	3/3	-	-
July 20, 2023	3/3	-	-
November 21, 2023	3/3	-	-

Board Executive Committee

i. Committee Mandate

- Assists the Board in carrying out its responsibilities, especially for tasks delegated by the Board when timing is critical, except for the matters reserved for the Board.
- Develops and implement Bank's overall strategy, business plan and objectives;
- Oversees the implementation of the Bank's governance framework and periodically reviewing it to ensure that it remains appropriate in the light of material changes to the Bank's size, complexity, business strategy, markets, and regulatory requirements
- Approves loans and credit proposals to the bank clients, as per the Bank's Delegation of Authority (DoA) Manual, in line with rules and regulations for granting loans and credit proposals;
- Monitors and receives reports on the execution and completion of the Bank's major projects/expansions;
- Monitors the performance of the Bank and shall seek explanations for any departures or deviations from the approved plans, budgets and expectations
- Recommends to the Board whether the Joint Ventures (JV) and Merger and Acquisition (M&A) are in-line with investment plans;
- Assists the Board Audit Committee (BAC) and Board Risk Committee with the Committees' activities, issues, and related recommendations, when deemed necessary;
- Regularly receives management reports through the Group CEO and/or management Committees on the Bank's financial and operating performance, and assess the same prior to presenting to the Board or approving as per Ajman Bank's internal DoA Manual;
- Regularly reviews policies and changes to the existing policies and the recommended changes when deemed necessary
- Approvs Annual capital expenditures and Disposal of capital assets as per Ajman Bank's internal DoA matrix.

ii. Committee Membership

Board Committee	Member Name	Member Position
Board Executive Committee	• H.H Sheikh Rashid Bin Humaid Al Noaimi • Abdullah Mohammed Alhosani • Faisal Hassan Galadari	• Chairman* • Member • Member

* *The Chairman of the Board Executive Committee acknowledges his responsibility documented in the committee charter, and his constant review of the committee's effectiveness*

iii. Committee Attendance

Meeting Date	No. of Attendees	Name of Absent Member	Additional Comments
February 3, 2023	3/3	-	-
April 14, 2023	3/3	-	-
June 02, 2023	3/3	-	-
October 10, 2023	3/3	-	-

Board Nomination & Compensation Committee

i. Committee Mandate

- Establishes procedures for the recommendation and selection of candidates as executive, non-executive and independent directors of the Board.
- Assists in ensuring that an appropriate mix of skills, experience and expertise is held by Board members and Committee members who are enabled to discharge the responsibilities of a Director.
- Verifies ongoing independence of independent Board members.
- Assists in ensuring that appropriate compensation and remuneration policies for the Board and management in accordance with CBUAE's rules, applicable laws, and regulations, designed to meet the needs of the Bank and to enhance corporate and individual performance.
- Reviews and evaluates the performance of CEO, and annually evaluates the performance of the Board, Board Committees and Senior Management.
- Recommends/oversees the succession plan formulation and implementation process for the Board and Senior management.
- Supervises the Human Resources department's functions and activities.
- Reviews Human Resources Policies.
- Reviews, approves and oversees the implementation of the overall compensation framework and ensure alignment with Bank's long-term interests, sustainability, and financial soundness.

ii. Committee Memberships

Board Committee	Member Name	Member Position
Board Nomination and Compensation Committee	• H.H Sheikh Rashid Bin Humaid Al Noaimi • Faisal Hassan Galadari • Ali Rashid Almazroei	• Chairman* • Member • Member

* *The Chairman of the Board Nomination & Compensation Committee acknowledges his responsibility documented in the committee charter, and his constant review of the committee's effectiveness.*

iii. Committee Attendance

Meeting Date	No. of Attendees	Name of Absent Member	Additional Comments
February 3, 2023	3/3	-	-
November 6, 2023	3/3	-	-
December 8, 2023	3/3	-	-

Board Risk Committee

i. Committee Mandate

- Ensures that the Bank manages risk in accordance with its risk management framework including, limits for all relevant risk categories and risk concentrations through policies, procedures, and process by providing governance oversight and strategic direction.
- Ensures that Bank has an adequately resourced Risk Management Function headed by CRO. The function shall be independent of the management and decision-making of the Bank's risk-taking functions and have a reporting line to the BRC.
- Ensures that the risk culture is disseminated across the bank through relevant management Risk Committee, as well as through the risk management function.
- Verifies the independence of the Risk Management employees from activities that may expose the Bank to risk.
- Reviews, discusses, and provides recommendations to the management on risk management practices and guidance on strategies adopted by management.

ii. Committee Memberships

Board Committee	Member Name	Member Position
Board Risk Committee	• Abdullah Mohammed Alhosani • Mahmood Khaleel Alhashmi • Faisal Hassan Galadari	• Chairman* • Member • Member

* *The Chairman of the Board Risk Committee acknowledges his responsibility documented in the committee charter, and his constant review of the committee's effectiveness*

iii. Committee Attendance

Meeting Date	No. of Attendees	Name of Absent Member	Additional Comments
March 15, 2023	3/3	-	-
May 8, 2023	3/3	-	-
June 15, 2023	3/3	-	-
September 26, 2023	3/3	-	-
December 13, 2023	3/3	-	-

Group General Counsel & Board Secretary

Name: Badreldin Eltahir Elmogadam

Appointment Date: November, 2008

Email: belmogadam@ajmanbank.ae

The special resolutions presented at the general assembly in 2023: In the General Assembly held on June 13, 2023, A decision was made to increase capital & amend the Articles of Association (AOA).

Internal Sharia Supervision Committee

Internal Sharia Supervision Committee

I. Committee Mandate

- To independently undertake Shari'ah supervision of all businesses, activities, products, services, contracts, documents and business charters of the Institution; and the Institution's policies, accounting standards, operations and activities in general, memorandum of association, charter, financial statements, allocation of expenditures and costs, and distribution of profits between holders of investment accounts and shareholders ("Institution's Activities") and issue Shari'ah resolutions in this regard, and;
- Determine Shari'ah parameters necessary for the Institution's Activities, and the Institution's compliance with Islamic Shari'ah within the framework of the rules, principles, and standards set by the Higher Shari'ah Authority ("HSA") to ascertain compliance of the Institution with Islamic Shari'ah.

ii. Committee Memberships

Committee	Member Name	Member Position
Internal Sharia Supervision Committee	• Prof. Dr. Jassim Ali Al-Shamsi • Dr. Ibrahim Ali Al-Mansoori • Dr. Muhammad Ahmad Al- Hashmi	• Chairman & Executive Member • Member • Member

Professor Dr. Jassim Ali Salem Al Shamsi

Professor Dr. Jassim Ali Salem Nasser Al Shamsi served as Dean of the College of Sharia and Law (later Law) from 2006 to 2013 at the United Arab Emirates University. He obtained a doctorate in comparative jurisprudence "The Theory of Exposure and Entitlement between Sharia and Law." He started teaching in 1990 and obtained the rank of professor in 2001. He has been a member of the Higher Sharia Authority of the UAE Central Bank since its establishment and the Chairman of the Board of Trustees of the International Center for Reconciliation and Arbitration since 2017.

Professor Dr. Jassim is a chairman and member of several Sharia committees in Islamic financial institutions, such as Abu Dhabi Islamic Bank, Al Hilal Bank, Sharjah Islamic Bank, Ajman Bank, the Islamic window of Abu Dhabi Commercial Bank and other institutions. He worked as a consultant for the United Arab Emirates University for several years and held several positions at the university and the College of Law and Sharia. He has served as a member of the "Minister of the Interior Award for Scientific Research" committee in the country since 2011, as an advisor to the Federation of Chambers of Commerce & Industry and participated in developing and amending some laws in the United Arab Emirates. He won several awards inside and outside the country, such as: the Shoman Award for Arab Scientists in Jordan in 1996, an award presented by the International Islamic Chamber for his achievement of the system and regulations, and he won the Al Owais Award for Scientific Innovation in 1994, and he received a certificate of appreciation from His Highness Sheikh Mohammed bin Zayed Al Nahyan, the President "The state's federal personality for the year 2012". He works as an arbitrator and lawyer and appears before all levels of courts. He wrote a number of specialized books, such as: "Guarantee of Exposure and Entitlement," "Contract of Sale; A Comparison of Islamic Jurisprudence and Law," "The Theory of Right: A Comparison of Islamic Jurisprudence and Law," and "The Theory of Law." Professor Dr. Jassim has many scientific research papers published in prestigious university journals and participated in many scientific conferences with scientific research locally and internationally.

Dr. Ibrahim Ali Al-Mansoori

Dr Ibrahim Ali Abdullah Al Mansoori is a Shariah scholar with more than 25 years of experience. He holds Master's degree and Ph.D in Islamic Banking and Economics, Director of Sharjah Center for Islamic Economy at Al Qasimia University From 2013 until 2023. He has been a faculty member in the College of Shariah and Islamic Studies, the Al Qasimia University.

Dr Ibrahim is currently serving as a member of the Shariah Supervision Committee of Dubai Islamic Bank, Al Hilal Bank, Sharjah Islamic Bank and Standard Chartered Bank and others. He is the author of various research papers and studies on contemporary matters relating to Islamic Banking and various Shariah matters.

Dr. Muhammad Ahmad Al- Hashmi

Dr. Muhammad Ahmad Al- Hashmi holds two PhD degrees in comparative jurisprudence and commercial law from UK. He is a faculty member in the Sharia and Islamic Studies Department at the UAE University. In addition, he is currently serving as a member of several Sharia Supervision committees, he is Vice Chairman of the Internal Sharia Supervision Committee of the National Bank of Fujairah, a member of the ISSC of Ajman Bank, Habib Zurich Bank, and Al-Masraf Bank.

Dr. Muhammad has several research papers, participated in many technical and practical conferences and workshops, and has received many awards and certificates of appreciation.

iii. Duties Fulfilled by the ISSC During the Financial Year

The ISSC conducted Shari'ah supervision of the Institution's Activities by reviewing those activities and monitoring them through the internal Shari'ah control division or section, internal Shari'ah audit, in accordance with the ISSC's authorities and responsibilities, and pursuant to the Regulatory Requirements in this regard. The ISSC convened six (6) meetings during the year, and its activities included the following:

- Issuing fatwas, resolutions and opinions on matters presented to the ISSC in relation to the Institution's Activities.
- Monitoring compliance of policies, procedures, accounting standards, product structures, contracts, documentation, business charters, and other documentation submitted by the Institution to the ISSC for approval.
- Ascertaining the level of compliance of allocation of expenditures and costs, and distribution of profits between investment accounts holders and shareholders and between the investment accounts holders with parameters set by the ISSC.
- Supervision through the internal Shari'ah control division or section, internal Shari'ah audit, of the Institution's Activities including supervision of executed transactions and adopted procedures on the basis of samples selected from executed transactions, and reviewing reports submitted in this regard.
- Providing guidance to relevant parties in the Institution – to rectify (where possible) incidents cited in the reports prepared by internal Shari'ah control division or section, internal Shari'ah audit, and issuing of resolutions to set aside revenue derived from transactions in which non-compliances were identified for such revenue to be disposed towards charitable purposes.
- Approving corrective and preventive measures related to identified incidents to preclude their reoccurrence in the future.
- Specifying the amount of Zakat due on each share of the Institution.
- Communicating with the Board and its subcommittees, and the senior management of the Institution (as needed) concerning the Institution's compliance with Islamic Shari'ah.

I. Charity Contributions

According to the Internal Shari'ah Supervision Committee (the "ISSC"), Ajman Bank is not permissible to earn income from the Shari'ah non-compliant activities/transactions and need to identify if there is any non Shari'ah-compliant income generated from such activities/transaction. All the Shari'ah Non-compliant income is set aside in a separate charity account to be disposed by the Ajman Bank under the supervision of the ISSC.

In year 2023, The ISSC has approved under the recommendations of the Charity Distribution Committee (the "CDC") the amount of AED 260,464.00 to be disbursed to the charity which covers the following areas:

- Medical treatment,
- Education (school fees),
- Rents of Ajman Shelter (Malaz) - Women and children protection house
- Helping needy individuals, and
- Others

Remuneration

Board Remuneration

Board remuneration is comprised of a fixed payment in relation to membership on committees and attendance fees. The total remuneration for the members of the Board of Directors for year 2023 is presented in the table below.

Board Member	Role	Payment Received excluding VAT in AED
H.H Sheikh Ammar Bin Humaid Bin Rashid Al Noaimi (Board Chairman)	• Board Chairman	0
H.H Sheikh Rashid Bin Humaid Bin Rashid Al Noaimi (Vice- Chairman)	• Board Vice - Chairman • Chair of BNCC • Chair of BEC	0
Abdullah Mohammed Hassan Mohammed Alhosani	• Chair of BRC • Member of BCC • Member of BEC	670,000
Faisal Hassan Ibrahim Galadari	• Chair of BAC • Member of BRC • Member of BEC • Member of BNCC	645,000
Faisal Aqil Mohamed Albastaki	• Chair of BCC	660,000
Mahmood Khaleel Alhashmi	• Member of BAC • Member of BRC • Member of BCC	670,000
Ali Rashid Humaid Almazroei	• Member of BAC • Member of BNCC	640,000

Executive Management Remuneration

Ajman Bank acknowledges that its employees are a valuable asset and is committed to maintaining a fair and competitive remuneration system that supports the Bank's strategic objectives, aligns with regulatory requirements, and attracts and retains high-quality talent. Ajman Bank's Remuneration Policy is based on the principles of transparency, fairness, and performance and aims to ensure that the Bank's remuneration practices are consistent with the Bank's risk management framework and aligned with industry best practices. The Policy sets out the principles and framework for remuneration, review and amendment process, and compliance with legal and regulatory requirements.

Ajman Bank's Remuneration Policy is approved and overseen by the Board of Directors, with support from the Board Nomination & Compensation Committee (BNCC) and other stakeholders and is subject to review and amendment to ensure its ongoing effectiveness and compliance with legal and regulatory requirements.

i. Compensation of Key Management Personnel

	FY 2023 (AED '000)	FY 2022 (AED '000)
Short term employment benefits	**8,663**	8,445
Terminal benefits	**514**	387
Total	**9,177**	8,832

Management Committees

Ajman Bank Management Committees

Empowerment and Transparency through transformed Management Committees

The role of the management committees is to assist the Group CEO in discharging the day-to-day responsibilities for managing the Bank, and they represent the most elevated level of oversight and decision making in the Bank after the Board and the Board Committees. These Committees provide forums for expertise, challenge and decision making within the authority granted by the Bank's Delegation of Authority (DOA) Manual.

AJMAN BANK EXCO

Credit Execution Committee (CEC)	Asset & Liability Committee (ALCO)	Human Resource Committee (HRC)	Executive Compliance Committee (ECC)	IT Steering Committee (ITSC)
Model Oversight Committee (MOC)	Executive Risk Committee (ERS)	New Products & Services Committee (NPSC)	Vendor Management Committee (VMC)	Disciplinary Committee (DC)

The Committees act as a day-to-day check and balance to ensure power and authority within the Bank is adequately diversified to ensure a robust decision-making process.

Executive Committee (EXCO)

EXCO's provides a forum to discuss decisions on the overall Bank affairs. Including the bank's strategy, governance, budgets, etc.

Credit Execution Committee (CEC)

CEC Monitors the growth of the Bank's wholesale business, collaboratively takes timely, efficient, and effective decisions on material credit, treasury and investment proposals and management of existing exposures.

Disciplinary Committee (DC)

DC is the committee responsible of assessing and overseeing internal cases requiring disciplinary action by the bank.

Executive Compliance Committee (ECC)

ECC oversees and supports effective and efficient management of Financial Crimes and Regulatory Compliance, including AML/CFT, Sanctions Risk Management, etc.

Executive Risk Committee (ERC)

ERC oversees and monitors the Board approved risk appetite and Enterprise Risk Framework. It defines, develops, and periodically monitors the Bank's risk appetite metrics along with its related methodology, parameters, and tolerances.

Human Recourse Committee (HRC)

HRC assists EXCO and the Board to implement strategic and operational HR initiatives. It provides a forum to discuss and approve HR initiatives and actions.

Asset & Liability Committee (ALCO)

ALCO Monitors and establishes, limits and guidelines within which ALM strategies are to be executed according to the limits set by the Board of Directors.

Remedial Management Review Committee (RCMR)

RMRC oversees material restructuring, settlements, and recovery-related write-offs.

Model Oversight Committee (MOC)

MOC oversees the objective and strategy of the models employed within the Bank, ensuring these are fit for purpose.

New Products & Services Committee (NPSC)

Provides active oversight and takes decisions pertaining to the launch of new Product and Service or material changes in existing products/services.

Vendor Management Committee (VMC)

Oversees strategic vendor management and third-party suppliers.

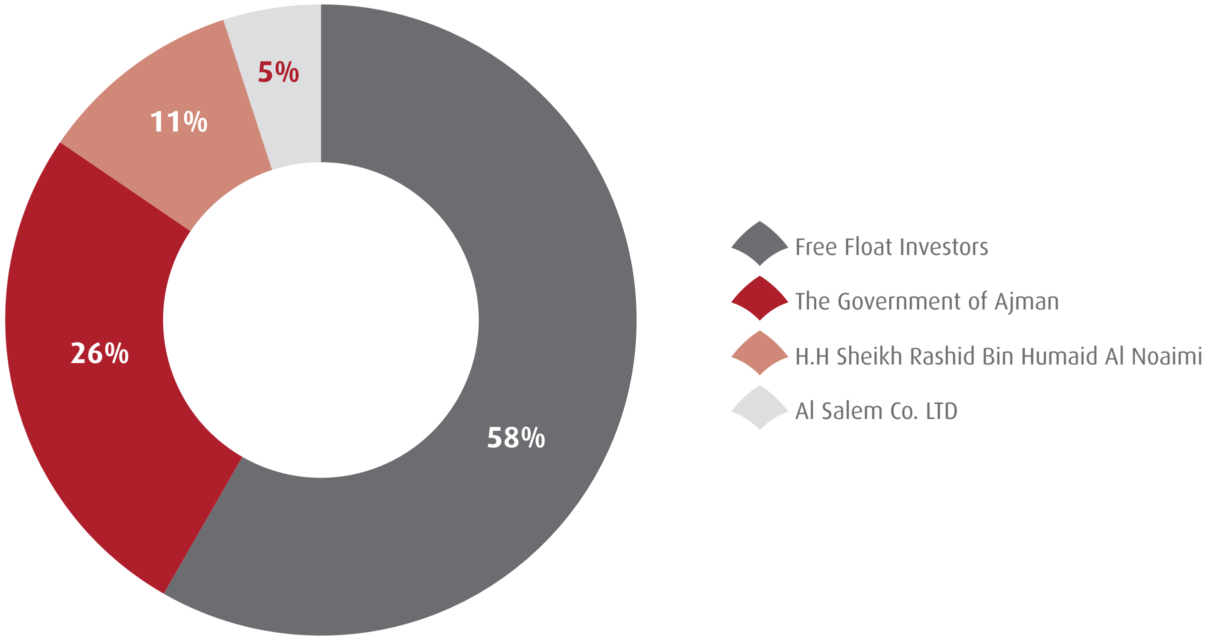
IT Steering Committee (ITSC)

Recommends and oversees IT strategic related matters/ projects.

Share Information & Performance

Share Information & Performance

i. Shareholding Ownership Structure (as of December 2023):



The table below presents the distribution of ownership of Ajman Bank shares as of 31 December 2023.

Percentage of Owned Shares				
Shareholder Classification	Individuals	Companies	Government	Total
UAE	35.41%	31.42%	26.23%	93.06%
GCC	0.83%	0.67%	-	1.50%
Arab	1.68%	0.01%	-	1.69%
Others	1.25%	2.50%	-	3.76%
Total	**39.17%**	**34.60%**	**26.23%**	**100%**

The below presents the Ajman Bank Shareholders Pursuant to Size of the Ownership as of December 2023.

Share(s) Ownership	Number of shareholders	Number of owned shares	Percentage of owned shares of Ajman Bank's capital
Less than 50,000	60,620	184,429,577	6.77%
From 50,000 to less than 500,000	614	92,605,909	3.40%
From 500,000 to less than 5,000,000	143	221,180,879	8.12%
More than 5,000,000	48	2,225,283,635	81.70%

i. Share Performance

The table below presents the comparative performance of the Bank's shares with the general market index and the sector index to which the Bank belongs during the year (2023).

Month	Ajman Bank	DFMGI	Banking
January	1.13	3303.270	2336.180
February	1.08	3437.760	2489.720
March	1.43	3406.720	2330.570
April	1.64	3544.790	2486.880
May	2.16	3576.630	2498.110
June	2.24	3791.990	2623.580
July	2.20	4059.270	2830.140
August	2.44	4082.870	2806.390
September	2.26	4163.580	2873.740
October	2.05	3877.080	2725.040
November	2.04	3992.360	2793.620
December	2.08	4059.800	2823.680

ii. Share Price

The table below presents Ajman Bank Share Price (Closing price, High Price, Low Price) at end of each month during financial year 2023.

Month	Low (AED)	High (AED)	Closing Price (AED)
January	1.090	1.240	1.130
February	1.080	1.180	1.080
March	1.090	1.430	1.430
April	1.420	1.750	1.640
May	1.630	2.210	2.160
June	2.080	2.330	2.240
July	1.990	2.350	2.200
August	2.020	2.460	2.440
September	2.220	2.440	2.260
October	2.030	2.270	2.050
November	2.000	2.170	2.040
December	2.010	2.100	2.080

Senior Manager - Investor Relations & Board Affairs

Hothaifa Marwan

Email

investors@ajmanbank.ae

Contact

+971 55 295 5155

+971 6 701 8279

Investor Relations website

https://www.ajmanbank.ae/site/investor-relations.html

Appendices

Appendix 1 – Board Member Details and External positions

Chairman

H.H Sheikh Ammar Bin Humaid Bin Rashid Al Noaimi

Nationality

UAE

Qualifications

College of Police Sciences – Dubai

Appointment Date

16-04-2008

Membership and position in any other joint stock companies

- Chairman of the Board of Trustees of the Humaid Bin Rashid Charitable Foundation.

Position in any other important regulatory, governmental, or commercial positions

- Crown Prince of Ajman - Chairman of the Executive Council

Vice Chairman

H.H Rashid Bin Humaid Bin Rashid Al Noaimi

Nationality

UAE

Qualifications

Bachelor of Business Administration

Appointment Date

16-04-2008

Membership and position in any other joint stock companies

- Chairman of the Board of Directors of Aqar Foundation
- Vice Chairman of the Board of Trustees of Ajman University of Science and Technology

Position in any other important regulatory, governmental, or commercial positions

- Head of the Municipality and Planning Department - Ajman

Board Member

Ali Rashid Humaid Almazroei

Nationality

UAE

Qualifications

MBA

Appointment Date

24-05-2021

Experience

More than 15 years of commercial experience

Membership and position in any other joint stock companies

- Member of the Board of Directors of Emirates NBD Real Estate Investment Trust
- Member of the Board of Directors of National Bonds Corporation,
- Member of the Board of Directors & Group CEO of Bahri & Mazroei Holding Company

Position in any other important regulatory, governmental, or commercial positions

- Member of the Board of Directors of Dubai Financial Market

Board Member

Faisal Hassan Ibrahim Galadari

Nationality

UAE

Qualifications

Bachelor's degree in commerce

Appointment Date

24-05-2021

Experience

More than 40 years of experience in banking

Membership and position in any other joint stock companies

- Member of the Board of Directors of Noor Capital.

Position in any other important regulatory, governmental, or commercial positions

- N/A

Appendix 1 – Board Member Details and External positions (continued)

Board Member
Abdullah Mohammed Hassan Alhosani

Nationality

UAE

Qualifications

Bachelor's degree in Accounting and Economics

Appointment Date

21-03-2018

Experience

More than 30 years of banking experience

Membership and position in any other joint stock companies

- Member of the Board of Directors – Union Insurance Company
- Member of the Board of Directors - Gulf Cement Company
- Vice Chairman- Amanat Holding Company

Position in any other important regulatory, governmental, or commercial positions

- N/A

Board Member
Faisal Aqil Albastaki

Nationality

UAE

Qualifications

Bachelor's degree in Computer Science

Appointment Date

14-06-2021

Experience

More than 30 years of banking - Experience in Central Bank

Membership and position in any other joint stock companies

N/A

Position in any other important regulatory, governmental, or commercial positions

N/A

Board Member
Mahmood Khaleel Alhashmi

Nationality

UAE

Qualifications

Bachelor's degree in Accounting

Appointment Date

05-04-2021

Experience

More than 30 years of banking - Experience in Central Bank and Free Zones - Economic Department

Membership and position in any other joint stock companies

N/A

Position in any other important regulatory, governmental, or commercial positions

Director General, Ajman department of tourism development

Appendix 2 – Head of ESG Contact Details

Zohaib Ali Zahid

Head of Environmental, Social and Governance (ESG)

Email

zohaib.zahid@ajmanbank.ae

Contact

+971 6 747 9999

+971 6 701 8279

مصرف عجمان
Ajman Bank

Ajman Bank
Al Ettehad Street, Ajman,
P.O.Box: 7770, Ajman Emirate

Annual Shari'ah Report (English)

Annual Report of the Internal Shari'ah Supervision Committee (the "ISSC") of Ajman Bank PJSC

Issued on: (31/01/2024)

To: Shareholders of Ajman Bank PJSC ("the Institution")

After greetings,

Pursuant to requirements stipulated in the relevant laws, regulations and standards ("the Regulatory Requirements"), the Internal Shari'ah Supervision Committee of the Institution ("ISSC") presents to you the ISSC's Annual Report for the financial year ending on 31 December 2023 ("Financial Year").

1. Responsibility of the ISSC

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

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

b. determine Shari'ah parameters necessary for the Institution's Activities, and the Institution's compliance with Islamic Shari'ah within the framework of the rules, principles, and standards set by the Higher Shari'ah Authority ("HSA") to ascertain compliance of the Institution with Islamic Shari'ah.

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

2. Shari'ah Standards

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

3. **Duties Fulfilled by the ISSC During the Financial Year**

The ISSC conducted Shari'ah supervision of the Institution's Activities by reviewing those Activities, and monitoring them through the internal Shari'ah control division or section, internal Shari'ah audit, in accordance with the ISSC's authorities and responsibilities, and pursuant to the Regulatory Requirements in this regard. The ISSC's activities included the following:

a. Convening (6) meetings during the year.
b. Issuing fatwas, resolutions and opinions on matters presented to the ISSC in relation to the Institution's Activities.
c. Monitoring compliance of policies, procedures, accounting standards, product structures, contracts, documentation, business charters, and other documentation submitted by the Institution to the ISSC for approval.
d. Ascertaining the level of compliance of allocation of expenditures and costs, and distribution of profits between investment accounts holders and shareholders with parameters set by the ISSC.
e. Supervision through the internal Shari'ah control division or section, internal Shari'ah audit, of the Institution's Activities including supervision of executed transactions and adopted procedures on the basis of samples selected from executed transactions, and reviewing reports submitted in this regard.
f. Providing guidance to relevant parties in the Institution – to rectify (where possible) incidents cited in the reports prepared by internal Shari'ah control division or section, internal Shari'ah audit, and issuing of resolutions to set aside revenue derived from transactions in which non-compliances were identified for such revenue to be disposed towards charitable purposes.
g. Approving corrective and preventive measures related to identified incidents to preclude their reoccurrence in the future.
h. Specifying the amount of Zakat due on each share of the Institution.
i. Communicating with the Board and its subcommittees, and the senior management of the Institution (as needed) concerning the Institution's compliance with Islamic Shari'ah.

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

4. **Independence of the ISSC**

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

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

Premised on information and explanations that were provided to us with the aim of ascertaining compliance with Islamic Shari'ah, the ISSC has concluded with a reasonable level of confidence, that the Institution's Activities are in compliance with Islamic Shari'ah, except for the incidents of non-compliance observed, as highlighted in the relevant reports. The ISSC also provided directions to take appropriate measure in this regard.

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

Signatures of members of the Internal Shari'ah Supervision Committee of the Institution

Prof. Dr. Jassim Ali Al-Shamsi — **Chairman & Executive Member**

Dr. Ibrahim Ali Al-Mansoori — **Member of ISSC**

Dr. Muhammad Ahmad Al-Hashmi — **Member of ISSC**

Zakat of Ajman Bank Shares for a Financial Period from 1st Jan 2023 to 31st Dec 2023		**زكاة الأسهم لمصرف عجمان عن الفترة المالية من 1 يناير 2023 م إلى 31 ديسمبر 2023 م**
Zakat of Shares to be calculated as per the following way:		تحسب زكاة الأسهم على النحو التالي:
• **Shares purchased for the purpose of trading i.e. for sale when the market price increases:**		• **الزكاة المفروضة على الأسهم المشتراة بقصد الاتجار فيها أي البيع عند ارتفاع قيمتها السوقية:**
Zakat Base for one share = Market rate of a share Zakat of one share = Zakat base X 2.5775% Total Zakat Due = Number of shares x Zakat of one share		وعاء الزكاة للسهم الواحد = قيمة السهم السوقية زكاة السهم الواحد = وعاء الزكاة للسهم الواحد x %2,5775 إجمالي الزكاة المستحقة = عدد الأسهم X زكاة السهم الواحد
• **Zakat Due on Shares purchased for the purpose of receiving dividends (profit) [Not for Trading]**		• **الزكاة المفروضة شرعاً على الأسهم المشتراة للحصول على أرباحها ودون قصد الاتجار**
0.006167 *Fills Emarati* on each share		0.006167 فلس إماراتي زكاة عن السهم الواحد

Internal Sharia Supervision Committee **لجنة الرقابة الشرعية الداخلية**

فضيلة أ. د. جاسم علي الشامسي
الرئيس والعضو التنفيذي

فضيلة د. محمد احمد الهاشمي
عضو اللجنة

فضيلة د. ابراهيم علي المنصوري
عضو اللجنة

Note: Zakat % for Hijri Year: 2.5%, Gregorian Year: 2.5775%

ملاحظة: مقدار الزكاة للسنة الهجرية 2,50 % و للسنة الميلادية %2,5775

Issued on: *31st Jan 2024.*

صدر بتاريخ: *31 يناير 2024م*

SUSTAINABILITY
REPORT 2023

مصرف عجمان
Ajman Bank

800 22 www.ajmanbank.ae
Inspiring Sharia'a Values | قيمنا مستمدة من الشريعة السمحاء

About this report

Ajman Bank presents its inaugural sustainability report, highlighting our sustainability-related initiatives, activities, areas for development, and ambitions. The report pertains to the period from 1 January 2023 to 31 December 2023 and will be published annually. The information presented has been prepared in line with the Dubai Financial Market (DFM) Sustainability Reporting Guidance for listed entities that utilize the Global Reporting Standard (GRI) 2021 metrics.

The report covers our operations across the UAE, including our head office and branches in Ajman, as well as branches in Dubai, Sharjah, Ras Al Khaimah, and Abu Dhabi. For GHG emissions reporting, Ajman Bank follows an operational control approach as it aligns best with our organizational structure and the nature of our operations.

Ajman Bank recognizes the importance of validity and accuracy of data and employs robust internal audit controls on its non-financial information. At this time, the sustainability indicators presented in this report have not undergone third-party assurance. However, Ajman Bank will seek to build readiness for this exercise as we mature in our sustainability journey.

Contact Ajman Bank about this report

As we embark on our sustainability journey, we encourage our stakeholders to engage with Ajman Bank on its sustainability progress and plans.

If you have any queries or feedback regarding this report, please do not hesitate to contact our Head of ESG (Environmental, Social & Governance), Zohaib Ali Zahib, at zohaib.zahid@ajmanbank.ae.

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Message from the Chairman

The UAE announced 2023 as a year of Sustainability inspiring collective action through a nationwide commitment towards sustainable practices. This reflects the wider commitment of the UAE to fostering a responsible future in light of global challenges like climate change. Alongside that, the Net Zero by 2050 Initiative and the UAE Green Agenda are guiding pillars that are continuing to foster action among businesses across the emirates. Moreover, through COP28, the UAE brought international actors together at a critical moment for global transformative climate action, fostering a remarkable consensus.

Thanks to the insightful and forward-thinking leadership of His Highness Sheikh Mohamed Bin Zayed Al Nahyan, President of the UAE, the nation is strengthening its position as a global exemplar of sustainability, ensuring a prosperous future for generations to come. This commitment aims to safeguard our environments, resources, and society while advancing sustainable development goals on both local and global scales.

Since its inception, Ajman Bank has played an important role in advancing the UAE economy and achieving national financial success. The Sustainability agenda, with the impetus to act on climate and wider sustainability issues is well-recognized by the Board, management, and staff, being a focus area of extensive effort to accelerate the Bank's sustainability journey this year. Initiatives undertaken respond to and align with emerging ambitions for advancing sustainability in the UAE and Emirate of Ajman. I commend the Municipality and Planning Department of Ajman in its announcement of the launch of the Ajman Carbon-Neutral Path, setting out a plan to achieve carbon neutrality in Ajman by 2050 through fostering climate action within business and government institutions.

As one of the leading providers of Shari'ah-compliant financial services in the UAE, Ajman Bank discerns strong potential synergies between sustainability principles and Islamic finance. Sharia principles inherently prioritize ethical and societal welfare considerations, rendering Islamic financial institutions ideally positioned to embrace innovative solutions addressing environmental, social, and governance challenges. Ajman Bank remains vigilant in monitoring emerging market opportunities and eagerly anticipate exploring sustainability-focused products and risk management practices in the future while ensuring alignment with Shari'ah principles.

This year, the Bank has continued to deliver excellence to its clients, community, and climate, with a great focus on digitization and innovation, social responsibility, and sustainability. Underpinning this excellence are the Bank's valued employees, whom the Bank continues to support through professional development opportunities, employee wellbeing initiatives, dedicated training programs, and the Bank's Emiratization program.

As the UAE endeavors to safeguard its environment and future-proof its economy, Ajman Bank is steadfast in its commitment to supporting the leadership driving this ambitious agenda.

H.H Sheikh Ammar Bin Humaid Bin Rashid Al Noaimi

Message from our Group CEO

I am delighted to present Ajman Bank's sustainability report for 2023, reflecting on the remarkable strides made by our exceptional teams throughout the year, and outlining our forward-looking plans and ideas as the Bank embarks on a transformative journey towards sustainability excellence. It is with great honor that, in my capacity as newly appointed CEO in 2023, I make this significant announcement to our esteemed stakeholders on behalf of Ajman Bank.

2023 is when the Bank formally established a dedicated Environmental, Social & Governance (ESG) Division. The Division's mandate, in addition to Corporate Governance, extends to sustainability efforts, spearheading the Bank's sustainability journey through dedicated initiatives about our business and operations. I want to extend my gratitude to the stakeholders who have become part of the newly formed ESG Working Group. The Group represents an essential forum to brainstorm ideas for sustainability solutions, openly discuss and promptly solve any roadblocks, and build strong collective alignment on sustainability across the Bank's departments. Thus, 2023 marks an important first step in our sustainability integration as we develop frameworks and strategies to set our sustainability approach and disclose our sustainability performance to our stakeholders for the first time.

The team at Ajman Bank, recognizes the critical importance of climate risks and opportunities in the realm of our portfolio. In 2023, for the first time, the Bank quantified its operational emissions, disclosing the results in this report. Further, this year the Bank conducted a pilot climate scenario analysis as part of a capacity-building effort encouraged by Central Bank of the UAE (CBUAE). The analysis looked primarily at the credit implications of transition risks under different scenarios, with a preliminary consideration of some physical risks in our key sectors. Treating the pilot as a crucial learning exercise and deriving valuable lessons on existing gaps.

Beyond efforts within the portfolio and internal practices, the Bank is also dedicated to empowering its customers to make more environmentally conscious purchasing decisions in their everyday lives. 2023 marks the year when Ajman Bank entered a collaboration with Mastercard on its Carbon Calculator solution. The Carbon Calculator will allow customers to get an insight into the estimated carbon emissions generated by their purchases while offering an opportunity to contribute to reforestation through Mastercard's Priceless Planet Coalition. At the same time, it is my pleasure to announce that the Bank signed the UAE Sustainable Cards pledge and will work with Mastercard to help customers transition to cards made from more sustainable material, including recycled or bio-sourced plastics. This is just a glimpse into some of the Bank's sustainability focus areas this year and ambitions going forward – I am pleased to invite you to learn more in this report.

The Bank continues its efforts to establish a prominent position in the banking sector. As a leading bank, our goal is to contribute positively to our planet and community's well-being, and I am excited to have you onboard to witness this journey.

Mustafa Mohammed Saeed Al Khalfawi

About
Ajman Bank

About Ajman Bank

Our History

Ajman Bank, guided by a robust vision centered on principles of integrity, trust, and transparency, aims to deliver an extensive array of Sharia-compliant banking solutions of exceptional quality to individuals, corporations, and governmental entities throughout the UAE. With our path beginning in 2007, we are proud to be the first Islamic bank incorporated in Ajman.

HEADQUARTERS

Ajman Bank is proudly headquartered in Ajman and is a key contributor to the economic development of the Emirate.

OWNERSHIP

Ajman Bank enjoys the strong support of the Ajman government, which holds 25% ownership in the Bank. At the same time, we have been a listed entity on the DFM since 2008.

LEADERSHIP

The Board of Directors of Ajman Bank comprises of seven (7) members who collectively provide strategic leadership to the Bank.

Ajman Bank's CEO, Mustafa Al Khalfawi, holds over 20 years of experience with large, recognized entities, including several leading banks in the UAE. Ajman Bank's Executive Committee, led by the CEO, comprises of seasoned bankers holding extensive experience in their respective domains.

Our Offering

WHOLESALE BANKING

CONSUMER BANKING

Providing innovative Islamic investment products

- IPO Finance
- Sukuk Trading
- Islamic Investment Funds
- Secured Share Finance

Supporting the vibrant corporate landscape in the UAE

- Corporate Financing
- Structured Finance
- Government Financial Institution & Syndication
- Financial Institutions

Fulfilling the widespread needs of our customers

- Accounts
- Credit Cards
- Consumer Finance
- Wealth Management
- Business Banking
- Takaful

Our values

Our brand embodies a commitment to our clients, community and climate, reflecting our company's essence and organizational commitment to '**Service, Speed, Specialization'**. Every interaction with our clients serves as a platform to showcase our brand character, which is intricately shaped by our values.

EXCELLENCE

We believe in and demonstrate outstanding service and we commit to being the best.

CLARITY

We explain our products and services simply, clearly, and accurately to help you make the right decision.

KNOWLEDGE

We know, as well as skills and experience, to deliver information or to respond to your questions quickly and reliably.

FAIRNESS

We believe in an honest, fair, and equal partnership – irrespective of ethnic, social, and religious backgrounds.

FRIENDLINESS

We are friendly and approachable people who have the time to listen to you. Our attitude is a true expression of a modern society: fresh, warm, and welcoming.

CREATIVITY

We strive to develop new ideas, modern systems, and innovative products and services. We believe in continuous development and improvement.

Our partnerships

We've established collaborative relationships with government entities in a manner that's integral and crucial to fruitful action. As we pursue our sustainability journey, we aim to leverage the reach of these long-standing connections for synergized sustainability initiatives.

Ajman Free Zone	The formation of the Free Zone Authority in 1996 has given great impetus to industrial activity in the Free Zone which has resulted in quadrupled growth in the number of companies during the last few years. Being headquartered in Ajman, we are a proud partner of businesses and entrepreneurs within this dynamic ecosystem.
Ajman Municipality and Planning Department	Ajman Municipality aims to build the future of the Emirate of Ajman by promoting its environment, infrastructure, and service facilities. With its Sustainability Strategy and Carbon Neutrality Plan, the Ajman Municipality & Planning Department is accelerating its focus on setting a standard for sustainability excellence in the Emirate. We are looking forward to contributing to this growing agenda through our sustainability practices.
Ajman Chamber of Commerce	Ajman Bank has a long-standing strategic alliance with the Emirate's Chamber of Commerce, with a great focus on supporting small and medium-sized enterprises (SMEs). We aim to leverage this foundation to foster sustainable development efforts while serving the business community in Ajman.
Financial and Administrative Affairs department	As an entity with a long history of trust in the Ajman government, we respect the authority of the Financial and Administrative Affairs department, which oversees all administrative, financial, administrative, human resources, and IT issues in the Emirate.
Abu Dhabi Global Market (ADGM)	Ajman Bank has a Memorandum of Understanding (MoU) with Abu Dhabi Global Market (ADGM), one of the world's largest international financial centres in the capital of UAE, to support the growth needs of its global financial community. Under the terms of the MoU, Ajman Bank provides ADGM registered and licensed entities with dedicated client managers, preferential Shari'a compliant banking services, and curated value propositions which includes access to SMEsouk, Ajman Bank's digital platform for small and medium-sized enterprises (SMEs)."

Our awards and certifications

Awarding organization	Award/ certification received	Achievements celebrated
Cambridge IFA	IRBA Islamic Retail Banking Award 2023	Ajman Bank's commitment to excellence, innovation, and its significant contributions to the financial industry as a Sharia-compliant banking services provider.
Cambridge IFA	*WOMANi Award 2023*	Ajman Bank's Head of Marketing and Corporate Communications, Maryam Al Shorafa, was recognized for her instrumental role in supporting the Bank's vision and long-term growth through her strategic marketing perspective and innovative policy acumen.
Institute of Internal Auditors, USA (UAE local chapter)	Best Practice Award in Internal Audit	The award aims to appreciate Internal Audit departments that go the extra mile to implement practices and standards to ensure effective & efficient performances when compared to other organizations.
International Organization for Standardization (ISO)	ISO 22301:2019	Ajman Bank's commitment to excellence by implementing robust business continuity management systems (BCMS).

Year 2023 at a glance

Measuring our carbon footprint

We initiated our first carbon accounting exercise, spanning our direct operational emissions. Using globally recognized GHG Protocol methodologies marks the start of efforts to quantify and reduce our impact.

Scope 1 and Scope 2 emissions (tCO2e):

2,064

Fostering Emiratization

Ajman Bank aligns with the UAE's strategic focus on enhancing representation of the national population within the workforce. Our targeted recruitment, retention, training and development programs for Emirati citizens work towards that collective goal.

40%

of Ajman Bank's full-time workforce are Emirati nationals

Leveraging the power of partnerships

We initiated several collaborations with our long-standing partner, MasterCard, with a vision to empower our customers to make more environmentally conscious choices, as well as to enhance the accessibility of financial services.

The Carbon Calculator is an innovative solution that will be integrated into Ajman Bank's services, enabling consumers to understand the emissions associated with their purchases.

The UAE Sustainable Card Pledge puts Ajman Bank on a path to replace all cards with those made with more sustainable materials by 2025.

The ULTRACASH Credit Card is an accessible payment card that allows blind and partially sighted people to easily facilitate payments and distinguish between their cards.

5 MIN

Achieving digital transformation

We made further strides in achieving a seamless experience for our customers through the launch of the Ajman Bank Connect online application that offers advanced and easy-to-use features.

The newly launched Ajman Bank Connect app allows customers to open a bank account in real-time within approximately 5 minutes.

Sustainabilty At Ajman Bank

Sustainability At Ajman Bank

Our key stakeholders at Ajman Bank

In line with Ajman Bank's values of trust and transparency, we recognize the significance of thoroughly understanding the perspectives and expectations of our key stakeholders. We aim to generate outcomes that positively impact our internal team and external partners. We prioritize ongoing engagement and dialogue with our stakeholders, fostering an atmosphere where diverse ideas and perspectives can converge. Below we provide a glimpse into Ajman Bank's key stakeholder groups and channels of engagement.

	Stakeholder group	Ajman Bank engagement channels
	Employees Our employees are central to delivering our vision of being the favorite Islamic Bank in UAE through our commitment to Service, Speed, Specialization and Sustainability.	• Al Ola, Ajman Bank's Employee Engagement Program, allows our employees to interact and share ideas in an informal setting that fosters open dialogue. • CEO breakfasts with middle management, division heads, and senior managers across the bank • Regular meetings between Executive Committee (ExCo) members and their respective staff. • Townhalls and off-site events at different levels of management to brainstorm on strategic direction. • Newsletters and corporate communication emails on key updates and initiatives.
	Customers Customer satisfaction of individual, retail, and corporate clients is of utmost priority to Ajman Bank, and we ensure that customer feedback is captured and addressed.	• Customer Care Helpline that operates 24/7. • Ajman Bank's branches across the UAE. • Customer education initiatives, with which customers engage through Ajman Bank's social media channels. • We are rolling out a customer satisfaction survey via a dedicated online platform, presenting results in a real-time dashboard. • Planning to arrange gatherings between the senior management of key clients, ExCo Members, and the Wholesale Banking team to deliberate on advancing products/services and addressing evolving client needs.
	Local communities We recognize ourselves as a prominent community member of Ajman and UAE, engaging in efforts to foster well-being and prosperity in communities around our operations.	• We support a range of community organizations, both through sponsorships and employee volunteering.

	Ajman government As a trusted partner of the Ajman government, we maintain a continuous dialogue on various initiatives of mutual interest	• Ajman Bank maintains close coordination with Ajman Freezone, Municipality, Chamber of Commerce, Municipality and Planning Department, Financial and Administrative Affairs Department, Ajman Police and other key governmental bodies to support various local initiatives.
	Stakeholder group	**Ajman Bank engagement channels**
	UAE regulators Engagement with regulators helps us ensure we track and provide feedback on any potential regulatory changes that might affect our business and operations.	• Ajman Bank has two key channels of engagement with central banks. The first one is focused on active coordination with the CBUAE Banking Supervision Department. The Chief Internal Auditor, Chief Risk Officer, and Head of Compliance represent the Bank in coordination with the Central Bank on various supervision initiatives. • Ajman Bank is an active member of the UAE Banks Federation (UBF), proactively participating in various CBUAE and industry level initiatives and projects. • The CEO is a member of UBF CEOs Advisory Council, CRO is a member of UBF's risk committee, and the bank is represented in various other CBUAE committees. Ajman Bank's active participation at UBF level contributes to the Bank's and the wider sector's efforts towards a sound and stable financial sector in the Country.
	Investors As an entity listed on the DFM, we engage with our shareholders on financial and non-financial performance.	• We interact with shareholders through our public website, financial reports and performance, publications, annual highlights, signed consolidated financial accounts, Annual General Meetings (AGMs), as well as the sustainability report.
	Suppliers and vendors We want to ensure that our supply chain partners align with Ajman Bank's values while being selected fairly and impartially.	• A transparent and equal opportunity procurement process based on open bidding against detailed Requests for Proposals (RFP) to seek support from vendors that are the right fit for our organization. • Regular business reviews, email, and phone communications.
	Environment We recognize the environment as a stakeholder, emphasizing the importance of environmental stewardship within our business and operations.	• Assessment of Ajman Bank's environmental impacts. This year, we calculated our Scope 1 and Scope 2, laying the foundation for future efforts.

Multi-level stakeholder engagement

As we embark on the sustainability journey, we recognize that the active voices of our key stakeholders are valuable contributions to shaping our focus areas, ambitions, and paths to long-term improvement. For us, a successful sustainability journey starts with bringing internal stakeholders from across departments on board, encouraging the exchange of ideas, and fostering buy-in and alignment around the importance of embedding sustainability into our business practices.

To this effect, 2023 marks the establishment of the ESG Working Group reporting to our ExCo, comprised of representatives across Treasury, Wholesale Banking, Consumer Banking, Risk, Credit, Admin, Shari'ah, and Corporate Governance. The Group worked closely to brainstorm Ajman Bank's sustainability progress and future focus, and coordinated the sustainability data collection exercise, enabling Ajman Bank to form a snapshot of our sustainability performance.

Ajman Bank ExCo plays a pivotal role in guiding the ESG Working Group, offering strategic direction for the ESG materiality assessments and the bank's sustainability framework. In addition, the Board Risk Committee holds the responsibility for overseeing ESG risks including climate-related financial risks as defined in our Risk Management Framework. This integrated approach ensures a robust and comprehensive strategy for managing and mitigating ESG risks through our recent sustainability efforts.

Project Leadership

- Project Sponsor Chief Risk Officer
- Project Owner Head of ESG
- Project Manager Senior Manager ESG

ESG Working Group

- Corporate Banking
- Treasury
- Consumer Banking
- Investments
- Risk
- Corporate Credit
- Admin, facilities and projects
- Shari'ah

External ESG Specialist Support

- Strategic ESG Partner
- Energy Efficiency Partner

Support Group

- Human Capital
- Finance
- Marketing & Communications
- Board Secretariat

Materiality assessment

A key pillar of stakeholder engagement on sustainability is a materiality assessment, enabling us to gather valuable views of our internal stakeholders on a range of environmental, social, and governance impacts. As per the GRI standards, material topics are topics that represent an organization's most significant impacts on the economy, environment, and people, including impacts on their human rights.

This year marks the inaugural materiality assessment for the Bank. The exercise allowed us to gain a deeper understanding of which topics across the sustainability landscape matter most to Ajman Bank's business and our stakeholders. Recognizing that we can deliver the most long-term value across sustainability focus areas that are particularly relevant to the Bank, the identified material issues will inform not only our disclosures but also our strategic approach to sustainability going forward.

With emphasis on stakeholder consultation, Ajman Bank's materiality process comprised the following steps:

1. Peer and international standards benchmarking

We completed a thorough mapping of material topics considered in the most recent disclosures of our regional peers. To understand the expectations of investors in the UAE, we also consulted the sustainability metrics outlined in the DFM guidance. Referencing international best practices, we cross-referenced frameworks such as Sustainability Accounting Standards Board (SASB) standards for Commercial Banks and GRI. This process allowed us to identify a long list of potentially material areas to assess with our stakeholders.

2. Categorizing topics and assessing relevance to Ajman Bank

Subsequently, we refined the long list by aggregating similar topics into thematic areas and filtering out those with limited relevance to our business context.

3. Prioritizing topics through stakeholder engagement

The refined list of 20 topics was presented to our internal stakeholders who were requested to prioritize them based on impact.

Ajman Bank Pool of ESG Topics

4. Validating the prioritized topics with the senior management.

The final list of topics based on stakeholder prioritization was shared with the ExCo members to validate the results and ensure alignment at the highest management decision-making level.

The following stakeholders were consulted through dedicated workshops as part of this assessment:

ESG Working Group

As a group of stakeholders representing the key functions of our business and actively engaged in the sustainability agenda at the Bank, the Group provided insights from the perspective of the day-to-day operations of Ajman Bank.

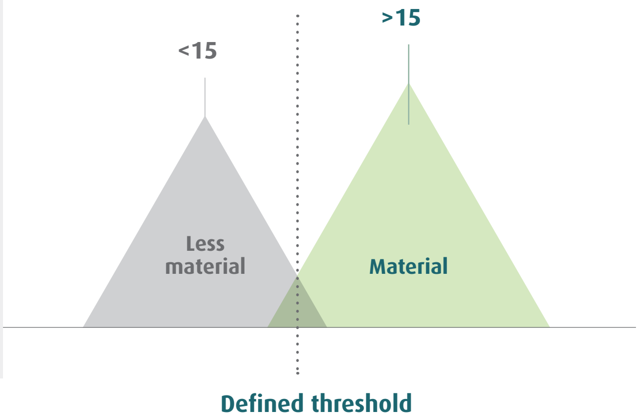
Executive Committee

The Executive Committee provided valuable input based on additional visibility into Ajman Bank's strategic direction and priorities.

The assessment followed the methodology recommended by the GRI 3: Material Topic 2021 standard:

- Through interactive workshop sessions, stakeholders voted on each topic using a 5-point rating scale, with 5 indicating the highest priority in terms of impact, and 1 indicating the lowest.
- The stakeholder's inputs helped determine the severity and likelihood of impact relating to each topic.
- The severity and likelihood results enabled us to determine the significance (scored out of 25) of impact relating to each topic, as per the GRI approach.
- Acknowledging that significance is relative, stakeholders were further asked to rank the topics against each other, enabling us to validate their prioritization. The inputs of the ranking helped determine the final adjusted list of topics ranked by significance.
- Consider the inaugural stage of materiality assessment the Materiality Threshold was set at 60% (15/25). The assessment resulted in identifying optimal number of topics Ajman Bank will encompass in our sustainability disclosure as well as subject to ambition setting over the coming years.

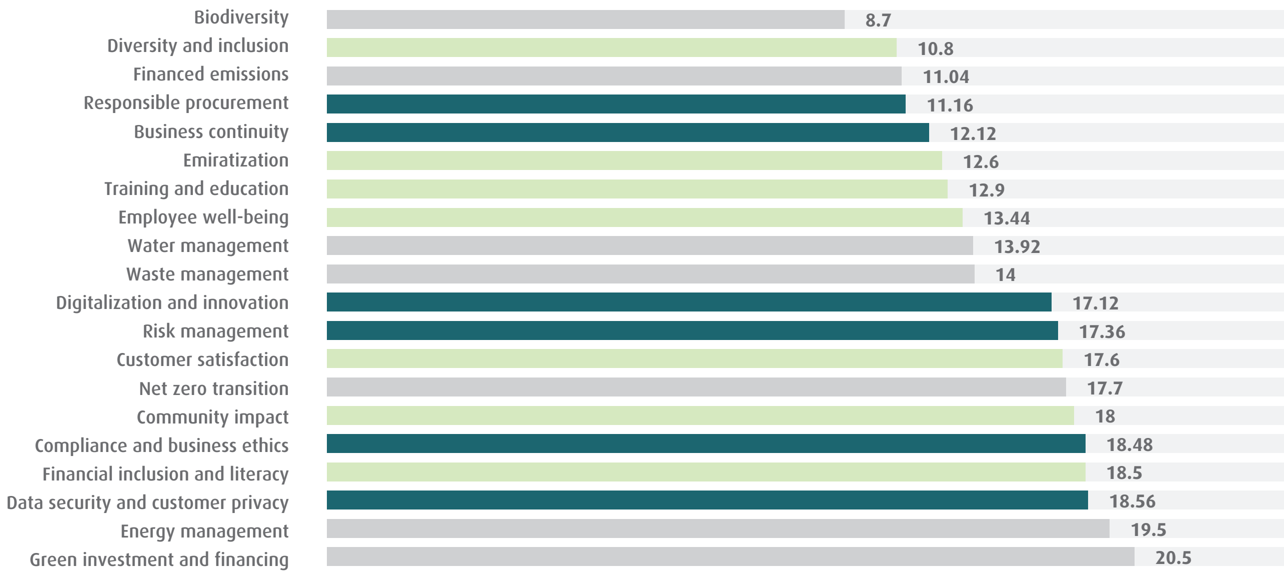
- Significance scores were analyzed (based on severity as determined by stakeholders, and likelihood).
- **Threshold was set at 15 out of 25**, based on: a) Overall spread of significance scoresb) Inclusion of topics considered most critical by stakeholder groupsc) Recommended range of material topics for Ajman Bank to take ownership of as discussed with internal stakeholders
- This resulted in the prioritizing of **10 material topics for Ajman Bank**.



Our Material topics

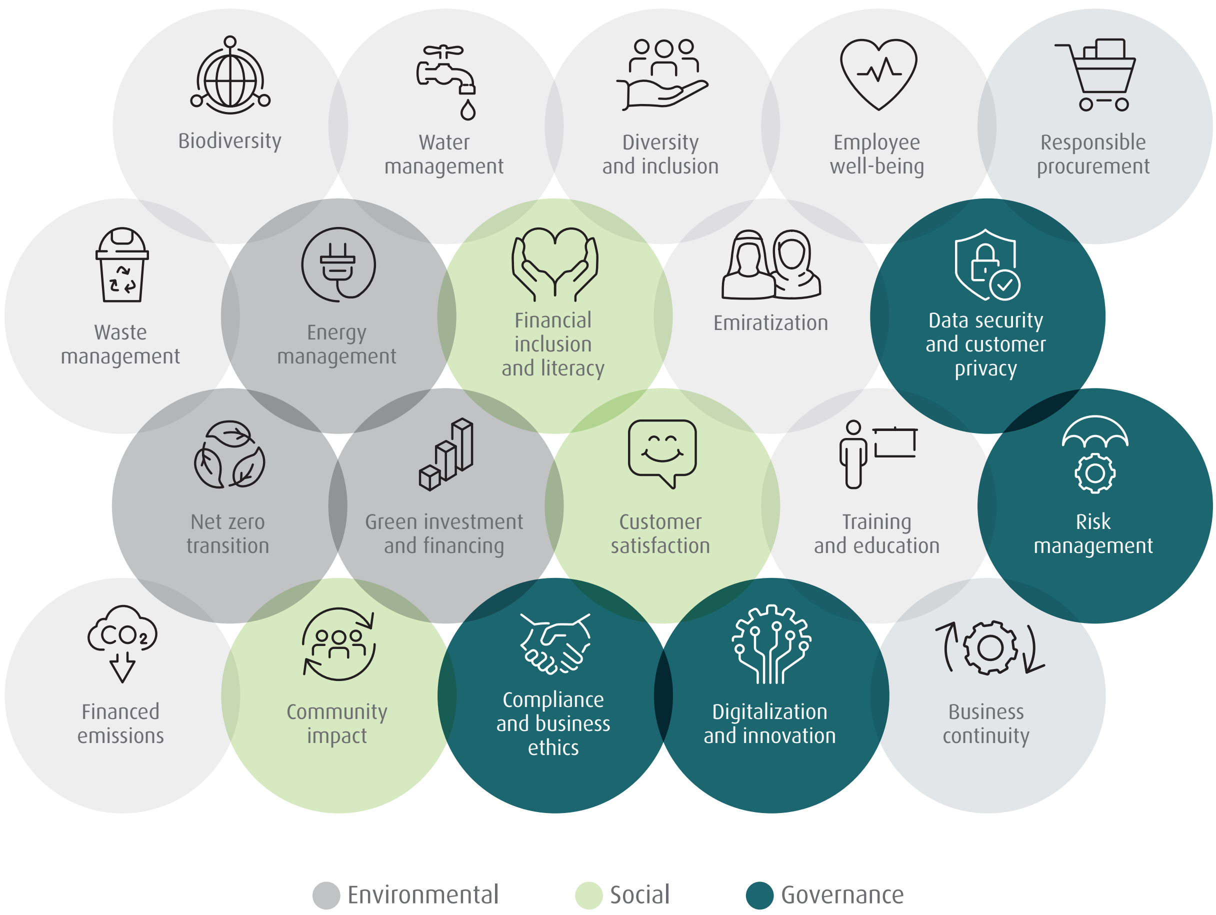
The assessment identified **10** topics material to Ajman Bank, reflecting the careful consideration of views shared by our internal stakeholders, as well as the inherent importance of these topics to Ajman Bank's accelerating sustainability agenda:

ESG Topic Ranking as per results of Materiality Assessment



Identified Material Topics

The inaugural materiality assessment considered the views of internal stakeholders, as the priority for Ajman Bank in our first sustainability reporting, concerning GRI reporting, the year was to spark engagement and build internal alignment on the sustainability agenda. Reflecting our commitment to broaden stakeholder engagement on sustainability, in the future we will engage with a broader range of stakeholders, including external entities, to gain their insights and expectations on material areas. In line with the view presented in GRI standards, we see the materiality assessment as an evolving exercise that should be 'refreshed' regularly to ensure that the topics maintain relevance to the business and our stakeholders.



Ajman Bank's sustainability ambition

Leveraging the understanding of the sustainability areas most material to Ajman Bank and our stakeholders, we have started the process of translating these areas into actionable strategic ambitions. As the next step following our inaugural materiality assessment, we are currently in the process of developing our Sustainability Framework that will help formalize our approach and initiatives around key material areas.

With the conclusion of this framework, we aim to develop an agile and evolving roadmap to progress the integration of sustainability into our products and services, along with effective management of ESG and climate-related risk across our financing and finally guide our sustainability disclosure and engagement with our stakeholders.

Below is a glimpse of the process unfolding at the Bank to make this a reality:

1. Peer benchmarking

We are analyzing the leading peers in our market to identify best practices defined in their strategic approach to sustainability, pulling relevant inspiration as Ajman Bank shapes our sustainability vision.

2. Ambition-setting exercise

We are consulting with our internal as well as external stakeholders to identify sustainability areas of strategic priority and accompanying commitments and vision that will drive our efforts.

3. Developing our approach

We are developing a Sustainability Framework which will define our commitments and accompanying action points to realize Ajman Bank's sustainability ambition across our operations and products to bolster the bank's vision. This will be accompanied by an internal implementation plan that sets timeframes and assigns supporting departments.

Our alignment to national standards

The initiative 'We the UAE 2031' strives to materialize the future vision outlined by His Highness the President of the UAE, transforming it into palpable progress. We share the view that every institution within the UAE is dedicated to realizing this vision, ultimately advancing towards the goals outlined in the UAE Centennial Plan 2071 and adhering to the Principles of the 50. Ajman Bank is proud to be one of the entities aiming to contribute towards this shared ambitious vision through our sustainability initiatives.

We the UAE 2031 pillar	'We the UAE 2031' dimension	Highlight of Aman Bank's contribution
Forward Society	A nation, proud of its identity, that supports the prosperity of its citizens	Ajman Bank has a goal of developing UAE nationals to equip critical roles by providing necessary training/ coaching and mentoring. The Bank has an Emiratization Program spanning recruitment, retention, training and development, educational assistance, and career progression.
	A cutting-edge education catering for life-long learners	Ajman Bank provides a comprehensive training program to our employees, in line with a training calendar released each year.
Forward Economy	The most dynamic and competitive economy	Ajman Bank is at the forefront of supporting the economic development of Ajman while contributing to the vibrant economic landscape of the UAE.
Forward Diplomacy	A supportive power for the global environmental sustainability agenda	Ajman Bank is embarking on a journey to assess and develop implementation plans to mitigate our environmental impact, both within operations and the portfolio.
Forward Ecosystem	The most secure and safe country in the world	Ajman Bank is improving its data security and customer privacy efforts by engaging with leading third-party providers.

The UAE has developed a Net Zero by 2050 strategic initiative as a national drive to achieve net-zero emissions by 2050. Having completed a preliminary climate stress testing exercise and planning a qualitative climate risk analysis of our portfolio, we acknowledge the opportunity to contribute to this goal. As we mature on our sustainability journey, we will strive to develop an approach to further understand our climate impact and decarbonize our operations and portfolio.

As a responsible bank and driving force in our Emirate, we have the recognition for our role as a catalyst for a world where

Environmental Sustainabilty

Environmental Sustainability

As a responsible bank and driving force in our Emirate, we have the recognition for our role as a catalyst for a world where economic prosperity harmonizes with environmental sustainability for generations to come. With this understanding, in 2023 we embarked on a journey towards a more sustainable future and understand our environmental footprint and impact..

Energy management

As the host of the Climate Conference in 2023, the UAE has elevated its commitment to achieving net zero by 2050. Understanding that energy consumption stands as a primary driver of global emissions, we acknowledge our responsibility to align with this pivotal agenda. To have comprehensive visibility of our energy consumption patterns, we regularly monitor our energy consumption across our physical assets. As we progress with our sustainability agenda, this tracking will allow us to identify areas of opportunity and implement necessary reduction and efficiency initiatives to align with the UAE's net zero agenda.

Direct energy consumption	Unit	2023
Diesel consumption from power generators	Liter	3,780
Petrol consumption from vehicles	Liter	7,976
Fuel (diesel & petrol) consumption intensity	Liter/FTE	15
Indirect energy consumption	**Unit**	**2023**
Electricity consumption (offices, branches, etc.)	MWh	5,011
Electricity consumption intensity	MWH/FTE	9.4

Baseline operational emissions to guide minimization of environmental impact from our operations

At Ajman Bank, we initiated the monitoring of our operational carbon emissions in 2023. This marks our commitment to set the baseline year and annually assess our emission profile, aiming to comprehensively understand our carbon footprint. Our longer-term objective is to strategically minimize our environmental impact across our operations in alignment with the UAE's ambitious decarbonization goals in the years ahead.

In our baselining process, we have adopted the **GHG Protocol Operational Control Approach**, distinguishing between Scope 1 and Scope 2 emissions. To derive our calculations, we have employed emission factors sourced from recognized global benchmarks, along with local data on carbon intensity for electricity production.

For Scope 1 emissions, which include mobile and stationary combustion sources, we have referenced established emission factors delineated in the 2006 IPCC Guidelines for National GHG Inventories and IPCC Assessment Reports. Conversely, for Scope 2 emissions, we have utilized electricity emission factors sourced from reputable documents such as the DEWA Sustainability Report 2022 and the Abu Dhabi Department of Energy's Greenhouse Gas Inventory and Projections for Abu Dhabi Emirate: Fourth Cycle.

Ajman Bank operates across 3 offices and 12 branches. Due to the unavailability of electricity consumption data for one office and three branches, where billing is managed directly by the landlord, we faced a challenge. To mitigate this, we computed emissions for the 11 accessible assets and estimated emissions for the remaining 4 assets using internal emission factors. Going forward, we are committed to addressing this data gap in future reporting cycles to enhance the accuracy of our assessments.

Scope 1 emission source	Unit	2023
Refrigerants	tCO_2e	76
Petrol	tCO_2e	19
Diesel	tCO_2e	10
Scope 2 emissions source	**Unit**	**2023**
Electricity	tCO_2e	1,959

Emission profile	Unit	2023
Scope 1	tCO_2e	105
Scope 2	tCO_2e	1,959
Total	tCO_2e	2,064
Emission intensity	tCO_2e/FTE	3.9

Environmental initiatives in our operations

Energy efficiency project

In 2023, our commitment to environmental sustainability led us to initiate a groundbreaking project focused on enhancing energy efficiency and savings in collaboration with a reputable third-party solution provider. This strategic partnership aimed to leverage innovative technologies and practices to optimize our operational efficiency while reducing our environmental footprint.

The anticipated outcomes of this endeavor are substantial, encompassing significant efficiency gains, notable energy savings, and measurable reductions in emissions. These achievements underline our dedication to fostering a greener future and align with our broader sustainability objectives. As part of our commitment to transparency and accountability, the results of these efforts will undergo a rigorous investment-grade audit in coming years. This will serve as a comprehensive evaluation, showcasing the concrete strides we have made towards sustainability. In the upcoming reporting year, we are planning to highlight the quantified benefits realized through this initiative.

Ajman Bank net zero transition initiatives

Driving environmental awareness and innovation in our business

Carbon Calculator Tool

As the primary financier of our community, we believe in our duty to foster awareness among our customers about the environmental impact of their purchases. With this responsibility in mind, in 2023 we partnered with Mastercard to integrate its Carbon Calculator tool into our retail banking services.

This tool, which will be available for our customers in 2024, is designed to help them understand and reduce their carbon footprint associated with their spending habits. By analyzing transaction data, the calculator estimates the environmental impact of their purchases. It then offers personalized suggestions for reducing emissions, such as opting for greener alternatives or supporting carbon offset projects.

With this initiative, Ajman Bank aims to promote environmental consciousness and empower our customers to make informed decisions that reduce their carbon footprint and support a more sustainable future.

Recycled material cards

In addition, to reinforce our environmental performance in our retail segment, we initiated a new effort to convert all our new customer credit and debit cards to be made from recycled content. Beginning in 2025, all our cards issued to customers will be produced from recycled material. Through this initiative, we aim to reduce the embodied carbon associated with our services and reduce the often carbon-intensive resource extraction.

We took the initiative to identify and define the key climate risks in our corporate portfolio

Climate risks, as a subset of environmental risks, span a range of potential dangers that can appear in diverse manifestations, primarily divided into physical and transition risks.

- Physical risks involved, including but not limited to, consequences from climate-induced events like storms, floods, wildfires, and rising sea levels, leading to asset damage, supply chain interruptions, and economic disruptions, particularly in susceptible areas.
- Transition risks stem from the movement toward a low-carbon economy, including stringent regulations, technological advancements, market fluctuations, and changes in consumer behavior.

Banks face exposure to these climate risks through their clients' vulnerability to both physical and transition risks.

Against this backdrop, following a regulatory requirement from the Central Bank of the UAE (CBUAE), we conducted a climate stress testing for our top 20 clients in terms of financial exposure. The findings of the stress testing provided us with an initial understanding of our climate-risk exposure from large-financial-exposure clients and the distribution of high climate-risk sectors.

Initial Climate Risk Assessment

In pursuit of advancing the findings of this stress testing exercise, Ajman Bank embarked on a project aimed at conducting a qualitative assessment of climate risks inherent in the major sectors within our corporate portfolio. This initiative was undertaken to deepen our understanding of climate-related risks and opportunities that may impact our business operations. For this purpose, we meticulously crafted a selection criterion to ensure a comprehensive coverage of climate risks relevant to our business and operating market. These criteria encompassed three primary factors:

Financial exposure of the specific sector within Ajman Bank's corporate portfolio

- Respective sectors of the medium and high-impact clients in the Ajman Bank's climate stress testing exercise
- UAE's existing and planned decarbonization policies and regulations as part of the UAE disclosed its First Long-Term Strategy: Demonstrating Commitment to Net Zero by 2050

As we remain steadfast in our dedication to proactive risk management and the advancement of our sustainable business practices, this rigorous exercise will facilitate the identification of key transition and physical risks inherent in our portfolio. Moreover, it will enable us to discern climate opportunities for financing and investment to mitigate our risk exposure in the identified sectors.

Accordingly, we will integrate the outcomes of this assessment into our ongoing discussions surrounding ambition setting. By doing so, we will ensure to build an insightful base for effective ESG and climate risk management through an evolving Sustainability Framework in line with the expectations of CBUAE.

Green investment and financing

While climate change presents substantial risks requiring targeted risk management, the evolving economy and business landscape also unveil a myriad of opportunities for Ajman Bank. Recognizing the critical role that financial institutions play in the transition to a sustainable future; we are strategically positioning ourselves as the catalyst for this transformation among our clients. This comprehensive approach involves close collaboration with key stakeholders, including government bodies, environmental organizations, and industry leaders, aiming to make a significant contribution to national net-zero efforts.

This strategic approach will be at the core of our upcoming Sustainability Framework. Designed to be a guiding compass, the framework will not only identify but also strategically capitalize on opportunities for financing green and sustainable transformations. It reflects our commitment to embedding sustainability across all facets of our operations. In line with this commitment, Ajman Bank is channeling its strategic thinking into the development of Shari'ah Compliant green products. These encompass tailor-made financing and investment adhering to international sustainability standards while catering to the specific needs of our clients. These financial products respond to the growing demand from our clients, allowing them to seamlessly align with the UAE's banking sector's sustainable finance commitments.

Social Sustainability

Social Sustainability

Our people

Ajman Bank boasts a dynamic workforce of motivated and committed employees who embody our core values in every client experience. We value their contributions and aim to create a culture that fosters their personal and professional growth towards a shared vision and mission of the bank. Ajman Bank aims to be an employer that attracts and retains talent strives towards excellence and is inspired by the opportunity to impact local communities in Ajman and UAE.

Our workforce boosts a vibrant mix of male and female employees across age groups.

Total enterprise headcount held by full-time employees	
Total of full-time employees	523

Total enterprise headcount held by full-time employees (by gender)		
	Number	*Percentage*
Male	333	64%
Female	190	36%

Total enterprise headcount held by full-time employees (by age)		
	Number	*Percentage*
18-30	87	16.6%
31-50	389	74.4%
51-60	45	8.6%
61+	2	0.4%

Most of our employees are in middle management positions, making a key contribution to driving Ajman Bank's day-to-day success:

Total enterprise headcount held by full-time employees (by seniority level)		
	Number	*Percentage*
Non-management	93	17.8
Middle management	414	79.2%
Top management (ExCo)	16	3.0%

We emphasize the importance of developing internal talent, with a relatively low reliance on external contractors and/or consultants:

Total enterprise headcount held by contractors and/or consultants		
	Number	*Percentage*
Contractors and/or consultants	220	30%

In 2023, **132 new employees** joined the Ajman Bank team, representing a **34% boost to our workforce**. We monitor our workforce changes, with granular data split by gender, age, and seniority level, which enables the Bank to maintain the focus on continuously fostering the acquisition and retention of talent:

Year-over-year change for full-time employees (by gender)				
Year	*2022*	*2023*	*Change (number)*	*Change (percentage)*
Male	228	333	+105	+46%
Female	163	190	+27	+17%

Year-over-year change for full-time employees (by age)				
Year	*2022*	*2023*	*Change (number)*	*Change (percentage)*
18-30	62	87	+25	+40%
31-50	296	389	+93	+31%
51-60	32	45	+13	+41%
60+	1	0	-1	-100%
61+	0	2	+2	+200%

Year-over-year change for full-time employees (by seniority)				
Year	*2022*	*2023*	*Change (number)*	*Change (percentage)*
Non-Management	66	93	+27	+41%
Middle Management	323	428	+105	+33%
Top Management	2	2	0	0%

In 2023, as a testament to the successful performance within our business, **we hired 142 (or 430%) more employees than in 2022,** including 29 more female new hires:

Year-over-year change of new hires (by gender)				
Year	*2022*	*2023*	*Change (number)*	*Change (percentage)*
Male	21	134	+113	+538%
Female	12	41	+29	+242%

Year-over-year change of new hires (by age)				
Year	*2022*	*2023*	*Change (number)*	*Change (percentage)*
18-30	11	38	+27	+245%
31-50	20	130	+110	+550%
51-60	2	7	+5	+250%

Year-over-year change of new hires (by seniority)				
Year	*2022*	*2023*	*Change (number)*	*Change (percentage)*
Non-Management	3	47	+44	+1467%
Middle Management	30	127	+97	+323%
Top Management	0	1	1	+100%

Training and education

Recognizing that our greatest asset is in the expertise and capabilities of our people, we prioritize providing comprehensive training and education initiatives that empower our employees to achieve their goals and navigate the dynamic banking landscape. By equipping our teams with the necessary knowledge and skills, we not only enhance their professional growth and job satisfaction but also ensure that Ajman Bank can adapt to evolving market demands and regulatory requirements.

Our approach to training and education is based on a thorough Training Needs Analysis (TNA) to ensure that the most relevant skills and knowledge areas are addressed. The courses are delivered through a combination of in-house training in Ajman Bank's Training Center facilities and via online platforms, as well as external training programs with specialized experts. Recognizing the importance of maximizing upskilling opportunities, we also offer overseas programs for some functions where domestic courses are not available.

Ajman Bank ensures that the training program covers not only technical skills and mandatory areas, such as Shari'ah Principles, Information Security, and Anti-Money Laundering, but also interpersonal development aspects - Time management, Communication, and Management Styles. Our team develops a comprehensive annual training calendar in line with the TNA.

Our partnership with Emirates Institute of Finance

In 2023, the Bank made 155 unique role-based courses available to staff, covering the following role-based training programs:

- Treasury & Investments
- Trade Finance
- Corporate Banking & Credit Management
- FinTech & Data Analytics
- Compliance & Anti Money Laundering
- Risk Management
- Islamic Banking
- Personal Development, Management & Leadership
- Quality & Business Transformation
- Business Communication

Building upon the value driven from the above program, the Bank enhanced its strategic collaboration with Emirates Institute of Finance to impart class-room based training to be executed in 2024.

in addition to the above, following key trainings were imparted by specialized trainers and experts. Below is a snippet of some programs our employees engaged in this year:

Future-proofing our skills **Artificial Intelligence & Machine Learning 101**	*Embodying Shari'ah principles* **Islamic Fintech 101**	*Exploring ESG market trends* **Green and sustainable finance**
This course provided an introduction artificial intelligence and machine learning, with an overview of their use various domains of banking and financial services.	This course explored the potential of Fintech for the Islamic finance, It highlighted the relevance of rapidly emerging and growing Islamic Fintech industry and provided a sound functional understanding of Islamic Fintech to offer Shari'ah-compliant business and financial solutions.	This course helped the participants to understand the principles and practices of green and sustainable finance, as well as range of green and sustainable products and services in banks and other financial intermediaries.
Cultivating leadership **Leading With Emotional Intelligence**	*Encouraging progression* **Aspiring Manager Program**	*Fostering wellbeing* **Mindfulness 101**
This coursed focused on analyzing our own emotional intelligence and understanding how to manage your emotional reactions to achieve desired results in the workplace.	This course aimed to help learners to understand the skills, competencies, responsibilities that would be beneficial to someone aspiring to become a manager.	This course explored mindfulness as method which can help in stress reduction and create positive impact, focusing on mental, emotional, and physical processes.

Embracing a culture of learning enables us to cultivate innovative solutions, foster ethical decision-making, and ultimately, live up to our core value of 'Knowledge'. Going forward, Ajman Bank aims to enhance our data processes to ensure that training hours across employee categories are captured to monitor continuous improvements.

As a bank at the beginning of an exciting sustainability journey, we recognize the importance of sustainability capacity building among our internal stakeholders. We have planned four targeted training sessions mapped to our employees' needs and responsibilities. These sessions will serve as a stepping stone in bringing consistent and widespread sustainability awareness throughout Ajman Bank.

Ajman Bank PADDLE Match With CEO 2023

Emiratization

Our goal:

Develop UAE Nationals to equip critical roles by providing necessary training, coaching, and mentoring.

As a testament to our alignment with UAE's Tawteen ambitions and the vision to promote the prosperity of its nation, Ajman Bank takes a proactive approach to Emiratization. We are dedicated to boosting the development and progression of local talent and following an Emiratization program that serves our overarching goal. The program spans three pillars:

Recruitment

Ajman Bank participates in external fairs, and open days, and develops promotional material across different platforms to attract qualified UAE nationals to open positions. Acknowledging the significance of empowering young talent, we focus on working jointly with UAE's higher education establishments. As a longstanding tradition, Ajman Bank has been collaborating with Ajman University to provide yearly scholarships to local students, enhancing their opportunities to kick off an enriching career.

Retention

Ajman Bank ensures that high-performing UAE nationals have access to high-potential programs with a clear sight of career and promotion opportunities. To help them get there, we have set up effective mentoring and counseling programs to guide our employees through their career journeys.

Training and development

Within the training and education approach, we have dedicated a budget targeted at UAE nationals.

As part of this, Ajman Bank offers a Management training program for those aspiring to successfully lead management roles, as well as a National Trainee program that aims to develop young graduates into the leaders of tomorrow. Another way Ajman Bank cultivates the excellence of Emirati employees is by supporting them to obtain higher educational qualifications in or outside the UAE, including in international business schools.

In 2023, we demonstrated strong national representation within our workforce as an illustration of the effectiveness of our continuous Emiratization efforts:

Total of national employees		
	Number	*Percentage (of total full-time employees)*
Total of full-time national employees	211	40%

Ajman Bank has introduced a specific KPI for the Executive Committee Members capturing a specific percentage of hiring, retention, and training of Emirati employees. As we continuously progress with our reporting, we will look to consolidate and share this information with our stakeholders.

Employee wellbeing

Ajman Bank's dedication to our people also manifests in fostering a workplace environment that prioritizes employee wellbeing. This not only reflects our commitment to ethical business practices but also serves as a cornerstone for sustainable growth. By investing in the physical, mental, and emotional health of our workforce, we demonstrate our dedication to creating a supportive workplace culture and cultivating a more engaged and productive team.

Al Ola Programme as a comprehensive tool to foster employee engagement.

العُلا

The key lever in our approach in Al Ola is Ajman Bank's Employee Engagement program featuring a range of initiatives that aim to ensure that our employees are absorbed by and enthusiastic about their work and passionate about contributing to our shared success, but also maintain positive work-life balance and well-being. Al Ola fosters enthusiasm and positive actions, striving to create a workplace where everyone's efforts make a significant impact.

Al Ola consists of 7 pillars:

My Fitness Program	Providing our employees with opportunities to improve and maintain their physical health, while engaging in team-building activities.
My Knowledge Program	Educational sessions fostering employee understanding of various banking topics and processes.
My Offers Program	Curated offers from diverse establishments, including shops, markets, gyms, saloons and schools, available exclusively to employees.
My Social Program	Celebrating employees' milestones, such as graduations or new arrivals (childbirth), and providing support during challenging times, like sending flowers when sick.
My Opinions Program	Implementation of enhancement surveys to gather and consider employees' valuable feedback and suggestions.
My Voice Program	A platform encouraging employees to share innovative ideas and contribute to the organization's growth and improvement.
My Rewards Program	Recognizing and rewarding outstanding employee performance and achievements in work-related areas.

Case study - Team-building retreat in Hatta

As part of the Al Ola program in 2023, Ajman Bank orchestrated a high-level manager team-building retreat in Hatta to provide a break from urban confines in an environment where they could disengage from routine pressures and reconnect with their individual selves. By immersing them in nature, we aimed to instill a sense of serenity, allowing for self-reflection and rejuvenation. Introducing elements of enjoyment and free-spiritedness, the retreat sought to ensure that our team returns to work invigorated, fostering enhanced productivity and a renewed collaborative spirit.

Taking care of our employees through a range of benefits

The benefits offered to our employees are also a crucial part of our approach towards fostering employee wellbeing. Our emphasis on employee benefits aligns with our broader corporate responsibility objectives, demonstrating our commitment to supporting the holistic needs of our workforce and their families.

Ajman Bank's benefits are in line with the best practices in the market, and a glimpse into some of the benefits offered is outlined below:

Medical insurance	Ajman Bank provides private medical insurance to all employees, as well as their eligible family members.
Airfare allowance	We ensure that our employees have an opportunity to travel by providing an annual airfare allowance.
Mobile phone allowance	Ajman Bank's employees are entitled to a mobile phone allowance on a business needs basis.
Club Membership	Our employees are entitled to club membership allowance, enabling the accessibility of physical well-being.
Pension plan	Ajman Bank operates in line with UAE Labor Law, providing a pension scheme to all UAE and GCC nationals as per the eligibility criteria.
Social care	To showcase care and compassion towards our employees, on special occasions, the Bank sends a representative to personally convey wishes and prayers for the individual and their family.
Education allowance	Ajman Bank provides an allowance covering tuition fees, school transport charges, and the cost of books to the children of its eligible employees.
Maternity, paternity, and parental leave	Acknowledging the importance of allocating due attention to family matters, Ajman Bank offers three benefit categories in this realm for employees who have been confirmed of service.
Haj leave	As an Islamic Bank, we honor our employees' dedication to the faith by offering 15 days of Pilgrimage leave upon completion of one year of service.

Our commitment to consumer satisfaction

By empowering our employees, we empower them to serve our customers with an engagement to excellence and integrity, working to become the favorite Islamic Bank in UAE for our customers, people, and communities. This vision is supported with our commitment to utmost standards of Service, Speed, Specialization and Sustainability. Central to our mission is the unwavering dedication to exceeding the expectations of our customers within the community. By prioritizing customer satisfaction, we demonstrate our accountability to the individuals and businesses who entrust us with their financial needs.

Starting in 2024, we are beginning the implementation of a new survey system where the customers share their satisfaction rating based on their experience during a service provided in each branch. The survey system will be able to present the results in the real-time dashboard for Ajman Bank to get timely comprehensive insights to underpin the continuous effort to improve customer experience solutions.

Our financial inclusion and literacy efforts

Delivering consumer education through targeted initiatives

A key accompanying component to our focus on providing a positive customer experience is ensuring that our clients have the necessary awareness of how to access and derive the most value from financial products and services. Financial literacy is fundamental to empowering individuals and fostering financial inclusion within our local communities. By equipping individuals with the knowledge and skills needed to make informed financial decisions, we enhance their financial well-being and contribute to the overall economic stability and prosperity of society. Our commitment to customer financial literacy education reflects our belief in responsible banking practices and our dedication to building long-term relationships based on trust and transparency.

We have a dedicated Consumer Education Program, the initiatives, and activities within which are reported to CBUAE as part of our mandate. Ajman Bank has a Consumer Education and Awareness team that overlooks this focus area, underpinned by a detailed procedure outlining the planning, delivering, and measuring of consumer education initiatives. At a strategic level, the initiatives aim to enhance customer understanding of banking services, promote financial literacy, and strengthen security awareness. Our teams follow a thorough approach to ensure that the themes we focus on are of utmost relevance:

1. *Needs assessment:*

This process helps Ajman Bank understand requirements, challenges, and opportunities within the current context to identify areas that would benefit from specific attention.

2. *Data analysis:*

Ajman Bank processes the gathers relevant data to obtain insights. This can be based on the customer's previous engagement with educational content on social media sites, as well as any customer feedback received.

3. *Stakeholder engagement:*

Our internal stakeholders share ideas based on gathered insights to come up with the best education materials throughout the year.

4. *Objectives setting:*

Ajman Bank defines measurable goals to track the customer education initiatives' effectiveness in line with the understanding of our customer's needs.

In 2023, we have executed 60 consumer education initiatives targeting consumer needs across different areas, aimed at individual clients as well as Small and Medium Enterprises (SMEs). These were delivered through social media due to the accessibility and convenience of this channel to most stakeholders. Some of the initiatives covered include:

- Money management financial literacy tips - control your Debt Burden Ratio (DBR) & ask for advice.
- Why it is important to keep your records and KYC up to date.
- Understanding digital payments
- Awareness tips to identify fake notes.
- How to protect yourself from fraud
- Know your rights and responsibilities - Financial Equality

For 2024, Ajman Bank has planned a total of 40 initiatives, in the following areas:

- Fraud Risk Management & Information Security
- Shari'ah Compliance
- Consumer Banking
- Corporate Banking
- Digital Banking

Offering products targeted at financial inclusion

Integral to our approach is the effort to incorporate financial inclusion considerations within our offering as a Bank, working towards increasing accessibility for disadvantaged groups. According to the latest available data, around 15% of the global population experience some form of disability, constituting the largest minority group in the world. We value the importance of equal access to financial services, and in 2023 we pursued innovative solutions that remove barriers and create opportunities for people of determination to participate fully in the economy.

Case study – ULTRACASH accessible credit card

Ajman Bank in collaboration with Mastercard has launched the World's first Touch Card – ULTRACASH Credit Card. The new ULTRACASH Credit Card is an accessible payment card that allows blind and partially sighted people to easily facilitate payments and distinguish between their cards.

There are few effective ways for those who are blind or who have reduced vision to quickly determine whether they're holding a credit, debit, or prepaid card, particularly as more cards move to flat designs without embossed names and numbers. Ajman Bank in collaboration with Mastercard is addressing this challenge with a simple innovation and has introduced a system of notches on the side of the card to help consumers use the right card, the right way. As well as blind and partially sighted consumers, anyone in a low-light environment or reaching into a wallet or purse one-handed can benefit from the Touch Card design.

Mastercard's concept has been vetted and endorsed by The Royal National Institute of Blind People (RNIB) in the UK and Visions/Services for the Blind and Visually Impaired in the US. The card was co-designed by IDEMIA, the global leader in Augmented Identity, providing trusted solutions in the physical as well as digital space.

The Touch Card has received several recognitions for its innovative concept and design, namely:

- Touch Card was named a finalist in Fast Company's prestigious World Changing Ideas Awards in the "General Excellence" category.
- The Royal National Institute of Blind People (RNIB) honored Touch Card as a finalist in the "Design for Everyone" category in their annual awards program.
- Disability: IN awarded the 2022 Marketplace Innovator of the Year Award to Mastercard for Touch Card
- Touch Card won two Silver and 1 Bronze at the Cannes Lions Awards
- Earlier this year, the card design itself was named a finalist at the International Card Manufacturers Association (ICMA) Elan Awards

Community impact

Ajman Bank is an integral part of the community in the emirate of Ajman and UAE, and we value the ability to contribute to society as responsible citizens not only through our business but also through dedicated charitable efforts. The element of charity has long been embedded in Islamic banking, mainly in terms of redistribution of wealth via zakat, sadaqah, waqf, and qardh al-hasan. Our efforts within a CSR program are an extension of Shari'ah principles that Ajman Bank abides by, focusing on individuals in need, specifically in terms of education and physical well-being. As we progress with our CSR efforts, Ajman Bank aims to extend our involvement in programs and initiatives targeted at environmental stewardship.

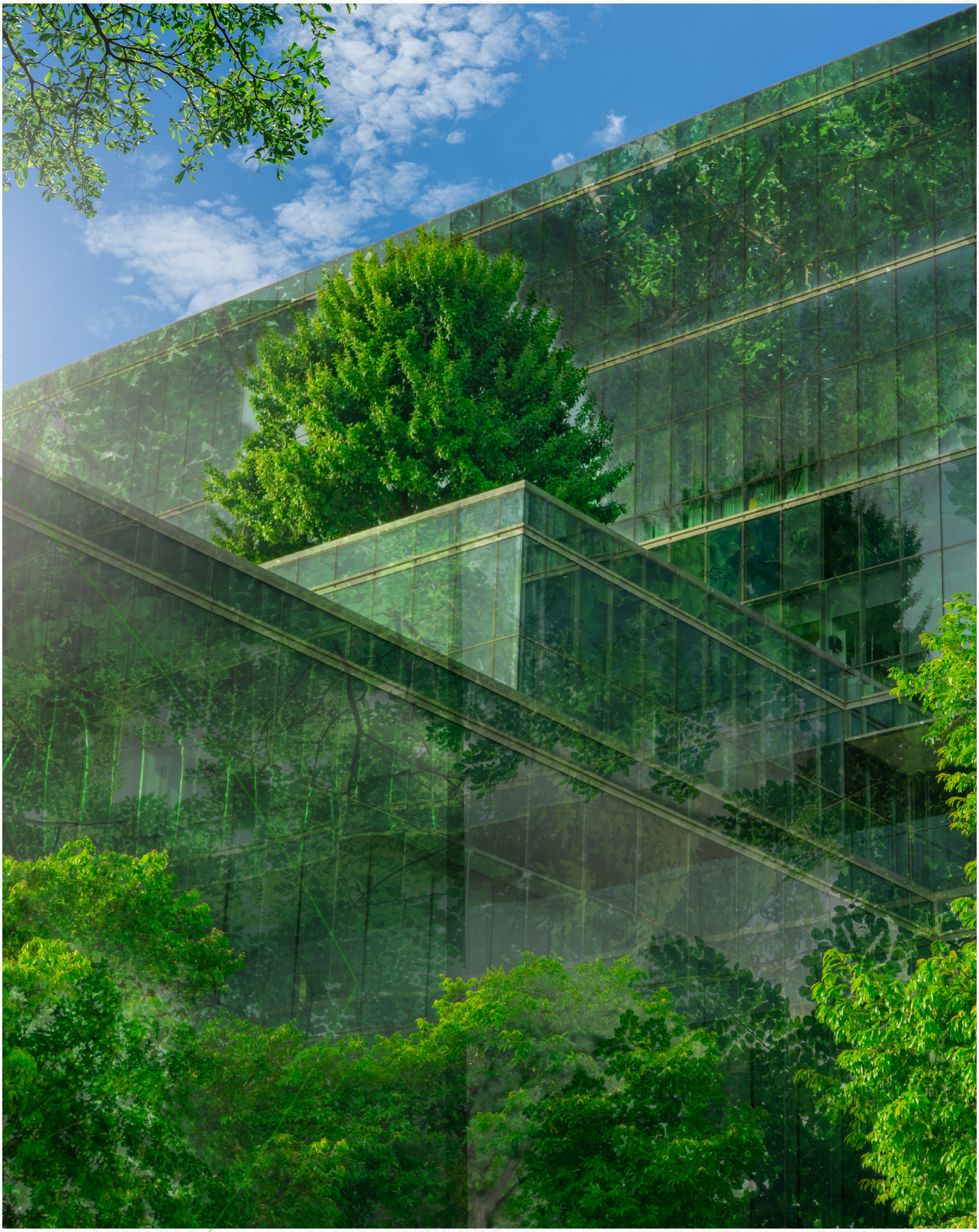
According to the Internal Shari'ah Supervision Committee (the "ISSC"), Ajman Bank is not permissible to earn income from Shari'ah non-compliant activities/transactions and needs to identify if there is any non-Shari'ah-compliant income generated from such activities/transactions.

All the Shari'ah Non-compliant income is set aside in a separate charity account to be disposed of by the Ajman Bank under the supervision of the ISSC.

In the year 2023, The ISSC has approved under the recommendations of the Charity Distribution Committee (the "CDC") the amount of **AED 260,464.00** to be disbursed to the charity which covers the following areas:

1. Medical treatment
2. Education (school fees),
3. Rents of Ajman Shelter (Malaz) (a protection house for women and children)
4. Helping needy individuals, and
5. Others

AED 260,464.00 disbursed to charity in 2023



Governance

Governance

At Ajman Bank, we recognize that effective governance is fundamental to our long-term success and our ability to create value for all stakeholders. Our commitment to sound corporate governance practices is deeply ingrained in our culture and guides every aspect of our operations. By aligning our governance practices with the interests of our shareholders, customers, employees, and the communities we serve, we aim to foster trust, mitigate risks, and drive sustainable growth.

Our corporate governance overview

Ajman Bank's Board of Directors steers our corporate governance, supported by six specialized committees for rigorous oversight in shaping our strategic direction, regulatory and Shari'ah compliance along robust relations with internal and external stakeholders. To uphold board independence, the CEO is prohibited from serving as the Board Chair, fostering a clear separation of roles and responsibilities, and ensuring effective decision-making processes. This structure underscores the bank's commitment to accountable governance practices.

Please refer our Corporate Governance Report 2023 for details of our Board Governance, Organization and Corporate Governance Framework.

Sustainability governance

In addition to the development of our inaugural sustainability report referencing the General Reporting Initiative (GRI), Ajman Bank took significant strides toward fostering sustainability across our operations and business by initiating the development of a Sustainability Framework and implementation roadmap.

Central to this endeavor was the establishment of a dedicated ESG Division, under the supervision of the Chief Risk Officer. The ESG Division was entrusted to develop our inaugural ESG report and the sustainability framework.

Accordingly, the ESG Division structured an ESG Working Group, ensuring the participation of the comprehensive departments across the bank. Accordingly, ESG Working Group, empowered by the steering of the Senior Management Executive Committee Members, will spearhead the integration of sustainability principles into our organizational DNA as a strategic priority.

Throughout this project cycle, the ESG Working Group will convene regular meetings and receive capacity-building sessions, ensuring active participation from internal stakeholders across various functions. Moreover, Ajman Bank will hold consultation sessions and workshops with the Executive Committee Members to set forward-looking ambitions, targets, and required actions to drive our sustainability ambition.

A key component of our sustainability ambition and targets will entail enhancing our ESG governance structure, drawing inspiration from best practices identified through our comprehensive benchmarking study of peer banking institutions within the UAE and global best practices.

Through our framework, we aim to set an established governance structure that fosters accountability and strategic decision-making in our sustainability initiatives and long-term value creation for our people, customers, community, and environment.

Risk management, compliance, and business ethics

At the heart of Ajman Bank's values lie our principles across five key domains to ensure the highest ethical and legal standards in our day-to-day operations:

Fair Dealing	All employees and directors must conduct business with fairness, integrity, and compliance with regulations, avoiding manipulation, concealment, or unfair advantage.
Conflicts of Interest	Ajman Bank ensures safeguards against any damage that can stem from conflicts of interest to the clients
Payments, Inducements, and other Business Courtesies	The bank prohibits improper payments to or from officials or business partners, and employees cannot accept gifts that may influence them.
Corporate Opportunities	Ajman Bank forbids our employees and directors from using corporate property, information, or positions for personal gain, including insider trading
Reporting Ethical Violations	Ajman Bank promptly addresses ethical violations against our employees or the bank itself by taking appropriate action

In our ongoing commitment to responsible banking, risk management remains a central focus at Ajman Bank. Our Risk Management Framework approach prioritizes the identification, assessment, and mitigation of risks across all aspects of our operations through 5 principles: Governance & Culture, Strategy & Objective Setting; Performance; Review & Revision; Information, Communication & Reporting. These principles are integrated across the three lines of defense to maintain the highest standards of integrity and reliability in all our endeavors, thus safeguarding the trust and confidence of our customers, investors, and communities.

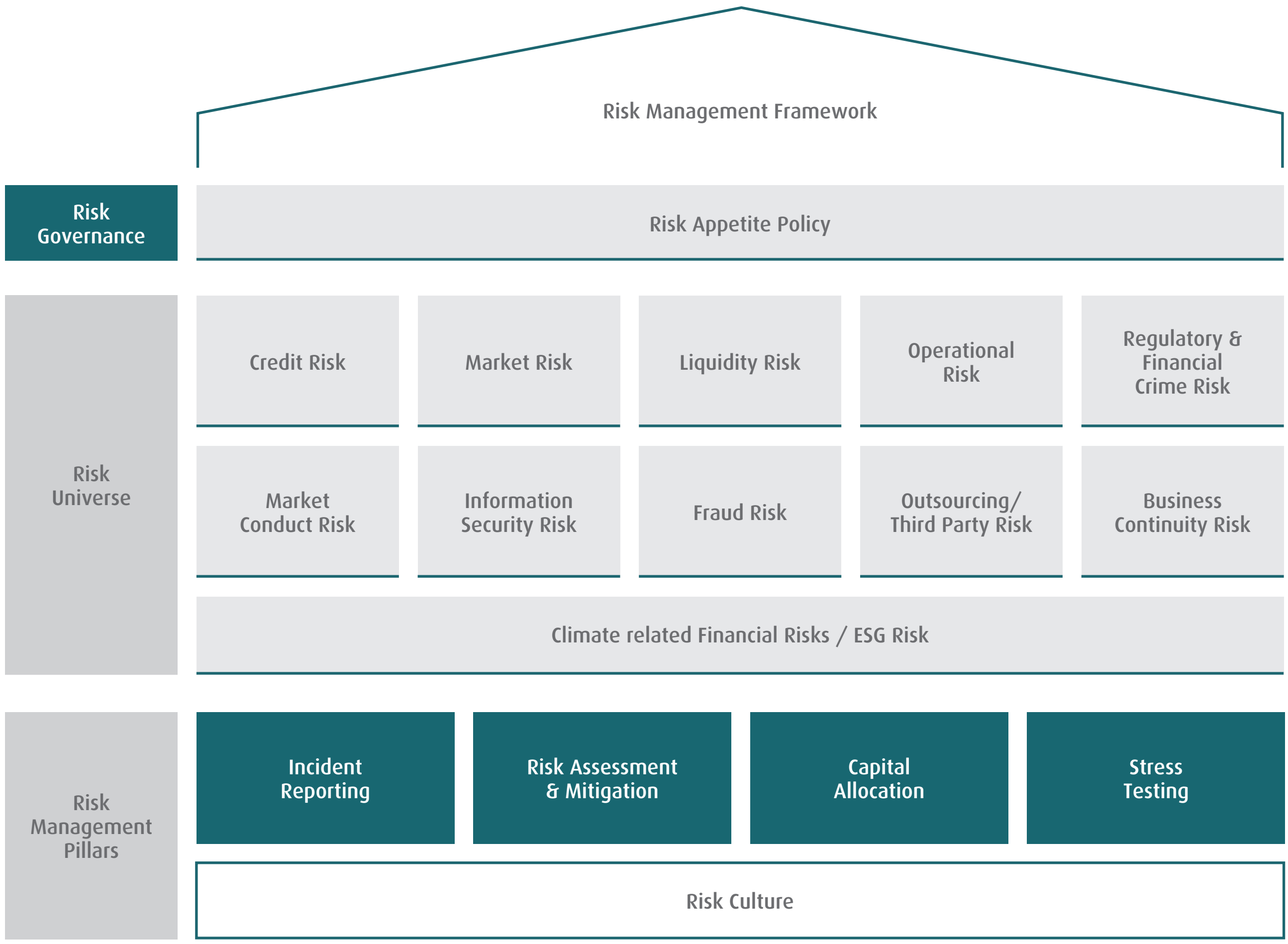
Risk management framework

Our Risk Management Framework also defines ESG risk as ''...potential negative impacts stemming from ESG factors that can affect a company's long-term sustainability and performance. Environmental risks include issues like resource scarcity, pollution, and climate change, whereas social risks involve aspects such as labor practices, human rights, etc. Governance risks on the other hand pertain to leadership, transparency, and compliance.''

The Board Risk Committee oversees the ESG risks, including climate-related financial risks. Accordingly, the Committee hold the oversight on the climate stress testing exercise conducted in 2023. This exercise served as a critical tool to assess climate-related financial risks for our top 20 clients, ensuring that we have a comprehensive view on our extended risk landscape and safeguarding the long-term viability of our business.

To enhance our identification of potential ESG risks, Ajman Bank intends to undertake a qualitative climate risk assessment focusing on sectors within our corporate portfolio with significant financial exposure. We will ultimately aim to develop distinct ESG risk policies to support the governance and monitoring of ESG risks in our financing via dedicated ESG risk mapping and analysis across the other traditional risk categories.

Our Risk Management Framework addresses the key risk categories identified in the Bank's risk taxonomy. Risks are addressed through a comprehensive set of risk mitigation tools, supported by initiatives to foster a culture of risk awareness and accountability across our three lines of defense. Through the rigorous implementation of our policies, we bolster resilience and foster long-term value creation.



Our engagement for data security and customer privacy

At Ajman Bank, our Information Security Policy stands as a testament to our steadfast commitment to protecting the confidentiality, integrity, and availability of our assets. Anchored in industry best practices, this policy serves as a comprehensive framework that guides our efforts in mitigating risks and fortifying our defenses against evolving threats.

To ensure the ongoing relevance and effectiveness of our Information Security Policy, we conduct regular reviews aligned with leading industry standards and frameworks. Annually, our policy undergoes rigorous updates by PCI-DSS, SWIFT CSP, ISO27001, and NESA STANDARDS. Through a culture of continuous improvement and compliance, we reinforce our commitment to safeguarding the trust and confidence of our stakeholders while positioning Ajman Bank as a resilient and trusted institution in today's dynamic digital landscape.

In alignment with our commitment to robust consumer data protection, Ajman Bank developed a Consumer Data Protection Framework, in September 2023. The Framework encompasses a comprehensive suite of policies and procedures tailored to the requirements of the UAE's Consumer Protection Regulation. By implementing stringent measures, we mitigate the risks associated with data exposure.

Furthermore, the framework provides customers with greater control over the information they share with the bank. This emphasis on transparency and customer empowerment reinforces our dedication to safeguarding their privacy and fostering long-term relationships built on integrity and mutual respect.

In this commitment, Ajman Bank implemented a tool from a leading cybersecurity provider, which enables improved oversight of our digital assets, enhanced capabilities for cyber-attack mitigation, and proactive forensic analysis. By leveraging cutting-edge expertise and technologies, we reinforce our resilience against breaches of data security and customer privacy, that may be caused by ill-intentioned external actors.

To consolidate our dedication to robust data security and customer privacy, we are working towards achieving PCI-DSS certification in 2024. The certification includes a set of security standards designed to ensure that all firms that accept, process, store, or transmit credit card information maintain a secure environment. Obtaining this industry-leading certification will be a testament to Ajman Bank's efforts to maintain the highest standards of protection for our valued customers' personal and financial information.

Digitalization and innovation at the heart of our strategic priorities

At Ajman Bank, we are dedicated to continually enhancing the convenience and efficiency of our banking services through digitalization. Our online banking platform serves as a cornerstone in delivering seamless experiences to our valued customers, making it our primary channel for service delivery. We prioritize refining and enhancing this platform to ensure the provision of superior and expedited services, ultimately bolstering customer satisfaction.

Moreover, we embark on strategic digitalization initiatives to increase our operational excellence and customer satisfaction. In this commitment, in 2023, Ajman Bank embarked on five strategic digitalization initiatives.

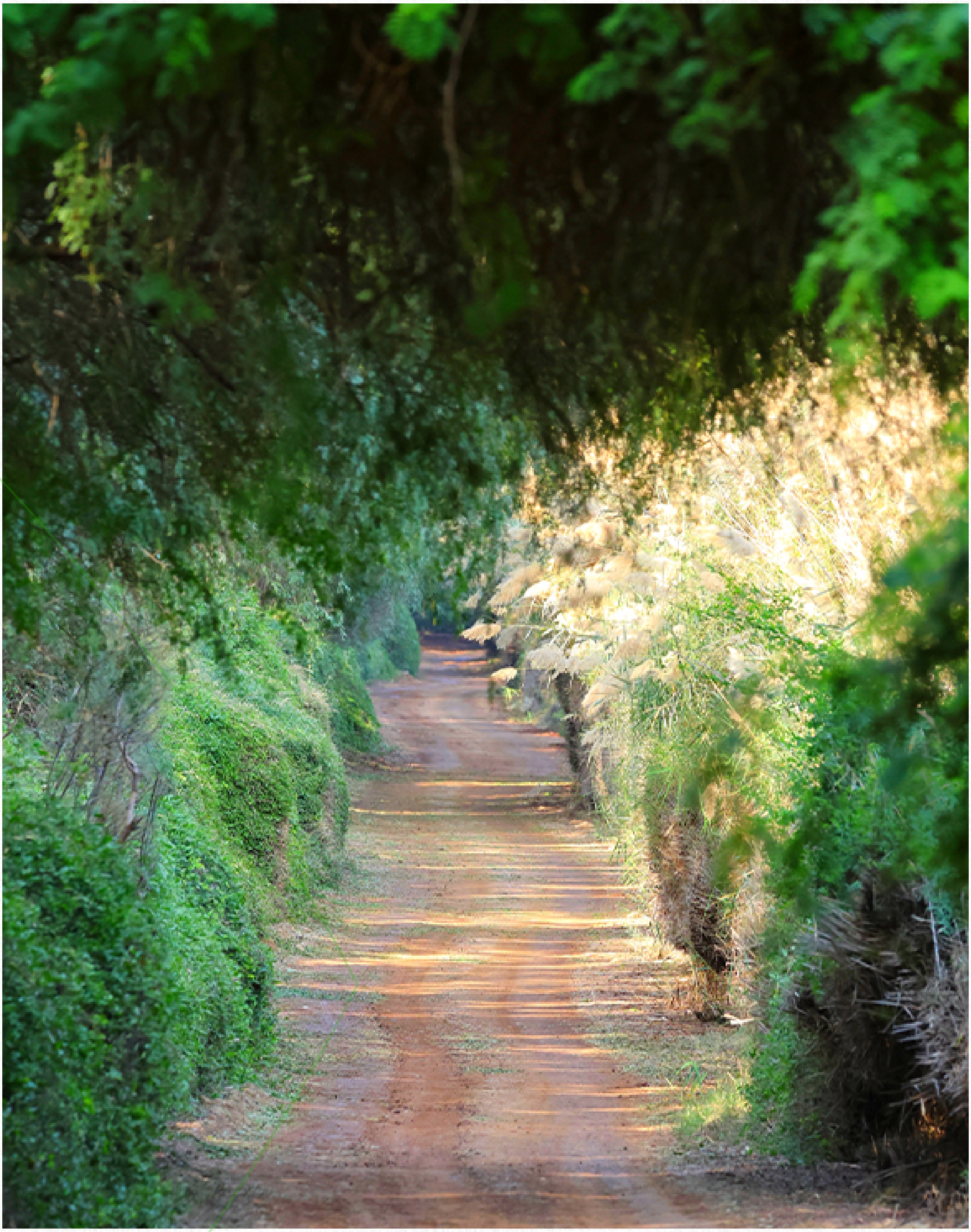
- Automated Vendor Payment Integration: We successfully automated all vendor payment methods within our Account Management System through seamless online integration with Core Banking Application and Payment System.
- Automated Customer Relationship Manager Account Opening: We streamlined account opening procedures through the Automated Integration of CRM. By enabling paperless account opening we achieved both enhanced operational efficiency and reduced our ecological footprint.
- Infrastructure Upgrades: We updated our existing servers and invested in the latest web-based applications. These upgrades ensure operational efficiency for our employees and smoother service delivery for our customers.
- Online Cheque System for Corporate Clients: To enhance transaction efficiency for our corporate clients, we integrated an online system to replace the physical delivery of cheques. This digital solution expedites transactions, simplifying processes and improving client experience.
- Digital customer surveys: We expanded our customer surveys through emails to capture satisfaction and complaints in an aggregated manner to effectively meet and exceed our customer needs and expectations.

CREATING A DIGITAL BANKING STRATEGY WITH MOBILE FIRST APPROACH – Ajman Bank Connect App

One of our key digital achievements was delivered in 2023 that fundamentally altered the way our customers interact with us. The Ajman Bank Connect Banking App was lunched in December 2023 to offer seamless digital banking capabilities. The app is a culmination of our efforts and longstanding promise to technologically innovative and customer friendly Sharia 'a complaint products and services. The app delivery on our strategy is to enrich self-service and straight through processing of financial and non-financial transactions, eliminating the need for customers to visit the branch.

- **Digital Account Opening:** Open a bank account seamlessly with Ajman Bank Connect onboarding in 3 simple steps. Just download the app, verify your identity using your Emirates ID, passport and take a selfie. You will receive your debit card at your doorstep and start banking—all from your device.
- **Family Banking**: Parents can effortlessly open and manage accounts for their children, complete with robust parental controls to monitor and guide their financial activity.
- **UAEPass** enables customers to effortlessly register for our digital app, log in securely, and update their documents, including opening digital accounts.
- **The App will be further enhanced** in 2024 including integration with The National Payment Strategic System (NPSS). NPSS is an initiative by the Central Bank of the UAE aimed at enhancing and modernizing the country's payment systems.

The digitalization efforts at Ajman Bank reflect our commitment to innovation and customer-centricity. By leveraging technology, we continue to enhance the convenience and efficiency of our banking services and foster stronger relationships with our customers and stakeholders.



DFM ESG Reporting Guide Content Index

DFM ESG Reporting Guide Content Index

DFM ESG REPORTING GUIDE CONTENT INDEX

For our inaugural sustainability report, Ajman Bank utilized the DFM's Guide to ESG Reporting as a reference point for metrics to be disclosed. We support DFM's focus on promoting sustainability in capital markets in alignment with UAE's strategic priorities. DFM's recommended metrics across Environment, Social, and Governance are defined in correspondence with GRI Standards. Therefore, by using these metrics for guidance, Ajman Bank references GRI – a globally recognized framework that provides a standardized, comparable method for conducting sustainability reporting.

While these metrics serve as a useful voluntary recommendation, some pertain to topics that are not currently material to Ajman Bank and/or are not captured in current data collection processes. These are indicated accordingly.

Environment			
DFM metric	***Indicator***	***Corresponding GRI standard***	***Report Section Reference***
E1. GHG Emissions	E1.1) Total amount of Scope 1 emissions (tons of CO2 eq.)	GRI 305: Emissions	Environmental Sustainability - Energy Management
	E1.2) Total amount of Scope 2 emissions (tons of CO2 eq.)		
	E1.3) Total amount of Scope 3 emissions (tons of CO2 eq.)		
	E1.4) Please describe investments, initiatives, and projects to reduce CO2 emissions (text)	N/A	
E2. Emissions Intensity	E2.1) Total GHG emissions (tons of CO2 eq. per output scaling factor)	GRI 305: Emissions	Environmental Sustainability - Energy Management
	E2.2) Total non-GHG emissions (tons of CO2 eq. per output scaling factor)		
E3. Energy Usage	E3.1) Total amount of energy directly consumed (MWh)	GRI 302: Energy	Environmental Sustainability - Energy Management
	E3.2) Total amount of energy indirectly consumed (MWh)		
E4. Energy Intensity	E4.1) Direct energy use intensity (MWh per output scaling factor)	GRI 302: Energy	Environmental Sustainability - Energy Management
	E4.2) Total indirect energy usage (MWh per output scaling factor)		
	E4.3) Please describe investments, initiatives, and projects to reduce energy consumption and increase energy efficiency (text)	N/A	
E5. Energy Mix	E5.1) Renewable energy used (% or MWh)	GRI 302: Energy	*Not currently captured*
	E5.2) Non-renewable energy used (% or MWh)		*Not currently captured*

Environment			
DFM metric	***Indicator***	***Corresponding GRI standard***	***Report page number or direct answer***
E6. Water and Effluents	E6.1) Total amount of water withdrawn (m3)	GRI 303: Water and Effluents	*Not currently captured, not a material area*
	E6.2) Total amount of water discharged m3		*Not currently captured, not a material area*
	E6.3) Total amount of water consumed (If possible, a breakdown by source: surface water, groundwater, seawater, etc.) (m3)		*Not currently captured, not a material area*
	E6.4) Water intensity (m3 per output scaling factor)	N/A	*Not currently captured, not a material area*
	E6.5) Water recycled (If applicable) (%)	N/A	*Not currently captured, not a material area*
	E6.6) Please describe investments, initiatives, and projects to reduce water consumption and increase water recycling	N/A	*Not currently captured, not a material area*
E7. Waste	E7.1) Total amount of waste generated (if possible, broken down by Hazardous and Non-hazardous) (tons)	GRI 306: Waste	*Not currently captured, not a material area*
	E7.2) Total amount of waste diverted from disposal (if possible, broken down by Hazardous and Non-hazardous) (tons)		*Not currently captured, not a material area*
	E7.3) Total amount of waste directed to disposal (if possible, broken down by Hazardous and Non-hazardous) (tons)		*Not currently captured, not a material area*
	E7.4) Total number and volume of oil spills (if applicable) (# and tons)	GRI 11: Oil and Gas Standard	*Not currently captured, not a material area*
	E7.5) Please describe investments, initiatives, and projects to reduce waste generation consumption and to increase waste recycling (text)	N/A	*Not currently captured, not a material area*
E8. Environmental Management	E8.1) Does your company follow a formal Environmental Policy? Yes/No	GRI 2: General Disclosures	No
	E8.2) Does your company follow specific waste, water, energy, and/ or recycling policies? Yes/No		No
	E8.3) Does your company adopt a recognized environment and energy management systems such as ISO14001 and ISO50001? Yes/No	N/A	No
	E8.4) Does your company have targets in place for the environment, energy, water, and waste?	N/A	No
	E8.5) Please indicate if any fines were received (> USD 10000) for non-compliance with laws and regulations regarding environmental management during the last reporting period (USD)	GRI 2: General Disclosures	No

Environment			
DFM metric	***Indicator***	***Corresponding GRI standard***	***Report page number or direct answer***
E9. Climate Risk Management and Oversight	E9.1) Does your Board/ Management Team oversee and/or manage climate-related risks and opportunities? If yes, describe	GRI 2: General Disclosures	Governance - Sustainability Governance
	E9.2) Please describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term (text)	N/A	*Not currently captured*
	E9.3) Please describe the organization's processes for identifying and assessing climate-related risks (text)	N/A	*Not currently captured*
	E9.4) Please describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning (text)	N/A	*Not currently captured*
	E9.5) Total amount invested, periodically, in climate-related infrastructure, resilience, and product development (reporting currency, preferably USD)	N/A	*Not applicable to Ajman Bank's operations*
	E9.6) Please describe the greenhouse gas emission targets (Scope1, Scope 2 and Scope3) and the related risks (text)	N/A	*Not currently captured*
	E9.7) Please share your actions to align with UAE's Net Zero Commitment by 2050. Do you have a net zero emissions target in place? (text)	N/A	*Ajman Bank Net Zero Transition Initiatives*
E10. Biodiversity	E10.1) Please share the number of operational sites owned, managed, and/or leased in or adjacent to protected areas and areas of high biodiversity value (text)	GRI 304: Biodiversity	*Not applicable to Ajman Bank's operations*
	E10.2) Please describe the significant impacts of activities, products, and services on biodiversity (text)		*Not applicable to Ajman Bank's operations*
Social			
S1. CEO Pay Ratio	S1.1) Please share the ratio of CEO total compensation to median Full Time Equivalent (FTE) total compensation (number)	GRI 2: General Disclosures	N/A
	S1.2) Does your company report this metric (above) in regulatory filings? Yes/No	N/A	Yes
S3. Breakdown of Staff	S3.1) Please share the total enterprise headcount held by full-time employees (broken down by gender, age, and seniority level) (number and %)	GRI 2: General Disclosures	Social Sustainability - Our People
	S3.2) Please share the total enterprise headcount held by part-time employees (broken down by, gender, age, and seniority level) (number and %)		*Not applicable to Ajman Bank's operations*
	S3.3) Please share the total enterprise headcount held by contractors and/or consultants (number and %)		Social Sustainability - Our People
	S3.4) Please share the total of national employees (broken down by, gender, age, and seniority level) (number and %)	GRI 202: Market Presence	Social Sustainability - Our People

Environment			
DFM metric	***Indicator***	***Corresponding GRI standard***	***Report page number or direct answer***
S4. Employee Turnover and New Hires	S3.1) Year-over-year change for full-time employees (broken down by gender, age, and seniority level) (number and %)	GRI 401: Employment	Social Sustainability - Our People
	S3.2) Year-over-year change for part-time employees (number and %)		*Not applicable to Ajman Bank's operations*
	S3.3) Year-over-year change for contractors/ consultants (number and %)	GRI 2: General Disclosures	Increased by 4 headcounts (2% increase)
	S3.4) Year-over-year of new hires (broken down by age, gender, and seniority level) (number and %)	GRI 401: Employment	Social Sustainability - Our People
S5. Gender Diversity and Equality	S5.1) Total enterprise headcount held by men and women (number and %)	GRI 2: General Disclosures / GRI 405: Diversity & Equal Opportunity	Social Sustainability - Our People
	S5.2) Total entry- and mid-level positions held by men and women (number and %)		*Not a material area but disclosures are captured:* Non-management: Male: 63 (68%) Female: 30 (32%) Middle Management: Male: 268 (63%) Female: 160 (37%)
	S5.3) Total senior- and executive-level positions held by men and women (number and %)		*Not a material area but disclosures are captured:* Top management: Male: 2 (100%) Female: 0 (0%)
	S5.4) The ratio of median male employee compensation to median female employee compensation (number)	GRI 405: Diversity & Equal Opportunity	2.29) 2.29 : 1)
	S5.5) Please describe your company's initiatives or programs to support the recruitment and retention of female employees, and to support female employees to advance to management positions (text)	GRI 2: General Disclosures	Following guidelines/ policies in line with the UAE Labor Law
S6. Human Rights	S6.1) Does your company follow a non-discrimination policy? Yes/No	GRI 2: General Disclosures	Yes
	S6.2) Does your company have a formal grievance mechanism in place? Yes/No		Yes
	S6.3) Does your company follow a child and/ or forced labor policy? Yes/No		*Not applicable to Ajman Bank's operations*
	S6.4) Does your company follow a human rights policy? Yes/No		Yes
	S6.5) Does your company provide training on human rights and related internal policies for your employees? Yes/No	GRI 404: Training & Education	Yes

Environment			
DFM metric	***Indicator***	***Corresponding GRI standard***	***Report page number or direct answer***
S7. Health & Safety	S7.1) Does your company follow an occupational health and/or global health & safety policy? Yes/ No	GRI 2: General Disclosures	*Not applicable to Ajman Bank's operations*
	S7.2) Does your company adopt a recognized health and safety management system such as ISO45001? Yes/No	N/A	*Not applicable to Ajman Bank's operations*
	S7.3) Please share the total employee and total contractors (if available) manhours (hours)	GRI 403: Occupational Health and Safety	*Not applicable to Ajman Bank's operations*
	S7.4) Please share the total employee fatalities (number)		*Not applicable to Ajman Bank's operations*
	S7.5) Please share the employee lost time injury (LTI) (number)		*Not applicable to Ajman Bank's operations*
	S7.6) Please share the lost time injury frequency (LTIF) (number)		*Not applicable to Ajman Bank's operations*
	S7.7) Please share the total health and safety training provided to employees (hours)		*Not applicable to Ajman Bank's operations*
S8. Community Investment	S8.1) Please share the total amount invested in the community, including philanthropy, donations, and sponsorships (amount invested/yearly revenue in reporting currency)	N/A	Social Sustainability - Community Impact
	S8.2) Please share the total employee volunteering completed during the reporting period (hours)	N/A	*Not currently captured*
Governance			
G1. Board Diversity	G1.1) Total board seats occupied by men and women (number and %)	GRI 405: Diversity & Equal Opportunity	Men: 7 Women: 0
	G1.2) Total committee chairs occupied by men and women (number and %)		Men: 7 Women: 0
G2. Board Independence	G2.1) Does the company prohibit the CEO from serving as board chair? Yes/No	GRI 405: Diversity & Equal Opportunity	Yes
	G2.2) Please share the total board seats occupied by independent board members (%)		71.4% (5 non-independent and 2 independent)
G3. Collective Bargaining	G3.1) Please share the total enterprise headcount covered by collective bargaining agreement(s) (applicable to companies operating in countries in which collective bargaining is applicable by law) (%)	GRI 2: General Disclosures	*Not applicable to Ajman Bank's operations*

Environment			
DFM metric	***Indicator***	***Corresponding GRI standard***	***Report page number or direct answer***
G4. Supplier Chain Management	G4.1) Are your vendors or suppliers required to follow a Code of Conduct? Yes/ No	N/A	Yes
	G4.2) If yes, what percentage of your suppliers have formally certified their compliance with the code? (number or %)	GRI 308: Supplier Environmental Assessment	100% of newly onboarded suppliers
	G4.3) Please share the suppliers that underwent a supplier's environmental audit during the reporting period (number or %)	GRI 308: Supplier Environmental Assessment	0%
	G4.4) Please share the suppliers that underwent a supplier's social audit during the reporting period (number or %)	GRI 414: Supplier Social Assessment	0%
	G4.5) Please share the new suppliers receiving warnings due to the environmental/social screening (text)	GRI 2: General Disclosures	0%
G5. Ethics & Anti-Corruption	G5.1) Does your company follow an Ethics and/or Anti-Corruption policy? Yes/No	GRI 2: General Disclosures	Yes (Anti-Bribery and Corruption clause is part of the Financial Crimes and Regulatory Compliance Policy and Code of Conduct)
	G5.2) Please share the workforce formally compliant with the Anti-Corruption Policy (%)	GRI 205: Anti-Corruption	100%
	G5.3) Please share the confirmed incidents of corruption during the reporting period (number)	GRI 205: Anti-Corruption	0
	G5.4) Please share the corrective measures taken corresponding to the confirmed incidents of corruption (in case of any) (text)	GRI 205: Anti-Corruption	*Not present as no confirmed incidents of corruption*
G6. Data Security	G6.1) Does your company follow a Data Privacy policy? Yes/No	GRI 418: Customer Privacy	Governance - Our engagement for data security and customer privacy
	G6.2) Has your company taken steps to comply with GDPR rules or similar standards? Yes/No	N/A	Yes, UAE CPR Rules
	G6.3) Data security breaches during the reporting period (if any)	GRI 418: Customer Privacy	0
G7. Sustainability Practices	G7.1) Does your company publish a sustainability report? Yes/No	N/A	Yes
	G7.2) Does your company publish a GRI, WEF SCM, SASB, IIRC, UNGC, or CDP-based reporting? (text)	N/A	Ajman Bank's Sustainability Report 2023 references GRI metrics as per the list recommended in the DFM ESG Reporting Guide
	G7.3) Does your company provide training to its employees regarding topics related to sustainability (environment, human rights, ethics, etc.)? Yes/No	GRI 404: Training & Education	Social Sustainability - Trainings and Education
	G7.4) Please share the total sustainability-related training provided to employees (hours)		*Not currently captured*
G8. External Assurance	G8.1) Are your sustainability disclosures assured or verified by a third-party audit firm? Yes/ No	GRI 2: General Disclosures	No

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