

Board Compensation Policy – Changes

The Bank's Board Compensation Policy was last approved by the Board in March 2025.

Post the CBUAE Limited Scope Examination of Corporate Governance, Legal and Regulatory Compliance, one of the observations was in relation to the Board Compensation Policy that it is misaligned with the CBUAE Regulation that requires that the board members receive only fixed compensation and directly related expenses reimbursements.

Following which comprehensive review was undertaken and the Board Compensation Policy has been fully updated to reflect the regulatory mandates and the Bank's internal governing processes without altering the document's established format. Key revisions include:

The table below presents material changes in each header of the document:

Sl. No.	Paragraph Heading	Changes
1	Introduction	The legal and regulatory framework governing Board compensation detailed for ready reference.
2	Scope	Scope of the Policy defined
3	Guiding Principles	Guiding principles in relation to payment of Board compensation included within the Policy for clarity
4	Components of Board Compensation	Various Regulatory stipulations/governing requirements are integrated within the Policy for completeness
5	Approval Process	The Bank's internal process is integrated within the Policy for completeness
6	Payment and Disbursement Process	Payment and Disbursement Process incorporated for consistency and uniformity
7	Disclosure Requirements	CBUAE's Board remuneration disclosure requirement incorporated.
8	Allowance for the Board Secretary	No change
9	Review and Amendments	No material changes. Incorporated (i) CBUAE requirement of review of compensation by an independent external third party once at least in five years; and (ii) review requirements by ISSC.
10	Effective Date	No change

Board Compensation Policy

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Table of Content

1.0	Introduction and Purpose.....	3
2.0	Scope	3
3.0	Guiding Principles	3
4.0	Components of Board Compensation	4
5.0	Approval Process	5
6.0	Payment and Disbursement Process	5
7.0	Disclosure Requirements.....	6
8.0	Allowance for the Board Secretary	6
9.0	Review and Amendments	6
10.0	Effective Date	7
	Appendix - Business Travel.....	8
	SELECTED EXTRACTS FROM THE APPLICABLE LAWS AND REGULATIONS	9
	Version Control.....	12
	Distribution List	12
	Document Approval	13

1.0 Introduction and Purpose

This Board Compensation Policy ('Policy') establishes the framework for determining, approving, and disclosing compensation for members ('Directors') of the Board of Directors ('Board'). The Policy ensures that Board compensation is structured in accordance with:

- The Central Bank of the UAE (CBUAE) Corporate Governance Regulation and Corporate Governance Standards for Banks;
- The Securities and Commodities Authority (SCA) Resolution regarding approval for Public Joint Stock Companies Governance Guide;
- The UAE Federal Decree Law No. 32 of 2021 (Commercial Companies Law - 'CCL'); and
- Articles of Association of the Bank.

The Policy promotes transparency, fairness, prudent risk-taking, and alignment with long-term interests of shareholders, depositors, and other stakeholders.

2.0 Scope

This Policy applies to:

- All Non-Executive Directors of the Board, whether Independent or otherwise;
- Board Committees (e.g., Board Executive Committee ('BEC'), Board Audit Committee ('BAC'), Board Risk Committee ('BRC'), Board Nomination and Compensation Committee ('BNCC'), Board Compliance Committee ('BCC'), and Board Profit Equalisation Reserve Committee ('BPERC')).

This Policy does not apply to the Senior Executive Management compensation framework.

3.0 Guiding Principles

Board compensation must adhere to the following principles derived from the applicable regulations:

3.1 Compliance with Laws and Regulations

Compensation must comply with:

- CBUAE compensation governance requirements, including alignment with prudent risk management;
- CCL provisions on director compensation caps and shareholder approval;
- SCA requirements on disclosure and transparency.

3.2 Alignment with the Bank's Long-Term Interests

Compensation must promote:

- Long-term sustainability and financial soundness;
- Protection of depositors (for banks);
- Long-term shareholder value creation.

3.3 Transparency and Shareholder Approval

Total Board compensation shall be:

- Disclosed annually in the Corporate Governance Report and financial statements;
- Approved by shareholders at the General Assembly or Annual General Meeting ('AGM').

3.4 Proportionality and Fairness

Compensation must reflect:

- The size, complexity, and nature of the Bank;
- The responsibilities, time commitment, and expertise of Directors.

3.5 Prohibition on Excessive or Risk-Inducing Incentives

Board compensation must not include:

- Performance-based compensation for Directors;
- Incentives that may encourage inappropriate or imprudent risk-taking.

4.0 Components of Board Compensation

4.1 Fixed Compensation

Directors may receive fixed compensation that includes:

- Annual Board compensation;
- Committee member sitting fee – AED 10,000/- per Committee meeting attended;
- Committee chairperson sitting fee – AED 15,000 per Committee meeting chaired;
- Allowances (e.g., travel, accommodation, meeting attendance, or other business-related expenses will be reimbursed against actual bills for the trips approved by the Chairman/Vice Chairman). For more information on business travel, please refer to the attached Appendix.

4.2 Compensation Cap under UAE Law

In accordance with the CBUAE Corporate Governance Regulation and Corporate Governance Standards for Banks:

- Negative financial performance or net loss reported by a Bank in a financial year should generally lead to a contraction of the Board's total compensation. The Central Bank may impose additional reductions to the Board's total compensation where the negative financial performance was due to non-compliance with Regulations, omission or error by the Board.

In accordance with the CCL:

- Total Board compensation must not exceed 10% of net profits for the relevant financial year after statutory reserves and depreciation.
- If the company does not generate profits, no compensation may be paid, except reasonable sitting fees for Board and committee meetings (if allowed under the CCL and Articles of Association).

In accordance with the Bank's Articles of Association:

- A percentage not exceeding 10% of the net profit for expired financial year after deduction of all depreciation and reserves shall be allocated to the Board of Directors members as remuneration. The Board of Directors shall propose the remuneration which shall be decided by the General Assembly. The fines which inflicted on the Company by SCA or competent authority as the results of contraventions by the Board of Directors of the Companies Law, or the Articles of Association of the company during the expired financial year, shall be deducted

from this remuneration. The General Assembly may not deduct the lines or part thereof if it appears that these fines are not resulted from failure or mistake of the Board of Directors.

Note: Pursuant to guidance issued by both CBUAE and SCA, in the event of any conflict between the CBUAE's Corporate Governance Regulation and Corporate Governance Standards for Banks and SCA's Resolution regarding approval for Public Joint Stock Companies Governance Guide, then the guidance of the CBUAE's Corporate Governance Regulation and Corporate Governance Standards for Banks will prevail.

5.0 Approval Process

5.1 Role of BNCC

The BNCC shall:

- Annually review this Policy;
- Propose Board compensation levels and structure;
- Ensure compensation is aligned with regulatory requirements;
- Benchmark compensation against peer institutions, when required;
- Review sitting fees for the Board Committee's chairmanship and memberships.

BNCC's recommendations shall be submitted to the Board for review and action.

5.2 Shariah Approval

This policy and any subsequent amendments should be approved by the Internal Shariah Supervisory Committee ('ISSC').

5.3 Board Review and Recommendation

The Board shall:

- Review BNCC recommendations;
- Recommend the proposed compensation to be presented to shareholders;
- Ensure transparency in disclosures.

5.4 Shareholder Approval

At the General Assembly, shareholders:

- must Approve the Board compensation for the prior year;
- May Approve the compensation framework for the upcoming year;

5.5 Regulatory Notification

Where applicable, and in compliance with the CBUAE Corporate Governance Regulation and Corporate Governance Standards for Banks:

- The Bank shall submit compensation disclosures to the CBUAE;
- Any breaches or exceptions must be reported to the CBUAE.

6.0 Payment and Disbursement Process

6.1 Eligibility

Directors are eligible for compensation upon:

- Election or appointment to the Board;

- Attendance at Board and committee meetings;
- Compliance with Board responsibilities and duties.

6.2 Calculation of Compensation

The Finance Department shall:

- Calculate annual fixed compensation based on Board-approved amounts;
- Verify attendance records before calculating sitting fees;
- Confirm compliance with statutory caps and profit-based limitations;

6.3 Payment Authorization

- Payments shall be processed only after Board approval and AGM shareholder approval;
- Finance shall prepare a compensation summary;
- The CEO and the CFO shall approve disbursement;

6.4 Timing of Payments

- Fixed Compensation : Paid annually;
- Committee Sitting fees: Paid per meeting;

7.0 Disclosure Requirements

The Bank shall disclose:

- Total Board compensation in the Annual Corporate Governance Report;
- Breakdown of components, where required;
- Committee compensation; and
- Confirmation of compliance with CBUAE, SCA, and CCL requirements, as and when required.

8.0 Allowance for the Board Secretary

The Board Secretary will be offered an annual Allowance to compensate his services for facilitating the Board and Board Committees meetings.

- The BNCC will discuss and decide regarding the annual allowance amount to be paid to the Board Secretary.
- The travel expenses of the Board Secretary will be administered as per the Bank's Business Travel Policy.

9.0 Review and Amendments

- This Policy shall be reviewed annually by the BNCC. If applicable, this Policy shall form part of the independent assessment of the Bank-wide compensation plan, processes, and outcomes to be carried by an external third party at least once every five (5) years.
- Amendments must be approved by the ISSC, reviewed by the Board and recommended to the shareholders;
- Shareholders shall approve the Policy.

10.0 Effective Date

This Policy becomes effective upon approval by the Board and remains in force unless amended or replaced by subsequent Board resolution.

Appendix - Business Travel

Authorization / Administration Process:

- The business travel of directors shall be approved by the Chairman or by the Vice Chairman.
- A Travel Authorization Request is always required whenever any director undertakes travel for the Bank's business.
- The Board Secretary will facilitate the approval process.

Ticket Reservation

- Board Secretary and/or Bank's Administration Division will arrange for the requested reservation, if required. Ticket reservations may be directly arranged by the director's own office, but the cost of tickets will be paid by the Bank.

International Travel to Attend Seminars & Conferences

Cost for international travel shall be reimbursed as follows:

- **Air Tickets**
Directors are entitled to travel by First Class.
- **Hotel Expenses**
Directors are entitled for Five Star hotel accommodation. Actual hotel expenses for full boarding & lodging, inclusive of meals and incidental expenses will be reimbursed.
- **Taxi Fares / Private Car with a Driver**
Taxi fares or expenses for private car hire with a driver for overseas business visits will be reimbursed separately as per invoice.
- **Visa Fees**
Bank will bear the visa expenses.
- **Payment Administration**
Any payment claim should be supported by invoice or Receipt.

SELECTED EXTRACTS FROM THE APPLICABLE LAWS AND REGULATIONS**1. CBUAE Corporate Governance Regulations****Article 12 Compensation**

- (4) Members of the Board must be compensated only with fixed compensation comprising the payment of an annual fixed amount and the reimbursement of directly related costs to the discharge of their responsibilities. Bonus or any incentive-based mechanisms based on the performance of the Bank must be excluded.

2. CBUAE Corporate Governance Standards for Banks**Article 12 Compensation**

- (4) The payment of the annual fixed amount to the Members of the Board should include a part relating to their service on the Board and another on the Board committees, with greater weighting applied to chairing committees. The payment may also include the value of other non-monetary benefits, e.g. insurance and healthcare. The contract signed by each Member of the Board must determine all the details of his/her compensation.

Article 12

- (5) Negative financial performance or net loss reported by a Bank in a financial year should generally lead to a contraction of the Board's total compensation. The Central Bank may impose additional reductions to the Board's total compensation where the negative financial performance was due to non-compliance with Regulations, omission or error by the Board.

Article 13

- (1h) Disclosure in the annual corporate governance statement must include, but not be limited to:...
- The individual compensation of the Members of the Board and key members of Senior Management.

3. SCA Chairman Decision no. (3/Chairman) of 2020 Resolution regarding approval for Public Joint Stock Companies Governance Guide**Article 29 Remuneration of the Board Chairman and Members**

1. The company's Articles of Association indicates the method of calculating the remuneration for members of the Board of Directors, ensuring it does not exceed 10% of the net profit after deducting depreciations and reserves for the fiscal year.
2. Exception to clause (1): A fixed amount not exceeding AED 200,000 (Two hundred thousand) may be disbursed to a Board Member at the end of the fiscal year, subject to the company's articles of association and after the General Assembly's approval. This is permissible when:
 - a. The company has not achieved profits.
 - b. If the Board Member's share from the profits is less than AED 200,000 (Two hundred thousand),

In this case, it is not permissible to combine the remuneration and fixed amount.

3. The Company may also pay expenses, fees, additional bonus or a monthly salary to any Board member, in consistent with the polices suggested by the Nomination And Remuneration Committee, reviewed by the Board and approved by the general assembly. If such member serves in any committee, makes special efforts or performs additional work to serve the Company in excess of his regular duties as a member in the company Board, Attendance allowance may not be paid to the chairman or a Board member for attending Board meetings.
4. Fines that may have been imposed on the Company by the Authority or the Relevant Competent Authority due to violations by the Board of the Law or the Articles of Association during the ended fiscal year shall be deducted from the remuneration. The General Assembly may decide not to deduct such fines or some of them if it deems that such fines were not the result of default or error of the Board.
5. The remuneration policy should include a mechanism for calculating the remuneration of the Board of Directors and senior executive management. A comparison of proposed remunerations should be made against private sector benchmarks and other companies in the same industry with similar turnover, both regionally and locally.

Article 77 **Corporate Governance Information**

First: The company is obligated to present a signed governance report, prepared in accordance with the form prescribed by the Authority that is available on its official website of the Authority and the Exchange.

Second The annual report shall include a corporate governance report includes the following at least:

6. Details and reasons for any compensation and allowances received by each Board member and Board committees for the financial year.
 7. A statement of the company directors and the first and second grades as stated in the organizational structure of the company and their functions, dates of appointment, details of salaries, bonuses received by each of them separately and any other compensation received from the company, clarifying the consideration for these compensations.
- (c) Third: The Board of Directors must make this report available to all the company's shareholders before submitting a request to the Authority to approve the holding of the Annual General Meeting.

4. **UAE Federal Law No. 32 of 2021 concerning Commercial Companies Law:** Article 171

1. The AOA shall determine the way in which the remuneration of Directors is to be calculated, provided that it does not exceed [10 %] of the net profit for the fiscal year then ended, after the deduction of depreciation and reserves.
2. Notwithstanding clause [1] of this Article, and subject to the controls to be issued by the SCA in this regard, any director may be paid a lump sum remuneration not exceeding [AED 200,000] two hundred thousand dirhams at the end of the fiscal year, provided that the Company's AOA so permits and that the General Assembly has approved the payment of such remuneration in the following cases:
 - a. If the company fails to make any profit;
 - b. If the company makes a profit and the director's share of those profits is less than [AED 200,000] two hundred thousand dirhams, in which case, the remuneration and fees may not both be paid to a single director.
3. The fines imposed on the Company due to violations by the board of directors of the Law or the AOA of the Company during the fiscal year ended shall be deducted from the remunerations of the board of directors. The General Assembly may decide to not deduct such fines if it is convinced that they are not due to any negligence or error on the part of the board of directors.

Version Control

Version	Context	Prepared by	Revision	Date
1.0	First Issuance	General Counsel & Board Secretary- Legal & Board Secretariat	-	12/01/2009
2.0	Second Issuance	General Counsel & Board Secretary- Legal & Board Secretariat	-	March 2025
3.0	Third Issuance	General Counsel & Board Secretary- Legal & Board Secretariat	-	The date will be update upon publication

Distribution List

- General Counsel & Board Secretary- Legal & Board Secretariat

Document Approval

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Recommended By		
Board of Directors		<i>The changes in the policy to be communicated to BoD members for Recommendation</i>

Approved By	
Annual General Meeting	<i>The AGM changes in the policy to be communicated to members for Approval</i>