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BASEL III – PILLAR III DISCLOSURES

FINANCIAL YEAR – 2024

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1 Overview and Introduction

This document contains Pillar III disclosure which supplements the Basel III minimum capital requirements and the supervisory review process of Ajman Bank PJSC (the Bank). This includes information on the Bank's reporting structure, regulatory capital structure, risk exposures, risk management objectives, policies and assessment processes. The disclosures consist of both quantitative and qualitative information and are provided at the Bank level.

The Bank is regulated by the Central Bank of the United Arab Emirates (CBUAE) and follows the Pillar III disclosure requirement guidelines issued by the CBUAE. Some of the Pillar III requirements have been disclosed in the audited consolidated financial statement for the year ended 31 December 2024, which covers the risk and capital management processes of the Bank and its compliance with the Basel Accords.

1.1 Basel Regulatory Framework

The Basel Accord framework consists of following three main pillars:

• Pillar I - outlines the regulatory minimum capital requirements by providing rules and regulations for measurement of credit risk, market risk and operational risk. The requirement of capital has to be covered by the Banks' own regulatory fund;

• Pillar II - addresses a Bank's Internal Capital Adequacy Assessment Process ("ICAAP") for assessing overall capital adequacy in relation to risks other than Pillar I; and

• Pillar III - covers the other two pillars and focuses on enhanced transparency in information disclosure, covering risk and capital management, which encourages market discipline and allows market participants to assess specific information.

1.2 Future Regulatory Developments

The regulation and supervision of financial institutions has undergone a significant change since the global financial crisis. CBUAE Basel III capital regulations have been implemented and are compiled by the Bank.

All revised capital standards for 2022 as per Basel III guidelines on capital standards for Common Equity Tier 1 (CET1), Additional Tier 1 (AT1) and Capital Conservation Buffer (CCB) are implemented. There is close coordination between UAE Banks and CBUAE for the smooth implementation of any forthcoming new guidelines and disclosure requirements.

Implementation and Compliance of Basel Framework Guidelines

The Bank has been in compliance with Basel Accord guidelines since 2008, in accordance with CBUAE directives on Standardised Approach for Credit, Market and Operational Risk. In compliance with the CBUAE guidelines and Basel accords, these disclosures include information on the Bank's risk management objectives and policies, risk assessment processes and computation, capital management and capital adequacy.

Verification

The Pillar III disclosures for the year ended 31 December 2024 have been appropriately verified internally.

2 Overview of Risk Management and RWA

OVA: Bank risk management approach

(a) Overall risk profile and risk tolerance

Risk management is an integral part of Ajman Bank's business operations. The focus is to create a risk culture within the organisation, where decisions are made following a proactive risk management approach. Involving identification, measurement, monitoring and controlling risks to pursue the mission of the Bank, while staying within the Board approved Risk appetite.

Risk appetite is defined as the amount of risk exposure the Bank is willing to accept or retain. The Board approved risk appetite is reviewed and updated at least annually or more frequently if the circumstances warrant. The Bank's risk appetite is defined in accordance with the prudent risk management principles, while following the highest ethical standards, ensuring a fair outcome for its clients and also facilitating the effective operations in the financial markets. The risk appetite also ensures compliance to the guidelines set by regulators and law enforcement agencies.

To ensure full coverage the risk appetite has dedicated segments for all risks relevant to the Bank. Each segment of the risk appetite has various qualitative and quantitative measures with specific thresholds. Following are the major risks covered in the risk appetite:

- Credit Risk
- Market Risk
- Liquidity Risk
- Operational Risk
- Strategic Risk
- Compliance Risk
- Conduct Risk
- Information Security Risk
- Model Risk
- Shariah Risk
- Fraud Risk

The risk appetite statement is complemented with other detailed limits monitored with specific thresholds and reported to ExCo on a monthly basis. The risk appetite is presented to the Board Risk Committee (BRC) on a quarterly basis. Escalations are made to the Board upon recommendations of BRC.

(b) Risk Governance Structure

(c) Channels to communications and enforcement of risk culture

The Board of Directors hold the ultimate responsibility for managing and monitoring the Risks faced by the Bank. The Board manages the responsibility through the below structure.

Board of Directors

The Board of Directors have the supreme authority for decision making in the Bank. The overall responsibility of risk management rests with the Board. The Board comprises of seven members including the Chairman and Vice Chairman. The Board meets regularly with at least once in each quarter. The Board approves the business plan along with the risk appetite measures/limits and monitors the progress in achievement of the same. This includes review/approvals of financial and non-financial items and updates recommended by the sub committees of the Board.

Board Risk Committee

The Board Risk committee (BRC) has been formed to support the Board in the oversight of risk management and related issues. BRC conduct its meetings at least once every quarter. It constitutes of three Board members, while the CRO is secretary to the committee. The BRC's primary function is to assist the Board of Directors in fulfilling their responsibilities related to:-

- Ensuring appropriate risk management practices and systems are available in the Bank,
- Appropriate identification, measurement, monitoring and controlling of Bank's principal business risks is conducted,
- Reviewing material policies, procedures to manage Bank's material risks, and
- Ensuring compliance with risk related regulatory guidelines.

Board and Executive Committees

The Bank has various sub committees of the Board with a clear mandate and delegation of authority including Board Executive Committee (BEC), Board Risk committee (BRC), Board Compliance Committee (BCC), Board Nomination and Compensation Committee (BNCC) and Board Audit Committee (BAC). Also the management level committees play a significant role in managing the risks pertinent to their areas. These committees include Credit Execution Committee (CEC), Executive Committee (ExCo), Asset Liability Committee (ALCO), Executive Risk Committee (ERC), Executive Compliance Committee (ECC), Model Oversight Committee (MOC), IT Steering Committee, Human Resource Committee, Disciplinary Committee, Vendor Management Committee and New Products / Services Committee The Bank also has an independent Internal Shari'ah Supervision Committee (ISSC) responsible for ensuring that Ajman Bank's activities are in compliance specifically with AAOIFI Sharia Standards and generally with the Sharia laws and principles.

Risk Department

The Risk Department is responsible for developing, implementing and maintaining risk related design/procedures to ensure risk remains within the acceptable range as approved by the Board Risk Committee and the Board of Directors. The department under the leadership of Chief Risk Officer (CRO) is responsible for overall risk control and monitoring. Any breach of limits is to be escalated as per Board approved guidelines. The department also conducts stress testing of various risks faced by the Bank to analyse and report the impact. This helps the Bank maintain adequate buffers against unknown shocks. Risk department is well equipped with the systems required for risk measurements, which include state of the art asset liability management system, liquidity measurement system, limit monitoring system and others. As per strategy, the Bank does not expose to material currency risk other than USD and that also is maintained within a reasonable range.

The Three Lines of Defense

The Bank follows the three lines of defense approach in Risk management.

Ajman Bank's risk governance shall be based on the Committee of Sponsoring Organizations of the Treadway Commission (COSO) 'Three Lines of Defense' model.

a. First Line of Defense – Business Units and Support Functions

The first line of defense shall be 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 shall follow a systematic risk process and implement internal controls and other risk responses to treat the risks associated with the Bank's operations. It shall be the responsibility of Business Units and Support Functions to actively manage risks and periodically report on identified risks. The Business Units for Ajman Bank shall include Consumer, Wholesale Banking and Treasury whereas support functions include functions such as Credit, Finance, Operations, Information Technology etc.

b. Second Line of Defense – Risk Department, Compliance & Internal Shariah Control

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

c. Third Line of Defense – Internal Audit & Internal Shariah Audit

Banks's third line of defense including Internal Audit and Shariah Audit shall 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.

Three lines of defense approach enables the Bank to ensure risks are properly understood at each level with controls and mitigations are executed at appropriate levels without any compromise due to conflict of interest.

d. Board of Directors and Senior Management

Although not formally part of Bank's three lines of defense, Board of Directors and Senior management shall be collectively responsible for establishing Bank's objectives, high-level strategies to achieve said objectives, and establishing governance structures to manage risks. Senior management is accountable for the selection, development, and evaluation of Bank's internal control systems with oversight by the Board.

e. External Audit and Regulators

Although not part of Bank's three lines of defense, external auditors and regulatory insights shall form an integral part of Bank's overall governance and control structure.

(d) Scope and main features of risk measurement systems

The Bank operates a state of the art enterprise risk management suite. This includes an asset lability module, market risk, and liquidity module. Also, the Bank has obligor risk rating system, which is one of the best in the industry. These systems very effectively support the risk management process in the Bank.

(e) Process of risk information reporting provided to the board and senior management

Board of Directors bear the ultimate responsibility for risk management within the Bank. Board of Directors have assigned the Board Risk Committee to closely supervise all the risk related initiatives and promote the risk culture. Senior Management will be responsible to ensure risk awareness and promote overall risk culture in the Bank which is implemented through the three lines of defense model as discussed above.

(f) Qualitative information on stress testing

The department also conducts various stress testing exercises to analyse the impact of different risks faced by the Bank. These exercises support the ICAAP process plus help the department maintain/propose adequate buffers in the risk appetite measure.

(g) Strategies and processes to manage, hedge, and mitigate risks

The Bank follows a conservative approach in managing the risks it faces while conducting its operations.

- To manage the liquidity risk within the appetite the Bank makes efforts to keep the funding base diversified. The same is monitored or kept in check with appropriate liquidity related parameters set in the Risk appetite.
- Credit Risk is the main risk bank faces while conducting its business. The measures we use to manage the credit risk include diversity in credit portfolio, avoiding concentration, secured lending etc.

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- The Bank's business model is such that we don't incur much market risk as it doesn't keep active trading portfolio nor it holds exposure in foreign currencies. The profit rate risk is also managed at conservative levels.
- Operational and fraud risk are being managed carefully to avoid any occurrence of loss incidents.
- To avoid regulatory actions, compliance and conduct risks are actively managed.
- Non-financial risks including information security risk, strategic risk, model risk, reputational risk and ESG risk are managed through strengthening to internal control system and through periodic assessment of the same.

OV1: Overview of RWA

		RWA		Minimum capital requirements	
		Q4 2024	**Q3 2024**	**Q4 2024**	**Q3 2024**
1	Credit risk (excluding counterparty credit risk)	14,710,483	14,449,451	1,544,601	1,517,192
2	Of which: standardised approach (SA)	14,710,483	14,449,451	1,544,601	1,517,192
-	-	-			
-	-	-			
-	-	-			
6	Counterparty credit risk (CCR)	457	449	48	47
7	Of which: standardised approach for counterparty credit risk	457	449	48	47
-	-	-			
-	-	-			
-	-	-			
-	-	-			
12	Equity investments in funds - look-through approach	154,085	173,002	16,179	18,165
13	Equity investments in funds - mandate-based approach	-	-	-	-
14	Equity investments in funds - fall-back approach	-	-	-	-
15	Settlement risk	-	-	-	-
16	Securitisation exposures in the banking book	-	-	-	-
17	-	-			
18	Of which: securitisation external ratings-based approach (SEC-ERBA)	-	-	-	-
19	Of which: securitisation standardised approach (SEC-SA)	-	-	-	-
20	Market risk	86,777	56,897	9,112	5,974
21	Of which: standardised approach (SA)	86,777	56,897	9,112	5,974
22	-	-			
23	Operational risk	1,400,108	1,363,687	147,011	143,187
-	-	-			
-	-	-			
26	**Total (1+6+10+11+12+13+14+15+16+20+23)**	**16,351,910**	**16,043,485**	**1,716,951**	**1,684,566**

Note: The numbers presented in all the tables are in AED '000s unless otherwise specified.

KM1: Key metrics

		Q4 2024	Q3 2024	Q2 2024	Q1 2024	Q4 2023
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1)	2,937,305	2,947,335	2,789,662	2,676,496	2,564,363
1a	Fully loaded ECL accounting model	2,873,135	2,934,148	2,778,207	2,667,135	2,540,123
2	Tier 1	2,937,305	2,947,335	2,789,662	2,676,496	2,564,363
2a	Fully loaded ECL accounting model Tier 1	2,873,135	2,934,148	2,778,207	2,667,135	2,540,123
3	Total capital	3,123,121	3,130,121	2,984,468	2,874,438	2,767,874
3a	Fully loaded ECL accounting model total capital	3,058,950	3,116,934	2,973,013	2,865,078	2,743,634
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	16,351,910	16,043,485	17,006,169	17,277,695	17,715,683
	Risk-based capital ratios as a percentage of RWA					
5	Common Equity Tier 1 ratio (%)	17.96%	18.37%	16.40%	15.49%	14.48%
5a	Fully loaded ECL accounting model CET1 (%)	17.57%	18.29%	16.34%	15.44%	14.34%
6	Tier 1 ratio (%)	17.96%	18.37%	16.40%	15.49%	14.48%
w6 a	Fully loaded ECL accounting model Tier 1 ratio (%)	17.57%	18.29%	16.34%	15.44%	14.34%
7	Total capital ratio (%)	19.10%	19.51%	17.55%	16.64%	15.62%
7a	Fully loaded ECL accounting model total capital ratio (%)	18.71%	19.43%	17.48%	16.58%	15.49%
	Additional CET1 buffer requirements as a percentage of RWA					
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.50%	2.50%	2.50%	2.50%	2.50%
9	Countercyclical buffer requirement (%)	0.00%	0.00%	0.00%	0.00%	0.00%
10	Bank D-SIB additional requirements (%)	0.00%	0.00%	0.00%	0.00%	0.00%
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9+ row 10)	2.50%	2.50%	2.50%	2.50%	2.50%
12	CET1 available after meeting the bank's minimum capital requirements (%)	10.96%	11.37%	9.40%	8.49%	7.48%
	Leverage Ratio					
13	Total leverage ratio measure	23,218,423	25,079,382	24,964,714	23,735,623	25,648,305
14	Leverage ratio (%) (row 2/row 13)	12.65%	11.75%	11.17%	11.28%	10.00%
14a	Fully loaded ECL accounting model leverage ratio (%) (row 2A/row 13)	12.37%	11.70%	11.13%	11.24%	9.90%
14b	Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	12.65%	11.75%	11.17%	11.28%	10.00%

		Q4 2024	Q3 2024	Q2 2024	Q1 2024	Q4 2023
	Liquidity Coverage Ratio					
15	Total HQLA	-	-	-	-	-
16	Total net cash outflow	-	-	-	-	-
17	LCR ratio (%)	-	-	-	-	-
	Net Stable Funding Ratio					
18	Total available stable funding	-	-	-	-	-
19	Total required stable funding	-	-	-	-	-
20	NSFR ratio (%)	-	-	-	-	-
	ELAR					
21	Total HQLA	3,739,627	4,436,171	4,633,296	4,800,309	3,615,437
22	Total liabilities	20,266,460	21,073,855	20,768,675	22,440,318	21,567,752
23	Eligible Liquid Assets Ratio (ELAR) (%)	18.45%	21.05%	22.31%	21.39%	16.76%
	ASRR					
24	Total available stable funding	19,515,359	19,347,452	18,853,389	20,053,255	20,258,300
25	Total Advances	14,792,042	14,634,231	14,782,309	14,571,476	15,976,577
26	Advances to Stable Resources Ratio (%)	75.80%	75.64%	78.41%	72.66%	78.86%

**LCR and NSFR are not applicable*

3 Linkages between Financial Statements and Regulatory Exposures

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

	a	b	c	d	e	f	g
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items:				
			Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisation framework	Subject to market risk framework	Not subject to capital requirements or subject to deduction from capital
Assets							
Cash and balances with the Central Bank	2,459,522	2,459,522	2,459,522	-	-	-	-
Due from banks and financial institutions	2,400,828	2,400,828	2,400,828	-	-	-	-
Islamic financing and investing assets, net	12,959,402	12,959,402	12,959,402	-	-	-	-
Islamic Investments securities at amortized cost	-	-	-	-	-	-	-
Islamic Investments securities at FVTOCI	3,694,208	3,694,208	3,694,208	-	-	-	-
Investments in associates	-	-	-	-	-	-	-
Investments Properties	391,545	391,545	391,545	-	-	-	-
Property and Equipment	136,414	136,414	136,414	-	-	-	-
Other Islamic assets	812,429	812,429	771,209	-	-	-	41,220
Total assets	**22,854,348**	**22,854,348**	**22,813,128**	**-**	-	-	**41,220**
Liabilities							
Islamic customers' deposits	18,061,567	18,061,567	-	-	-	-	-
Due to banks and other financial institutions	979,651	979,651	-	-	-	-	-
Other Liabilities	701,320	701,320	-	-	-	-	-
Total liabilities	**19,742,538**	**19,742,538**	-	-	-	-	-

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

		Total	Items subject to:			
			Credit risk framework	Securitisation framework	Counterparty credit risk framework	Market risk framework
1	**Asset carrying value amount under scope of regulatory consolidation (as per template LI1)**	22,813,128	22,813,128	-	-	-
2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	-	-	-	-	-
3	Total net amount under regulatory scope of consolidation	22,813,128	22,813,128	-	-	-
4	Off-balance sheet amounts	424,345	424,345	-	-	-
5	*Differences in valuations*	-	-	-	-	-
6	*Differences due to different netting rules, other than those already included in row 2*	-	-	-	-	-
7	*Differences due to consideration of provisions*	878,561	878,561	-	-	-
8	*Differences due to CET 1 Adjustments*	-	-	-	-	-
9	**Exposure amounts considered for regulatory purposes**	**24,116,034**	**24,116,034**		**-**	**-**

4 Prudential Value Adjustments (PVAs)

PV1: Prudential valuation adjustments (PVAs)

Not applicable.

4 Composition of Capital

CC1: Composition of regulatory capital

		Amounts	Reference
	Common Equity Tier 1 capital: instruments and reserves		
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	2,723,500	Same as (n) from CC2 template
2	Retained earnings	229,826	
3	Accumulated other comprehensive income (and other reserves)	59,678	
4	*Directly issued capital subject to phase-out from CET1 (only applicable to non-joint stock companies)*	-	
5	Common share capital issued by third parties (amount allowed in group CET1)	-	
6	**Common Equity Tier 1 capital before regulatory deductions**	**3,013,004**	
	Common Equity Tier 1 capital regulatory adjustments		
7	Prudent valuation adjustments	-	
8	Goodwill (net of related tax liability)	41,220	
9	Other intangibles including mortgage servicing rights (net of related tax liability)	-	
10	Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of related tax liability)	-	
11	Cash flow hedge reserve	-	
12	Securitisation gain on sale	-	
13	Gains and losses due to changes in own credit risk on fair valued liabilities	-	
14	Defined benefit pension fund net assets	-	
15	Investments in own shares (if not already subtracted from paid-in capital on reported balance sheet)	34,478	Same as (o) from CC2 template
16	Reciprocal cross-holdings in CET1, AT1, Tier 2	-	
17	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
18	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
19	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	
20	Amount exceeding 15% threshold	-	
21	Of which: significant investments in the common stock of financials	-	

22	Of which: deferred tax assets arising from temporary differences	-	
23	CBUAE specific regulatory adjustments	-	
24	**Total regulatory adjustments to Common Equity Tier 1**	-	
24	**Total regulatory adjustments to Common Equity Tier 1**	**2,937,305**	
	Additional Tier 1 capital: instruments		
26	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	-	
27	Of which: classified as equity under applicable accounting standards	-	
28	Of which: classified as liabilities under applicable accounting standards	-	
29	*Directly issued capital instruments subject to phase-out from additional Tier 1*	-	
30	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in AT1)	-	
31	*Of which: instruments issued by subsidiaries subject to phase-out*	-	
32	Additional Tier 1 capital before regulatory adjustments	-	
	Additional Tier 1 capital: regulatory adjustments		
33	Investments in own additional Tier 1 instruments	-	
34	Investments in capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	
35	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	
36	CBUAE specific regulatory adjustments	-	
37	Total regulatory adjustments to additional Tier 1 capital	-	
38	**Additional Tier 1 capital (AT1)**	**-**	
39	**Tier 1 capital (T1= CET1 + AT1)**	**2,937,305**	
	Tier 2 capital: instruments and provisions		
40	Directly issued qualifying Tier 2 instruments plus related stock surplus	-	
41	*Directly issued capital instruments subject to phase-out from Tier 2*	-	
42	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 30) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	-	
43	*Of which: instruments issued by subsidiaries subject to phase-out*	-	
44	Provisions	185,815	
45	**Tier 2 capital before regulatory adjustments**	**185,815**	
	Tier 2 capital: regulatory adjustments		
46	Investments in own Tier 2 instruments	-	
47	Investments in capital, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	
48	Significant investments in the capital, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
49	CBUAE specific regulatory adjustments	-	
50	**Total regulatory adjustments to Tier 2 capital**	-	
51	**Tier 2 capital (T2)**	**185,815**	
52	**Total regulatory capital (TC = T1 + T2)**	**3,123,121**	
53	**Total risk-weighted assets**	**16,351,910**	

	Capital ratios and buffers		
54	Common Equity Tier 1 (as a percentage of risk-weighted assets)	17.96%	
55	Tier 1 (as a percentage of risk-weighted assets)	17.96%	
56	Total capital (as a percentage of risk-weighted assets)	19.10%	
57	Institution specific buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus higher loss absorbency requirement, expressed as a percentage of risk-weighted assets)	0.00%	
58	Of which: capital conservation buffer requirement	0.00%	
59	Of which: bank-specific countercyclical buffer requirement	0.00%	
60	Of which: higher loss absorbency requirement (e.g. DSIB)	0.00%	
61	Common Equity Tier 1 (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirement.	10.96%	
	The CBUAE Minimum Capital Requirement		
62	Common Equity Tier 1 minimum ratio	7.00%	
63	Tier 1 minimum ratio	8.50%	
64	Total capital minimum ratio	10.50%	
	Amounts below the thresholds for deduction (before risk weighting)		
-	-	-	
66	Significant investments in common stock of financial entities	-	
-	-	-	
68	Deferred tax assets arising from temporary differences (net of related tax liability)	-	
	Applicable caps on the inclusion of provisions in Tier 2		
69	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	-	
70	Cap on inclusion of provisions in Tier 2 under standardised approach	-	
-	-	-	
-	-	-	
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)	-	
73	*Current cap on CET1 instruments subject to phase-out arrangements*	-	
74	*Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)*	-	
75	*Current cap on AT1 instruments subject to phase-out arrangements*	-	
76	*Amount excluded from AT1 due to cap (excess after redemptions and maturities)*	-	
77	*Current cap on T2 instruments subject to phase-out arrangements*	-	
78	*Amount excluded from T2 due to cap (excess after redemptions and maturities)*	-	

CC2: Reconciliation of regulatory capital to balance sheet

	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	Q4 2024	Q4 2024	
Assets			
Cash and balances with the Central Bank	2,459,522	2,459,522	a
Due from banks and financial institutions	2,400,828	2,400,828	b
Islamic financing and investing assets, net	12,959,402	12,959,402	c
Islamic Investments securities at amortized cost	-	-	d
Islamic Investments securities at fair value	3,694,208	3,694,208	e
Investments Properties	391,545	391,545	f
Property and Equipment	136,414	136,414	g
Other Islamic assets	812,429	812,429	h
Total assets	**22,854,348**	**22,854,348**	i
Liabilities			
Islamic customers' deposits	18,061,567	18,061,567	j
Due to banks and other financial institutions	979,651	979,651	k
Other Liabilities	701,320	701,320	l
Total liabilities	**19,742,538**	**19,742,538**	m
Shareholders' equity			
Share Capital	2,723,500	2,723,500	n
Treasury Shares	(34,478)	(34,478)	o
Statutory reserve	277,753	277,753	p
Investment fair value reserve	-218,075	-218,075	q
General impairment reserve	-	-	r
Retained earnings	363,110	363,110	s
Total shareholders' equity	**3,111,810**	**3,111,810**	t
Total liabilities and Equity	**22,854,348**	**22,854,348**	

CCA: Main features of regulatory capital instruments

S. No.	Particulars	Quantitative / qualitative information
1	Issuer	Ajman Bank
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	AEA003201018
3	Governing law(s) of the instrument	UAE Federal Decree Law No. (32) of 2021 on Commercial Companies
	Regulatory treatment	
4	Transitional arrangement rules (i.e. grandfathering)	NA
5	Post-transitional arrangement rules (i.e. grandfathering)	NA
6	Eligible at solo/group/group and solo	Solo
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares
8	Amount recognised in regulatory capital (currency in millions, as of most recent reporting date)	AED 2,723 millions
9	Nominal amount of instrument	AED 1 per share

S. No.	Particulars	Quantitative / qualitative information
9a	Issue price	AED 1 per share
9b	Redemption price	NA
10	Accounting classification	Shareholder's equity
11	Original date of issuance	Multiple
12	Perpetual or dated	NA
13	Original maturity date	NA
14	Issuer call subject to prior supervisory approval	NA
15	Optional call date, contingent call dates and redemption amount	NA
16	Subsequent call dates, if applicable	NA
	Coupons / dividends	
17	Fixed or floating dividend/coupon	NA
18	Coupon rate and any related index	NA
19	Existence of a dividend stopper	NA
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	NA
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	NA
21	Existence of step-up or other incentive to redeem	NA
22	Non-cumulative or cumulative	NA
23	Convertible or non-convertible	NA
24	Writedown feature	NA
25	If writedown, writedown trigger(s)	NA
26	If writedown, full or partial	NA
27	If writedown, permanent or temporary	NA
28	If temporary write-own, description of writeup mechanism	NA
28a	Type of subordination	NA
29	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned).	NA
30	Non-compliant transitioned features	NA
31	If yes, specify non-compliant features	NA

5 Macroprudential Supervisory measures

CCyB1: Geographical distribution of credit exposures used in the countercyclical buffer

Not applicable. There are no private sector credit exposures relevant for the calculation of the countercyclical buffer.

6 Leverage Ratio

LR1: Summary comparison of accounting assets vs leverage ratio exposure measure (LR1)

		Q4'2024 AED 000's
1	Total consolidated assets as per published financial statements	22,854,348
2	Adjustments for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-
3	Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference	-
4	Adjustments for temporary exemption of central bank reserves (if applicable)	-
5	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-
6	Adjustments for regular-way purchases and sales of financial assets subject to trade date accounting	-
7	Adjustments for eligible cash pooling transactions	-
8	Adjustments for derivative financial instruments	1,693
9	Adjustment for securities financing transactions (ie repos and similar secured lending)	-
10	Adjustments for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	362,382
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	-
12	Other adjustments	-
13	**Leverage ratio exposure measure**	**23,218,423**

LR2: Leverage ratio common disclosure template

		Q4 2024	Q3 2024
	On-balance sheet exposures		
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	22,853,756	24,439,727
2	Gross-up for derivatives collateral provided where deducted from balance sheet assets pursuant to the operative accounting framework	-	-
3	(Deductions of receivable assets for cash variation margin provided in derivatives transactions)	-	-
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	-	-
5	(Specific and general provisions associated with on-balance sheet exposures that are deducted from Tier 1 capital)	-	-
6	(Asset amounts deducted in determining Tier 1 capital)	-	-
7	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)**	22,853,756	24,439,727
	Derivative exposures		

		Q4 2024	Q3 2024
8	Replacement cost associated with *all* derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	592	331
9	Add-on amounts for PFE associated with *all* derivatives transactions	1,041	1,272
10	(Exempted CCP leg of client-cleared trade exposures)	-	-
11	Adjusted effective notional amount of written credit derivatives	-	-
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
13	**Total derivative exposures (1.4 times of sum of rows 8 to 12)**	2,285	2,243
	Securities financing transactions		
14	Gross SFT *assets* (with no recognition of netting), after adjusting for sale accounting transactions	-	-
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
16	CCR exposure for SFT assets	-	-
17	Agent transaction exposures	-	-
18	**Total securities financing transaction exposures (sum of rows 14 to 17)**	-	-
	Other off-balance sheet exposures		
19	Off-balance sheet exposure at gross notional amount	975,194	1,190,925
20	(Adjustments for conversion to credit equivalent amounts)	(612,812)	(553,513)
21	(Specific and general provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital)	-	-
22	**Off-balance sheet items (sum of rows 19 to 21)**	362,382	637,411
	Capital and total exposures		
23	**Tier 1 capital**	2,937,305	2,947,335
24	**Total exposures (sum of rows 7, 13, 18 and 22)**	23,218,423	25,079,382
	Leverage ratio		
25	**Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)**	12.65%	11.75%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	12.65%	11.75%
26	CBUAE minimum leverage ratio requirement	3.00%	3.00%
27	**Applicable leverage buffers**	9.65%	8.75%

7 Liquidity

LIQA: Liquidity risk management

(a) Governance of liquidity risk management, including: risk tolerance; structure and responsibilities for liquidity risk management; internal liquidity risk strategy, policies and practices across business lines and with the board of directors

Liquidity risk management is to ensure that the Bank has enough funds to meet its obligations. The Bank's liquidity risk management is governed by liquidity risk management policy approved by the Board. The policy defines all aspects of liquidity management.

The overall responsibility for managing the liquidity risk rests with the Board of Directors. The Board has delegated the responsibility of managing the liquidity risk of the Bank to BRC and is responsible for reviewing the liquidity risk policy, liquidity risk appetite tolerance limits and its approach. As it fulfills its mandate of being Board Risk management focused committee.

At management level the Board has established Asset Liability Committee (ALCO) to ensure close monitoring of whole process. One of the main objectives of ALCO is to ensure that the Bank is able to manage its liquidity in a manner that is cost effective, ensure credible market reputation and provides satisfactory level of depositor confidence. ALCO is a senior management level committee, chaired by CFO, with the decision-making capacity and responsibility to review, discuss and direct the financial policies, risk exposures and matters related to asset/liability management.

Risk Department is responsible to review, monitor and report the level of risks independently to ensure compliance to both regulatory and internal requirements. Also ensure an effective Contingency Funding Plan (CFP) is available as part of liquidity risk management, which can be triggered in the event of a major liquidity crisis, either due to bank specific or market wide/systematic triggers.

Treasury remains responsible for action/providing execution to the plans/ way forwards discussed in the framework.

The key measurement tool for liquidity risk monitoring in Ajman Bank as per regulatory requirement of Central Bank of UAE are eligible liquid asset ratio (ELAR) and Advances to stable resource ratio (ASRR). Additionally, internal metrics of deposit concentration and cash flow maturity mismatch are also being used.

(b) Funding strategy, including policies on diversification in the sources of funding (both products and counterparties)

Business units are responsible for fresh asset generation and will provide estimates of their respective units' liquidity requirements to Treasury and as well as to ALCO. The respective unit head will also include in the report the amount and details of any anticipated payments and prepayments from credit customers. Likewise, deposit generation estimates as well as expected large withdrawals are to be advised in the same manner and frequency by liability managers. Internal limits of maximum deposit by a counterparty and currencies are in place for diversification of funding base.

(c) Liquidity risk mitigation techniques

The Bank has a pro-active liquidity risk management approach in assessing, measuring and monitoring liquidity risk. Following are the key control and strategies for liquidity risk management:

- Comprehensive liquidity risk management policy and risk appetite framework
- Maintaining adequate concentration of High Quality Liquid Assets (HQLA)
- Maintaining credit lines with other UAE financial institutions
- Keeping advances in check compared to stable resources (ASR)
- Maintain diversity in funding base

(d) An explanation of how stress testing is used

Liquidity stress testing identifies potential liquidity strains and whether the Bank has sufficient liquidity to meet obligations under a funding crisis. Therefore, in addition to conducting cash-flow projections to monitor net funding requirements under normal business conditions, Ajman Bank performs regular stress tests by conducting projections based on "what if" scenarios on their liquidity positions to:

- Identify sources of potential liquidity strain.
- Ensure that current liquidity risk exposures remain in accordance with the established liquidity risk tolerance.
- Analyze any possible impact of future liquidity stresses on their cash flows, liquidity position, profitability and solvency.

(e) An outline of the bank's contingency funding plans

ALCO shall declare if, in its opinion, condition of the Bank reaches the point where more funds are needed than Bank's ability to generate them in the near future and where it's in the best interest of the Bank to trigger Liquidity Contingency Plan. The declaration in this respect will be made after careful evaluation and monitoring of early warning indicators (EWIs) for liquidity contingency plan. ALCO may base the decision on alert from Treasury and using the MIS prepared/issued by Risk on daily and/or monthly basis.

In order to avert a liquidity crisis, ALCO will resort to action plan to overcome the funding crisis. These action plans could be classified as either 'Primary Action Plan (PAP)' or the 'Secondary Action Plan (SAP)' explained thoroughly in liquidity risk management policy.

The responsibility to initiate (alert ALCO) and implement the plan, which falls under primary action, rests with Head of Treasury & Capital Markets, who will take direct guidance from the Chairman of ALCO, along with Chief Risk Officer.

On the other hand, successful initiation and implementation of secondary actions, requires complete cooperation and coordination from various divisions of the Bank.

(f) Customized measurement tools or metrics that assess the structure of the bank's balance sheet or that project cash flows and future liquidity positions, taking into account off-balance sheet risks which are specific to the bank

The Bank maintains a state of the art asset liability management system which has a built in liquidity management tool. The Bank monitors its balance sheet based on actual and behavioral maturity with Board approved limits as part of liquidity risk appetite. This helps the Bank to maintain desired level of liquidity for projected cash flow requirements.

(g) Concentration limits on collateral pools and sources of funding (both products and counterparties)

The Bank monitors following liquidity risk measures with limits:

- Top 20 Deposit concentration
- Cashflow mismatch by maturity bucket
- Minimum CASA ratio of deposit
- Maximum deposit from single counterparty
- Maximum deposit from single foreign currency

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(i) Balance sheet items broken down into maturity buckets and the resultant liquidity gaps

2024	Within 3 months	Over 3 to 6 months	Over 6 to 12 months	Over 1 to 5 years	Over 5 years	Undated	Total
Assets							
Cash and balances with central bank	2,109,522	350,000		-	-	-	**2,459,522**
Due from banks and other financial institutions	1,027,837	424,844	317,176	630,971	-	-	**2,400,828**
Islamic financing and investing assets, net	1,064,218	2,052,662	773,007	4,630,366	4,439,149	-	**12,959,402**
Islamic investments securities at amortised cost	-	-	-	-	-	-	-
Islamic investments securities at FVTOCI	19,881	-	406,649	1,865,909	1,123,439	278,330	**3,694,208**
Investment in associates	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	391,545	**391,545**
Property and equipment	-	-	-	-	-	136,414	**136,414**
Other Islamic assets	214,705	5,187	-	-	-	592,537	**812,429**
Total assets	**4,436,163**	**2,832,693**	**1,496,832**	**7,127,246**	**5,562,588**	**1,398,826**	**22,854,348**
Liabilities							
Islamic customers' deposits	4,425,176	3,177,843	7,239,343	2,977,415	241,790	-	**18,061,567**
Due to banks and other financial institutions	479,651	-	-	500,000	-	-	**979,651**
Other liabilities	564,072	5,187	-	-	-	132,061	**701,320**
Equity	-	-	-	-	-	3,111,810	**3,111,810**
Total liabilities and equity	**5,468,899**	**3,183,030**	**7,239,343**	**3,477,415**	**241,790**	**3,243,871**	**22,854,348**
Net Liquidity Gaps	**-1,032,736**	**-350,337**	**-5,742,511**	**3,649,831**	**5,320,798**	**-1,845,045**	**0**

LIQ1: Liquidity Coverage Ratio

Not applicable

LIQ2: Net Stable Funding Ratio

Not applicable

ELAR: Eligible Liquid Assets Ratio*

1	High Quality Liquid Assets	Nominal amount	Eligible Liquid Asset
1.1	Physical cash in hand at the bank + balances with the CBUAE	2,833,263	
1.2	UAE Federal Government Bonds and Sukuks	-	
	Sub Total (1.1 to 1.2)	2,833,264	2,833,264
1.3	UAE local governments publicly traded debt securities	569,690	
1.4	UAE Public sector publicly traded debt securities	-	
	Sub total (1.3 to 1.4)	569,690	569,690
1.5	Foreign Sovereign debt instruments or instruments issued by their respective central banks	336,674	336,674
1.6	**Total**	**3,739,627**	**3,739,627**
2	Total liabilities		20,266,460
3	**Eligible Liquid Assets Ratio (ELAR)**		**18.45%**

The calculations are based on an average of last three months.

ASRR: Advances to Stable Resource Ratio

		Items	Amount
1		**Computation of Advances**	
	1.1	Net Lending (gross loans - specific and collective provisions + interest in suspense)	13,230,039
	1.2	Lending to non-banking financial institutions	16,672
	1.3	Net Financial Guarantees & Stand-by LC (issued - received)	185,656
	1.4	Interbank Placements	1,359,675
	1.5	**Total Advances**	14,792,042
2		**Calculation of Net Stable Resources**	
	2.1	Total capital + general provisions	3,513,802
		Deduct:	
	2.1.1	Goodwill and other intangible assets	-
	2.1.2	Fixed Assets	664,276
	2.1.3	Funds allocated to branches abroad	-
	2.1.5	Unquoted Investments	124,807

		Items	Amount
	2.1.6	Investment in subsidiaries, associates and affiliates	2000
	2.1.7	**Total deduction**	791,083
	2.2	**Net Free Capital Funds**	2,722,719
	2.3	**Other stable resources:**	
	2.3.1	Funds from the head office	-
	2.3.2	Interbank deposits with remaining life of more than 6 months	500,000
	2.3.3	Refinancing of Housing Loans	-
	2.3.4	Borrowing from non-Banking Financial Institutions	2,190
	2.3.5	Customer Deposits	16,290,449
	2.3.6	Capital market funding/ term borrowings maturing after 6 months from reporting date	-
	2.3.7	**Total other stable resources**	16,792,640
	2.4	**Total Stable Resources (2.2+2.3.7)**	19,515,359
3		**Advances TO STABLE RESOURCES RATIO (1.6/ 2.4*100)**	75.80

8 Credit Risk

CRA: General qualitative information about credit risk

(a) How the business model translates into the components of the bank's credit risk profile

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.

Credit risk is managed by a dedicated team in the Credit Risk & Analytics division responsible for managing all credit risk aspects for regulatory and internal purposes. It includes development and reporting of risk appetite, calculation of expected credit loss, calculation and reporting of capital adequacy ratio, regulatory stress testing, internal capital adequacy assessment program (ICAAP) and model development among others.

(b) Criteria and approach used for defining credit risk management policy and for setting credit risk limits

The Bank follows the policies and processes to do the assessment, identification, measurement, monitoring and control of credit risk. Credit Risk & Analytics (CR&A) division of the Bank does annual assessment of credit risk measurement models, monitor the credit portfolio against the criteria defined in credit risk appetite matrix, review and update internal rating models. While the credit risk management provides a portfolio level framework to monitor/control credit risk.

The Bank has a Credit Department that is a dedicated credit underwriting department, which makes sure that proper due diligence of client is done before relationship is established with the Bank. The Bank also has a monitoring unit under Remedial Management division, which monitors the problem accounts. The Bank also has a dedicated Credit

Administration division which reviews and updates the approved credit limit, ensure proper credit documentation and other credit administration related tasks are fulfilled.

(c) Structure and organization of the credit risk management and control function

All Wholesale banking credit proposals are reviewed by Corporate Credit department, which dedicatedly pursues credit underwriting under corporate credit policy. While Retail exposures are being reviewed by Retail Credit division as per the specific product programs.

While reviewing the proposal, the Bank follows the guidelines as per the best practices in the banking industry. Considering the criticality of credit risk, the Bank involved senior management to execute the decision including Chief Risk Officer (CRO), Credit Execution Committee (CEC), Board Executive Committee (BEC), Board Risk Committee (BRC), and Board of Directors (BoD).

(d) Relationships between the credit risk management, risk control, compliance and internal audit functions

Credit Department reviews all credit proposals independently. keeping in line with the credit policy, products programs, risk appetite and regulatory guidelines.

Risk and Compliance departments are a second line of defense, which supports management to help ensure that risk and controls are effectively managed. This also includes reporting any breaches to the limits, explanation of any guideline etc.

As a third line of defense, Internal Audit Department (IAD) conducts independent credit and compliance audits of the entire credit risk management process of the Bank. The scope of internal audit includes the evaluation of the entire credit process for its independence and effectiveness and provide assurance to senior management and the board. Internal Audit Department is responsible to highlight any gap identified within the credit risk management process.

(e) Scope and main content of the reporting on credit risk exposure and on the credit risk management function to the executive management and to the board of directors

The Bank does the credit portfolio monitoring by publishing a detailed credit risk appetite reports on monthly basis, which contains both primary metrics (measured against specified threshold) and monitoring metrics (are not measured against specified threshold).

Credit risk appetite metrics is broadly bifurcated into asset quality and credit concentration. Asset Quality section of appetite matrix measures non-performing exposures, past due not impaired exposures, provision coverage and restructured exposures whereas concentration metrics measures concentration from different aspect.

Any breach related to asset quality, concentration and exposure limits are initiated by CRO and reported to CEC for resolution/action plan. Credit risk appetite is reviewed at least annually in light of changes in market conditions and reassessed whenever is required. The reassessed limits shall then be recommended by CRO to Risk Committee and then to Board for final approval.

CR1: Credit quality of assets

		Gross carrying values of		Allowances / Impairments	Of which ECL accounting provisions for credit losses on SA exposures allocated in		Net values (a+b-c)
		Defaulted exposures	Non-defaulted exposures		Regulatory category of Specific	Regulatory category of General	
		a	b	c	d	e	f
1	Loans	1,577,530	12,228,214	846,342	478,303	368,039	12,959,402
2	Debt securities	-	3,425,231	9,353	-	9,353	3,415,878
3	Off-balance sheet exposures	29,255	395,090	8,842	2,668	6,174	415,503
4	**Total**	**1,606,785**	**16,048,535**	**864,537**	**480,971**	**383,566**	**16,790,783**

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

1	**Defaulted loans and debt securities at the end of the previous reporting period**	2,313,095
2	Loans and debt securities that have defaulted since the last reporting period	69,030
3	Returned to non-default status	467,792
4	Amounts written off	5,545
5	Other changes	(331,258)
6	**Defaulted loans and debt securities at the end of the reporting period (1+2-3-4±5)**	**1,577,530**

CRB: Additional disclosure related to the credit quality of assets

(a) The scope and definitions of 'past due' and 'impaired' exposures for accounting purposes and the differences, if any, between the definition of past due and default for accounting and regulatory purposes.

The Bank considers an account past due if its late on its payment by 1 day. Any account which reaches 90 days past due is considered impaired. Only for corporate accounts the criteria of 90 days past due can rebutted based on management assessment and progress in the account. Any exception is considered if it's in line with the CBUAE regulations.

(b) The extent of past-due exposures (>90 days) that are not considered to be impaired and the reasons for this.

The past due exposure >90 DPD stood at AED 157 million. There are various reasons for not classifying these accounts,

i. customer is doing partial payments,
ii. few customers were in settlement phase and now have been fully settled, and
iii. few technical past dues as restructuring is under execution.

(c) Description of methods used for determining accounting provisions for credit losses. In addition, banks that have adopted an ECL accounting model must provide information on the rationale for categorisation of ECL accounting provisions in general and specific categories for standardised approach exposures

The Bank recognizes 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 investments securities at amortized cost
- 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. 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.

Measurement of ECL
The key elements used in the computation of ECL are:
- Probability of default (PD);
- Loss given default (LGD); and
- Exposure at default (EAD).
These elements are derived from our internally developed statistical models based on our historical data and the data provided by Moody's. They are adjusted to reflect probability-weighted forward-looking information.

In ECL models, the Bank relies on a broad range of forward looking information as economic input such as:

- Annualized Current Account Balance to GDP ratio
- Augmented economic composite indicator - non-oil
- General government debt to GDP ratio
- Real Imports of Goods and Services
- Government Finance: Expenditure
- Augmented economic composite indicator
- Real Exports of Goods and Services
- General Government Gross Debt
- Crude oil Dubai Fateh

Significant increase of credit risk: 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.

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.

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.

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 across the model lifecycle. The Framework is reviewed on a regular basis to ensure it meets regulatory standards and international practices.

The calculation process, the methodology and the results are reviewed and approved by the committee responsible for the oversight of provisions. This is formally reviewed and presented by the Chief Risk Officer at such a committee.

(d) The bank's own definition of a restructured approach

Facilities whose terms have been modified due to a loss event are considered as restructured facilities. The criteria include, but are not limited to amendments of installment payment terms, where deterioration in financial position or credit risk of the customer is identified as:

i. Inability to meet the profit and/or installment payments on due date or
ii. Insufficient present and future cash flows to repay principal and profit.

(e) Breakdown of exposures by geographical areas, industry and residual maturity.

Please refer to **point (i) under LIQA section** for residual maturity. Below is the exposures breakdown by geographical areas and industry.

Industry	UAE	Outside UAE	Grand Total
Government	482,405	262,250	744,655
Manufacturing and Services	3,116,486	31,776	3,148,262
Trade	607,137	-	607,137
Real Estate	5,429,546	-	5,429,546
Consumer Home Financing	2,162,193	5,555	2,167,748
Consumer Financing	1,708,397	-	1,708,397
Grand Total	**13,506,164**	**299,581**	**13,805,745**

(f) Amounts of impaired exposures (according to the definition used by the bank for accounting purposes) and related allowances and write-offs, broken down by geographical areas and industry.

Industry	UAE	Outside UAE	Grand Total
Government	-	-	-
Manufacturing and Services	71,302	-	71,302
Trade	-	-	-
Real Estate	1,313,285	-	1,313,285
Consumer Home Financing	131,920	-	131,920
Consumer Financing	61,023	-	61,023
Grand Total	**1,577,531**	-	**1,577,531**

(g) Ageing analysis of accounting past-due exposures.

Row Labels	Wholesale Banking	Consumer Banking	Treasury	Grand Total
Normal or Past due up to 30 days	6,852,912	5,196,557	-	12,049,469
Past due 31 - 60 days	70,794	77,551	-	148,346
Past due 61 - 90 days	48,986	136,109	-	185,095
Past due 91 - 180 days	198,292	56,511	-	254,803
Past due of more than 180 days	367,404	799,954	673	1,168,031
Grand Total	**7,538,389**	**6,266,683**	**673**	**13,805,745**

(h) Breakdown of restructured exposures between impaired and not impaired exposures.
Restructured accounts are totaling of AED 1.36 BN, of which AED 663 MN are performing and AED 695 MN are impaired.

CRC: Credit risk mitigation techniques

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, shares, vehicles, fixed deposits under lien and cash margin.

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.

(a) Core features of policies and processes for, and indication of the extent to which the bank makes use of, on- and off-balance sheet netting.

Not applicable.

(b) Core features of policies and processes for collateral evaluation and management.

The Bank uses cash collateral and shares collateral to adjust the exposure in the on-balance sheet. For the off-balance sheet exposures, margins are used to adjust the exposure. The Bank also used mortgage collateral to identify the real estate exposures secured by commercial or residential mortgages, but don't take any advantage for netting off the exposure.

The Bank has internally defined policies to manage and evaluate the collateral as per the defined frequency.

(c) Information about market or credit risk concentrations under the credit risk mitigation instruments used (i.e. by guarantor type, collateral and credit derivative providers).

Not applicable.

CR3: Credit risk mitigation techniques – overview

		a	b	c	d	e	f	g
		Exposures unsecured: carrying amount	Exposures secured by collateral	Exposures secured by collateral of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1	Loans	10,088,846	3,238,596	2,239,448	-	-	-	-
2	Sukuks	3,425,231	-	-	-	-	-	-
3	**Total**	**13,514,077**	**3,238,596**	**2,239,448**	**-**	**-**	**-**	**-**
4	Of which defaulted	1,099,227	11,158	60	-	-	-	-

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

As per the regulatory standards, the Bank uses external credit ratings as assigned by the External Credit Assessment Institutions (ECAIs). While using the Standardized approach as adopted by the Bank, recognized ECAIs have been recognized by the CBUAE. The Bank used credit ratings by the major ECAIs including Moody's Investors Services (Moody's),Fitch Ratings, and/or Standard and Poor's (S&P). The Bank uses the credit ratings to assign risk weights to a number of Basel Asset classes including Sovereigns, Public sector entities, Banks, and Corporates. In case of disparity in ratings assigned by ECAIs for any counterparty, the worst of the ratings (if rated by only 2 of the 3) or the median of the ratings (if rated by all three) shall be deemed applicable. If external rating is not available, the internal rating approach will be used.

The Bank used the following table to map ratings issued by different ECAI's:

Moody's	S & P	Fitch
Aaa	AAA	AAA
Aa1	AA+	AA
Aa2	AA	AA
Aa3	AA-	AA-
A1	A+	A+
A2	A	A
A3	A-	A-
Baa1	BBB+	BBB+
Baa2	BBB	BBB
Baa3	BBB-	BBB-
Ba1	BB+	BB+
Ba2	BB	BB
Ba3	BB-	BB-
B1	B+	B+
B2	B	B
B3	B-	B-
Caa1	CCC+	CCC+
Caa2	CCC	CCC
Caa3	CCC-	CCC-
Ca	CC	CC
C	C	C

CR4: Standardised approach - credit risk exposure and CRM effects

		Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	Asset classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Sovereigns and their central banks	3,217,557	-	3,217,557	-	798,841	24.83%
2	Public Sector Entities	446,218	-	446,218	-	375,334	84.11%
3	Multilateral development banks	337,940	-	337,940	-	-	0.00%
4	Banks	3,404,847	44,399	3,404,847	16,691	2,603,974	76.48%
5	Securities firms	-	-	-	-	-	0.00%
6	Corporates	4,185,411	338,332	2,134,854	251,761	2,259,528	105.84%
7	Regulatory retail portfolios	1,679,570	12,527	1,543,652	9,759	1,278,016	82.79%
8	Secured by residential property	3,498,518	-	3,460,604	-	2,353,027	67.99%
9	Secured by commercial real estate	2,743,268	-	2,728,268	-	2,728,268	100.00%
10	Equity Investment in Funds (EIF)	88,871	-	88,871	-	154,085	173.38%
11	Past-due loans	1,226,151	26,418	1,226,091	26,418	1,269,433	103.53%
12	Higher-risk categories	-	-	0	-	-	0.00%
13	Other assets	2,390,748	-	2,390,748	-	1,044,063	43.67%
14	CVA	2,285	-	2,285	-	457	20.00%
15	**Total**	**23,221,384**	**421,676**	**20,981,936**	**304,629**	**14,865,025**	**70.85%**

CR5: Standardised approach - exposures by asset classes and risk weights

	Risk weight / Asset classes	0%	20%	35%	50%	75%	100%	150%	Others	Total credit exposures amount (post CCF and post-CRM)
1	Sovereigns and their central banks	2,310,630	167,983	-	-	-	686,345	52,600	-	3,217,557
2	Public Sector Entities	-	50,581	-	60,838	-	334,799	-	-	446,218
3	Multilateral development banks	337,940	-	-	-	-	-	-	-	337,940
4	Banks	-	183,994	-	1,340,768	-	1,896,744	32	-	3,421,538
5	Securities firms	-	-	-	-	-	-	-	-	-
6	Corporates	-	-	-	336,028	-	1,681,248	148,196	221,143	2,386,616
7	Regulatory retail portfolios	-	-	-	-	1,101,580	451,831	-	-	1,553,411
8	Secured by residential property	-	-	1,693,908	-	26,150	1,740,547	-	-	3,460,604
9	Secured by commercial real estate	-	-	-	-	-	2,728,268	-	-	2,728,268
10	Equity Investment in Funds (EIF)	-	-	-	-	-	-	-	88,871	88,871
11	Past-due loans	-	-	-	-	-	1,218,661	33,848	-	1,252,509
12	Higher-risk categories	-	-	-	-	-	-	-	-	0
13	Other assets	1,351,733	-	-	-	-	1,028,919	10,096	-	2,390,748
14	CVA	-	2,285	-	-	-	-	-	-	2,285
15	**Total**	**3,865,303**	**404,842**	**1,693,908**	**1,737,635**	**1,127,730**	**11,767,362**	**244,771**	**310,014**	**21,286,566**

9 Counterparty Credit Risk

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

		a	B	c	d	e	f
		Replacement cost	Potential future exposure	EEPE	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
1	SA-CCR (for derivatives)	592	1,041		1.4	2,285	457
2	[redacted]			-	-	-	-
3	Simple Approach for credit risk mitigation (for SFTs)					-	-
4	Comprehensive Approach for credit risk mitigation (for SFTs)					-	-
5	[redacted]					-	-
6	**Total**						457

CCR2: Credit valuation adjustment (CVA) capital charge

		a	b
		EAD post-CRM	RWA
1	All portfolios subject to the Standardised CVA capital charge*	-	-
2	All portfolios subject to the Simple alternative CVA capital charge	2,285	457

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

Regulatory portfolio / Risk weight	a	b	c	d	e	f	g	h
	0%	20%	50%	75%	100%	150%	Others	Total credit exposure
Sovereigns	-	-	-	-	-	-	-	-
Public Sector Entities (PSEs)	-	-	-	-	-	-	-	-
Multilateral development banks (MDBs)	-	-	-	-	-	-	-	-
Banks	-	2,285	-	-	-	-	-	2,285
Securities firms	-	-	-	-	-	-	-	-
Corporates	-	-	-	-	-	-	-	-
Regulatory retail portfolios	-	-	-	-	-	-	-	-
Secured by residential property	-	-	-	-	-	-	-	-
Secured by commercial real estate	-	-	-	-	-	-	-	-
Equity Investment in Funds (EIF)	-	-	-	-	-	-	-	-
Past-due loans	-	-	-	-	-	-	-	-
Higher-risk categories	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-
Total	**-**	**2,285**	**-**	**-**	**-**	**-**	**-**	**2,285**

CCR5: Composition of collateral for CCR exposure

Not applicable.

10 Market risk

MRA: General qualitative disclosure requirements related to market risk

(a) Strategies and processes of the bank: this must include an explanation of management's strategic objectives in undertaking trading activities, as well as the processes implemented to identify, measure, monitor and control the bank's market risks, including policies for hedging risk and strategies/processes for monitoring the continuing effectiveness of hedges.

Capital is allocated in respect of market risk under the frameworks set out in the Standards and Guidance issued by the Central Bank of UAE. Market Risk,
which defines this risk as the risk of losses in on - and off- balance sheet positions arising from movements in market prices.

(b) Structure and organization of the market risk management function: description of the market risk governance structure established to implement the strategies and processes of the bank discussed in the above point, and describing the relationships and the communication mechanisms between the different parties involved in market risk management.

The market risk governance structure of the Banks is as follows:

The overall responsibility for managing the Market Risk faced by the Bank rests with the Board of Directors. The Board has already established ALCO to ensure close monitoring of whole processes. The Board of Director's need to:

- Ensure that the overall risk exposure is maintained at prudent levels and consistent with the available capital.
- Ensure that top management as well as the responsible resources in individual risk management roles possess sound expertise and knowledge to accomplish the risk management function.
- Ensure that the systems and methodologies used for identification, measurement and control of risk management are commensurate with the complexity of operations.
- Ensure that adequate resources (technical and support) are devoted for these risk management functions.

Board Risk Committee (BRC) is responsible for reviewing the policies from time to time to ensure relevance/appropriateness. It is also responsible for oversight of the implementation of the policy while ALCO is responsible for interpreting and ensuring its implementation. The BRC needs to:

- Ensure that the Board approved limits are adhered to all times in Bank's daily operations.
- Review the policy on a need basis.
- Ensure adequate internal controls are in place to control and monitor all forms of financial, non -financial risks.

ALCO is a senior management level committee with the decision making capacity and responsibility to review, discuss and direct the financial policies, risk exposures and other relevant matters.

Market Risk and Product Control Unit is responsible to review and monitor the level of risks independently to ensure compliance to both regulatory and internal limits, procedures and requirements.

- Market Risk and Product Control Unit will be responsible to develop and implement procedures that translates business policy and strategic direction set by the Board into operating standards that are well understood by Bank's personnel.
- Review/ advice on new products to ensure that relevant risk (e.g. ALM, market risk and etc.) aspects are properly incorporated.
- All changes to the policy will be recommended by Risk for review by the BRC.
- Upon BRC clearance same will be submitted for the Board Approval.
- Develop and publish risk appetite report to monitor the risk within the Board advised thresholds.

(c) Scope and nature of risk reporting and/or measurement systems

The Bank uses state of the art risk measurement tools, which helps in measurement of exposure to various market risks. Risk reports are generated on periodic frequency (Daily, Monthly and Quarterly) based on applicability. Same are presented to the respective Committee including ALCO, BRC or Board. Any breach to the Board approved appetite is escalated to the relevant authority as per the predefined escalation matrix based on urgency and severity of the breach or as deemed appropriate by Risk/CRO. The responsibility of seeking dispensation/ratification of any excess from relevant authorities (ALCO/Board etc.) would rest with Business owning the limit.

MR1: Market risk under the standardised approach

		RWA
1	General Interest rate risk (General and Specific)	-
2	Equity risk (General and Specific)	38,221
3	Foreign exchange risk	48,556
4	Commodity risk	-
	Options	**-**
5	Simplified approach	-
6	Delta-plus method	-
-	-	-
8	Securitisation	-
9	**Total**	**86,777**

11 Profit rate risk in the banking book (PRRBB)

PRRBB: PRRBB risk management objectives and policies

(a) Description of how the bank defines PRRBB for purposes of risk control and measurement

The risk of loss in the banking book caused by changes in profit rates. Profit rate risk in the banking book (PRRBB) more specifically refers to the current or prospective risk to the bank's capital and earnings arising from adverse movements in profit rates that affect the institution's banking book positions. When rates change, the present value and timing of future cash flows change. This in turn changes the underlying value of a bank's assets and liabilities instruments and hence its economic value (EV). Changes in profit rates also affect a bank's earnings by altering profit rate sensitive income and expenses, affecting its net income (NI). Main components of PRRBB include repricing risk, basis risk, yield curve risk and optionality (if applicable).

(b) Description of the bank's overall PRRBB management and mitigation strategies. Examples are: monitoring of economic value of equity (EVE) and the net profit income (NPI) in relation to established limits, hedging practices, conduct of stress testing, outcome analysis, the role of independent audit, the role and practices of the ALCO, the bank's practices to ensure appropriate model validation, and timely updates in response to changing market conditions.

The governance of PRRBB is integral part of overall risk governance structure of the Bank. Board, Risk Committee along with Asset and Liability Management Committee (ALCO) are responsible for defining and establishing policies around prudent management of PRRBB based on risk appetite of the Bank. The Bank employs below key tools for measurement of PRRBB:

- Net-repricing GAP positions; reported to ALCO on daily basis
- Economic value of equity (EVE) Monitoring; reported to ALCO on daily basis
- Earning at Risk (NII); reported to ALCO on periodic basis

As part of risk assessment and measurement process, Bank has applied behavioral analysis on applicable Balance Sheet items such as analysis of Non-maturing products, rollover and early termination of deposits. Additionally, all new product structures and any changes to existing parameters in terms of re-pricing tenors, benchmarks, rate floors offered, maturity and pricing is reviewed from a PRRBB perspective by Market Risk and Product Control Unit department for its impact on economic value sensitivities. The impact of profit rate shocks is also factored within ICAAP as one of Pillar II risks and the results are presented to senior management.

(c) Periodicity of the calculation of the bank's PRRBB measures, and a description of the specific measures that the bank uses to gauge its sensitivity to PRRBB.

Economic Value of Equity (EVE) and re-pricing gaps are monitored and reported to ALCO on daily basis whereas impact on earning is reported quarterly.

(d) Description of the profit rate shock and stress scenarios that the bank uses to estimate changes in the economic value of earnings.

The Bank is applying profit rate shocks as prescribed by CBUAE & Basel for assessing impacts on EVE and NII.

(e) Where significant modelling assumptions used in the bank's internal measurement systems (IMS) (i.e. the EVE metric generated by the bank for purposes other than disclosure, e.g. for internal assessment of capital adequacy) are different from the modelling assumptions prescribed for the disclosure Template PRRBB1, the bank should provide a description of those assumptions and their directional implications and explain its rationale for making those assumptions (e.g. historical data, published research, management judgment and analysis).

The impact of profit rate shocks are also factored as part of ICAAP and the results are presented to senior management. These numbers are also reported on the same basis as part of the Bank's Pillar III disclosures.

(f) High-level description of how the bank hedges its PRRBB, as well as the associated accounting treatment.

The Bank is not involved in any hedging activities related to PRRBB.

(g) A high-level description of key modelling and parametric assumptions used in calculating ΔEVE and ΔNPI in Table B, which includes:

- For ΔEVE, whether commercial margins and other spread components have been included in the cash flows used in the computation and discount rate used.

- How the average repricing maturity of non-maturity deposits has been determined (including any unique product characteristics that affect assessment of repricing behaviour).

- The methodology used to estimate the prepayment rates of customer loans, and/or the early withdrawal rates for time deposits, and other significant assumptions.

- Any other assumptions (including for instruments with behavioural optionalities that have been excluded) that have a material impact on the disclosed ΔEVE and ΔNPI in Table B, including an explanation of why these are material.

- Any methods of aggregation across currencies and any significant interest/profit rate correlations between different currencies.

Below are the modelling assumptions used for the purpose of evaluating EVE.

- EVE figures are reported in AED currency as we don't have any major currency risk.
- A behavioral analysis has been conducted to calculate the repricing maturity of non-maturity deposits using historical information and same has been validated by external consultant.
- We have applied the floor rate of 0% as we assumed that profit rates cannot fall below 0% for all products.

PRRBB1: Quantitative information on PRRBB

In reporting currency (AED)	ΔEVE		ΔNII	
Period	**Q4 2024**	**Q4 2023**	**Q4 2024**	**Q4 2023**
Parallel up	(236,016)	(203,651)	52,903	55,299
Parallel down	377,098	388,083	-52,903	-55,299
Steepener	(178,744)	(156,108)		
Flattener	138,800	127,367		
Short rate up	9,790	6,194		
Short rate down	21,741	19,724		
Maximum	(236,016)	(203,651)		
Period	**Q4 2024**		**Q4 2023**	
Tier 1 capital	2,937,305		2,564,363	

- Average repricing maturity assigned to Non Maturing Deposits 1.46 years
- Longest repricing maturity assigned to Non Maturing Deposits 7.5 years

12 Operational risk

(a) Bank's policies, frameworks and guidelines for the management of operational risk

Operational Risk is the risk of loss arising from inadequate or failed internal processes, people, or systems, or from external events.

Bank's operational risk management strategy is aligned with the Bank's strategy, which aims to support Bank's business and operations objectives while contributing to UAE's national growth and prosperity, in a Sharia compliant manner. Further, Bank has adopted the Principles for the Sound Management of Operational Risk, 2011, issued by Basel Committee on Banking Supervision (BCBS) and CBUAE Regulation no 163/2018 and reflect the standards designed to shape the Bank's operational risk management behavior, whilst adhering to the rules and principles of Islamic Sharia as interpreted by the Bank's Sharia Board.

The Bank has implemented the following tools to identify, assess and monitor operational risk across the Bank:

- Risk Control Self-Assessment (RCSA) as part of Risk Assessment,
- KRI Framework as part of Risk Monitoring and has reasonable
- Operational Loss Event Reporting
- Operational Risk Appetite
- Operational Risk awareness trainings across all departments and business units/branches.

Operational Risk Appetite articulates the boundaries for quantitative and qualitative operational risks that the Bank is willing to take (or not take), with respect to pursuit of its strategic objectives. It helps in setting the risk culture across the Bank and facilitates effective implementation of the Bank's Operational Risk Management Framework.

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

Bank has put in place various frameworks, policies and procedures to augment the control environment for all the business units to mitigate the most material risks (e.g., including but not limited to external fraud and errors in processing, data) as well as;

- Expect employees to uphold the highest ethical standards of conduct in accordance with Ajman Bank values, policies and control framework and report concerns as set forth in the employee code of conduct.
- Expect Third Parties (Material Outsourcing) providing significant products or services to businesses and support areas will hold themselves to the highest standards of conduct in accordance with Ajman Bank values, policies and control framework.
- Does not tolerate:
    - Violations of laws
    - Non-Compliance of regulations
    - Fraud committed by its staff
    - Deliberate actions that result in harm to clients
- The entity recognizes that mistakes occur but have very little appetite for:
    - Activities which could result in financial statements that inadequately reflect Ajman Bank financial profile or in a material weakness in financial reporting controls
    - Threats to company assets or data arising from malicious attacks or inadequate protection
    - Damage from inability to timely recover from a major interruption to business operations, technology or facilities
    - Behavior inconsistent with responsibly providing financial services or which could result in reputational harm

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

(b) Structure and organization of their operational risk management and control function

The Bank has implemented three lines of defense as part of its Risk Governance Based on Ajman Bank's environment. The three lines of defense were updated and shared with all stakeholders for their compliance. The first line of defense is Business Line Management.

The second line of defense is the Operational Risk Management function, the Chief Risk Officer and the Board Risk Committee. They are collectively responsible for designing, implementing, coordinating, reporting and facilitating effective Operational Risk Management on a Group-wide basis.
The Operational risk governance recognizes that Business Units (BUs) are the owners of risk and hence are responsible for identifying and managing the risks inherent in the products, services and activities, within their BUs.

The third line of defense is the Internal Audit who are responsible to independently assess the effectiveness and efficiency of the bank wide internal control, and to independently validate and provide an independent assurance to the Board Audit Committee on the adequacy and effectiveness of the Operational Risk Management Framework.

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

(c) Operational Risk Measurement System

Currently, the Bank is in process of automating all the Operational risk tools and developing the required system with the selected vendor. This will facilitate the Loss event reporting, RCSA exercise, KRI reporting, maintaining risk and Control inventories and enhance the overall governance of Operational Risk Framework

Additionally, management dashboard will be created to provide the insight into the risk profile to the top management at bank-wide level as well as the at department level, giving details of each risk across the respective units with drill down options.

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

As part of governance structure, Bank has constituted Executive risk committee as a principal forum for discussing and communicating bank wide ORM issues, initiatives and decisions in respect of Operational Risk. Further, the Bank escalates all its highly critical matters to the Board Risk Committee for approval and board ratifications.

(e) The risk mitigation and risk transfer used in the management of operational risk.

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

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

As a result of risk assessments performed by BUs in coordination with Operational Risk Department, remediation actions are identified to reduce the risk to an acceptable level. Such action items uploaded in the system and periodically tracked and escalated.

Further, the bank has procured the following insurance policies to cover the Bank against significant operational and fraud risk incidents:

- Bankers Blanket Bond/Fidelity/In and Out Policy/Computer Crime Insurance
- Directors & Officers
- Professional Indemnity

The day-to-day management of operations risk is through the maintenance of a comprehensive system of internal controls, supported by robust systems and procedures to monitor transaction positions and documentation, as well as maintenance of key backup procedures and business contingency planning.

13 Remuneration Policy

REMA: Remuneration Policy

Banks must describe the main elements of their remuneration system and how they develop this system. In particular, the following elements, where relevant, should be described:

Qualitative disclosures

Information relating to the bodies that oversee remuneration. Disclosures should include:

i. **Name, composition and mandate of the main body overseeing remuneration.**

Name: Board Nomination and Compensation Committee
Composition: Chairman and 2 Members

Mandate:

- Review and approve the implementation of the compensation framework.
- Review and approve Human Capital Policy.
- Review and recommend annual bonus, Salary Review or Promotion.
- Hiring for senior management team reporting to CEO.

ii. External consultants whose advice has been sought, the body by which they were commissioned, and in what areas of the remuneration process.

Imocha – HC Booster Project that covers the following which directly or indirectly impacts reviews made on the remuneration process:

Org Structure review, Job Grading Framework covering Job Family and bands, creation of skills taxonomy and ontology, skill mapping for all job profiles, performance management model, total Reward philosophy, skills validation through assessments and user ratings, reporting and skills analytics, project management and customer success.

iii. Description of the scope of the bank's remuneration policy (e.g. by regions, business lines), including the extent to which it is applicable to foreign subsidiaries and branches.

Fulltime Employees of the Bank and the outsource staff (Excluding contractual staff). No foreign subsidiaries or branches

iv. Description of the types of employees considered as material risk-takers and as senior managers.

The Bank uses the guideline from the UAE Central Bank as well as other leading international bodies to define Material Risk Takers (MRT). The following qualitative criteria are used to identify MRT roles:

MRTs will be reviewed annually through a self-assessment process. The initial list of MRTs will include the following:

• The Senior Management of the Bank, which includes the CEO and all the Direct Reports (other than administrative support staff)
• All employees who are voting members of Management Committees of the Bank (such as ALCO, Risk Management Committee, HRC, etc.) but not invitees
• Senior roles in the first, second, and third lines of defense.
• Any employee identified jointly by Department Heads and the Chief Risk Officer

Information relating to the design and structure of remuneration processes. Disclosures should include:

v. Overview of the key features and objectives of remuneration policy

The 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.

The 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 annual review and amendment to ensure its ongoing effectiveness and compliance with legal and regulatory requirements. The Bank is committed to communicating the Policy to its employees and providing training on the Policy as required to ensure that all employees understand their roles and responsibilities in relation to the Policy.

The Policy is designed in compliance with the UAE Labour Law, the UAE Central Bank Corporate Governance Regulation for Banks (Circular No. 83/2019) and the Corporate Governance Standards for Banks

vi. Whether the remuneration committee reviewed the firm's remuneration policy during the past year, and if so, an overview of any changes that were made, the reasons for those changes and their impact on remuneration.

The Board Nomination & Compensation Committee (BNCC) is responsible for overseeing the implementation of the Remuneration Policy and making recommendations to the Board of Directors on matters related to remuneration.

The Remuneration Committee meets as per the prescribed schedule to review the proposed organizational changes, regulatory changes, revision of proposed organizational structural changes, employees remuneration changes as reviewed and recommended by the internal Human Resources Committee.

Grading system was changed from 18 levels (8-22) to 8 levels (A-H) with no financial impact. This is to efficiently manage career growth and to attract the best talents and reduce internal gaps.

Control Function Allowance Standardization to be implemented in 2025.

vii. A discussion of how the bank ensures that risk and compliance employees are remunerated independently of the businesses they oversee.

Control Function Allowance Standardization to be implemented in 2025. Compensation for employees in Control Functions of Risk, Compliance, Internal Audit, and Shari`ah Compliance and Audit is a critical aspect of effective corporate governance. The Bank follows the Central Bank of UAE regulations on remuneration for Control Functions in financial institutions. These guidelines aim to promote sound risk management practices and ensure that compensation practices do not encourage excessive risk-taking.

viii. Description of the ways in which current and future risks are taken into account in the remuneration processes. Disclosures should include an overview of the key risks, their measurement and how these measures affect remuneration.

The Bank will take into account the potential risk associated with the employee's role and responsibilities in determining their remuneration.

The Bank will disclose information on its remuneration practices in accordance with applicable regulations and guidelines. The Bank will also provide regular reports to the BNCC and the Board of Directors on matters related to remuneration, including the implementation of the Remuneration Policy and the Bank's remuneration practices.

The Bank will ensure that its remuneration practices are consistent with its risk appetite and that they do not incentivize employees to take excessive risks or engage in inappropriate behavior.

Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration. Disclosures should include:

ix. An overview of main performance metrics for bank, top-level business lines and individuals.

The Bank undergoes cyclical Performance Management exercise with a stipulated bell-curve to determine the Bank's performance. The performance exercise is divided in to 3 parts, namely; setting up of KPI at the beginning of year, mid year review of KPI against achievement, Final year end review of KPI versus achievement to arrive at the final ratings.

x. Discussion of how amounts of individual remuneration are linked to bank-wide and individual performance.

The overall Banks strategic plan is defined by the Strategic Division in consultation and deliberations with all Divisional Heads and finally discussed and made at the Management Committee level. Based on these strategic plans, individual business plans are derived. Generally, business plans are cascaded down to department plans then to team goals and to individual goals. The individual goals or KPI are transformed into the 4 quarters of performance management cycles. The assessment of KPI through performance management results in performance ratings and the individual employee is rewarded based on the performance ratings.

xi. Discussion of the measures the bank will in general implement to adjust remuneration in the event that performance metrics are weak, including the bank's criteria for determining "weak" performance metrics.

Employees with a performance rating of 5 (significantly below expectation), 4 (below expectation) and 3-meets expectation (low) on a performance rating scale of 5 will be generally not qualified for a performance bonus. However, the management may exceptionally consider employees with rating 3 for a performance bonus. Rating 5 and 4 is considered as "poor" performance.

Description of the ways in which the bank seeks to adjust remuneration to take account of longer-term performance. Disclosures should include:

xii. Discussion of the bank's policy on deferral and vesting of variable remuneration and, if the fraction of variable remuneration that is deferred differs across employees or groups of employees, a description of the factors that determine the fraction and their relative importance.

Deferral mechanism specially for MRT will be implemented in 2025

xiii. Discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and (if permitted by national law) after vesting through claw back arrangements.

Deferral mechanism specially for MRT will be implemented in 2025

Description of the different forms of variable remuneration that the bank utilizes and the rationale for using these different forms. Disclosures should include:

xiv. An overview of the forms of variable remuneration offered (i.e. cash, shares and share-linked instruments and other forms).

Cash only variable pay (performance bonus).

xv. A discussion of the use of the different forms of variable remuneration and, if the mix of different forms of variable remuneration differs across employees or groups of employees), a description the factors that determine the mix and their relative importance.

Cash only variable pay (performance bonus) based on the rating scale and employee level.

REM1: Remuneration awarded during the financial year

	Remuneration Amount		Senior Management	Other Material Risk-takers
1	Fixed Remuneration	Number of employees	17	-
2		Total fixed remuneration (3 + 5 + 7)	19,990,956	-
3		Of which: cash-based	19,990,956	-
4		Of which: deferred		-
5		Of which: shares or other share-linked instruments		-
6		Of which: deferred		-
7		Of which: other forms		-
8		Of which: deferred		-
9	Variable Remuneration	Number of employees	17	-
10		Total variable remuneration (11 + 13 + 15)		-
11		Of which: cash-based		-
12		Of which: deferred		-
13		Of which: shares or other share-linked instruments		-
14		Of which: deferred		-
15		Of which: other forms		-
16		Of which: deferred		-
17	**Total Remuneration (2+10)**		**19,990,956**	**-**

REM2: Special payments

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

REM3: Deferred remuneration

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