البنك العربي المتحد
UNITED ARAB BANK

INTEGRATED REPORT 2021

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UNITED ARAB BANK

DIRECTOR'S REPORT 2021

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البـنــك الـعــربــي المـتــحــد
UNITED ARAB BANK

Directors Report – Year ended 31 December 2021

On behalf of the Board of Directors of United Arab Bank (UAB), I am pleased to present to the shareholders of the Bank our Annual Report for the year ended 31 December 2021.

UAB posted a Net Profit of AED 70 million for the year 2021, compared to a net loss of AED 667 million in 2020 representing an increase of 111%. The growth in net profit is a result of improved operating performance and lower expected credit losses, coupled with disciplined cost control and a prudent approach to risk management. The successful execution of the Bank's Transformation Strategy paved the way for a return to sustainable profitability.

UAB's financial performance was aided by a significant progress within the 'core' businesses recording a 12% growth in its total operating income in FY 2021 as compared to FY 2020. Provision charges have significantly reduced by 83% in 2021 as compared to 2020 and are expected to improve with new portfolio underwritings in high-quality assets. The Bank maintained adequate levels of capital with a capital adequacy ratio of 13.8% and a CET1 ratio of 12.6%, both of which remain well above the regulatory requirements currently applicable. The Bank's NPL ratio improved from 15.7% in FY 2020 to 12.6% in FY 2021.

The Board and the Management Team continues to focus on growing the Bank's core businesses and revenues across its Wholesale Banking, Retail Banking and Financial Markets whilst moving towards a more agile operating model incorporating digital solutions and capabilities thereby positioning itself as the partner of choice among major corporate clientele segments.

The Board of Directors recommend the following appropriations for the year ended 31 December 2021:

	2020 AED'000	2021 AED'000
Opening balance in Accumulated Losses at 1 January	(897,863)	(667,257)
Profit / (Loss) for the year	(667,295)	(70,191)
Accumulated losses offset against reserves (note)	897,863	0
Transfers from revaluation reserve	38	517
Balance available for appropriation	(667,257)	(596,549)
Transfer to Special Reserve	0	(667,257)
Transfer to Statutory Reserve	0	(70,191)
Director's remuneration	0	0
Closing balance in Accumulated Losses at 31 December	(667,257)	(610,587)

Note:

Following the receipt of the Bank's Annual General Assembly approval dated 13 April 2020 as well as regulatory consents received subsequently, the Bank's accumulated losses as at 1 January 2020 of AED 897,863 thousand have been fully set off against the Special reserve of AED 422,116 thousand and Statutory reserve of AED 475,747 thousand.

Subject to the General Assembly's approval, total Shareholders' funds will increase to AED 1,512m at 31 December 2021 compared to AED 1,455m at 31 December 2020. The Directors' propose no dividend distribution for the year 2021.

To the best of our knowledge, the financial information included in the report fairly presents in all material respects the financial condition, results of operation and cash flows of the Bank as of, and for, the periods presented in the accompanied financial statements for the year ended 31 December 2021.

On behalf of the Board of Directors whose unwavering commitment and guidance remain invaluable, my sincere appreciation goes to our valued customers and shareholders for their patronage, the top management and the employees for their commitment and dedication, and to the Central Bank of UAE for regulating and supporting the UAE banking sector.

In conclusion, we wish to express our appreciation to the President of the United Arab Emirates, His Highness Sheikh Khalifa Bin Zayed Al Nahyan for his leadership, vision and support. We also wish to thank His Highness Sheikh Mohammed Bin Rashid Al Maktoum, UAE Vice President, Prime Minister and Ruler of Dubai, His Highness Sheikh General Sheikh Mohammed Bin Zayed Al Nahyan, Crown Prince of Abu Dhabi and Deputy Supreme Commander of the UAE Armed Forces and His Highness Sheikh Dr. Sultan Bin Mohammed Al Qassimi, Ruler of Sharjah for their support and guidance.

Sheikh Faisal Bin Sultan Bin Salem Al Qassimi
Chairman
2 March 2022

البنك العربي المتحد
UNITED ARAB BANK

CORPORATE GOVERNANCE REPORT 2021

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1. Introduction

Sound Corporate Governance plays a fundamental role in the culture and business practices of UAB. The Bank's Corporate Governance framework relates to the way the business and activities of the Bank are directed and managed taking into account all stakeholders and the role of the Bank in the community.

2. UAB's Corporate Governance Framework

The Governance framework ensures adequate Board oversight over the risks inherent to our business. It focuses on the separation of the Board of Directors, the Executive Management's duties and responsibilities, the effectiveness of the Board and Management Committees, role of the external and internal auditors and the transparency accuracy and timely disclosure of information. In addition it aids cooperation with supervisory and regulatory authorities to ensure full compliance with applicable regulations and best practices.

UAB complies with each of the Central Bank, Securities and Commodities Authority and Abu Dhabi Securities Exchange regulatory requirements continuously looking to adopt industry best practices.

3. Transparency and Disclosure

As part of our efforts to continuously enhance disclosures and transparency, the delivery of accurate and timely information to our stakeholders represents a key priority of the Bank. Information is distributed through a number of channels including media, press releases and other various avenues.

In addition, a dedicated Investor Relations section is available on the Bank's website (www.uab.ae) through which financial and non-financial reports are cascaded.

Financial reports include published annual reports and financial results in both English and Arabic. Other important documents to shareholders such as the Memorandum and Articles of Association, shareholder structure, share price performance and analysts' reports are also available on the website.

4. UAB's Board of Directors

H.E. Sheikh Faisal Bin Sultan Bin Salem Al Qassimi
Chairman Non-executive
First elected to the Board: 1975
Re-elected to the Board: in 2021 for a term of 3 years

External Board Appointments

- Chairman – GIBCA Group of Companies
- Chairman – Faisal Holding LLC
- Chairman – Grand Stores
- Chairman – Hospitality Management Holdings LLC

Founder of United Arab Bank, H.E. Sheikh Faisal Bin Sultan Bin Salem Al Qassimi has served as the Chairman of the Board of Directors since the Bank's inception in 1975 and has since then remained the largest single individual shareholder of the Bank.

Beyond his instrumental role at UAB, H.E. Sheikh Faisal is currently the Chairman of the Board of Directors of a number of private companies. He also formerly served as the Chairman of the Board of Arab Organization of Industries and Establishment.

H.E. Served in the UAE Armed Forces in different capacities prior to retiring at the rank of Major General including Under Secretary of the Ministry of Defense, Chief of Staff, and Chairman of the Court of Crown Prince at the time – H.H. Sheikh Khalifa bin Zayed Al Nahyan.

H.E. Sheikh Faisal Bin Sultan Bin Salem Al Qassimi graduated from the Jordanian Officer Cadet School and Mons Officer Cadet School in UK.

Mr. Omar Hussain Alfardan
Vice Chairman, Non-executive
First elected to the Board: 2007
Re-elected to the Board: in 2021 for a term of 3 years

External Board Appointments

- Chairman of the Board of Directors at Alternatif Bank in Turkey
- Managing Director – The Commercial Bank (P.S.Q.C.)
- President and CEO – Alfardan Group and its subsidiaries (Automotive, Properties & Hospitality),
- Board Member of Alfardan Subsidiaries including
- Jewellery, Investment and Marine Services
- Board Member – Qatar Red Crescent
- Advisory Board Member - Qatar Financial Centre Authority

Mr. Alfardan is serving as Vice Chairman of the Board of Directors and represents The Commercial Bank (P.S.Q.C.), the largest corporate shareholder of United Arab Bank. Mr. Alfardan holds a Bachelor's Degree in Business Administration and a Master's Degree in Finance from Webster University in Geneva, Switzerland.

H.E. Sheikh Abdullah Bin Ali Bin Jabor Al Thani
Director, Non-executive

First elected to the Board: 2008
Re-elected to the Board: in 2021 for a term of 3 years

External Board Appointments

- Chairman – The Commercial Bank (P.S.Q.C.)
- Deputy Chairman – National Bank of Oman

Other External Appointments:

- Owner – Vista Trading Company, Qatar
- Partner – Integrated Intelligence Services, Qatar
- Owner – Abdulla bin Ali & Partners for Real Estate and Commerce
- Owner – Shaza Hotel, Doha

Sheikh Abdullah has served on the Board of Directors of United Arab Bank since February 2008 as a representative of The Commercial Bank (P.S.Q.C.), the largest corporate shareholder of UAB. He was re-appointed in 2011, 2015 and 2021 by the Annual General Assembly. He holds a BA in Social Science from Qatar University.

H.E. Sheikh Mohammed Bin Faisal Al Qassimi
Director, Non-executive

First elected to the Board: 2011
Re-elected to the Board: in 2021 for a term of 3 years

External Board Appointments

- Faisal Holding LLC & a number of its Board Committees.
- Grand Stores LLC.
- Italian Chamber of Commerce in the UAE & the GCC.
- Member of Certified Management Accountant - CMA.
- Member of Society of Technical Analysts of the United Kingdom.

H.E. Sheikh Mohammed Bin Faisal Al Qassimi is the founder of MANAFA LLC, a holding company with diversified activities in the fields of hospitality, real estate, private equity and Equity investment.

H.E. Sheikh Mohammed Bin Faisal Al Qassimi holds key directorships and senior positions at various business groups and associations including the Italian Chamber of Commerce in the UAE and the GCC and Faisal Holding Co LLC. H.E. Sheikh Mohammed is a member of CMA and the Society of Technical Analysts of UK.

H.E. Sheikh Mohammed Bin Faisal Al Qassimi graduated from Webster University in Business Administration and Accounting.

Ms. Najla Al Midfa
Director, Independent

First elected to the Board: 2012
Re-elected to the Board: in 2021 for a term of 3 years

External Board Appointments

- Board member of the United Arab Bank (part of the Board Audit Committee).
- Vice Chairman of Young Arab Leaders.
- Board member of Endeavor UAE.

Ms. Najla Ahmed Al-Midfa is Chief Executive Officer of the Sharjah Entrepreneurship Center (Sheraa), a government-supported entity with a mandate to build the entrepreneurial ecosystem in Sharjah, by supporting entrepreneurs as they build and grow innovative startups that contribute positively to socio-economic growth.

Najla is also the founder of Khayarat, a platform that empowers young, high-potential Emiratis to make informed career choices, and enables them to succeed in the private sector.

Najla has an MBA from Stanford University, and is a fellow of the Aspen Institute's Middle East Leadership Initiative. In 2019, she was selected to be an Eisenhower Global Fellow.

Mr. Ahmed Mohamad Bakheet Khalfan
Director, Non-executive

First elected to the Board: 1995
Re-elected to the Board: in 2021 for a term of 3 years

Mr. Khalfan previously served as the Deputy General Manager of Emirates Industrial Bank and was Chairman of the Board of Directors of Emirates Modern Poultry Company and Vice Chairman of Emirates Rawabi. He also served as Board Member for various companies in the UAE including ALICO, Gulf Glass, and Takaful Re.

Mr. Khalfan graduated with a Bachelor of Science in Economics with honor from the North Eastern University, Boston.

Mr. Joseph Abraham
Director, Non-executive

First elected to the Board: 2017
Re-elected to the Board: in 2021 for a term of 3 years

External Board Appointments

- Group Chief Executive Officer of The Commercial Bank (P.S.Q.C)
- Vice Chairman of the Board of Alternatif Bank, Turkey
- Director, National Bank of Oman

Mr. Abraham has extensive banking experience across both developed and emerging markets. Before joining Commercial Bank in June 2016, he was CEO of ANZ Indonesia (Australia and New Zealand Banking Group) based in Jakarta, a position he served in from 2008 to 2016.

Mr. Abraham has an MBA from the Graduate School of Business, Stanford University, California and has worked in Indonesia, Singapore, Hong Kong, Ghana, UK and India in various country and regional banking roles with a successful track record covering general management, corporate banking, strategy, product management as well as acquisitions and integrations.

Mr. Fahad Abdulrahman Badar
Director, Non-executive

First elected to the Board: 2016
Re-elected to the Board: in 2021for a term of 3 years

External Board Appointments

- Executive General Manager, International Banking - The Commercial Bank (P.S.Q.C.)
- Board Member – National Bank of Oman (NBO), Oman

Mr. Fahad Badar is a member of the Bank's Board of Directors and recently joined in July 2016. Mr. Badar's career at The Commercial Bank (P.S.Q.C.) spans over 18 years. Prior to his current role as Executive General Manager, International Banking, Mr. Badar held a number of key roles in the International Banking, the Government and Public Sector Relations and the Wholesale Banking Divisions.

Mr. Badar holds an MBA from Durham University, United Kingdom and a Bachelors of Arts degree in Banking & Finance from the University of Wales.

Mr. Abdul Wahab Al-Halabi
Director, Independent

First elected to the Board: 2021

External Board Appointments

- Chairman and Independent Director – DXB Entertainment
- Board Member - Global SWF
- Senior Advisor & Member of the Board, Middle East - Houlihan Lokey
- Board Member - Union Properties
- Director – AbFab Limited
- Director – TPL Properties Limited

Mr Abdul Wahab Al-Halabi is a Board Member at Global SWF, Union Properties and a Senior Advisor and Member of the Board, Middle East at Houlihan Lokey as well as a Partner at Decker & Halabi. He is a Chairman and Independent Director at DXB Entertainments and Chief Investment Officer of Equitativa Group, a diversified financial services group that is involved in asset management, wealth management and private equity.

Mr Al-Halabi has more than 20 years' experience in the real estate sector, with expertise in financial restructuring, crisis and debt management, credit enhancements and joint ventures. Previously he was the Group Chief Investment Officer of Meraas Holding, a partner at KPMG and has acted as Chief Executive Officer of Dubai Properties, a member of Dubai Holding.

Mr. Al-Halabi holds a Bachelor of Science in Economics from London School of Economics and an Executive MBA from École des Ponts ParisTech. He is a Fellow of the Institute of Chartered Accountants in England and Wales and a member of Chartered Institute for Securities & Investments (CISI) and Entrepreneurs Organization UAE.

5. Role of the Board of Directors

The Board of Directors is empowered, under the Bank's Articles of Association, with the widest powers necessary to carry out the activities and functions required to fulfill the objectives of the Bank.

The Board responsibilities include establishing the Bank's strategy and ensuring that the Bank manages risk effectively through approving and monitoring the Bank's risk appetite.

Adopting the Bank's Corporate Governance framework falls within the responsibilities of the Board to help ensure the implementation of solid internal controls and disclosures, the establishment of adequate policies and procedures necessary for the Bank's sound operations and compliance with applicable regulatory and statutory requirements at all times in addition, the Board has agreed on the Terms of Reference of the Board of Directors and all Board Committees, which set out their respective process, duties and responsibilities.

6. Directors Obligations and Duties

Board Members commit to the following obligations in carrying out their duties as Directors of the Board, in accordance with the highest Corporate Governance standards:

- Having the necessary skills, qualifications and knowledge of the Bank's affairs and business;
- Act honestly and in good faith with a view to protecting the best commercial interests of the Bank;
- Observe confidentiality, conflict of interest and transparency requirements when assuming their responsibilities as Directors;
- Act in accordance with the obligations stipulated under the Articles of Association and all applicable laws and regulations;
- Not being convicted of any crime or felony or a crime involving moral turpitude;
- Disclose any direct or indirect interests that they may have in connection with the Bank and which could conflict with the proper performance of their duties; and
- Attend regularly and participating effectively in Board meetings and general meetings of the shareholders.

7. Board Composition and Nomination

The Board is composed of 9 non-executive board members. The members were re-elected at the Annual General Assembly in April 2021. Members are eligible for re-election.

4 members represent The Commercial Bank, being the major shareholder, 1 member represent the founders of the Bank with the remaining representing the private sector and minority shareholders.

The Board collectively possesses professional knowledge, business expertise, industry knowledge, diversity and financial awareness to carry out its oversight responsibilities. All Board members are in regular attendance of the meetings.

Board of Directors' Transactions in the bank's Securities

The following table shows the shares of the Company held by the members of the Board, their spouses or children in the Company's shares during 2021:

Director name	Shares held As at Dec 31 2021	Total sale transactions	Total purchase transactions
HE Sheikh Faisal Bin Sultan Bin Salem Al Qassimi	229,515,634	-	-
Mr. Omar Hussain Alfardan	-	-	-
HE Sheikh Abdullah Bin Ali Bin Jabor Al Thani	-	-	-
HE Sheikh Mohammed Bin Faisal Al Qassimi	1,621,533		
Mr. Ahmed Mohamad Bakheet Khalfan	-	-	-
Ms. Najla Al Midfa	4,543,059		
Mr. Fahad Badar	-	-	-
Mr. AbdulWahab ALHalabi	-	-	-
Mr. Joseph Abraham	-	-	-

8. Board of Directors' Remuneration

- The Board of Directors were paid AED 0 in 2020 remunerations
- The proposed total remuneration for the Directors for 2021 is set to be AED 0 subject to the shareholders' approval in the coming AGM.
- The Board of Directors will be paid a total of AED 1,010,000 as an allowance for attending the Board committees in 2021 subject to AGM approval and as per the following details:

Board member	Committee	Amount (AED)	Attendance
HE Sheikh Faisal Bin Sultan Bin Salem Al Qassimi	BOD	0	100%
Mr. Omar Hussain Alfardan	GRC	70,000	100%
HE Sheikh Abdullah Bin Ali Bin Jabor Al Thani	BRC	50,000	100%
HE Sheikh Mohammed Bin Faisal Al Qassimi	GRC -BCC	180,000	100%
Mr. Ahmed Mohamad Bakheet Khalfan	GRC-BCC-BRC	190,000	100%
Ms. Najla Al Midfa	BAC-GRC	130,000	100%
Mr. Fahad Badar	BCC-BRC	140,000	100%
Mr. AbdulWahab ALHalabi	BAC-BRC	60,000	100%
Mr. Joseph Abraham	GRC-BAC-BCC	190,000	100%

9. Board activities in 2021

The Board of Directors met 6 times in 2021 and received information in between meetings on regular basis from the Board and Management Committees in relation to the Bank's business developments.

2021 Board Meetings Calendar

February 8th, 2021	Board of Directors meeting to approve Q4 2020 financial results conducted and to agree on General Assembly agenda on 29th April 2021, in addition to other items on the agenda
April 29th, 2021	Board meeting to discuss and approve other items on the agenda.
June 16th, 2021	Board meeting to discuss and approve other items on the agenda.
August 10th, 2021	Board meeting to approve Q2 2021 financial results in addition to other items on the agenda.
November 8th, 2021	Board meeting to approve Q3 2021 financial results in addition to other items on the agenda.
December 12th, 2020	Board of Directors meeting to discuss and approve other items on the agenda, along with Board Training

Board member	BOD	GRC	BAC	BCC	BRC
HE Sheikh Faisal Bin Sultan Bin Salem Al Qassimi	C				
Mr. Omar Hussain Alfardan	VC	C			
HE Sheikh Abdullah Bin Ali Bin Jabor Al Thani	M				C
HE Sheikh Mohammed Bin Faisal Al Qassimi	M	M		C	
Mr. Ahmed Mohamad Bakheet Khalfan	M	M		M	M
Ms. Najla Al Midfa	M	M	C		
Mr. Fahad Badar	M			M	M
Mr. AbdulWahab ALHalabi	M		M		M
Mr. Joseph Abraham	M	M	M		
Number of Meetings in 2021	6	7	7	9	5

C: Chairman, **M**: Member, **BOD**: Board of Directors, **GRC**: Board Governance & Remuneration Committee, **BAC**: Board Audit Committee, **BCC**: Board Credit Committee, **BRC**: Board Risk Committee

10. Summary of Board Resolutions by circulation in 2021

Board meeting date	Resolution
March 21st, 2012	Approved the Consolidated Financial Statements for the period ended 31st of December 2020
May 5th, 2021	Approved the Interim Condensed Consolidated Financial Statements for the period ended 31st of March 2021

11. Board committees

The Board of Directors established Board Committees to assist the Board in carrying out its duties and obligations and offer a more detailed review of important areas of business and control.

Board Governance & Remuneration Committee ("GRC")

The GRC acts on behalf of the Board on all matters related to governance, remuneration, nomination and strategic plans, except for those powers and actions that are restricted to the Board on the basis of legal provisions or the Articles.

The GRC is responsible for supporting the Board in overseeing the remuneration scheme, in order to ensure that the subject remuneration is appropriate and consistent with the Bank's culture, long-term business and risk appetite, performance and control environment as well as with any legal or regulatory requirements.

GRC shall provide recommendations to the Board for new Board and Senior Management members. GRC will also provide support and directions to the Board in terms of strategic and budgetary initiatives, plans and decisions. GRC meets at least Four times a year. The committee held Seven meetings in 2021.

Committee members
- Mr. Omar Al Fardan - Chairman
- Sh. Mohammed Bin Faisal Al Qassimi - Member
- Mr. Ahmed Khalfan - Member
- Mr. Joseph Abraham - Member
- Miss Najla Al Midfa - Member

Board Audit Committee ("BAC")

BAC is responsible for managing the financial reporting, compliance and internal audit reviews of the Bank and, in doing so, may exercise all the powers delegated by the Board, subject to any relevant laws and regulations.

The internal audit function has a direct reporting line to the BAC.

BAC meets at least Four times a year, the committee held Seven meetings in 2021.

Committee members
- Miss Najla Al Midfa - Chairman
- Mr. Joseph Abraham - Member
- Mr. AbdulWahab ALHalabi - Member

Board Credit Committee ("BCC")

The BCC provides leadership for the Bank within a framework of prudent and effective controls which enables robust credit control.

The BCC is responsible for evaluating and granting counterparty credit facilities and approving the Bank's investment activities within authorized limits and, in doing so, exercise all the powers delegated by the Board, subject to any relevant laws and regulations. BCC meets on an ad-hoc basis. The committee held Nine meetings in 2021.

Committee members
- Sh. Mohammed Bin Faisal Al Qassimi - Chairman
- Mr. Ahmed Khalfan - Member
- Mr. Fahad Abdulrahman Badar - Member
- Mr. Joseph Abraham – Member-until April 2021

Board Risk Committee ("BRC")

The BRC monitors and manages all aspects of enterprise risk management including, but not restricted to, credit risk; market risk; operational risk; legal risk; regulatory risk; liquidity risk; financial risk.

Moreover, the BRC reviews and approves the policies on all risk issues and maintains oversight of all Bank risks through reports received from the General Management Risk Committee. BRC meets at least Four times a year. The committee held Five meetings in 2021.

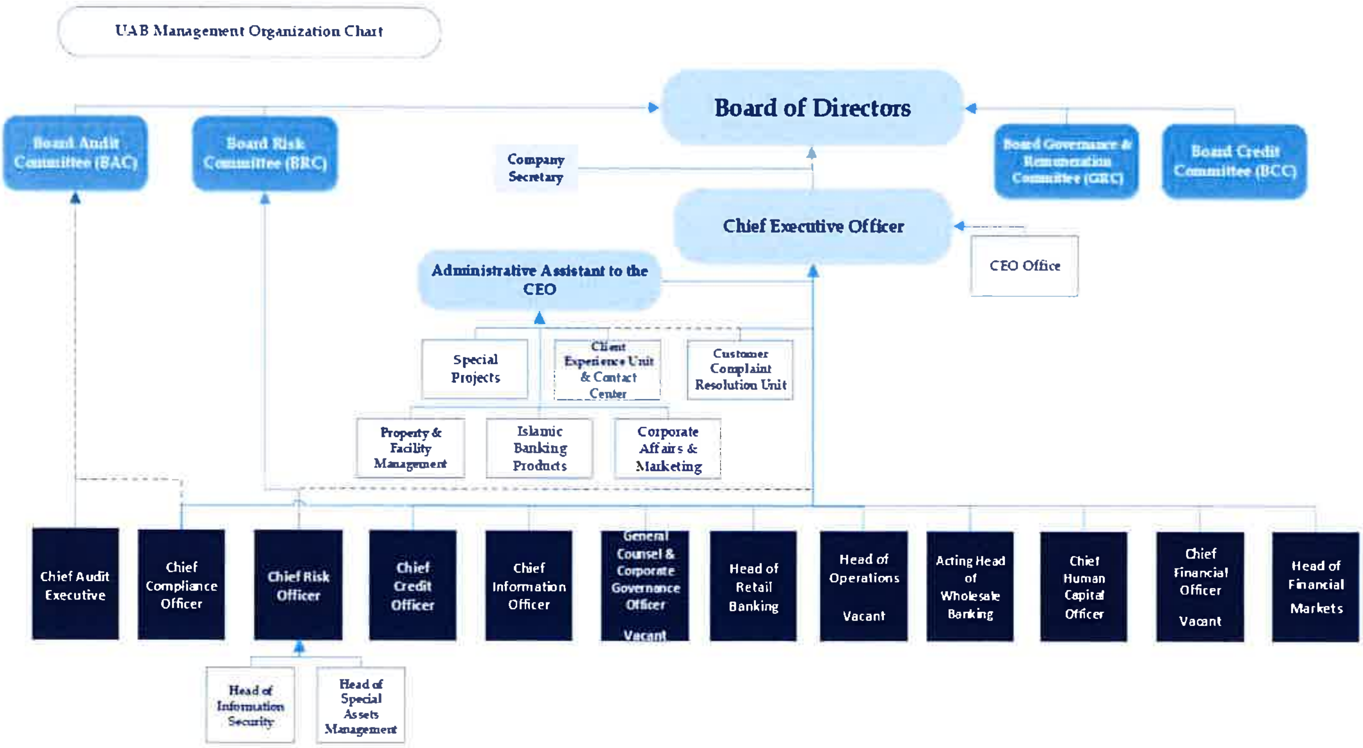
Committee members
- Sh. Abdullah Bin Jabor Al Thani - Chairman
- Mr. Fahad Abdulrahman Badar - Member
- Mr. Ahmad Khalfan - Member
- Mr. AbdulWahab Al Halabi – Member

12. Related party transactions during 2021

UAB consistently disclose the related party transactions in the financial statements and are audited by external auditors. The management reviews the related party transactions and when the deals are conducted.

The Bank discloses the transactions and dealings with the related parties according to the relevant accounting standards and are verified by our external auditors through their quarterly reviews and audits. Related party disclosures for the year 2021 are available in the financial statements under note number 24 (please click here to access the 2021 full year Financial Statements).

13. UAB's organization structure



Management Committees (formed by the CEO)

Executive Management Committee (MANCOM)	Credit Committee (CC)	Asset, Liabilities & Investment Committee (ALICO)
Risk Committee (RC)	Special Assets Committee (SAC)	Business Technology and Information Committee (BTIC)

December 2021

14. Senior Management, and their Compensation

UAB's senior management team brings decades of collective expertise in the Banking industry, they work closely with our board of directors to define and deliver the bank's strategy.

Details of the total salaries and benefits paid to the executive management in 2021 are provided in the table below:

Title	Joining date	Total compensations paid
Acting Head of Wholesale Banking	17/04/2016	AED 15.51m
Head of Financial Markets	30/08/2020	
Head of Retail Banking	01/11/2021	
Chief Credit Officer	04/06/2017	
Chief Risk Officer	03/02/2020	
Head of Finance	06/05/2012	
Chief Compliance Officer	03/02/2019	
Chief Information Officer	09/05/2018	
Head of Trade and Payment Operations	02/02/2006	
Chief Human Capital Officer	01/09/2019	
Chief Audit Executive	01/08/2019	
Head of Legal	18/05/2014	
Administrative Assistant to the CEO	10/07/1982	
Chief Executive Officer	10/03/2019	

15. Management committees

The Board has approved the Terms of Reference of all Management Committees. The Bank has 6 Management Committees that report regularly to the Board, or the relevant Board committee as follows:

Management Committee ("MANCOM")
The Executive Management Committee is responsible for recommending the Bank's strategy and monitoring its performance. It will exercise general control over UAB and manage the Bank's business to ensure compliance with regulatory and legal requirements, and internal policies - MANCOM meets on a weekly basis.

Asset and Liability Committee ("ALCO")
ALICO is the decision-making body related to balance sheet structure, funding, pricing, hedging, investment, and setting limits related to the overall ALM function of the Bank; and the has the mandate for recommending for approval or itself approving various functions/transactions mention under the responsibilities - ALCO meets at least six times a year.

Risk Committee ("RC")
The General Management Risk Committee is the highest approving authority at the management level on all

Credit Committee ("CC")
CC is the highest management level authority on all counterparty risk exposures, credit product

aspects of enterprise risk management including, but not restricted to: credit risk; market risk; operational risk; legal risk; regulatory risk; liquidity risk; financial risks; corporate governance; and audit matters of the Bank (and any subsidiaries and affiliates in which it has strategic investments).

The RC provides recommendations on all risks and investment policies and portfolio issues to the BRC, and to other Board Committees as appropriate – RC meets on a monthly basis.

Operations and Technology Committee ("OTC")
Provide an outline for role performed by Information Technology and Operation Units regarding Banks's projects, IT related initiatives, plans, related Budgets and Expenditures and Service Operation status. The OTC will provide assistance to the Senior Management in fulfilling its responsibility to the shareholders, and provide timely updates about the respective related activities - OTC meets up to 6 times a year.

Wholesale Banking Top Team ("WBT")
The WBT is the top management team of Corporate and Institutional banking (to be re-defined as wholesale banking) making key decisions on the day-to-day working of the wholesale banking team, under the leadership of the CEO and Head of wholesale banking – WBT meets on a weekly basis.

Legal Meetings
The objective of this Terms of Reference is to provide an outline updates/status of the legal cases against the bank and the provisions required for the same - Legal Meetings take place every quarter.

programmes and underwriting exposures on syndications and securities transactions – CC meets on a weekly basis.

Special Assets Committee ("SAC")
The Special Assets Committee is the highest management level authority on Corporate and SME provisions. The authority of the SAC is derived from the Board - SAC meets on a monthly basis.

Retail Banking Top Team ("RBT")
Concerned with making key decisions on the day-to-day working of the Retail Banking team, under the leadership of the CEO - RBT meets on a weekly basis.

Client Experience Forum ("CEF")
The purpose of the Terms of Reference of the Client Experience Forum is to provide an outline of the role performed by the Client Experience Forum (CEF) of United Arab Bank (UAB). The CEF will provide assistance to the Senior Management in fulfilling its responsibility to the shareholders, and others relating to the Bank's compliance with legal and regulatory requirements and the achievement of the Bank's desired customer experience levels – CEF meets on a Monthly basis.

Performance Evaluation of Management Committees: The Corporate Governance reviews on an annual basis the performance of all Management Committees against their terms of reference and reports accordingly to the Board.

16. External Auditors

External Auditors details	
Name of audit firm for the period (January 1, 2021 – December 31, 2021)	Earnest & Young
Audit Partner	Thomas Abraham
Number of years served as an external auditor for the bank	3
Total fees for auditing the financial statements of 2021	AED 890,400 consist of: ▪ Q1 2021 - 140,595/- ▪ Q2 2021 - 140,595/- ▪ Q3 2021 - 140,595/- ▪ YE 2021 - 248,115/-
Fees and costs of services other than auditing and reviewing the financial statements for 2021	AED 69,195 for: ▪ Arabic translation of YE Financial statements - 32,445/- ▪ Annual BRF review as per UAE Central Bank regulations - 36,750/-
Any other audit services	AED 131,342 for: ▪ AUP - SCA Unclaimed dividend - 57,842/- ▪ AUP - review Pillar 3 disclosure as per UAE Central Bank guidelines - 73,500/-

* All fees are inclusive of VAT and OPE

We confirm that any qualified opinions were issued by the auditors in 2021.

17. Internal control Structure

Effective internal controls are the foundation for a safe and sound banking practices, UAB believes that a properly designed and applied system of operational and internal control can help the bank's Board of Directors and its Management to:

- Safeguard the bank resources
- Produce reliable financial reports
- Comply with the laws and regulations
- Timely detect significant errors and irregularities, while reduce their occurrence

The Board is responsible for maintaining and reviewing the effectiveness of internal system and environment and for determining the individual and aggregate level and type of risks the UAB is willing to take in achieving its strategic objectives.

In order strength the internal control environment within the bank, UAB has implemented three line of defense mechanism. This is further augmented by effective communication and information flow between UAB and external stakeholders such as CBUAE, Rating agencies and external Audit.

The overall model is impeded in the following functions for the bank:

Risk Management
UAB regards effective risk management as a key element to its sustainable performance; success, transformation strategy and value creation.

The role of risk management is to ensure that the Bank's risk-related decisions are consistent with the Bank's strategy, and are in line with its Risk Appetite framework, Best Practice and International standards set by regulators.

Effective risk management is fundamental to the success of the Bank and is recognized as a key element in UAB's overall approach to achieving its strategic goals. The risk management framework is predicated on the Three Lines of Defense model. Within this model, Business units (first line) originate and manage risks, while the risk management and other control functions (second line) provide independent oversight and objective challenges to the first line of defense, as well as monitoring and controlling of risk. The Internal audit department (the third line) provides assurance that policies, procedures and controls are achieved by the other defenses.

The Bank has an established Risk governance framework with an active and engaged Board of Directors, supported by an experienced senior management team and risk management that is independent of the business lines. Decision-making is exercised through a number of Board and Executive Management Committees as per approved delegation of authority (DOA) matrix.

The Board of Directors approves key risk policies, limits and risk appetite statement, and ensures, either directly or through the committees, that decision-making is aligned with the Bank's strategic goals. Moreover, detailed reports are submitted to the Board periodically on the Bank's risk profile and emerging risk along with current state of the risk culture, utilisation against the established risk appetite, and limits, limit breaches (if any) and mitigation plans.

The Chief Risk Officer (CRO) is responsible for risk management under the oversight of the Board Risk Committee. The CRO heads the risk management function and also has direct access to the Board.
The risk management consists of specialized teams for managing credit portfolio, market/liquidity and operational risks. Risk management also includes the control and reporting functions of risk analytics, portfolio management, and information security, internal control monitoring unit and credit administration.

The Bank continuously strengthens its risk management practices, policies and procedures and other tools to upgrade its overall capabilities, which are fundamental to achieving its business strategy. In order to achieve the aforesaid mission, UAB embark upon development of Comprehensive Risk Road Initiatives. Multi-year program using which we intend to transform and uplift risk setup within UAB, expecting significant value creation and cost optimization

Risk management also includes the control and reporting functions of risk analytics, credit administration and monitoring. The Bank continuously strengthens its risk management practices, policies and procedures and other tools to upgrade its overall capabilities, which are fundamental to achieving its business strategy.

UAB has a well-defined and independent Credit Administration Department ("CAD") that manages credit risk arising from its existing and future corporate credit exposures through obtaining Legal documentation & Limit management functions reporting to the Chief Risk Officer.

CAD functions are broadly managed by two units, namely Credit Documentation and Credit Control Units to attend to core responsibilities of borrowing documentation, Custody of borrowing & related security documents and limit management in adherence to UABs Credit policy. Highlighting exceptions and tracking them until resolution is also part of the daily activities.

Operational Risk

- Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events.
- The Bank makes use of six operational risk management processes, which consist of key risk indicators, change risk assessment, risk self-assessment, scenario analysis, issue & action management and risk event management.
- Furthermore, several types of risk mitigation measures are used and comprise control enhancement, model risk management, business continuity management and other mitigation measures (risk avoidance, risk reduction and risk transfer).
- To pro-actively address risks related to potential business disruptions, business impact analyses, crisis management teams and business continuity plans have been established for the Bank as well as for all branches.

Enterprise Risk Management Department

United Arab Bank continued its drive to focus on strengthening the risk management culture and ensuring the same is institutionalized at an enterprise wide basis. With this objective set forth, the management decided to set up enterprise risk management department to ensure that the bank adopt best in class risk management practices supported by necessary risk infrastructures.
Enterprise risk department housed under risk management is an independent Risk function and report directly to Chief risk officer (CRO). This department is responsible for managing:

- Market,
- Liquidity Risk,
- Risk Analytics and
- Risk Reporting

The priority has been to strengthen the Enterprise Risk Management function with core emphasis on the following:

- Implementation of sound risk framework including policies and procedures.
- Ensure continuous compliance with Regulatory standards and best practices.
- Develop, institutionalized, assessed and monitor Risk Appetite framework
- The bank measures and manages Market & liquidity Risk by using different risk parameters with combinations of various limits.
- Refining and strengthening the Stress Testing framework in line with Central Bank of UAE and Basel guidelines
- Ensuring that the Bank remains complaint with IFRS9 Credit related guidelines including continuous and rigorous validation of bank internal models

- Setting up of information security function in line with the bank mission and strategy and continued the efforts to strengthen and protect information, process and systems
- Setting up of internal control unit responsible for implementing the internal control frame work in line with CBUAE guidelines.

Risk Management Group

The Risk Management is responsible for implementing and maintaining risk related procedures to ensure an independent control process. It works closely with the commercial organization to support their activities, while safe-guarding the risk profile of the Bank. It institutes prudent risk monitoring and control mechanisms (processes and systems) to ensure compliance of individual risk assets and portfolios to agreed terms and policy parameters.

UAB use a top and emerging risks process to provide the forwarding looking view of issues with the potential to threaten the execution of our strategy or operations over short to long term horizon.

UAB proactively assesses the internal and external risk environment and identify the set of risks along with remediation steps and impact severity.

It reviews and presents risk policy and portfolio management reports to the BCC, BRC and Board.

Compliance

Banks are at the front-line of the economic disruption brought about by the COVID-19 pandemic. Central banks, large universal banks & small to medium-sized regional banks, are all facing unprecedented challenges and risks. They are also taking multiple measures to support their employees and customers, and help bolster the financial system.

Compliance function of a bank, must extend its focus beyond the bank, its policies and its employees. This function also bears the responsibility, for ensuring that the bank's clients act within the law and don't use the bank for illegal & illicit activities, such as money laundering, evading taxes or funding terrorism.

We, at the United Arab Bank are fully cognizant of the regulatory risk implications associated with non-adherence to the local & global laws & regulations, which may result in sanctions, fines/censures and losses associated with damage to the Bank's reputation as a result of its failure to comply with the applicable laws & regulations or prescribed practices.

The Compliance function at United Arab Bank provides assurance to the Executive Team and the Board that the expectations of the regulator, i.e. the Central Bank of the UAE, are fully met (along with relevant international regulations) and that the risk of the Bank being used to facilitate financial crime is effectively mitigated.

Compliance, as an independent and second line of defense function, helps protect the bank by establishing a control environment that mitigates key risks. Specifically, Compliance provides regulatory guidance and operates a risk-based program designed to prevent, detect, and address violations of applicable laws, rules, regulations, policies, and procedures. One of the key responsibilities of the Compliance function is to provide consultative support and oversight to the Senior Management towards effectively mitigating and managing the compliance risks faced by the Bank.

Administrative independence of the Compliance function is ensured at all times, along with unrestricted access to all necessary data, information and systems across the Bank. Compliance also maintains an efficient reporting structure that enables prompt escalation and resolution of issues.

With significant continuing regulatory changes, the criticality of the Compliance function and the need for an effective Compliance framework within a financial institution is unprecedented. The vulnerability of financial institutions has increased manifold with extra-territorial enforcement of overseas regulatory agencies creating a more complex arena. Consequently, the need for senior management of banks to fully understand and effectively mitigate evolving Compliance risks is of paramount importance. United Arab Bank (UAB) remains fully cognizant as well as vigilant towards such local and international risks vis-à-vis our banking activities/services. Furthermore, the Bank fully acknowledges the importance of adherence to all CBUAE regulations without exception.

The Board and the Senior Management continuously promote and uphold a strong Compliance culture across the Bank while setting the desired "Tone from the Top". As a result, we continue to undertake required endeavors to maintain an environment that is conducive towards employee empowerment and transparency in relation to effective risk management across the estate.

In the last two years, United Arab Bank (UAB), has undertaken, initiatives towards overall improvement in the Regulatory & Financial Crime function, which include (but not limited) to (i) updating it policies and procedures in line with the Central Bank of the UAE Notice 74/2019 "Procedures for Anti Money Laundering & Combatting the Financing of Terrorism & Illegal Organizations for Financial Institutions" and the Central Bank of the UAE Notice 79/2019 "Guidelines on Anti Money Laundering & Combatting the Financing of Terrorism & Illegal Organizations", (ii) Revision/Enhancement of the Transaction Monitoring thresholds & scenarios, (iii) Enhanced Governance & Controls around the client onboarding and Sanction Screening processes.

At an industry level, United Arab Bank continues to play an active role with regards to collaboration with the UAE Banks Federation (UBF) as a member bank and membership of important advisory committees of the UBF, working on important initiatives, proposals and priorities across the banking fraternity.

Legal

The Legal team provides legal support to the Bank's departments and senior management, with its key objective is to give advice and guidance on various legal issues. The Legal team acts as the Bank's legal counsel and has the following priorities:

- Advise the Bank's stakeholders on effective solutions for current and anticipated material concerning legal and regulatory issues.
- Ensure major corporate actions, transactions and projects are managed in an efficient manner and are in line with applicable laws and regulations, in order to minimize the Bank's legal and regulatory risks.
- Draft, review and update the standard documentation, templates and relevant general terms and conditions of Bank's products.
- Initiate new legal cases and follow up on the cases filed by or against the bank before competent courts.
- Review all contracts and agreements in which the Bank is or will become party to.

Internal Audit

Internal Audit Department (IAD) in an independent function in the Bank and represents Third Line of Defense whose primary objective is to assist the Board of Directors and Executive Management to protect the assets, reputation and sustainability of the Bank.

To ensure independence, the Chief Audit Executive reports to the Chairman of the Board Audit Committee and is accountable for setting and reinforcing IAD's strategic direction, while ensuring that IAD has the necessary independence and authority, to exercise judgement, express opinions and make recommendations.

Therefore IAD continues to be free from interference by any element in the Bank, including in matters of audit selection, scope, procedures, frequency, timing or report content. Similarly, IAD maintains its independence by not taking part or getting involved in the strategic and operational decisions taken by the Bank's management.

Internal Audit activities are governed by Board approved Internal Audit Charter that sets out the mandate, approach, authority and responsibility of IAD within the Bank. The Charter is compiled by taking into consideration the Internal Audit Guidelines and Standards issued by the Institute of Internal Auditors ("IIA"), the Information, Systems Audit and Control Association ("ISACA"), and the Central Bank of the United Arab Emirates ("CB-UAE").

The scope of IAD activities covers, but is not restricted to, inspections of evidence to provide independent assessments on the adequacy and effectiveness of risk management, control and governance processes within the Bank. In order to achieve this, a risk assessment of the Bank and its activities (including outsourced activities) is conducted at least once every year and reviewed on a periodic basis to formulate an agile Audit Plan. Audits are executed in accordance with the Plan to form an opinion on the overall control environment.

18. Details of violations in 2021

There were no material violations observed in 2021. UAB follows a process in the Operational Risk Policy that is approved by the Board Risk Committee (BRC). All investigations are carried out by the Risk Management team to identify the root-cause of the issue and where appropriate, proposed changes to standard and control processes are made to prevent any future occurrences.

19. Details of the contributions for the community in 2021

UAB has invested a total of AED 104,337 and $4,685 in projects directed to foster culture, arts, youth empowerment, and for people with disabilities.

20. Share price information & Shareholding details

UAB's share price in the Market at the end of each month during the year 2021

Date	UAB Mid	UAB Delta	ADX	ADX Delta
01/31/2022	0.673	0.00%	8,704	2.54%
12/31/2021	0.673	0.00%	8,488	-0.68%
11/30/2021	0.673	0.00%	8,547	8.66%
10/31/2021	0.673	-9.91%	7,865	2.16%

09/30/2021	0.747	0.00%	7,699	0.18%
08/31/2021	0.747	0.00%	7,685	5.01%
07/31/2021	0.747	0.00%	7,318	7.06%
06/30/2021	0.747	0.00%	6,835	4.22%
05/31/2021	0.747	-10.00%	6,559	8.47%
04/30/2021	0.83	-6.21%	6,047	2.27%
03/31/2021	0.885	21.73%	5,913	4.40%
02/28/2021	0.727	-9.91%	5,664	1.25%
01/31/2021	0.807	-	5,593	-

UAB's shareholding distribution as at 31 December 2021

Shares category	Company	Individual	Grand Total
Arabic	904,753,747	4,653,612	909,407,359
Foreign	6,256,271	7,259,346	13,515,617
UAE	365,434,001	774,193,672	1,139,627,673
Grand Total	**1,276,444,019**	**786,106,630**	**2,062,550,649**

Shareholders who hold 5% or more of the ENBD's shares as at December 31st, 2021

Shareholder	Quantity	%
البنك التجاري ش.م.ع.ق	825,020,255	40.00%
الشيخ فيصل سلطان سالم القاسمي	229,515,634	11.13%
شركه الماجد للا ستثمارات (ذ.م.م)	112,907,477	5.47%
جمعه الماجد عبدالله مهيري	109,546,618	5.31%
الشيخ سلطان صقر سلطان سالم القاسمي	107,192,034	5.20%

Shareholders distribution by the size of equity as at December 31st, 2021

Shares owned	Count	Quantity	%
Less than 50,000	96	1,473,498	**0.07%**
50,000 to 500,000	48	9,422,683	**0.46%**
500,000 to 5,000,000	43	73,961,125	**3.59%**
5,000,000 & More	37	1,977,693,343	**95.89%**
Grand Total	**224**	**2,062,550,649.00**	

UAB has a dedicated Investor Relations section on its corporate website which makes available the following information for all existing and potential investors:

- Material disclosures
- Interim and annual financial reports
- Presentations, management discussion and analysis reports

- Updated Credit ratings
- Sustainability reports

Contact details
Mr. Wael Alashqar
Head of Investor Relations
Direct telephone: +971-6-5075238
Mobile number: +971-54- 9943959
Email: ir@uab.ae
Website: https://www.uab.ae/Investor-Relations/

21. Statement of special resolutions presented in 2021 AGM and the related action points

To consider and approve the establishment a debt programme for the issuance of bonds: medium term notes (Medium term debt instrument offered in the international markets), which the only security is the Bank's reputation and financial strength) up to a maximum amount of US$1,000,000,000/- or the equivalent in other currencies as private placement or public issuance listed on international stock exchange, provided that the amount of any issuance thereunder complies with all applicable laws and requirements of the Securities and Commodities Authority and the Central Bank of the UAE.

22. Company secretariat details

Name: Ms. Sereen Makahleh
Date of joining: 03 Jan 2016

23. Details of major events and disclosures in 2021

- United Arab Bank Conclusion of the Nomination to Membership of the Board of Directors Period
- Unclaimed Dividends by Shareholders from Previous Years
- Resignation of the Chief Executive Officer

24. Details of transactions conducted with related parties in 2021 of 5% or more of the bank capital

No transactions have been conducted in 2021.

25. Emiratization

Year	Ratio
2019	17.14%
2020	20.17%
2021	18.73%

26. Details of projects and initiatives in 2021

Providing a superior Customer Experience by adopting to latest trends in Banking, Optimizing IT Infrastructure, enhancing the Application stack, strengthening data Security, embracing technological change to comply with Regulatory controls and becoming Digitally Enabled, 2021 THEME WAS AROUND:

- Complimenting Digital Strategy
- Automation and improving efficiency
- Improved Customer Experience.
- Strengthening and upgrading the Technology landscape

TECHNOLOGY CONTINUES TO BE THE KEY ENABLER, improving digital experience for customers remains a strategic priority for UAB. Major customer facing initiatives such as the Emirates Digital Wallet and UAE payment gateway system were launched successfully.

UAB became one of the first banks in UAE to onboard customers through the Digital Onboarding Platform using UAEPASS. Improved focus was on strengthening controls around data security and access controls, in line with regulatory mandates and to comply with PCI regulations.

Project name	Description
Emirates Digital Wallet	UAB Successfully launched Emirates Digital Wallet which will allow customers to spend (at merchant outlets), receive hold or send money (between Klip Wallets) without worrying about using physical cash. Klip contributes to the UAE's digital transformation strategy and aims to be become a critical benchmark in the UAE's quest to become an advanced economy and society.
UAE Payment Gateway System	UAB is now part of UAEPGS. The UAE Payment Gateway System (UAEPGS) is a payment gateway introduced by the Central Bank to allow the customers of merchants connected to the service to purchase and pay their bills online either by direct debit (through their bank account via the internet banking.
Digital Onboarding (Pilot Launch)	Digital on boarding enables non UAB customers to open UAB account instantly through the existing mobile application either through UAEPASS authentication or by uploading their KYC documents through the mobile app. A tablet application for branch staff who can instantly onboard customers by completing the online form and uploading the KYC documents.
SharePoint Launch	A central repository based on SharePoint platform with an officially internal Intranet UAB Portal has been successfully completed and planned to go live for Q1 2022.
Credit Lens	UAB Successfully implemented the Credit Lens solution. Credit Lens software simplifies and standardizes the way UAB collect, analyse, and store credit data, laying the groundwork for a robust credit origination and decisioning framework.
File Integrity Monitoring	With a view to further strengthen the controls and to comply with regulatory mandates, UAB IT successfully implemented the File integrity monitoring solution. FIM is an internal control or process that performs the act of validating the integrity of operating system and application software files using a verification method between the current file state and a known, good baseline.
Technology Stack Refresh	In continuation to 2020's efforts to strengthen the technology landscape, major network upgrades were completed such as the upgrade of MPLS routers from CISCO to Arista, VPN and firewalls migration from CISCO to Fortinet and FortiGate respectively.
MasterCard Migration	In progress towards migration of all its credit and debit cards to MasterCard platform. A revenue stream for the bank and provides the bank's customers with major privileges and benefits.
Swift Upgrade	Successfully completed the Swift Mandatory upgrade from version 7.4 to 7.6.

Application Upgrades	Applications such as Core Banking, DDS, BPM, IVR were upgraded to the latest technology stack improving resilience and stability and resulting in better user experience.
PCI Compliance	The Payment Card Industry Data Security Standard is an information security standard for organizations that handle branded credit cards from the major card schemes. The PCI Standard is mandated by the card brands but administered by the Payment Card Industry Security Standards Council. UAB in the final stages of getting PCI certified. Numerous security and infrastructure changes and internal controls were implemented in a short period enabling the bank to be compliant with PCI regulations.

Chairman of the Board	Audit Committee Chairman	Board Governance & Remuneration Committee Chairman
Date: 17.03.2022	Date: 17.03.2022	Date:

Bank's official stamp

البنك العربي المتحد
UNITED ARAB BANK

Annual Report of the Internal Shari'ah 2021

الـبـنـك الـعـربـي الـمـتـحـد
UNITED ARAB BANK

Annual Report of the Internal Shari'ah Supervision Committee of United Arab Bank

Alhamd lilah rbi alealamin , walsalat walsalam ealaa 'ashraf al'anbia' walmursalin sayiduna Mohamed wa ala alih wasahbih 'ajmaein.

Issued on: 25th February 2022

To: Shareholders of United Arab Bank

alsalam ealaykum warahmat allah taealaa wabarakatuh,

Pursuant to the requirements stipulated in the relevant laws, regulations and standards **("Regulatory Requirements")**, the Internal Shari'ah Supervision Committee of UAB **("ISSC")** presents to you the ISSC's Annual Report regarding Shari'ah compliant businesses and operations of the UAB) for the financial year ending on **31 December 2021**:

1. Responsibility of ISSC

In accordance with the Regulatory Requirements and the ISSC's charter, the ISSC's responsibility is stipulated as to:

a. undertake Shari'ah supervision of all businesses, activities, products, services, contracts, documents and business charters of the Institution; and the Institution's policies, accounting standards, operations and activities in general, memorandum of association, charter, financial statements, allocation of expenditures and costs, and distribution of profits between holders of investment accounts and shareholders ("Institution's Activities") and issue Shari'ah resolutions in this regard, and

b. to determine Shari'ah parameters necessary for the Institution's Activities, and the Institution compliance with Islamic Shari'ah within the framework of the rules, principles, and standards set by the Higher Shari'ah Authority ("HSA") to ascertain compliance of the Institution with Islamic Shari'ah.

2. Shari'ah Standards

In accordance with the HSA's resolution (No. 18/3/2018), and with effect from 01/09/2018, the ISSC has abided by the Shari'ah standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) as minimum Shari'ah requirements, in all fatwas, approvals, endorsements and recommendations, relating to the Institution's Activities without exception.

3. Works Undertaken by the ISSC During the Financial Year

The ISSC undertook Shari'ah supervision of the Institution's Activities through review of those Activities, and monitoring through division or internal section of internal Shari'ah control, internal Shari'ah audit and (if applicable) external Shari'ah audit, in accordance with the ISSC's authorities and responsibilities, and pursuant to the Regulatory Requirements in this regard. Works of the ISSC included the following:-

a. Convening three meetings during the year.
b. Providing fatwas, opinions and resolutions on matters presented to the ISSC.
c. Monitoring compliance of policies, procedures, accounting standards, product structures, contracts, documentation, business charters, and other documentation submitted by the Institution to the ISSC for approval.
d. Supervision Islamic Banking Department and external Shari'ah Audit, of the Institution's Activities including executed transactions, adopted procedures on the basis of samples selected from executed transactions, and reviewing reports submitted in this regard..
e. Providing direction to relevant parties of the Institution to rectify (where possible) findings cited in the reports submitted by division of section of the internal Shari'ah control, internal Shari'ah audit, and/or external Shari'ah audit.
f. Approving remedial rectification and preventive measures related to identified errors to prevent their reoccurrence in the future.
g. Communicating with the Board and its subcommittees, and the senior management of the Institution (as needed) concerning compliance of the Institution with Islamic Shari'ah.

The ISSC sought to obtain all information and interpretations deemed necessary in order to reach a reasonable degree of certainty that the Institution is compliant with Islamic Shari'ah.

ISSC approved DAR Al Sharia to carry out the external Shari`ah Audit and provide the annual Shari`ah Audit report for the FY 2021

4. Independence of ISSC

The ISSC acknowledges that it has carried out all of its duties independently and with the support and cooperation of the senior management and the Board of the Institution. The ISSC received the required assistance to access all documents and data, and to discuss all amendments and Shari'ah requirements.

5. The ISSC's Opinion on the Shari'ah Compliance Status of the Institution.

Premised on information and explanations that were provided to us with the aim of ascertaining compliance with Islamic Shari'ah, the ISSC has concluded with a reasonable level of confidence, that most of the Institution's Islamic Activities are in compliance with Islamic Shari'ah. The ISSC formed its opinion, based on the external external Sharia's Audit annual report.

1. The bank was executing and using the approved forms and agreements in most of its transactions except some transactions as mentioned in the annual Shari`ah audit report.
2. Most of operational activities are in line with ISSC approval; except some of operational activities that were not as per the external Sharia Audit report.
3. All of the Bank`s Islamic Investments are approved by ISSC.
4. Mudarabah profit distribution was approved by ISSC.
5. No Zakat obligations on the Islamic Banking Department since their Liabilities are exceeding their assets

We ask God, the Most High, the Almighty, to achieve righteousness for all.

Sheikh Dr. Ahmed Bin Abdulaziz Al Haddad
Chairman and Executive Member of the Internal Shari`ah Supervisory Committee

Sheikh Dr Aziz bin Farhan Al Anzi
Member of Internal Shari`ah Supervisory Committee

Sheikh Moosa Tariq Khoory
Executive Member Internal Shari`ah Supervisory Committee

البـنـك الـعـربـي المـتـحـد
UNITED ARAB BANK

2021
Environmental, Social, and Governance Report

UNITED ARAB BANK (P.J.S.C.)
IS LICENSED BY THE CENTRAL BANK OF THE UAE

2021 ENVIRONMENTAL, SOCIAL, AND GOVERNANCE REPORT

Table of Content

1. INTRODUCTION

ABOUT THIS REPORT

United Arab Bank is honored to present its second ESG report. Within the pages of this report, we share an overview of the Bank's Environmental, Social, and Governance performance during 2021 reported according to the Abu Dhabi Securities Exchange ESG Guidelines.

REPORTING PERIOD

This report covers the calendar year from January 1st to December 31st, 2021. Information from previous years is provided when available for comparison purposes.

REPORTING GUIDELINES

As part of our commitment to transparency and international best reporting practices, this report is developed in accordance with the SDGs, the UAE Vision 2021, and the ADX ESG Disclosure Guidance for listed companies, the index of which is presented in the Appendix.

REPORT BOUNDARY

This report covers UAB operations in the UAE only. Financial data is expressed in AED.

CONTACT POINT:

We always value feedback and strive to improve our reporting. Hence, we welcome any questions or feedback you may have on our progress and ambitions.

Email: sustainability@uab.ae

Phone: +971 6 5075238

1.1. ABOUT UAB

UNITED ARAB BANK, P.J.S.C. (UAB) was incorporated on the 21st of January, 1975 as a joint venture between UAE investors and the French international financial conglomerate, Société Générale (SG). Today, the bank is considered among the longest-standing and most innovative banking and financial services providers in the United Arab Emirates.

Headquartered in Sharjah, UAB operates through six branches, 30 ATMs, and 12 cash and cheques deposit machines (CCDM) across the UAE offering retail and corporate banking services. The bank succeeded to establish itself as a partner of choice for corporate clientele with a comprehensive suite of Wholesale Banking services supported by Trade Finance, Retail Banking, and Treasury services, in addition to Islamic Banking solutions.

OUR VISION

United Arab Bank seeks to be a trusted and stalwart partner to its customers, shareholders, and employees. Being the bank of choice in the UAE, it will lead the way to greater financial prosperity while keeping the highest standards of integrity.

OUR MISSION

United Arab Bank is committed to building sustainable long-term partnerships with our key stakeholders, offering a superior client experience, creating shareholder value, and adopting an innovative banking approach while remaining loyal to our nation's heritage and contributing to the overall development of the UAE.

OUR COMMITMENTS

FOR OUR CUSTOMERS

Committed to consistently deliver a superior customer experience and adopt an innovative banking approach.

FOR OUR PEOPLE

Committed to helping our people grow within a high-performance culture that attracts, develops, and rewards talent and contribution.

FOR OUR COMMUNITY

Committed to contributing to our community to make a difference.

FOR OUR SHAREHOLDERS

Committed to creating consistent and long-term shareholder value and ensuring its sustainable growth.

FOR OUR REGULATORS

Committed to applying the highest standards of corporate governance and work ethics.

OUR VALUES

INTEGRITY

our business and managing stakeholder relationships.

CUSTOMER FOCUS

Orienting our activities to achieve optimum customer satisfaction.

COMPETENCE

Delivering exemplary standards of performance.

CONSISTENCY

Respect and courtesy are the primary and only benchmarks for our behavior and conduct.

OUR OWNERSHIP STRUCTURE

UAB is listed on the Abu Dhabi Stock Exchange (ADX) with a diversified ownership structure of local, regional, and foreign shareholders.

List of major shareholders who own 5% and above of the share capital as of December 31, 2021

Shareholder	Percentage
The Commercial Bank P.S.Q.C.	40.00%
Sheikh Faisal bin Sultan Al Qassimi	11.13%
Al Majed Investment Company (WLL)	5.47%
Jumaa Al Majed Abdullah Muhairi	5.31%
Sheikh Sultan Saqer Sultan Salem Al Qassimi	5.20%

Shareholders by Nationality as of December 31, 2021	
Shareholder	Percentage
UAE	56.13%
Qatar	43.86%
Other GCC	0.01%
Other Arabs	0.00%
Others	0.00%

Shareholders by Investor Type as of December 31, 2021	
Shareholder	Percentage
Banks & FI	41.68%
Individuals	38.08%
Corporations	20.24%

FINANCIAL PERFORMANCE

	2021	2020	CHANGE (%)
Total Assets	15,180,042	14,849,149	2.23%
Profit before Impairment Loss	205,918	140,828	46.22%
Net Profit	70,191	(667,295)	111%

AED'000

United Arab Bank announced a Net Profit of AED 70 million for the year 2021, compared to a net loss of AED 667 million in 2020 representing an increase of 111%. The growth in net profit is a result of improved operating performance and lower expected credit losses, coupled with disciplined cost control and a prudent approach to risk management. The successful execution of its Transformation Strategy paved the way for a return to sustainable profitability.

UAB's financial performance was aided by a significant progress within the 'core' businesses recording a 12% growth in its total operating income in FY 2021 as compared to FY 2020. Provision charges have significantly reduced by 83% in 2021 as compared to 2020 and are expected to improve with new portfolio underwritings in high-quality assets. The Bank maintained adequate levels of capital with a capital adequacy ratio of 13.8% and a CET1 ratio of 12.6%, both of which remain well above the regulatory requirements currently applicable. The Bank's NPL ratio improved from 15.7% in FY 2020 to 12.6% in FY 2021.

The Bank continues to focus on growing its core businesses and revenues across its Wholesale Banking, Retail Banking and Financial Markets whilst moving towards a more agile operating model incorporating digital solutions and capabilities thereby positioning itself as the partner of choice among major corporate clientele segments.

The Bank's robust liquidity profile is also demonstrated by an advances to stable resources ratio of 81% and an eligible liquid asset ratio of 19%, both comfortably above regulatory thresholds (for more information on the financial performance, please visit our Investor Relations section on www.uab.ae)

CREDIT RATING

Rating Agency	Long term	Short term	Outlook
Moody's Investors Service	Ba1	NP	Negative
Fitch Rating	BBB+	F2	Stable

1.2. MESSAGE FROM OUR INTERIM CEO

The past two years have been unparalleled with unprecedented challenges brought by the pandemic across the globe. However, these challenges were also great lessons for people and businesses, as we transformed our way of living and conducting business to cope with the new reality.

As we emerge from the pandemic, and despite the grave impact we have faced, we are proud of the resilience and zeal demonstrated by our Bank to achieve success and continue being a creator of value for our customers and community.

2021 has been a flourishing year for United Arab Bank with many achievements paving the way to more prosperity. We recorded a Net Profit of AED 70 million for the year 2021, reflecting a successful execution of our Transformation Strategy. We actively collaborated with different institutions and organizations to foster a positive impact on the UAE's economy and communities such as our collaboration with the Emirates Securities & Commodities Authority (SCA) and UAE Ministry of Economy (MOE) in the nation-wide SCA Fintech Megathon 2021, to promote further development of the Fintech industry in the UAE. We also continued to provide financial support to our customers and integrated several technological innovations to improve our customer experience and satisfaction.

Our bank has been taking adequate steps towards adopting and integrating sustainability practices. This year we are publishing our second ESG report highlighting our performance in ESG metrics defined by ADX. We announced the Middle East's first payment card made of 100% recycled material which generates a carbon footprint reduction of 8%, compared to conventional PVC cards. Our Financial Institutions Department invested in ESG-linked loans for regional banks with a total value of circa AED 90m. We also collaborated with the Storey Group and Eco-Matcher to launch the One Billion Trees Initiative (OBTI) where we already purchased 1,000 trees to plant in 2022. And we were successful in reducing our electricity and water consumption in our facilities by ~3% each. Furthermore, alongside our financial literacy and CSR activities, we engaged through our sponsorships with several organizations to enable their youth-focused initiatives.

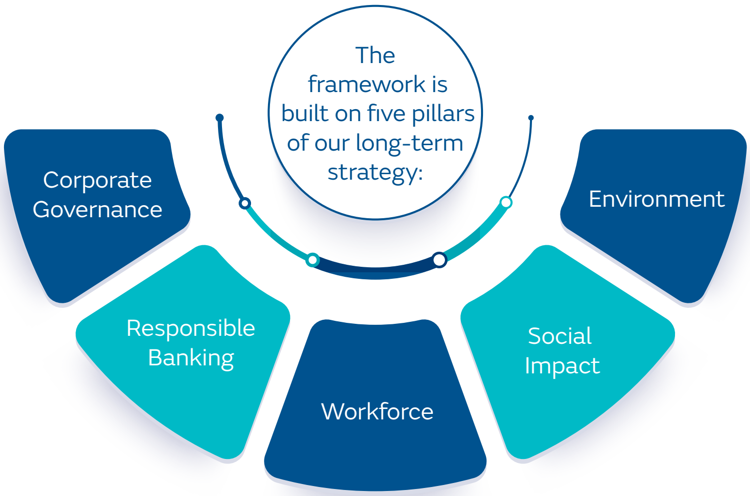
Alexander Thomas
Interim Chief Executive Officer

Alexander Thomas
Interim Chief Executive Officer

2. OUR SUSTAINABLE FUTURE

OUR SUSTAINABILITY MANAGEMENT APPROACH

At UAB, we believe that managing ESG risks and driving a strong sustainability agenda contributes to long-term value creation for our stakeholders, future-proofing our business and the economy at large. To achieve this agenda, we developed a sustainability approach that articulates our commitment and discloses it to our stakeholders known as UAB Sustainability Framework. The framework guides the bank in making better CSR investments, improving operations, and increasing efficiency in our sustainability agenda.



In creating the approach, we consulted various stakeholders to get their feedback on material issues. We also ensured its alignment with the UN Sustainable Development Goals, the UAE's Vision 2022, and the ADX ESG Disclosure Guidance for Listed Companies.

UAB has continuously invested in CSR, especially in community and environmental conservation projects. To reduce the bank's carbon footprint and contribute to climate change mitigation, we have invested in environmental conservation programs. A partnership with Storey Group org., a UAE based social enterprise aims to plant trees to contribute to the united nation's Billion tree campaign, the project is expected to kick off in 2022.

3. OUR CORPORATE GOVERNANCE

Robust corporate governance is a fundamental attribute to the success of any business. It sets the tone as to how the organization operates and behaves both internally and to the market generally and is a key to increasing a company's competitiveness and investment attractiveness. Stemming from these beliefs, UAB Bank has been working to bolster the effectiveness of our governance by continuously reviewing our ways and adopting best practices.

3.1. GOVERNANCE, COMPLIANCE, AND ETHICS

UAB's Corporate Governance Framework and Operating Model enable the board of directors to maintain effective and regular oversight over the inherent risks in the business of the bank. The board approves strategic objectives, appropriate risk strategies, as well as policies and procedures to ensure that business plans and budgets are properly aligned with business activities. The board also has the responsibility to set corporate governance values, codes of conduct, and standards of compliance with banking laws and regulatory guidelines. To learn more about our governance structure and management please refer to our 2021 Corporate Governance Report that is published on our website (www.uab.ae) under the Corporate Governance section.

OUR BOARD STRUCTURE

Name	Role
H.E. Sheikh Faisal bin Sultan bin Salem Al Qassimi	CHAIRMAN
Mr. Omar Hussain Alfardan	VICE-CHAIRMAN
Sheikh Abdulla bin Ali bin Jabor Al Thani	DIRECTOR
H.E. Sheikh Mohammed bin Faisal Al Qassimi	DIRECTOR
Mr. Ahmed Mohamad Bakheet Khalfan	DIRECTOR
Mr. Fahad Badar	DIRECTOR
Mr. Joseph Abraham	DIRECTOR
Ms. Najla Al Midfaa	DIRECTOR
Mr. Abdul Wahab Al Halabi	DIRECTOR

OUR BOARD COMMITTEES

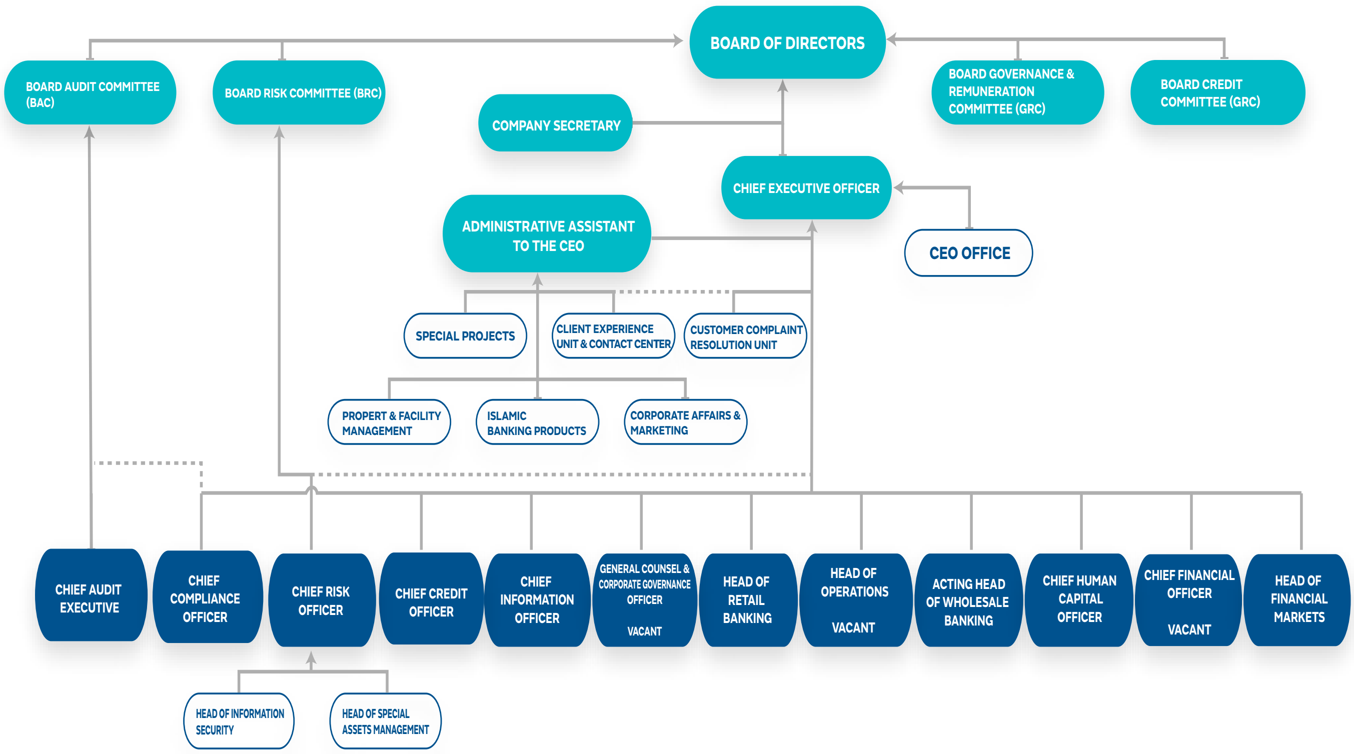
Board Audit Committee

Board Risk Committee

Board Governance and Remuneration Committee

Board Credit Committee

OUR ORGANIZATIONAL CHART



Management Committees (formed by the CEO)		
Executive Management Committee (MANCOM)	Credit Committee (CC)	Asset, Liabilities & Investment Committee (ALICO)
Risk Committee (RC)	Special Assets Committee (SAC)	Business Technology and Information Committee (BTIC)

CONFLICT OF INTEREST

UAB has various sets of policies and procedures in place across relevant departments that ensure effective management of conflicts of interest of UAB employees with regards to customers. Our Conflict-of-Interest section, as outlined in the UAB Code of Conduct, identifies employees' responsibilities concerning conflicts of interest that are most likely to occur in the Bank, as well as the employee's duty to exercise discretion in determining whether a conflict occurs and whether it would warrant remedial action. Employees must report any conflicts of interest, protect customer confidentiality and Bank confidential information, declare any outside business interests, and obtain approval before engaging in personal dealing.

COMPLIANCE

Ensuring that our Bank is in full compliance with laws and regulations is imperative to guarantee fair and transparent customer treatment and is a testament to the Bank's vigorous risk management system. UAB is in full compliance with the laws and regulations of the Central Bank of UAE. We are proud to have maintained a clean record of compliance for the past year.

Incidents of Non-compliance	2019	2020	2021
Total incidents of non-compliance with laws and regulations (#)	0	0	0
Total number of non-monetary sanctions (#)	0	0	0
Percentage of legal and regulatory fines and settlements that resulted from whistleblowing	0	0	0

WHISTLEBLOWING POLICY

To ensure that our customers, employees, shareholders, and different stakeholders trust that the Bank adheres to the highest levels of ethics, integrity, and transparency. The Bank has in place a Whistleblowing Policy that dictates the procedures, confidentiality measures and actions to be taken in the event of receiving a report of misconduct or illegal behavior.

A Designated Whistleblowing Officers (DWO) oversee maneuvering the cases or concerns submitted to them by employees through approved networks, such as email addresses, phone numbers, and anonymous letters, as outlined in this policy. All covered disclosures are brought to the Investigation Team and are thoroughly investigated, reasonably, and promptly. Subject to legal, legislative, and internal policy requirements, the DWOs and the Team keep the employee's identity private.

3.2. DATA PRIVACY AND SECURITY

As the world continues to digitalize, data and cyber security risks continue evolving and escalating to represent more material business threats across industries. In particular, financial institutions, protecting our customers' data privacy and security is of utmost importance to us. Under our Data protection addendum, we address the intellectual property rights of UAB and any other relevant data protection and privacy laws that we adhere to.

In line with the Central Bank of UAE consumer data protection, we have established a detailed data privacy policy that describes the rights of customers, retention of data, protection requirements known as the "**UAB consumer Data Protection and Privacy Policy**".

Further, as required by the CBUAE, the bank prepared the requisite Regulatory Implementation Plan (RIP) with actions owners spanning across all functions of the bank, which was approved by the board and submitted to the CBUAE. The bank conducted **Consumer Protection Regulations** related training for the board members. Various changes in relation to the CPR have been implemented across the bank and the bank is in process of complying with the CPR.

INFORMATION SECURITY FRAMEWORK

To set a guideline and define the scope of information security, UAB established an information security management framework ("IS"). The framework establishes the following objectives.

ENSURES THE OVERALL SECURITY FOR INFORMATION ASSETS OF THE BANK, THEREBY MANAGING THE BUSINESS RISKS

THE FRAMEWORK ENABLES THE BANK TO APPLY THE PRINCIPLES OF INFORMATION SECURITY TO IMPROVE THE SECURITY AND RESILIENCE OF THE INFORMATION SYSTEMS

THE FRAMEWORK PROVIDES ORGANIZATION AND STRUCTURE TO TODAY'S MULTIPLE APPROACHES TO INFORMATION SECURITY BY ASSEMBLING STANDARDS, GUIDELINES, AND PRACTICES THAT ARE WORKING EFFECTIVELY IN THE INDUSTRY TODAY

RISK MANAGEMENT

Under the framework, Information Security has established a comprehensive risk management procedure to identify various risks pertaining to technology and are calculated using the threat actor, vulnerability, probability, and impact. Such residual risks are reported to the Risk Management Committee and Board Risk Management Committee for risk mitigation status.

SECURITY STANDARDS ALIGNMENT

UAB is aligned with the following security standards;

a. National information Assurance standard (UAE IA Standard)
b. Industry regulated standard - PCI DSS (Payment Card Industry Data Security Standard)
c. Industry regulated standard - SWIFT CSP (SWIFT customer security program)
d. UAB information security framework developed in line with ISO 27001 standard.

Information Security framework and Operating Model in line with standards defined in ISO 27001, NESA, and PCI DSS were implemented.

Security Awareness conducted monthly with a participation rate of 90%

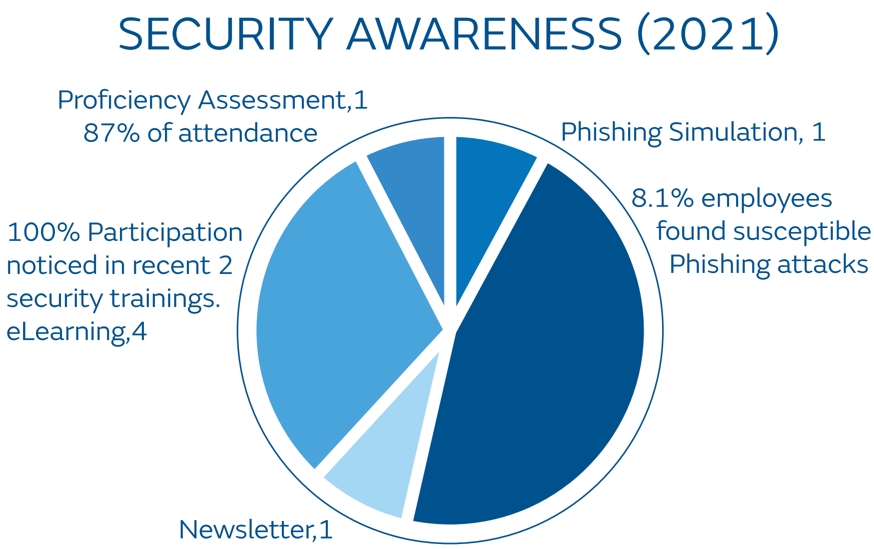
AWARENESS CAMPAIGNS AND TRAINING

We believe that establishing a strong infrastructure and the latest technologies only is not sufficient in combatting cybercrimes as human errors are still plausible. Therefore, the Bank takes a preventive approach to achieve this by equipping our customers and employees across the bank with the needed knowledge to protect themselves and avoid falling victims to fraud. To this end, the Bank worked on installing a culture of continual fraud risk awareness campaigns internally and externally.

Employee Awareness	Customer Awareness
The Bank conducts various information security awareness and training sessions for employees. The training is conducted in coordination with HR L&D where all sessions are followed up by HR to ensure participation from all departments Furthermore, various skillset assessments and simulation tests take place to evaluate our employees' knowledge in terms of identifying and reporting security issues.	The Bank conducts awareness campaigns to customers as well as wide audiences by delivering perpetual cybercrime and fraud awareness messages (via SMS, social media, Website, ATM display, SMS, Emailers, Screensavers) to protect themselves from financial cybercrime and fraud. A series of campaigns developed with taglines of #UnitedAgainstFraud and #ReadBetweenTheLines.

To ensure that adequate Information Security Literacy is developed in our employees, various training sessions covering different topics and through different channels such as e-Learning and Newsletter. The following graph represents a snapshot of the training delivered in 2021.

In addition to the bank's campaigns, United Arab Bank supported the UAE Banks Federation (UBF) with their campaign under the theme of "National Fraud Awareness Campaign", which was executed in collaboration with the Central Bank of the UAE, Abu Dhabi Police, Dubai Police, and the Telecommunication & Digital Government Regulatory Authority (TDRA).



DATA BREACHES

In 2021, there were no reported data breaches at UAB thanks to the implementation of the 24/7 Security Operations Centre to monitor, detect any intrusion attempts, and closely monitor any attacks. As for transactions refunded to account holders due to fraud, we recorded a total value of 12,326. The percentage of activity from card-not-present fraud was 98% while the percentage of activity from card-present fraud was 2%.

4. OUR RESPONSIBLE BANKING

4.1. SUSTAINABLE PRODUCTS AND SERVICES

SUSTAINABLE FINANCING

Environmental and Social Issues continue to emerge as risks that can disrupt businesses across the globe. As a bank, that serves dominantly corporations, we are taking steps towards integrating ESG factors into our decision-making processes. While we work on building the necessary infrastructure to transition to be a more sustainable financial institution, this year the bank has set a provision for the Wholesale Banking SOP stipulating the necessity of evaluating UAB Wholesale Banking clients' exposure to ESG risks and the mitigation towards such risks.

Furthermore, the bank has invested in ESG-linked loans for Regional banks with a total value of approximately AED 90m. The KPIs set for the ESG-linked loans covered topics such as resource use, Renewable Energy use, ESG Risk scores, and Gender Diversity.

SUSTAINABLE PAYMENT CARDS

In alignment with the UAE's efforts to grow towards a greener future and its new policy to eliminate the use of avoidable single-use plastic materials, UAB bank collaborated with Toppan FutureCard to launch the Middle East's first environment-friendly payment card to be manufactured completely from recycled plastic.

The card named the OxyCYCLE card, has received Mastercard's Sustainability certificate and badge. Since it is made of 100% recycled PVC, the card does not result in any harmful waste at any stage of its life cycle, from manufacturing through use or even when disposed of in the event of card renewal or replacement. Furthermore, the card manufacturing process generates a carbon footprint reduction of 8%, compared to conventional PVC cards.

4.2. CLIENT EXPERIENCE

As a financial services provider, everything we do revolves around the fulfillment of our customers' needs and the betterment of their financial wellbeing. In line with our commitment to consistently deliver a superior customer experience, the Bank created a Client Experience Unit focused on bringing improvements and innovations to our customer experience.

The unit reports directly to the CEO, emphasizing further its importance to our operations, and is responsible for the following

Define & embed the CX agenda across the DNA of the bank
Ensure complaints are resolved within the agreed turn-around-time in a way that exceeds customers' expectations
Run enterprise-wide Voice of Customer program including running the enterprise level NPS & the Mystery shopping program
Define & measure service standards for front line staff
Assess training needs of front-end staff, define plan & enforce schedule to deliver CX agenda
Own complete lifecycle of CX improvement initiatives across the organization
Run & manage the Contact Centre operations 24 / 7

EMPLOYEE TRAINING ON CX

To further ensure a better customer experience, provides internal training to front-line employees covering topics such as Service Standards and Channels, Customer Behavior, Complaints Management, Measurement Tools (e.g. NPS), Role Plays, and How to exceed customer expectations.

In 2021, UAB employees went through five training courses offered by **the Emirates Institute for Banking and Financial Studies (EIBFS)**, the courses covered the following topics:

Customer Journey	Methods to improve customer experience	The link between customer experience & customer retention

CUSTOMER SATISFACTION

The Bank conducted three rounds of NPS surveys in 2021, where 12,000 surveys were sent to customers from different segments. UAB finished the year with a Net Promoter Score of 22, a slight improvement from the previous round of 20.

The responses were as follows

Based on the NPS surveys we receive, the Bank conducts a comprehensive gap analysis to identify improvement areas and needed actions.

CUSTOMER GRIEVANCES

UAB believes that ensuring vigorous and timely complaint management and solving practices is crucial to achieving high satisfaction and retention of our customers. Therefore, the bank has an independent dedicated Complaint Resolution Unit that handles all customer-related complaints coming from all channels such as (social media, CB, branches, contact centers). Our approach to complaints management is defined by the Central Bank of UAE and Customer Protection.

In case of any grievance regarding bank decision; customers are guided on their right to escalate the case to the Central bank. This is also described in our customer charter. Furthermore, the Bank's complaint process is described in our service promise published in our website branches and ATMs. Customers are contacted through calls, email & SMS during the process of handling the complaint followed by quality monitoring of the complaint process.

Starting from September 2021, all complaints are now escalated to the next level within one working day as per the complaint escalation matrix. Details of all unresolved complaints pending for each month are reported to the Senior Management within 5 complete business days from the end of every month. Moreover, a review of top complaints is done monthly in the Client Experience Forum to assess complaint root cause, recommend solutions & follow up until implementation. Because of all our efforts, the bank received and solved 3114 customer complaints in 2021, achieving a 100% complaints resolution rate.

Customers can communicate with the bank through the following channels

- 24/7 Contact Centre
- 6 Branches across UAE
- Our website
- UAB online Banking
- Mobile Banking
- 24/7 Chat & Email access

CUSTOMER SUPPORT DURING THE PANDEMIC

FINANCIAL SUPPORT

During the pandemic, the bank undertook various measures to support customers. In line with the Central Bank of UAE Targeted Economic Support Scheme (TESS) program, we offered support to 239 customers amounting to AED 10.6 million helping them to ease out on the monthly consumption of their salaries. In addition, we assisted approximately 1,053 customers with deferments amounting to AED 12.3 million which helped sort out their immediate requirements of cash flows.

PROTECTIVE HEALTH MEASURES

To protect customers against covid -19, UAB implemented the following measures:

1. Sanitizers & Hygiene protocols were set on ATMs and inside branches.
2. Social distancing was ruled in all branches, and the capacity was reduced and monitored by security staff.
3. Staff and customers' temperature was measured before entering each branch.
4. HCM team shared many awareness emails on best protocols of dealing with the situation
5. The COVID precautionary protocols were included in the Mystery Shopping program to make sure these measures are taken.

DIGITALIZATION ACHIEVEMENTS

The bank installed the following innovations in 2021

Digital Onboarding	Mystery Shopping Program	Digital Transformation
UAB Launched the Retail Digital Onboarding which is a unique account opening platform, it comes with straight forward and self-driven process that enables new customers to open an account anytime anywhere with few steps, they can either enter their UAE pass credentials and UAB system pull-out and upload their data or by scanning Emirates ID and Passport and proceed accordingly	UAB launched the Mystery Shopping Program that includes measuring the service level based on pre-defined standards for all UAB Channels (branches, sales, RMs, online, website, contact center)	UAB launched a full digital transformation program that included many projects to enhance the customer experience, including the implementation of CRM as a major one.

5. OUR PEOPLE

5.1. TALENT ATTRACTION AND RETENTION

UAB recognizes the fundamental role played by its employees in all its operations. We endeavor to employ people from various backgrounds which enables us to deliver the highest quality of service to our customers. A structured performance management system gives clear direction and supports individual development, enabling appropriate recognition and reward.

To guide effective employee engagement and treatment, UAB has developed a Human Capital Policy with Human Capital Management (HCM) Manual which is updated to consolidate all policies in one document which contains policies, processes, and forms related to all aspects of HCM.

EMPLOYEE BENEFITS

In ensuring better living standards for our full-time employees, we provide them with Medical Insurance, Life Insurance, Air Fare Allowance, Education Allowance, and House Allowance. This is reviewed on an annual basis by our Governance Remuneration Committee (GRC).

PARENTAL LEAVE

Following the UAE labor law of 2021 female employees can take maternity leave of 45 calendar days while male employees take paternity leave of 3 calendar days. In 2021, 5 Female Staff and 9 Male Staff took parental leave.

REWARD & RECOGNITION

In recognizing the efforts of our hard-working employees, the bank takes the initiative to reward best performing individuals and groups in the following awards;

- Employee of the Quarter Award
- Sheikh Faisal Award
- Best Branch Award

The bank invests up to AED. 20,000 annually in employees awards.

EMPLOYEE NPS

One of the main metrics used by our bank to engage with our employees, get their feedback and inputs on how we can serve them better, and evaluate their job satisfaction is through our NPS Engagement Survey.

Employee NPS SCORE	2019	2020	2021
Employee Engagement	70%	85%	85%
Overall Satisfaction Score	80%	85%	85%

Retaining our human assets and maintaining a healthy retention rate is crucial for the continuity and growth of our business. Therefore, we use retention rate as another metric to evaluate the overall satisfaction of our employees and the resilience of our pipeline.

TURNOVER RATE			
	2019	2020	2021
% year-over-Year change for full-time employees	-23%	-15%	-3%
% year-over-Year change for part-time employees	0%	0%	0%
% year-over-Year change for contractors employees	-20%	-53%	2%

5.2. DRIVING PEOPLE DEVELOPMENT

As part of UAB's strategic objectives to develop, motivate and retain as well as promote creativity and innovation, we have aspired to encourage our employees to further their potential by strengthening their skills and knowledge that go beyond their current expertise.

UAB Human Capital Management Training team, in line with the strategic priorities and values in the UAB's Annual

Business and Strategic Plan, oversees the definition of competencies development framework every year. This framework helps the team in designing guidelines for all parties involved (coach, mentor, supervisor, assessor, and learning and development). Individual development plans are established based on the framework and the standards against which the employees will be assessed.

A multi-source mechanism captures the learning and development needs and expectations of employees, which are then reviewed by the HCM Training Team and shared with senior management. Direct managers oversee that individuals' desired outcomes are met.

After each training program, a post-training evaluation process ensures that feedback is provided. We use various assessment methods like Exercises, Role-play assessment, and case-based assessments to measure training effectiveness and discuss with the employee and line manager.

Employee Training Days per Gender	2021
AVERAGE NUMBER of training DAYS for MALE employees	10
AVERAGE NUMBER of training DAYS for FEMALE employees	11
Average NUMBER of training DAYS for ALL employees	10
Employee Post-training Evaluation of the learning programmed (NPS Score)	8

UAB Development Programs		
Program	Description	Impact
Third-Party Training	Digital Transformation, Technical and soft skills programs	12 courses 123 Employees
EIBFS Training Program	Technical & Behavioral Program, Pathway Programs	137 Courses 152 Employees
UAB Programs	Regulatory Required Programs, Technical Awareness, Behavioral Training	69 courses 347 Employees

TOP MANAGEMENT TRAINING

The Bank customizes training material for top management to be aligned with the fulfillment of our business objectives and strategy. In 2021, our top management training covered but was not limited to, the following topics.

Code of Conduct	Regulatory programs on compliance - AML/CTF, Sanctions	Fraud Risk Management
Consumer Data Privacy	Security Awareness Proficiency Assessment	Legal Awareness Program
Digital Transformation - Blockchain and Agile Methodology		

Training For Top Management per Gender	Number of Days
AVERAGE NUMBER of training DAYS for a MALE SENIOR & EXECUTIVE employees	6
AVERAGE NUMBER of training DAYS for a FEMALE SENIOR & EXECUTIVE employees	6
Average NUMBER of training DAYS for ALL SENIOR & EXECUTIVE employees	6

5.3.DIVERSITY, INCLUSION, AND EMIRATIZATION

UAB believes that diversity fosters the development of new ideas and fulfilling experiences where people come together and learn from each other. By the same token, we believe that the diversity of our workforce enables us to genuinely understand the needs of our equally diverse customers.

In keeping with our beliefs, UAB will not tolerate any kind of discrimination, bullying, or harassment that creates a hostile and unpleasant environment for our employees, with severe disciplinary actions and dismissal as a result. Fair treatment of all workers, regardless of race, religion, sex, sexual orientation, disability, or other criteria, is one of our core values.

GENDER EQUALITY

Women's participation in the economy is critical. The UAE is one of the pioneering countries to issue binding legislation regarding gender balance and women's presence in public Boards. As such, the UAE Central Bank Directives related to women's presence on Boards and The UAE Gender Balance Council efforts and initiatives illustrate the importance of the representation of women in the country.

At UAB, we work on improving our gender equality and inclusion by making our female employees feel valued and appreciated, where we treat them with respect, and equality. In that respect, our median male compensation to median female compensation is 1.18. Furthermore, no incidents of discrimination or harassment have been registered, in the last three years, and no formal grievances have been filed in 2021 about incidents of discrimination or harassment.

NON-DISCRIMINATION

In line with the UAE and the Central Bank's legislation, we have put in place measures to minimize/ eliminate any cases of discrimination, human rights violations, and child/ forced labor in all our operations. In 2021, no incidents of discrimination were reported. In ensuring the protection of human rights, the bank follows UAE regulations covering human rights.

EMIRATIZATION

UAB is a proud supporter and promoter of the UAE vision 2021's Emiratization program that aims to create jobs for UAE nationals. We believe these efforts will go a long way in contributing to the local economy by enhancing the skills and capacities of Emiratis in the workplace.

To effectively actualize these efforts, we have taken the following initiatives:

- Participate in various career fairs to identify the suitable UAE nationals to join UAB
- We offer attractive salary packages including transportation, utilities, housing, national holidays, airfare ticket, education, and provide life and medical insurance.
- We work tirelessly to secure the better and more peaceful work environment
- We also offer a wide range of benefits and through several engagement initiatives such as Employee of the Quarter Award, Emirati of the month, Mother's Day, or Happiness Day, we support and empower them

LOCALS VS. EXPATS - ALL EMPLOYEES	2019	2020	2021
Number of countries from which we have employees	31	25	26
Number of local employees out of the total workforce	72	72	65
% of local employees out of the total workforce	17%	20%	19%
Number of expat employees out of the total workforce	348	285	282
% of expat employees out of the total workforce	83%	80%	81%

TOP FIVE NATIONALITIES - ALL EMPLOYEES	2019	2020	2021
Indian	134	110	104
UAE	72	79	71
Jordanian	40	35	37
Egyptian	26	25	25
Pakistani	35	22	23

SENIOR & EXECUTIVE LEVEL - LOCALS VS EXPATS - ALL EMPLOYEES	2019	2020	2021
Number of LOCAL employees in SENIOR & EXECUTIVE positions	2	2	2
% of LOCAL employees in SENIOR & EXECUTIVE positions	20%	14%	14%
Number of EXPAT employees in SENIOR & EXECUTIVE positions	8	12	12
% of EXPAT employees in SENIOR & EXECUTIVE positions	80%	86%	86%

LOCALS VS. EXPATS - NEWLY HIRED FOR THIS YEAR	2019	2020	2021
Number of NEWLY HIRED LOCAL employees	8	20	7
% of NEWLY HIRED LOCAL employees	19%	29%	15%
Number of NEWLY HIRED EXPAT employees	34	49	41
% of NEWLY HIRED EXPAT employees	81%	71%	85%

Training Programs for Emirati Employees		
Program	Description	#Beneficiaries
Leadership	Leadership and Management Skills Program	22
Technical Skills	Operational Risk Awareness, Fraud Risk Awareness, Retail SOP, Credit Audit, Security Awareness	63
Product Knowledge	Card Products, Retail Products, Bancassurance products, Fundamentals of Islamic Banking Products, WB products	40
Regulatory Programs	AML Awareness, KYC updates, AML Audit Program, Compliance Training, Trade-Based Money Laundering, Sanction Awareness	48
Behavioral Skills	Presentation skills, Negotiation skills, handling difficult conversation, Art of cross-selling, code of conduct, Seven tools of Quality,	61

5.4. WORKPLACE HEALTH AND SAFETY

At UAB, the health and safety of our employees is a priority with measures put in place to ensure their wellbeing. With the challenges brought by Covid 19, we adopted several initiatives and deliberate efforts to safeguard our customers and employees. In 2021, we enhanced our efforts in protecting the health of our people. We embarked on two major training programs:

- COVID-19 Protection and Prevention Training
- Fire Warden training

Below are some of the efforts to combat covid19 at UAB

Working from home	Communication	Creation of split teams.
With the outbreak of the coronavirus (COVID-19) pandemic, working from home has provided flexibility and continuity of our business operations while prioritizing staff and customer wellbeing as part of our public health responsibility.	Regular management communications and update of the employees was introduced	During the pandemic period, split operations are beneficial for businesses to rotate the employees facing customers to avoid the risk of a single point of failure.
Limiting face-to-face meetings.	Announcements	Social Distancing
Due to the pandemic situation, face to face meetings and training were restricted as part of our employee health protection	Staff awareness for remote risks, and session invitations on how to manage the pandemic.	Social distancing for staff working from the office i.e., limiting 4 persons at the time for each elevator.

OUR PEOPLE IN NUMBERS

EMPLOYEES PER CONTRACT TYPE	2019	2020	2021
Total number of full-time employees	420	357	347
Total number of part-time employees	0	0	0
Total number of contractors employees	95	45	46

GENDER BREAKDOWN - ALL EMPLOYEES	2019	2020	2021
Total Number of ALL FULL-TIME employees	420	357	347
Number of MALE FULL-TIME employees out of the total workforce	277	237	231
% of MALE FULL-TIME employees out of the total workforce	66%	66%	67%
Number of FEMALE FULL-TIME employees out of the total workforce	143	120	116
% of FEMALE FULL-TIME employees out of the total workforce	34%	34%	33%

AGE BREAKDOWN - ALL EMPLOYEES	2019	2020	2021
Number of employees AGED 18 - 24	6	2	1
% of employees AGED 18 - 24	2%	1%	0%
Number of employees AGED 25 - 34	114	67	47
% of employees AGED 25 - 34	32%	19%	13%
Number of employees AGED 35 - 44	199	177	178
% of employees AGED 35 - 44	56%	50%	50%
Number of employees AGED 45 - 54	77	90	99
% of employees AGED 45 - 54	22%	25%	28%
Number of employees AGED 55 AND ABOVE	24	21	22
% of employees AGED 55 AND ABOVE	7%	6%	6%

SENIOR & EXECUTIVE LEVEL - CEO and Direct Reports - BY GENDER	2019	2020	2021
Total number for ALL employees in SENIOR & EXECUTIVE positions	10	14	14
Number of MALE employees in SENIOR & EXECUTIVE positions	8	11	11
% of MALE employees in SENIOR & EXECUTIVE positions	80%	79%	79%
Number of FEMALE employees in SENIOR & EXECUTIVE positions	2	3	3
% of FEMALE employees in SENIOR & EXECUTIVE positions	20%	21%	21%

ENTRY & MID-LEVEL - BY GENDER - ALL EMPLOYEES	2019	2020	2021
Total number for ALL employees in ENTRY & MID-LEVEL positions	410	343	333
Number of MALE employees in ENTRY & MID-LEVEL positions	269	226	220
% of MALE employees in ENTRY & MID-LEVEL positions	66%	66%	66%
Number of FEMALE employees in ENTRY & MID-LEVEL positions	141	117	113
% of FEMALE employees in ENTRY & MID-LEVEL positions	34%	34%	34%

GENDER BREAKDOWN - NEWLY HIRED FOR THIS YEAR	2019	2020	2021
Total Number of ALL NEWLY HIRED employees	42	69	48
Number of NEWLY HIRED MALE employees	32	52	37
% of NEWLY HIRED MALE employees	76%	75%	77%
Number of NEWLY HIRED FEMALE employees	10	17	11
% of NEWLY HIRED FEMALE employees	24%	25%	23%

6. OUR SOCIAL IMPACT

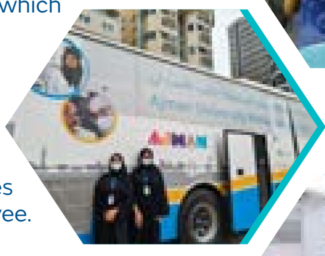
6.1. LOCAL COMMUNITY DEVELOPMENT

OUR APPROACH TO COMMUNITY DEVELOPMENT

The bank's CSR policy helps keep track of our relationships with external stakeholders regarding significant social issues, review recommendations, and acts as a social investment tool that guides our charitable donations by checking credentials of causes to be considered. The policy also encompasses other thematic environmental and social policies and programs. Furthermore, it facilitates close working relationships between relevant stakeholders with other Bank committees to determine the appropriate levels of engagement on CSR-related issues. Finally, the policy advises the CEO on initiatives that would influence and improve the Bank's position and credibility while creating shared value.

OUR INITIATIVES - THE MOBILE DENTAL CLINIC

The bank collaborated with Ajman University CSR initiative "The AU Mobile Dental Clinic", a Mobile Dental Clinic that offers free screening for community members as part of Ajman University's CSR programs. The clinic helped over 2,177 patients, 20 of which were UAB employees.



VOLUNTEERING

Over the years, our volunteering efforts have grown due to our community investment programs and initiatives and the need to actively involve our employees in community efforts. In 2021, over 16 employees volunteered in various community initiatives with over 3 hours per employee.

Volunteering Initiative/Program	Number of Employees	Number of Hours Volunteered
HCT CEO Forum	2	2hr
Internship	8	3 months - per candidate
Mobile Dental Clinic	4	5 hrs
Ghaya Financial Literacy program	1	15 hrs
Financial Literacy Program	1	1 hr

OUR APPROACH TO SPONSORSHIPS

UAB has since its inception strived to be a part of the solution to challenges affecting communities and the environment around our operations. We have therefore prioritized investing in our communities as a way of not only contributing to the economy but also to future-proof our brand. Over the past four years, we have made various charitable donations that have had a significant impact on our communities and our brand. We have also witnessed an increasing number of requests from organizations looking to partner in CSR-related initiatives.

Before donating or working with an organization, the Bank will conduct due diligence on the potential impacts of the investment and use the following criteria to make decisions.

1. Organization's or event's potential to reflect the Bank's image/values, objectives/mission.
2. Organization's credibility and long-term reputation.
3. Organization's religious, political ties, and standing.
4. Duration of the sponsorship, level of exposure, sponsorship type, and cost.

The bank's Heads of related Business Units, and the Heads of Corporate Affairs and Marketing are tasked to recommend selected organizations to the CEO for budgeting. The Corporate Affairs team is also responsible for publishing the bank CSR related activities and sponsorship opportunities. In the following table, we disclose the sponsorships the band carried out in 2021.

Benefitting Organization	Event	Description of the Event	Sponsorship / Donation Value
West Asia Para Federation	(Donation)	Organization helping and developing the Paralympic sports.	AED 20,000
Expert Center for Learning Disabilities	(Donation)	The organization provides support for students with rehabilitation, learning difficulties, educational, behavioral, and assessment services.	AED 10,000
Khorfakan club for Disabled	(Donation)	The organization helps disabled people in UAE by supporting the integration of all kinds of disabled persons to help and serve the community.	AED 10,000
Sheikh Mohammed Bin Rashid Center for Cultural and Social Understanding	(Donation)	A Non-Profit organization that motivates the Islamic community`s children and women to learn, understand, and memorize Quran. They aim to promote culture, religion, and the Arabic language to every nationality in UAE.	AED 25,000
Abu Dhabi University Zakat Fund	Ramadan Campaign, “Our Youth Our Responsibility, Our Zakat, Our Immunity”	The Bank supported Abu Dhabi University by providing Zakat funds by adding donation options on all UAB ATMs across UAE. This initiative was supported by the Central Bank of the UAE inviting banks and financial institutions to participate in it.	AED 6,357
Emirates Peace Land in collaboration with Sheikha Moza Obaid Suhail Al Maktoum	Emirates Peace Land Event	The Bank co-sponsored Emirates Peace Land event for the 50th year of UAE to transmit the civilized image of the history of the Emirates as a symbol of peace at various levels and the advancement and prosperity it has reached reflects the progress made by the people of Emirates.	AED 8,000
Sheikha Latifa Awards book for Children innovation	“We are for the country: loyalty and belongings” Program	On the 50th Anniversary of UAE National Day, flag day, armed forces and commemoration day, and with the harmony of H.H. Sheikha Latifa Bint Mohammed Bin Rashed Al Maktoum, the award for youth and children innovations issued a book titled “Emariti” which the bank participated in their book highlighting the image of the UAE.	AED 4,000
Gov Youth Summit 2021	Gov Youth Summit	The bank participated as a supporting partner focusing on empowering the youth workforce for the future in the fourth industrial revolution.	$4,685
AIESEC	Global Money Week Forum 2021	Global Money Week (“GMW”) is an annual global awareness-raising campaign on the importance of ensuring that young people, from an early age, are financially aware, and are acquiring the knowledge, skills, and behaviors necessary to make sound financial decisions and ultimately achieve financial well-being and financial resilience.	AED 5,980
AIESEC	Youth Speak Forum	The Bank partnered with AIESEC, an international youth organization, to sponsor a conference for young university students in UAE, the Middle East, and African region. The theme for the conference” The future of work post-COVID-19” reflects the concerns youth have post-pandemic regarding the future of work, skills needed, and how to career plan.	AED 15,000

6.2. FINANCIAL LITERACY

As a bank, one of our main responsibilities towards our customers and the public is to educate and empower them to make conscious and healthy financial decisions by providing them with financial literacy content. In 2021, the bank enabled the following initiatives.

FINANCIAL HEALTH WEBINAR

We partnered with Ajman University on July 7, 2021, to conduct a webinar that provided youth with financial literacy skills, especially on financial products and services.

KNOW OUR INDUSTRY

The bank collaborated with Higher College Technology to share insights and career advice on the banking industry. The event was attended and run by the CEO and Chief Human Capital who interacted with the 128 students in attendance

6.3. PROMOTING LOCAL SUPPLIERS

UAB places high importance on empowering local suppliers by conducting more business with them. We believe that this approach does not only benefit the local economy and job creation but also is more sustainable than procuring internationally and bearing the additional environmental footprint. In 2021, local suppliers continue to be our main providers of products and services with 381 local suppliers out of 418 all suppliers representing 91% with an estimated expenditure of AED 107.2 million.

Furthermore, to ensure equitable and fair treatment of our suppliers and to provide them with a clear vision of our processes, we have put in place a Standard Operating Procedure (SOP) to maintain the highest levels of transparency, given that our primary objective is to procure goods and services in the fairest possible way for all parties involved.

The main objective of this process is to ensure the procurement in UAB adheres to the following:

Deliver optimum value to the business	To conform with all applicable statutory and legal requirements and internal policies
Manage procurement risk with segregation of authorities and execution of controls	Ensure sustainable vendor network as per UAB's standards
Measure the effectiveness and efficiency for key engagements, performance and develop the vendor's capabilities to ensure the alignment with the bank's goals	

7. OUR ENVIRONMENT

7.1. ENVIRONMENTAL INITIATIVES

CARBON OFFSETTING

To achieve its vision to build sustainable long-term partnerships and to contribute to the overall development of the UAE, UAB bank partnered with the Storey Group and Eco-Matcher to launch the One Billion Trees Initiative (OBTI). The initiative is aimed at capturing 250 billion kgs of carbon within a decade of planting trees around the world with locations in nine countries – Guatemala, Peru, Uganda, the UAE, India, Nepal, Thailand, Indonesia, and The Philippines. The bank has already purchased 1,000 treestrees that will be gifted to customers with every product or service they purchase. Customers will also be able to track and view their trees via the EcoMacher app. This initiative will be activated in 2022.

7.2. WATER AND ENERGY CONSUMPTION

Inherently as a financial institution, our resource consumption is insignificant compared to other industries. Despite the relatively small size of our Bank, we devote efforts to be more conscious of our consumption of energy and water. To reduce our water consumption, we collect the wastewater from the pantry and filter it then use it in the flush system for the HQ toilets. As for our electricity consumption, we manage the lighting in our HQ by turning off all lights after duty hours and turning them back on before duty starts to avoid consumption by plugged appliances.

	2019	2020	2021
Facility Water Consumption (Liters)	374	306.33	298.32
Consumption Intensity	0.89	0.86	0.86

*Consumption Intensity figures for 2020 and 2019 were reviewed by including the number of all employees instead of only employees in our HQ.

The Bank does not lease or own any vehicles that require us to buy fuel, hence, we have zero contribution to Scope 1 of the GHG emission.

	2019	2020	2021
Fuel Consumption (Litres)	0	0	0
Electricity Consumption (kwh)	851,389	834,364	812,177
Consumption Intensity	2,027	2,337	2,341

Greenhouse Gas (GHG) Emissions

The bank does not generate any emissions under scope 1 and 3, because we do not own or lease any vehicles that require us to purchase fuel and we did not sponsor any business-related air travels for the reporting years.

	2019	2020	2021
Scope 1:	0	0	0
Scope 2: Electricity Consumption (kwh)	362.52	355.27	345.82
Scope 3:	0	0	0
Total Emissions	362.52	355.27	345.82
Emission Intensity	0.86	0.99	0.99

*Emission intensity factor used for Scope 2 is equal to 0.4258 per Kwh. This factor was shared by the Dubai Electricity and Water Authority.

7.3. WASTE MANAGEMENT

In 2021, the Bank's overall paper usage got reduced by transitioning from paper-based processes to electronic means. As a result, we were able to reduce to overall print volume by 1.32 million prints (approximately 6,600 Kg) compared to 2020. This reduction can be translated into the following environmental impacts

174 Trees Saved	131,000 pounds of CO2e Saved	590,524 Liters of Water Saved

*Calculations are done using the Environmental Paper Network resources.

	2019	2020	2021
Paper Consumption (Kg)	23,100	23,100	16,500
E-waste Recycled (Kg)	NA	62	100

*2019 data is not available because the recycling initiative was launched in 2020

The bank conducts the E-waste recycling process internally by removing and restocking useable computer hardware components such as the hard disk and ram from obsolete computers before disposal.

ADX ESG INDEX

GOVERNANCE METRICS			
Metric	Calculation	Page Number	UAB Performance
G1. Board Diversity	G1.1) Percentage: Total board seats occupied by men and women	#	The bank's total board seats are equal to nine, 11% of which are occupied by women, and 89% occupied by men.
	G1.2) Percentage: Committee chairs occupied by men and women	#	The bank's total committee chairs are equal to 17, representing four committees, 6% of which are occupied by women and 94% are occupied by men.
G2. Board Independence	G2.1) Does the company prohibit the CEO from serving as board chair?	#	The bank does prohibit the CEO from serving as a board chair.
	G2.2) Percentage: Total board seats occupied by independent board members	#	The percentage of the board seats occupied by independent members is equal to 33%, representing three out of nine board members.
G3. Incentivized Pay	Are executives formally incentivized to perform on sustainability?	#	Currently, Executives are not formally incentivized to perform on sustainability.
G4. Supplier Code of Conduct	G4.1) Are your vendors or suppliers required to follow a code of conduct?	#	The bank does not currently mandate its suppliers to follow a code of conduct.
	G4.2) If yes, what percentage of your suppliers have formally certified their compliance with the code?	#	
G5. Ethics and Prevention of Corruption	G5.1) Does the bank follow an Ethics and/or Prevention of Corruption policy?	#	The bank follows an Anti-bribery and corruption policy.
	G5.2) If yes, what percentage of your workforce has formally certified its compliance with the policy?	#	The bank mandates all employees to undergo training on ethics and anti-corruption training.
G7. Sustainability Reporting	Does the bank publish a sustainability report?	#	The bank commenced reporting on its sustainability performance in 2020. We are working to develop this practice to be an integral element of our reporting habits.
G8. Disclosure Practices	G8.1) Does your company provide sustainability data to sustainability reporting Frameworks?	#	The bank recently embarked on its sustainability journey. We acknowledge we have a long way to go and many opportunities to grasp. We are working hard to grow in this direction and to set goals for reporting and contribution to the SDGs.
	G8.2) Does your company focus on specific UN Sustainable Development Goals (SDGs)?	#	
	G8.3) Does your company set targets and report progress on the UN SDGs?	#	
G9. External Assurance	Are your sustainability disclosures assured or verified by a third-party audit firm?	#	The bank opted for an internal assurance for this year and last year's reporting.

SOCIAL METRICS			
Metric	Calculation	Page Number	UAB Performance
S1. CEO Pay Ratio	S1.1) Ratio: CEO total compensation to median full-time equivalent (FTE) total compensation	#	The ratio of the CEO's total compensation to median full-time equivalent (FTE) total compensation is equal to 10:1
	S1.2) Does the bank report this metric in regulatory filings?	#	The bank reports on this metric when required.
S2. Gender Ratio	Ratio: median male compensation to median female compensation	#	The ratio of the median male compensation to median female compensation is equal to 1.26:1
S3. Employee Turnover	S3.1) Percentage: Year-over-year change for full-time employees	#	The bank's percentage of year-over-year change for full-time employees is equal to -3%
	S3.2) Percentage: Year-over-year change for part-time employees	#	The bank does not employ part-time employees
	S3.3) Percentage: Year-over-year change for contractors/consultants	#	The bank's percentage of year-over-year change for contractors is equal to 2%
S4. Gender Diversity	S4.1) Percentage: Total bank headcount held by men and women	#	▪ Percentage of full-time male employees in UAB is equal to 67% ▪ Percentage of full-time female employees is equal to 33%
	S4.2) Percentage: Entry- and mid-level positions held by men and women	#	▪ Percentage of male employees in entry- and mid-level positions is equal to 66% ▪ Percentage of female employees in entry- and mid-level positions is equal to 34%
	S4.3) Percentage: Senior- and executive-level positions held by men and women	#	▪ Percentage of male employees in senior- and executive-level positions is equal to 79% ▪ Percentage of female employees in senior- and executive-level positions is equal to 21%
S5. Temporary Worker Ratio	S5.1) Percentage: Total bank headcount held by part-time employees	#	The bank does not employ any human capital under a part-time contract
	S5.2) Percentage: Total bank headcount held by contractors and/or consultants	#	The bank employs a total of 46 employees under a contractor's contract
S6. Non-Discrimination	Does the bank follow a non-discrimination policy?	#	The bank does not follow a separate non-discrimination policy. However, the bank's code of conduct incorporates clauses to guarantee that all employees are treated equally and fairly, regardless of their religion, race, disability, or gender. If an employee fails to comply with our code, disciplinary actions will be taken.
S7. Injury Rate	Percentage: Frequency of injury events relative to total workforce time	#	No injury events were recorded in 2021, 2020, and 2019.
S8. Global Health & Safety	Does the bank follow occupational health and/or global health & safety policy?	#	Due to the nature of our industry, the employee injury rate is not a material topic. Hence, the bank does not follow any occupational health and/or global health & safety policy, however, we deliver fire warden training.
S9. Child & Forced labor	S9.1) Does the bank follow a child and/or forced labor policy?	#	The bank does not follow a child and/or forced labor policy, as we abide by national regulations covering child and forced labor.
S10. Human Rights	S10.1) Does the bank follow a human rights policy?	#	The bank abides by the United Arab Emirates regulations covering Human Rights
S11. Nationalization	Percentage of national employees	#	National employees represent 19% of the total workforce profile of UAB.
S12. Community Investment	Amount invested in the community, as a percentage of company revenues.	#	The bank invested a total of AED 104,337 and $4,685 in projects directed to foster culture, arts, youth empowerment, and for people with disabilities.

ENVIRONMENTAL METRICS			
Metric	Calculation	Page Number	UAB Performance
E1. GHG Emissions	E1.1) Total amount in CO2 equivalents, scope 1	#	The bank does not purchase any fuel, petrol, or diesel.
	E1.2) Total amount in CO2 equivalent, scope 2	#	The bank's total emissions in CO2 equivalent, under scope 2, are equal to 346 (tCO2e).
	E1.3) Total amount, in CO2 equivalents, scope 3 (if applicable)	#	The bank did not finance any air travel for business purposes in 2021.
E2. Emission Intensity	E2.1) Total GHG emissions per output scaling factor	#	The bank is working on integrating the proper processes to monitor and measure the mentioned metrics.
	E2.2) Total non-GHG emissions per output scaling factor	#	
E3. Energy Usage	E3.1) Total amount of energy directly consumed	#	The bank consumed a total of 812,177 KwH of electricity in 2021, which represents a decrease of 3% from 2020 consumption.
	E3.2) Total amount of energy indirectly consumed	#	Not applicable.
E4. Energy Intensity	Total direct energy usage per output scaling factor	#	The energy intensity of the bank is equal to 2,067 kWh. The intensity factor is calculated by dividing annual energy consumption by the total number of employees.
E5. Energy Mix	Percentage: Energy usage per generation type	#	The bank uses only electrical energy supplied by governmental authorities.
E6. Water usage	E6.1) Total amount of water consumed	#	The bank consumed a total of 298, 324 liters of water in 2021, representing a decrease of 3% from 2020 consumption.
	E6.2) Total amount of water reclaimed	#	Not applicable
E7. Environmental Operation	E7.1) Does the bank follow an environmental policy?	#	The bank does not currently follow any environmental policy.
	E7.2) Does the bank follow specific waste, water, energy, and/or recycling policies?	#	
	E7.3) Does the bank use a recognized energy management system?	#	The bank does not currently use a recognized energy management system; however, we do conduct awareness initiatives to reduce consumption by following a schedule for energy use.
E8. Environmental Oversight	Does the management team oversee and/or manage sustainability issues?	#	
E9. Environmental Oversight	Does the board oversee and/or manage sustainability issues?	#	The bank recently embarked on its sustainability journey. We acknowledge we have a long way to go and many opportunities to grasp. We are working hard to grow in this direction and to integrate the mentioned metrics into our processes.
E10. Climate Risk Mitigation	Total amount invested annually in climate-related infrastructure resilience, and product development	#	

البـنـك الـعـربـي المـتـحـد
UNITED ARAB BANK

EXTERNAL AUDITORS AND FINANCIAL STATEMENTS 2021

United Arab Bank P.J.S.C.

FINANCIAL STATEMENTS

31 DECEMBER 2021

Building a better working world

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF UNITED ARAB BANK PJSC

Report on the audit of the financial statements

Opinion
We have audited the financial statements of United Arab Bank PJSC (the "Bank"), which comprise the statement of financial position as at 31 December 2021, and the statement of income, statement of comprehensive income, statement of cash flows and statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

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

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

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

Report on the audit of the financial statements (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
(a) Expected credit losses ("ECL") for Loans and Advances and Islamic financing receivables *Refer note 7 of the financial statements.* Loss allowances on loans and advances and Islamic financing receivables represents management's best estimates, at the balance sheet date, of the expected credit losses under the expected credit loss models ("ECL Models") as stipulated by International Financial Reporting Standard No. 9: Financial Instruments ("IFRS 9"). Management first assesses whether the credit risk of Loans and advances and Islamic financing receivables to customers has increased significantly since their initial recognition, and then applies a three-stage impairment model to calculate the ECL.	We obtained an understanding of management's assessment of impairment of loans and advances and Islamic financing receivables, the Bank's internal rating model, the Bank's credit impairment provision policy and the ECL modelling methodology, including its - Review and approval of classification of loans and advances and Islamic financing receivables facilities. - Management's monitoring of: i) staging and ECL for loans and advances and Islamic financing receivables. ii) identification of loans displaying indicators of impairment (including days past due) under stage 3. iii) macroeconomic variables and forecast iv) performance of ECL models - The review and approval of management overlays and the governance process around such overlays. - The independent model validation function.

Report on the audit of the financial statements (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
(a) Expected credit losses ("ECL") for Loans and advances and Islamic financing receivables (continued) *Refer note 7 of the financial statements. (continued)* Management has also applied significant level of judgement in areas noted above in determining the impact of COVID-19 on the allowances for credit losses by considering the following: 1. Forward looking information, including variables used in macroeconomic scenarios and their associated weightings, 2. Stress in specific sectors and industries, and 3. Impact of Government support measures. We considered ECL for Loans and advances and Islamic financing receivables as a key audit matter as the determination of ECL involves significant management judgement such as categorisation of Loans and advances and Islamic financing receivables into stages 1, 2 or 3; assumptions used in the ECL model such as expected future cash flows, macro-economic factors etc., and overlays to reflect current or future external factors. These judgments have a material impact on the financial statements of the Bank.	We performed the following audit procedures: - We tested the compliance of the Bank's ECL methodologies and assumptions with the requirements of IFRS 9. - For a sample of exposures, including those in industries severely impacted by COVID -19, we performed procedures to assess whether significant increases in credit risk (SICR) has been correctly identified. Our procedures also included evaluating the effect of COVID 19 related government support measures and deferral programs on the SICR assessment and staging of exposures - We tested and assessed reasonableness of management's selection of forward looking macro-economic variables, scenarios and weights assigned to these scenarios, including an evaluation of changes made to these variables, scenarios and weights. - We assessed appropriateness of the modelling methodologies applied in the ECL model of the Bank. - For a sample of exposures, we examined key data inputs into the ECL models. - We re-performed key elements of the ECL calculations and evaluated the model performance results for accuracy. - We assessed appropriateness of disclosures in the financial statements against the requirements of IFRS.

Report on the audit of the financial statements (continued)

Other information

Management is responsible for the other information. Other information consists of the information included in the Bank's 2021 Annual Report, other than the financial statements and our auditor's report thereon.

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

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs and in compliance with the applicable provisions of the Bank's Memorandum and Articles of Association and of the UAE Federal Law No. (2) of 2015, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on the audit of the financial statements (continued)

Auditor's responsibilities for the audit of the financial statements (continued)
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

Auditor's responsibilities for the audit of the financial statements
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

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

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

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

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

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

Report on other legal and regulatory requirements

Auditor's responsibilities for the audit of the financial statements (continued)
Further, as required by UAE Federal Law No. (2) of 2015 (amended), we report that for the year ended 31 December 2021:

- the Bank has maintained proper books of account;
- we have obtained all the information and explanations we considered necessary for the purposes of our audit;
- the financial statements have been prepared and comply, in all material respects, with the applicable provisions of the Bank's Memorandum and Articles of Association and the UAE Federal Law No. (2) of 2015 (amended);
- the financial information included in the Directors' report is consistent with the books of account and records of the Bank;
- investments in shares and stocks during the year ended 31 December 2021 are disclosed in note 8 to the financial statements;
- note 24 reflects material related party transactions and the terms under which they were conducted;
- based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Bank has contravened, during the financial year ended 31 December 2021, any of the applicable provisions of the UAE Federal Law No. (2) of 2015 (amended) or of its Memorandum and Articles of Association which would materially affect its activities or its financial position as at 31 December 2021; and
- note 32 reflects the social contributions made during the year.

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

For Ernst & Young

T.S. Hari Gopal

Signed by:
Thodla Hari Gopal
Partner
Registration number: 689

2 March 2022

Sharjah, United Arab Emirates

Statement of financial position
As at 31 December 2021

	Notes	2021 AED'000	2020 AED'000
		As at 31 December	
Assets			
Cash and balances with UAE Central Bank	5	**2,009,565**	1,406,322
Due from other banks	6	**378,735**	296,525
Loans and advances and Islamic financing receivables	7	**8,213,350**	9,013,639
Investments and Islamic instruments	8	**3,530,217**	3,281,726
Property, equipment and capital work-in-progress	9	**303,271**	327,790
Other assets	10	**744,904**	523,147
Total assets		**15,180,042**	14,849,149
Liabilities and shareholders' equity			
Liabilities			
Due to banks	11	**2,410,988**	1,233,470
Customers' deposits and Islamic customer deposits	12	**10,406,425**	11,246,835
Other liabilities	14	**850,737**	914,301
Total liabilities		**13,668,150**	13,394,606
Shareholders' equity			
Share capital	15	**2,062,550**	2,062,550
Special reserve	15	**7,019**	-
Statutory reserve	15	**35,943**	28,924
General reserve	15	**9,311**	9,311
Revaluation reserve	15	**-**	517
Cumulative changes in fair values		**7,656**	20,498
Accumulated losses		**(610,587)**	(667,257)
Net shareholders' equity		**1,511,892**	1,454,543
Total liabilities and shareholders' equity		**15,180,042**	14,849,149

The financial statements were approved by the Board of Directors on 2 March 2022 and signed on its behalf by:

Sheikh Faisal Bin Sultan Bin Salem Al Qassimi
Chairman

Alexander Thomas
Interim Chief Executive Officer

The attached notes 1 to 35 form an integral part of these financial statements.
The independent auditor's report on these financial statements is set out on pages 1 - 8.

Statement of income
For the year ended 31 December 2021

	Notes	2021 AED'000	2020 AED'000
		Year ended 31 December	
Interest income and profit from Islamic instruments		**451,384**	608,290
Income from Islamic financing receivables		**26,731**	33,639
Total interest income and income from Islamic financing products	16	**478,115**	641,929
Interest expense		**(152,456)**	(274,090)
Distribution to depositors – Islamic products		**(47,849)**	(74,430)
Total interest expense and distribution to depositors	17	**(200,305)**	(348,520)
Net interest income and income from Islamic products net of distribution to depositors		**277,810**	293,409
Net fees and commission income	18	**47,063**	42,309
Foreign exchange income	19	**18,822**	16,949
Other operating income	20	**105,938**	50,196
Total operating income		**449,633**	402,863
Employee benefit expenses		**(140,552)**	(150,093)
Depreciation		**(24,901)**	(27,943)
Other operating expenses	21	**(78,262)**	(83,999)
Total operating expenses		**(243,715)**	(262,035)
Profit before impairment losses		**205,918**	140,828
Net impairment losses	22	**(135,727)**	(808,123)
Net Profit / (Loss) for the year		**70,191**	(667,295)
Earnings / (Loss) per share (basic and diluted in AED)	23	**0.03**	(0.32)

The attached notes 1 to 35 form an integral part of these financial statements.
The independent auditor's report on these financial statements is set out on pages 1 - 8.

Statement of comprehensive income
For the year ended 31 December 2021

	Year ended 31 December	
	2021	2020
	AED'000	AED'000
Net Profit / (Loss) for the year	**70,191**	(667,295)
Other comprehensive income		
Items that are or may be reclassified subsequently to the statement of income		
Fair value through other comprehensive income (FVOCI):		
Net change in fair value during the year	**(79,500)**	83,275
Net change in allowance for expected credit losses	**3,485**	(2,098)
Reclassified to the income statement	**63,173**	(119,653)
Other comprehensive loss for the year	**(12,842)**	(38,476)
Total comprehensive income / (loss) for the year	**57,349**	(705,771)

The attached notes 1 to 35 form an integral part of these financial statements.
The independent auditor's report on these financial statements is set out on pages 1 - 8.

Statement of cash flows
For the year ended 31 December 2021

	Notes	Year ended 31 December 2021 AED'000	2020 AED'000
Operating activities			
Net Profit / (Loss) for the year		**70,191**	(667,295)
Adjustments for:			
Depreciation		**24,901**	27,943
Loss on write off of property, equipment and capital work-in-progress	9	**2,589**	2,720
Gain on sale of property and equipment and insurance proceeds		**(21,845)**	(90)
Gain on sale of assets acquired in settlement of debt	10	**(5,945)**	(2,100)
Impairment on properties	9	**-**	104,455
Impairment on assets acquired in settlement of debt	10	**10,191**	39,366
Net credit impairment losses	22	**125,536**	664,302
Amortisation of premium paid on investments		**14,011**	21,421
Net fair value gain on disposal of investments and Islamic instruments		**(39,906)**	(5,021)
Operating profit before changes in operating assets and liabilities		**179,723**	185,701
Changes in operating assets and liabilities:			
Loans and advances		**655,608**	1,900,976
Balances with UAE Central bank maturing after three months		**18,878**	530,137
Cash margin held by counterparty banks against borrowings and derivative transactions	6	**101,409**	(91,041)
Other assets	10	**(245,007)**	108,896
Due to banks maturing after three months		**1,305,962**	(215,747)
Customers' deposits	12	**(840,410)**	(1,438,733)
Other liabilities	14	**64,382**	(120,359)
Net cash from operating activities		**1,240,545**	859,830
Investing activities			
Purchase of property, equipment and capital work-in-progress	9	**(12,671)**	(27,816)
Proceeds from insurance claims and disposal of property and equipment		**26,441**	90
Purchase of investments		**(1,336,944)**	(146,944)
Proceeds from redemption / sale of investments		**992,706**	418,412
Proceeds from sale of assets acquired in settlement of debt		**14,107**	30,400
Other movement for transfer from fixed assets WIP		**10,000**	-
Net cash (used in) / generated from investing activities		**(306,361)**	274,142
Financing activities			
Repayment of medium term borrowings	13	**-**	(1,487,363)
Net cash used in financing activities		**-**	(1,487,363)
Net change in cash and cash equivalents		**934,184**	(353,391)
Cash and cash equivalents at 1 January		**746,707**	1,100,098
Cash and cash equivalents at 31 December		**1,680,891**	746,707

Cash and cash equivalents comprise the following statement of financial position amounts with original maturities of three months or less:

	2021	2020
Cash and balances with the UAE Central Bank	**1,742,722**	1,120,601
Due from other banks	**258,957**	75,338
Due to banks	**(320,788)**	(449,232)
	1,680,891	746,707

The attached notes 1 to 35 form an integral part of these financial statements.
The independent auditor's report on these financial statements is set out on pages 1 - 8.

Statement of changes in equity
For the year ended 31 December 2021

	Share capital AED'000	*Special reserve AED'000*	*Statutory reserve AED'000*	*General reserve AED'000*	*Revaluation reserve AED'000*	*Cumulative changes in fair values AED'000*	*Accumulated losses AED'000*	*Total AED'000*
Balance at 1 January 2020	2,062,550	422,116	504,671	9,311	555	58,974	(897,863)	2,160,314
Loss for the year	-	-	-	-	-	-	(667,295)	(667,295)
Comprehensive loss for the year	-	-	-	-	-	(38,476)	-	(38,476)
Total comprehensive loss for the year	-	-	-	-	-	(38,476)	(667,295)	(705,771)
Accumulated losses offset against reserves (Note 15)	-	(422,116)	(475,747)	-	-	-	897,863	-
Depreciation transfer for land and buildings	-	-	-	-	(38)	-	38	-
At 31 December 2020	2,062,550	-	28,924	9,311	517	20,498	(667,257)	1,454,543
Profit for the year	-	-	-	-	-	-	70,191	70,191
Comprehensive loss for the year	-	-	-	-	-	(12,842)	-	(12,842)
Total comprehensive income/ (loss) for the year	-	-	-	-	-	(12,842)	70,191	57,349
Loss on sale of fixed asset transferred to retained earnings	-	-	-	-	(511)	-	511	-
Depreciation transfer for land and buildings	-	-	-	-	(6)	-	6	-
Transfer to Special reserve (Note 15)	-	7,019	-	-	-	-	(7,019)	-
Transfer to Statutory reserve (Note 15)	-	-	7,019	-	-	-	(7,019)	-
At 31 December 2021	**2,062,550**	**7,019**	**35,943**	**9,311**	**-**	**7,656**	**(610,587)**	**1,511,892**

1 Incorporation and activities

United Arab Bank P.J.S.C. (the "Bank") was incorporated in 1975 as a Private Joint Stock Company in the Emirate of Sharjah. The legal form of the Bank was converted to a public company with limited liability in 1982 by a decree of His Highness The Ruler of Sharjah and has been registered as a Public Joint Stock Company under the UAE Commercial Companies Law No. (8) of 1984 (as amended). The Bank's registered office is located in the Emirate of Sharjah, United Arab Emirates. The address of the registered office is PO Box 25022, Sharjah, United Arab Emirates.

The Bank carries out the business of commercial banking through its offices and branches in the United Arab Emirates. The Bank also carries out Islamic banking operations through Islamic banking windows at selected branches.

2 Basis of preparation

Statement of compliance
The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), interpretations issued by International Financial Reporting Interpretations Committee (IFRIC) and applicable requirements of laws of the United Arab Emirates. Federal Decree-Law No. 26 of 2020 which amends certain provisions of Federal Law No. 2 of 2015 on Commercial Companies was issued on 27 September 2020 and the amendments came into effect on 2 January 2021. The Bank is in the process of reviewing the new provisions and will ensure compliance with the applicable amendments. Along with these financial statements, the Bank has presented Basel III Pillar 3 disclosures in accordance with the guidelines issued by the UAE Central Bank. The adoption of Basel III Pillar 3 guidelines has impacted the type and amount of disclosures made in these financial statements, but has no impact on the reported profits or financial position of the Bank. In accordance with the requirements of Basel III, the Bank has provided full comparative information.

The COVID-19 pandemic has resulted in significant volatility in the financial markets worldwide. Numerous governments including UAE have announced measures to provide both financial and non-financial assistance to the affected entities. The pandemic affects the assumptions and estimation uncertainty associated with the measurement of assets and liabilities with details covered in Note 4 of these financial statements.

3 Significant accounting policies

3.1 New and revised International Financial Reporting Standards

3.1.1 Standards, amendments and interpretations that are effective for the Bank's accounting period beginning on 1 January 2021

i. Interbank offered rates ("IBORs) reform disclosure – Phase 2

In August 2020, the IASB issued IBOR reform - Phase 2, which amends IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases.

IBOR Reform Phase 2 provides temporary reliefs that allow the Bank's hedging relationships to continue upon the replacement of an existing interest rate benchmark with an alternative risk-free benchmark reference rate ("RFR"). The reliefs require the Bank to amend hedge designations and hedge documentation. This includes redefining the hedged risk to reference an RFR, redefining the description of the hedging instrument and / or the hedged item to reference the RFR and amending the method for assessing hedge effectiveness. Updates to the hedging documentation must be made by the end of the reporting period in which a replacement takes place. For the retrospective assessment of hedge effectiveness, the Bank may elect on a hedge by hedge basis to reset the cumulative fair value change to zero. The Bank may designate an interest rate as a non-contractually specified, hedged risk component of changes in the fair value or cash flows of a hedged item, provided the interest rate risk component is separately identifiable. The Bank has assessed the impact of Phase 2 and concluded that it is not material to the Bank's financial statements.

3 Significant accounting policies (continued)

3.1 New and revised International Financial Reporting Standards (continued)

3.1.1 Standards, amendments and interpretations that are effective for the Bank's accounting period beginning on 1 January 2021 (continued)

IBORs, such as the London Interbank Offered Rate ("LIBOR"), play a critical role in global financial markets, serving as reference rates for derivatives, loans and securities, and as parameters in the valuation of financial instruments.

Uncertainty surrounding the integrity of IBOR rates has in recent years led regulators, central banks and market participants to work towards a transition to RFRs and market-led working groups in respective jurisdictions have recommended alternative risk-free reference rates, which are gradually being adopted. Progress in the transition to these new benchmarks has resulted in significant uncertainty in the future of IBOR benchmarks beyond 1 January 2022.

The majority of LIBOR and other IBORs are to be discontinued after 31 December 2021 and replaced with certain Alternative Reference Rates ("ARRs"), with the exception of certain USD LIBOR rates where cessation is delayed until 30 June 2023. The transition away from the IBORs covers most of the business units and support functions of the Bank.

Details of IBOR reforms and related disclosures are covered in Note 27 of these financial statements.

There are no other applicable new standards and amendments to the published standards or IFRS IC interpretations that have been issued but are not effective for the first time for the Bank's financial year beginning on 01 January 2021 that would be expected to have a material impact on the Bank's financial statements.

3.2 Basis of measurement

The Bank's financial statements are prepared under the historical cost convention except for the following:

- derivative financial instruments are measured at fair value; and
- financial assets at FVTPL and FVOCI are measured at fair value;

3.3 Functional and presentation currency

The Bank's financial statements have been presented in Arab Emirates Dirhams (AED), which is the presentation currency of the Bank and also the functional currency of the Bank and all values are rounded to the nearest thousand (AED'000) except when otherwise indicated.

3.4 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument for another entity. All assets and liabilities in the statement of financial position are financial instruments except property and equipment, assets acquired in settlement of debts, capital work-in-progress, prepayments, provision for employee service benefits and shareholders' equity.

3.4.1 Classification

On initial recognition a financial asset is classified as measured at:

- Amortised cost;
- Fair value through comprehensive income (FVOCI); or
- Fair value through profit or loss (FVTPL)

The classification requirements for debt and equity instruments are described below.

3 Significant accounting policies (continued)

3.4 Financial instruments (continued)

3.4.1 Classification (continued)

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse.

The classification depends on the Bank's business model for managing financial assets and the contractual cash flow characteristics of the financial assets.

Based on these factors, the Bank classifies its debt instruments into one of three measurement categories:

- Amortised Cost - Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as explained in Note 3.4.14. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

- Fair value through comprehensive income (FVOCI) – Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVTPL, are measured at fair value through comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instruments' amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is included in 'Interest Income' using the effective interest rate method.

- Fair value through profit or loss (FVTPL) – Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt instrument that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the profit or loss statement in the period in which it arises.

The business model reflects how the Bank manages its assets in order to generate cash flows that is, whether the Bank's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable, then the financial assets are classified as part of 'other' business model and measured at FVTPL.

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Bank assesses whether financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI' test). In making this assessment, the Bank considers whether contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangements, the related financial asset is classified and measured at fair value through profit or loss.

The Bank reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the year.

Equity instruments

Upon initial recognition, the Bank occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument by instrument basis.

Gains and losses on these equity instruments are never recycled to profit. Equity instruments at FVOCI are not subject to an impairment assessment.

All other financial assets are classified and measured at FVTPL.

3 Significant accounting policies (continued)

3.4 Financial instruments (continued)

3.4.2 Recognition and initial measurement

The Bank initially recognises loans and advances and deposits on the date at which they are originated. All other financial assets and liabilities are initially recognised on the trade date which is the date on which the Bank becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

3.4.3 Amortised cost measurement principles

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal re-payments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment. Premiums and discounts including initial transaction costs are included in the carrying amount of the related instrument.

3.4.4 Subsequent measurement

Subsequent to initial recognition, all financial instruments to be fair valued are measured at fair value, except any instrument that does not have a reliably measurable fair value, in which case financial instruments are measured as set out in the fair value measurement principles below.

All other assets are measured at amortised cost using the effective interest method less impairment losses, if any.

3.4.5 Gains and losses on subsequent measurement

(a) Debt Investments

Gains and losses arising from changes in the fair value of FVOCI investments are recognised directly in equity through comprehensive income, until the financial assets are derecognised or impaired, at which time the cumulative gain or loss previously recognised in equity is recognised in the statement of income. Changes in the fair value of FVTPL investments are subsequently recognised in the profit or loss.

(b) Equity Investments

Gains and losses arising from changes in the fair value on equity investments are recognized in comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments continue to be recognised in profit or loss as other income when the right to receive payments is established.

3.4.6 De-recognition

Financial assets are derecognised when the contractual rights to receive cash flows from the asset expire or where the Bank has transferred substantially all the risks and rewards of ownership.

The Bank enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are repurchase agreements.

A financial liability is derecognised when its contractual obligations are discharged, cancelled or expire.

3 Significant accounting policies (continued)

3.4 Financial instruments (continued)

3.4.7 Fair value measurement

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

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

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

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

If an asset or a liability measured at fair value has a bid price and an offer price, the Bank measures its assets, liabilities, long and short positions at mid-market rate (which is computed as an average of the bid and offer price).

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

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

3.4.8 Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and advances arise when cash is advanced to a debtor with no intention of trading the receivable. Loans and advances are carried at amortised cost.

3.4.9 Investments

The ‘investment securities’ caption in the statement of financial position includes:

- debt securities measured at FVOCI; and
- equity investment securities designated as at FVOCI.

Investments in debt instruments are measured at amortised cost where they have:

- contractual terms that give rise to cash flows on specified dates, that represent solely payments of principal and interest on the principal amount outstanding; and
- are held within a business model whose objective is achieved by holding to collect contractual cash flows.

These debt instruments are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at amortised cost. The measurement of credit impairment is based on the three-stage expected credit loss model described in Note 4.2.

For debt securities measured at FVOCI, gains and losses are recognised in OCI, except for interest revenue using the effective interest method which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost.

When debt security measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

3 Significant accounting policies (continued)

3.4 Financial instruments (continued)

3.4.10 Due from banks

Due from banks and financial institutions are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest rate less allowance for impairment, if any.

3.4.11 Cash and cash equivalents

Cash and cash equivalents as referred to in the statement of cash flows comprise cash on hand, non-restricted current accounts with the Central Bank, deposits with the Central Bank with an original maturity of three months or less, and amounts due from (to) banks on demand or with an original maturity of three months or less.

3.4.12 Financial guarantees

In the ordinary course of business, the Bank gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the financial statements at fair value, with premium received included in 'Other liabilities'. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amortised premium and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is taken to the statement of income in 'Provision for credit losses'. The premium received is recognised in the statement of income in 'Net fees and commission income' on a straight line basis over the life of the guarantee.

3.4.13 Derivatives and hedges

The Bank enters into derivative instruments including forwards, futures, forward rate agreements, swaps and options in foreign exchange, interest rate and capital markets. In the normal course of business, the fair value of a derivative on initial recognition is the transaction price included in other income/expenses. Subsequent to their initial recognition, derivative financial instruments are stated at fair values where they are designated as part of a hedging relationship and classified as a hedging instrument. Derivatives with positive market values (unrealised gains) are included in other assets and derivatives with negative market values (unrealised losses) are included in other liabilities in the statement of financial position. Changes in the fair values of derivatives held for trading or to offset other trading positions are included in other operating income (expenses) in the statement of income.

As permitted by IFRS 9, the Bank has elected to continue to apply the hedge accounting requirements of IAS 39.

On initial designation of the hedge, the Bank formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Bank makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, as to whether the hedging instrument(s) is / are expected to be 'highly effective' in offsetting the changes in the fair value or cash flows of the respective hedged item(s) during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent.

Changes in the fair value of derivatives that are designated, and qualify, as fair value hedges and that prove to be highly effective in relation to the hedged risk are included in other operating income / (expenses) along with the corresponding changes in the fair value of the hedged assets or liabilities which are attributable to the risk being hedged.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. Upon such discontinuance, in the case of fair value hedges of interest-bearing financial instruments any adjustment to the carrying amount relating to the hedged risk is amortised in the statement of income over the remaining term to maturity.

Certain derivative transactions, while providing effective economic hedges under the Bank's asset and liability management and risk management positions, do not qualify for hedge accounting under the specific rules in IAS 39 and are therefore accounted for as derivatives held for trading and the related fair value gains and losses reported in other operating income (expenses).

3 Significant accounting policies (continued)

3.4 Financial instruments (continued)

3.4.14 Impairment of financial assets

The Bank applies a three-stage approach to measuring expected credit losses (ECL) on financial instruments accounted for at amortised cost and FVOCI. Assets migrate through the following three stages based on the change in credit quality since initial recognition:

i) Stage 1: 12-months ECL
For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognised.

ii) Stage 2: Lifetime ECL – not credit impaired
For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognised.

iii) Stage 3: Lifetime ECL – credit impaired
Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. This uses the same criteria as under IAS 139, the Bank's methodology for specific provisions remains unchanged. For financial assets that have become credit impaired, a lifetime ECL is recognised and interest revenue is calculated by applying the effective interest rate to the amortised cost (net of provision) rather than the gross carrying amount.

The Bank measures loss allowances at an amount equal to 12-month Expected credit loss (ECL) for the following financial instruments which are considered to have low credit risk:

- balances with Central Bank and other banks
- debt investment securities; and
- other financial assets, mainly comprising of sundry receivables

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Measurement of ECL

The Bank assesses on a forward-looking basis the ECL associated with its debt instrument assets carried at amortised cost and FVOCI and with the exposure arising from financial guarantee contracts. The Bank recognizes a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost and FVOCI: as a deduction from the gross carrying amount of the assets and adjustments to OCI respectively; and
- loan commitments and financial guarantee contracts: as a provision in other liabilities

3 Significant accounting policies (continued)

3.4 Financial instruments (continued)

3.4.14 Impairment of financial assets (continued)

3.5 Renegotiated loans

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

3.6 Write-off

The Bank writes off its loans and advances, Islamic financing receivable balances or other financial asset (and any other related allowances for impairment losses) when the Bank's credit determines that such financial assets are uncollectible in whole or in part. This is determined after considering information such as the occurrence of significant changes in the borrower or issuer's financial position such that the borrower or issuer can no longer pay its obligation in full, or that proceeds from collateral will not be sufficient to pay back the entire exposure. Assets are written-off against provisions up to the extent of amount considered un-collectible.

However, the Bank retains its full legal claim on, and may continue with its recovery effort including litigation, on written-off accounts.

Subsequent recoveries of amounts previously written off are recognised in the statement of income.

3.7 Assets acquired in settlement of debts

In certain cases, the Bank may close out transactions by acquiring assets in settlement of debts. The asset acquired is recorded at the lower of its fair value less costs to sell and the carrying amount of the loan (net of impairment losses) at the date of exchange. These assets are recorded in "Other assets". It is the Bank's policy to dispose of such repossessed properties in an orderly manner. The proceeds are used to reduce or repay the outstanding claim. In general, the Bank does not occupy repossessed properties for business use. Assets acquired in settlement of debts are held as inventory and are valued at lower of cost and net realisable value.

3.8 Revenue recognition

For all financial instruments measured at amortised cost and debt financial instruments classified as FVOCI and Islamic financial instruments, interest income / profit or expense is recorded at the effective interest rate, which is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense. The interest income / expense accrual on the assets / liabilities linked to Risk Free Rate (RFR) indexes will follow the standard market conventions relating to respective RFRs.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

Fees earned for provision of services over a period of time are accrued over that period. These fees include commission income on letter of credits, guarantees and others, custody and other management advisory fees.

Foreign exchange income includes income from trading in foreign currencies as well as revaluation gains and losses.

Other fee income and expense are recognised when earned or incurred. Dividend income is recognised when the right to receive payment is established.

3 Significant accounting policies (continued)

3.9 Collateral pending sale

Real estate and other collaterals may be acquired as the result of settlement of certain loans and advances and are recorded in “Other assets”. The asset acquired is recorded at the lower of its fair value less costs to sell and the carrying amount of the loan (net of impairment allowance) at the date of exchange. No depreciation is provided in respect of these assets. Any subsequent write-down of the acquired asset to fair value less costs to sell is recorded as an impairment loss and included in the statement of profit or loss. Any subsequent increase in the fair value less costs to sell, to the extent this does not exceed the cumulative impairment loss, is recognised in the statement of profit or loss. The Bank’s collateral disposal policy is in line with the respective regulatory requirement of the regions in which the Bank operates.

3.10 Property and equipment

Property and equipment are stated at cost excluding the costs of day to day servicing, less accumulated depreciation and any impairment in value. Freehold land is not depreciated as it is deemed to have an indefinite life.

Depreciation is calculated on a straight line basis over the estimated useful lives of property and equipment as follows:

Buildings	Over 25 years
Motor vehicles	Over 5 years
Furniture and equipment	Over 3 to 8 years
Fixtures and leasehold improvements	Over 12 years

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in ‘Other operating income’ in the statement of income in the year the asset is derecognised.

3.11 Provisions

Provisions are recognised when the Bank has a present obligation (legal or constructive) as a result of a past event and the costs to settle the obligation are both probable and can be reliably measured. The expense relating to any provision is presented in the statement of income net of any reimbursement.

3.12 Employees’ end of service benefits

Provision is made, in accordance with the provisions of IAS 19, for the end of service benefits due to employees in accordance with the UAE labor law for their period of service up to the financial position date and the provision arising disclosed as ‘provision for employees’ end of service benefits’ in the statement of financial position. The Bank pays its contributions in respect of UAE citizens under the UAE pension and social security law and no further liability exists.

3.13 Foreign currencies

Foreign currency transactions are recorded at rates of exchange ruling at the value dates of the transactions. Monetary assets and liabilities in foreign currencies are translated into United Arab Emirates Dirhams at mid-market rates of exchange ruling at the balance sheet date. Any resultant gains and losses are taken to the statement of income.

3.14 Segment reporting

The Bank’s segmental reporting is based on the following operating segments: Retail banking, Corporate banking and Others.

3 Significant accounting policies (continued)

3.15 Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated based on the higher of fair value less costs to sell and value in use. The reduction in carrying amount is recognised in the income statement.

3.16 Trade and settlement date accounting

All "regular way" purchases and sales of financial assets are recognised on the settlement date, i.e. the date that the asset is delivered to the counter party. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the timeframe generally established by regulation or convention in the market place.

3.17 Fiduciary assets

Assets held in trust or in a fiduciary capacity are not treated as assets of the Bank and accordingly are not included in these financial statements.

3.18 Offsetting

Financial assets and financial liabilities are only offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and the Bank intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

3.19 Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Bank's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Bank. Dividends for the year that are approved after the statement of financial position date are disclosed as an event after the statement of financial position date.

3.20 Acceptances

Acceptances arise when the Bank is under an obligation to make payments against documents drawn under letters of credit. After acceptance, the instrument becomes an unconditional liability of the Bank and is therefore recognised as a financial liability in the statement of financial position. However, every acceptance has a corresponding contractual right of reimbursement from the customer which is recognised as a financial asset.

3.21 Islamic financing and investment products

In addition to conventional banking products, the Bank offers its customers certain non-interest based banking products, which are approved by its Sharia'a Supervisory Board.

The various Islamic instruments described below are accounted for, disclosed and presented in accordance with the requirements of the underlying substance of the instruments and IFRS / IAS / IFRIC.

Murabaha:

Murabaha receivables are non-derivative financial assets with fixed payments that are not quoted in an active market. Murabaha is a sale transaction in which the seller (Bank) expressly mentions the actual cost of the asset to be sold to the customer and sells it to the customer on a cost-plus mark-up (profit) basis. It is in fact the sale of an asset for a profit, usually on deferred payment basis.

Income on Murabaha financing is recognised on a time apportioned basis over the period of the Murabaha contract, using the effective profit rate method.

3 Significant accounting policies (continued)

3.21 Islamic financing and investment products (continued)

Ijara:

Ijara involves a contract where the Bank buys and then leases an item to a customer for a specified rental over a specific period. The duration of lease, as well as the basis for rental, are set and agreed in advance. The Bank acquires the beneficial ownership of the property to lease the usufruct to the customer.

Income on Ijara financing is recognised on a time apportioned basis over the lease term, using the effective profit rate method.

Qard:

A Qard is the transfer of ownership in tangible wealth (money), from the customer to the Bank, and it is binding on the Bank to return equal wealth (money) to the customer on demand or as per the agreed terms, which means that the principal is to be repaid on demand. The Islamic current account offered to customers is based on the concept of Qard, a profit free amount received from the customer to the Bank, on which no profit or other form of return is payable.

Wakala:

Wakala involves an agreement, based on the concept of Wakala Bil Istithmar, where the Bank becomes the investment agent (Wakil) for its customers (Muwakkil) for deposit of their funds in the Wakala investment account to be invested in Shariah-compliant investment instruments. The funds are used to generate profit for the customer by investing in Islamic financing facilities to the Bank’s other customers or investing in other Shariah-compliant investment instruments.

Income generated from the Wakala deposits are paid to the customers and the Bank recognizes a corresponding expense in the statement of income. Any losses as a result of the misconduct or negligence or violation of the terms and conditions of the Wakala are borne by the agent; otherwise, they are borne by the principal.

3.22 Leases

Right-of-use assets:

The Bank recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Bank is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities:

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating a lease, if the lease term reflects the Bank exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Bank uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

3 Significant accounting policies (continued)

3.22 Leases (continued)

Short-term leases and leases of low-value assets:

The Bank applies the short-term lease recognition exemption to its short-term leases of ATM's (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option) together with the exemption of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

The Bank has the option, under some of its leases to lease the assets for an additional term. The Bank applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g. a change in business strategy).

3.23 Repurchase agreements

Securities sold under agreements to repurchase at a specified future date are not derecognised from the statement of financial position as the Bank retains substantially all of the risks and rewards of ownership. The corresponding cash received is recognised in the statement of financial position as an asset with a corresponding obligation to return it, including accrued interest as a liability within cash collateral on securities lent and repurchase agreements, reflecting the transaction's economic substance as a loan to the Bank. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of agreement using the effective interest rate.

4 Significant management judgements and estimates

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation and uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described below:

4.1 Classification of financial assets

Assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding.

4.2 Impairment of financial assets

Assessment of whether credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of ECL.

Significant increase in credit risk (SICR)

At each reporting date, the Bank assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the probability of default (PD) occurring over the expected life between the reporting date and the date of initial recognition.

In determining whether credit risk has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort (including both qualitative and quantitative information) and also uses its historical experience, internal credit risk grading system, external risk ratings and forward-looking information to assess deterioration in credit quality of a financial asset.

4 Significant management judgements and estimates (continued)

4.2 Impairment of financial assets (continued)

Significant increase in credit risk (SICR) (continued)

Credit risk grades

The Bank allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Each exposure is allocated to a credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data.

Corporate exposures	Retail exposures	All exposures
- Information obtained during periodic review of customer files – e.g. audited financial statements, management accounts, budgets and projections. - Data from credit reference agencies, press articles, changes in external credit ratings - Quoted bond and credit default swap (CDS) prices for the borrower where available - Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities	- Internally collected data on customer behaviour - External data from credit reference agencies including industry-standard credit scores	- Payment record – this includes overdue status - Utilisation of the granted limit - Requests for and granting of forbearance - Existing and forecast changes in business, financial and economic conditions

The Bank uses Moody's credit risk grades as a primary input into the determination of the term structure of the PD for exposures. The table below provides a mapping of the Bank's credit risk grades.

<table>
<tr><th>S.No.</th><th>Moody's Rating Grades</th><th>Classification</th><th>Description</th></tr>
<tr><td>1</td><td>1</td><td rowspan="4">High</td><td>Strong</td></tr>
<tr><td>2</td><td>2+</td><td rowspan="3">Very Good</td></tr>
<tr><td>3</td><td>2</td></tr>
<tr><td>4</td><td>2-</td></tr>
<tr><td>5</td><td>3+</td><td rowspan="12">Standard</td><td rowspan="3">Good</td></tr>
<tr><td>6</td><td>3</td></tr>
<tr><td>7</td><td>3-</td></tr>
<tr><td>8</td><td>4+</td><td rowspan="3">Satisfactory</td></tr>
<tr><td>9</td><td>4</td></tr>
<tr><td>10</td><td>4-</td></tr>
<tr><td>11</td><td>5+</td><td rowspan="3">Acceptable</td></tr>
<tr><td>12</td><td>5</td></tr>
<tr><td>13</td><td>5-</td></tr>
<tr><td>14</td><td>6+</td><td rowspan="2">Marginal</td></tr>
<tr><td>15</td><td>6</td></tr>
<tr><td>16</td><td>6-</td><td>Watch list</td></tr>
<tr><td>17</td><td>7+</td><td rowspan="3">Watch list</td><td>Watch list</td></tr>
<tr><td>18</td><td>7</td><td rowspan="2">OLEM</td></tr>
<tr><td>19</td><td>7-</td></tr>
<tr><td>20</td><td>8</td><td rowspan="3">Default</td><td>Sub Standard</td></tr>
<tr><td>21</td><td>9</td><td>Doubtful</td></tr>
<tr><td>22</td><td>10</td><td>Loss</td></tr>
</table>

4 Significant management judgements and estimates (continued)

4.2 Impairment of financial assets (continued)

Significant increase in credit risk (SICR) (continued)

Generating the term structure of PD:
Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Bank collects performance and default information about its credit risk exposures analysed by type of product and borrower as well as by credit risk grading. Information purchased from external credit reference agencies is also used.

The Bank uses statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors as well as in-depth analysis of the impact of certain other factors (e.g. forbearance experience) on the risk of default. For most exposures, key macro-economic indicators include: GDP growth, benchmark interest rates and unemployment. For exposures to specific industries and/or regions, the analysis may extend to relevant commodity and/or real estate prices.

Based on advice from the Market Risk Committee and consideration of a variety of external actual and forecast information, the Bank formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analysing historical data over the past 5 to 7 years.

Importance of staging criteria

Staging is an important input in determining the IFRS 9 ECL, as it dictates loans would be classified as stage 1 (attracting 12 months ECL) and in stage 2 (attracting life time ECL). Staging under IFRS 9 is based on the assessment of relative movement in the credit quality of the loans from the time of initial recognition. Loans classified in stage 3 have objective evidence of impairment and in respect of which specific provisions have been established.

Determining the stage for impairment

The Bank considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative or qualitative criteria have been met:

Quantitative criteria:

Corporate and Institutional Banking portfolio:
Significant increase in credit risk is measured by comparing the risk of default estimated at origination with the risk of default at the reporting date. In addition, the following parameters are also considered:

- 30 days past due
- Restructuring flag
- Downgrade by 3 notches on a 22 scale as per internal rating guidelines

Retail portfolio:
Thresholds have been set for each portfolio based on historical default rates. Facilities exceeding the threshold are considered for significant increase in credit risk. In addition, the following parameters are also considered:

- 30 days past due
- Restructuring flag
- Abandoned segment

4 Significant management judgements and estimates (continued)

4.2 Impairment of financial assets (continued)

Determining the stage for impairment (continued)

Investment portfolio and Due from banks:
External rating agency credit grades are used to assess the significant increase in credit risk. These external published grades are continuously monitored and updated. The Bank's rating method comprises 19 rating levels for instruments not in default (1 to 19) and 3 default classes (20 to 22). The Bank's internal rating scale is mapped with external ratings. The master scale assigns each rating category a specified range of probabilities of default, which is stable over time.

Qualitative criteria:
The Bank also considers in its assessment of significant increase in credit risk various qualitative factors like significant adverse changes in business, actual and expected forbearance or restructuring and early signs of cash flows and liquidity problems.

Curing criteria:
The Bank continues to monitor financial instruments for a minimum probationary period of 12 months to confirm if the risk of default has decreased sufficiently before upgrading such exposures from Stage 2 to Stage 1.

The Bank is observing a probationary period of a minimum of 3 instalments (for repayments which are on a quarterly basis or shorter) and 12 months (in cases where instalments are on a longer frequency than quarterly) after restructuring, before upgrading from Stage 3 to Stage 2.

Exposures are not upgraded from Stage 3 to Stage 1 directly and are upgraded to Stage 2 initially before upgrading to Stage 1 based on the above-mentioned criteria.

The Bank ensures that the risk rating of the obligor correctly reflects its credit risk. UAB has in place a robust early warning signal mechanism to ensure credit risk deterioration is highlighted before the default takes place. This is via close monitoring of key early warning signals such as excesses, past dues, cheque / payment failures, external market feedback and credit ratings, covenant / condition breaches and weak financials. Where a client shows early signs of financial strain, it is placed on a watch list category and monitored at an internal watch list forum.

Credit-impaired financial assets

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Definition of default
The Bank considers a financial asset to be in default in line with the Circular No. 28/2010 and associated regulations issued by the Central Bank of the United Arab Emirates.

An instrument is considered to be no longer in default (i.e. to have cured) when it no longer meets the default criteria for a consecutive period of 12 months as determined by the regulatory guidelines.

4 Significant management judgements and estimates (continued)

4.2 Impairment of financial assets (continued)

Measurement of ECL

The ECL is measured on either a 12-month or lifetime basis depending on whether an SICR has occurred since initial recognition or whether an asset is considered to be credit-impaired. ECL is the discounted product of the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD), defined as follows:

- PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates Two types of PDs are used for calculating ECL
    - 12 month PDs: This is the estimated probability of default occurring within the next 12 months (or over the remaining life of the financial instrument if less than 12 months). This is used to calculate 12 month ECL for Stage 1 exposures
    - Lifetime PDs: This is the estimated probability of a default occurring over the remaining life of the financial instrument. This is used to calculate lifetime ECL for Stage 2 and Stage 3 exposures.
- EAD represents the expected exposure at the time of default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. As described and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Bank measures ECL considering the risk of default over the maximum contractual period over which it is exposed to credit risk. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a loan commitment or guarantee.
- LGD is the magnitude of the likely loss if there is a default. LGD is expressed as a loss percentage of the exposure at the time of default. The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, LTV ratios are a key parameter in determining LGD. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

The measurement of ECL is based on a probability-weighted average credit loss. As a result, the measurement of the loss allowance is the same regardless of whether it is measured on an individual basis or a collective basis. In relation to the assessment of whether there has been a significant increase in credit risk it may be necessary to perform the assessment on a collective basis where the financial instruments are grouped based on product type risk characteristics.

The weighted average ECL is calculated considering base, upside and downside scenarios for recognition of ECL.

These parameters are generally derived from internally developed statistical models, other historical data and forward-looking information.

The Bank considers its historical loss experience and adjusts this for current observable data. In addition, the Bank uses reasonable and supportable forecasts of future economic conditions including experienced judgement to estimate the amount of an expected impairment loss. IFRS 9 introduces the use of macroeconomic factors which include, but is not limited to, real annual growth in gross domestic product and oil prices and requires an evaluation of both the current and forecast direction of the economic cycle. Incorporating forward looking information increases the level of judgement as to how changes in these macroeconomic factors will affect ECL. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

In 2021, the Bank has adjusted the LGD on the unsecured portfolio following regulatory guidelines as well as independent reviews undertaken during the year. The revised LGD of the Bank's unsecured portfolio reflects historical recovery data together with the Bank's forward looking business plans. The impact of this change in estimate has been disclosed in Note 7 (on loans and advances) as well as Note 26 (on commitments and contingencies).

The Bank has incorporated the latest available macroeconomic inputs into the ECL model to reflect the change in the macroeconomic forecast with details covered in Note 27 of these financial statements.

4 Significant management judgements and estimates (continued)

4.2 Impairment of financial assets (continued)

Measurement of ECL (continued)

The most significant assumptions used for ECL estimate as at 31 December 2021 and 31 December 2020 are set out below. The scenarios of base case, upside and downside cases were used for all portfolios keeping in view the following principal macroeconomic variables:

Macroeconomic variables As at 31 December 2021	Scenario	Assigned probabilities	2022	2023	2024	2025
Real Private Consumption (USD bn)	Base	40%	464.06	485.07	498.34	505.60
	Upside	20%	496.17	515.93	528.75	534.18
	Downside	40%	405.30	435.15	457.30	470.87
Government Expenditure (USD bn)	Base	40%	481.35	516.65	546.69	579.31
	Upside	20%	529.66	567.80	621.64	680.12
	Downside	40%	421.79	448.57	480.77	526.56
Real Net Exports (USD bn)	Base	40%	430.31	439.40	450.02	462.47
	Upside	20%	460.08	467.36	477.49	488.61
	Downside	40%	375.82	394.19	412.96	430.70
General government debt to GDP (USD bn)	Base	40%	54.88	57.64	61.41	66.47
	Upside	20%	34.27	29.96	27.59	29.10
	Downside	40%	92.00	99.72	107.51	117.24
Economic Composite Indicator (proxy of GDP)	Base	40%	3.21	3.06	2.81	2.54
	Upside	20%	3.59	2.69	2.54	2.12
	Downside	40%	5.46	5.78	4.89	3.96
Employee Compensation (USD bn)	Base	40%	481.34	555.18	624.18	667.35
	Upside	20%	566.76	652.12	725.00	771.76
	Downside	40%	361.30	438.39	515.65	572.89
1-year EIBOR rates (%)	Base	40%	1.76%	3.21%	3.75%	4.08%
	Upside	20%	1.91%	3.25%	3.74%	4.10%
	Downside	40%	-1.43%	1.48%	3.39%	3.97%

Macroeconomic variables As at 31 December 2020	Scenario	Assigned probabilities	2021	2022	2023	2024
Average oil price per barrel (USD)	Base	40%	44.01	45.66	45.87	45.87
	Upside	20%	79.88	81.53	81.74	81.74
	Downside	40%	8.14	9.79	10.00	10.00
Non-oil Economic Composite Index ("ECI") (proxy of GDP)	Base	40%	2.20%	2.10%	2.20%	2.27%
	Upside	20%	5.80%	5.70%	5.80%	5.87%
	Downside	40%	-1.40%	-1.50%	-1.40%	-1.33%
Real estate prices of Dubai (index level price in AED)	Base	40%	10,918	10,941	10,989	11,042
	Upside	20%	13,260	13,283	13,331	13,383
	Downside	40%	8,576	8,600	8,647	8,700
ECI (proxy of GDP)	Base	40%	1.4%	2.2%	2.6%	2.6%
	Upside	20%	4.8%	5.6%	6.0%	6.0%
	Downside	40%	-2.1%	-1.2%	-0.9%	-0.8%
Inflation	Base	40%	1.5%	2.0%	2.0%	2.1%
	Upside	20%	3.2%	3.7%	3.7%	3.8%
	Downside	40%	-0.2%	0.3%	0.3%	0.4%

Sensitivity analysis

If the macroeconomic variables (listed above) were to change by the base, upside and downside scenarios, the ECL under stage 1 and 2 would change as follows:

Change in ECL due to change in macroeconomic variables	Base	Upside	Downside
Stage 1	-4.85%	-12.57%	+8.50%
Stage 2	+0.09%	-10.40%	+5.11%

There has been no significant sensitivity impact on stage 3 ECL.

4 Significant management judgements and estimates (continued)

4.3 Going concern

The management has made an assessment of the Bank's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future despite the accumulated losses amounting to AED 610,587 thousand incurred till 31 December 2021. Management believes that it has adequate liquidity and funding in order to meet its cash flow requirements as and when these fall due. In addition, the Bank manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to its stakeholders. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

5 Cash and balances with UAE central bank

	2021 AED'000	2020 AED'000
Cash on hand	**56,424**	64,398
Balances with UAE Central bank:		
- Statutory and other deposits with UAE Central Bank*	**653,141**	491,924
- Overnight Deposit Facility	**1,300,000**	850,000
	2,009,565	1,406,322

* includes statutory reserve requirement of AED 266,843 thousand (2020: AED 285,721 thousand)

The reserve requirements which are kept with the UAE Central Bank is not available to finance the day to day operations of the Bank. The UAE Central Bank balances are high grade in nature.

6 Due from other banks

	2021 AED'000	2020 AED'000
Demand deposits	**228,735**	296,525
Term deposits	**150,000**	-
	378,735	296,525

The Bank holds a stage 1 expected credit loss allowance of AED 134 thousand (2020: AED 112 thousand) on its due from other banks.

Due from other banks includes AED 137,268 thousand (2020: AED 127,356 thousand) placed with foreign banks outside the UAE. AED 119,778 thousand (2020: AED 221,187 thousand) is held with other banks as margin for derivative transactions.

Gross amounts of due from other banks by geographical area	**2021 AED'000**	2020 AED'000
Within UAE	**241,467**	169,170
Within GCCs	**4,488**	29,012
Other countries	**132,780**	98,343
	378,735	296,525

6 Due from other banks (continued)

An analysis of due from other banks based on external credit ratings is as follows:

	2021 **AED'000**	2020 AED'000
AA−	**16,786**	30,347
A+	**3,379**	6,350
A	**129,514**	151,150
A−	**31,235**	50,233
BBB+	**195,906**	53,127
BBB	**-**	3,474
BBB− and below	**1,915**	1,844
	378,735	296,525

Grading of gross balances of due from other banks along with stages

	Stage 1 ***AED'000***	***Stage 2*** ***AED'000***	***Stage 3*** ***AED'000***	***Total*** ***AED'000***
High	**180,915**	**-**	**-**	**180,915**
Standard	**197,820**	**-**	**-**	**197,820**
As at 31 December 2021	**378,735**	**-**	**-**	**378,735**

	Stage 1 *AED'000*	*Stage 2* *AED'000*	*Stage 3* *AED'000*	*Total* *AED'000*
High	238,080	-	-	238,080
Standard	58,445	-	-	58,445
As at 31 December 2020	296,525	-	-	296,525

7 Loans and advances and Islamic financing receivables

The composition of loans and advances and Islamic financing receivables portfolio is as follows:

	2021 **AED'000**	2020 AED'000
(a) By type:		
Overdrafts	**1,089,186**	1,192,258
Loans (medium and short term)*	**7,176,977**	8,676,243
Loans against trust receipts	**505,367**	530,210
Bills discounted	**153,989**	152,875
Other cash advances	**42,785**	51,051
Bills drawn under letters of credit	**49,871**	66,546
Gross amount of loans and advances and Islamic financing receivables	**9,018,175**	10,669,183
Less: Provision for impairment on loans and advances and Islamic financing receivables	**(804,825)**	(1,655,544)
Net loans and advances and Islamic financing receivables	**8,213,350**	9,013,639

* Includes retail loans of AED 1,680,393 thousand (2020: AED 2,372,456 thousand)

7 Loans and advances and Islamic financing receivables (continued)

	2021 AED'000	2020 AED'000
(b) By economic sector:		
Government and public sector	**607,304**	300,000
Trade	**1,403,183**	1,452,605
Personal loans (retail and HNIs)	**3,296,072**	4,257,569
Manufacturing	**734,563**	1,141,267
Construction	**448,986**	541,427
Services	**884,705**	1,441,332
Financial institutions	**1,422,285**	1,062,891
Transport and communication	**215,882**	466,994
Others	**5,195**	5,098
Gross amount of loans and advances and Islamic financing receivables	**9,018,175**	10,669,183

Islamic financing gross receivables amount to AED 454,646 thousand (2020: AED 581,777 thousand) recognized through the Bank's Shari'a - compliant Islamic window.

At 31 December 2021, the gross amount of loans and advances and Islamic financing receivables, individually determined to be impaired, before deducting any individually assessed impairment allowance amounted to AED 1,138,023 thousand (2020: AED 1,677,199 thousand). The provision and collateral held on these impaired loans is disclosed in Note 27 under credit risk.

Grading of gross balances of loans and advances and Islamic financing receivables along with stages

	Stage 1 AED'000	***Stage 2 AED'000***	***Stage 3 AED'000***	***Total AED'000***
High	**13,164**	**-**	**-**	**13,164**
Standard	**7,250,111**	**492,037**	**-**	**7,742,148**
Watch list	**-**	**124,840**	**-**	**124,840**
Default	**-**	**-**	**1,138,023**	**1,138,023**
Total gross carrying amount	**7,263,275**	**616,877**	**1,138,023**	**9,018,175**
Expected credit loss	**(85,063)**	**(175,053)**	**(544,709)**	**(804,825)**
As at 31 December 2021	**7,178,212**	**441,824**	**593,314**	**8,213,350**

	Stage 1 AED'000	*Stage 2 AED'000*	*Stage 3 AED'000*	*Total AED'000*
High	14,094	-	-	14,094
Standard	7,453,964	1,009,701	-	8,463,665
Watch list	-	514,225	-	514,225
Default	-	-	1,677,199	1,677,199
Total gross carrying amount	7,468,058	1,523,926	1,677,199	10,669,183
Expected credit loss	(87,398)	(294,841)	(1,273,305)	(1,655,544)
As at 31 December 2020	7,380,660	1,229,085	403,894	9,013,639

7 Loans and advances and Islamic financing receivables (continued)

Movement in the gross balances of loans and advances and Islamic financing receivables

	Stage 1 ***AED'000***	***Stage 2*** ***AED'000***	***Stage 3*** ***AED'000***	***Total*** ***AED'000***
Gross carrying amount as at 31 December 2020	**7,468,058**	**1,523,926**	**1,677,199**	**10,669,183**
Net of new assets originated and assets repaid	**(193,816)**	**(243,833)**	**(201,500)**	**(639,149)**
Write-offs	**-**	**-**	**(1,011,859)**	**(1,011,859)**
Transferred from Stage 1	**(326,591)**	**291,710**	**34,881**	**-**
Transferred from Stage 2	**315,624**	**(954,926)**	**639,302**	**-**
Transferred from Stage 3	**-**	**-**	**-**	**-**
As at 31 December 2021	**7,263,275**	**616,877**	**1,138,023**	**9,018,175**

	Stage 1 *AED'000*	*Stage 2* *AED'000*	*Stage 3* *AED'000*	*Total* *AED'000*
Gross carrying amount as at 31 December 2020	9,513,998	2,032,789	1,483,820	13,030,607
Net of new assets originated and assets repaid	(1,667,863)	(323,992)	127,182	(1,864,673)
Write-offs	-	-	(496,751)	(496,751)
Transferred from Stage 1	(467,485)	467,485	-	-
Transferred from Stage 2	-	(653,632)	653,632	-
Transferred from Stage 3	89,408	1,276	(90,684)	-
As at 31 December 2020	7,468,058	1,523,926	1,677,199	10,669,183

Movement in provision for impairment of loans and advances and Islamic financing receivables

	Stage 1 ***AED'000***	***Stage 2*** ***AED'000***	***Stage 3*** ***AED'000***	***Total*** ***AED'000***
Balance as at 31 December 2020	**87,398**	**294,841**	**1,273,305**	**1,655,544**
Changes due to provisions recognized in the opening balance that have:				
Transferred to 12 month ECL	**2,907**	**(2,907)**	**-**	**-**
Transferred to lifetime ECL not credit impaired	**(26,076)**	**26,076**	**-**	**-**
Transferred to lifetime ECL credit-impaired	**-**	**(204,477)**	**204,477**	**-**
Transferred to lifetime ECL credit-impaired on commitments and contingent liabilities (Note 26)	**-**	**-**	**10,960**	**10,960**
Charge to income statement (Note 22)	**20,834**	**61,574**	**67,772**	**150,180**
Write-offs	**-**	**-**	**(1,011,859)**	**(1,011,857)**
As at 31 December 2021	**85,063**	**175,107**	**544,655**	**804,825**

	Stage 1 *AED'000*	*Stage 2* *AED'000*	*Stage 3* *AED'000*	*Total* *AED'000*
Balance as at 31 December 2019	83,550	238,381	1,145,186	1,467,117
Changes due to provisions recognized in the opening balance that have:				
Transferred to 12 month ECL	1,676	(1,676)	-	-
Transferred to lifetime ECL not credit impaired	(49,656)	49,656	-	-
Transferred to lifetime ECL credit-impaired	-	(156,664)	156,664	-
Transferred to lifetime ECL credit-impaired on commitments and contingent liabilities (Note 26)	-	-	2,588	2,588
Charge to income statement (Note 22)	51,828	165,144	466,385	683,357
Write-offs	-	-	(497,518)	(497,518)
As at 31 December 2020	87,398	294,841	1,273,305	1,655,544

7 Loans and advances and Islamic financing receivables (continued)

Sector wise analysis of impaired loans and advances and Islamic financing receivables in the default category and related provisions is as follows:

	2021		*2020*	
	Gross exposure AED'000	***Impairment provision AED'000***	*Gross exposure AED'000*	*Impairment provision AED'000*
By economic sector				
Trade	**325,272**	**136,488**	175,301	121,264
Personal loans (retail and HNIs)	**438,017**	**192,529**	421,222	288,778
Manufacturing	**181,326**	**70,896**	372,108	282,701
Construction	**7,218**	**11,793**	24,995	18,262
Services	**97,744**	**90,224**	377,169	333,797
Financial institutions	**88,446**	**42,779**	88,129	46,846
Transport and communication	**-**	**-**	218,275	181,657
Total	**1,138,023**	**544,709**	1,677,199	1,273,305

The fair value of collateral that the Bank holds relating to loans to corporate and retail customers individually determined to be impaired at 31 December 2021 amounts to AED 671,323 thousand (2020: AED 669,343 thousand). The collateral consists of cash, securities, charges over real estate properties, vehicles, plant and machinery, inventory, trade receivables, and guarantees from parent companies for loans to their subsidiaries or other Bank companies.

8 Investments and Islamic instruments

	31 Dec 2021			31 Dec 2020		
	Quoted AED'000	**Unquoted AED'000**	**Total AED'000**	Quoted AED'000	Unquoted AED'000	Total AED'000
Debt:						
FVOCI						
Local	**2,314,568**	**-**	**2,314,568**	2,473,714	-	2,473,714
Overseas	**1,106,020**	**-**	**1,106,020**	807,377	-	807,377
Amortised Cost						
Local	**-**	**-**	**-**	-	-	-
Overseas	**111,176**	**-**	**111,176**	-	-	-
Total debt securities	**3,531,764**	**-**	**3,531,764**	3,281,091	-	3,281,091
Equity:						
FVOCI						
Local	**-**	**467**	**467**	-	467	467
Overseas	**152**	**76**	**228**	92	76	168
Total equities	**152**	**543**	**695**	92	543	635
Total investments	**3,531,916**	**543**	**3,532,459**	3,281,183	543	3,281,726
ECL on investments held at amortised cost			**(2,242)**			-
Net investments			**3,530,217**			3,281,726

8 Investments and Islamic instruments (continued)

The Bank holds a stage 1 ECL allowance on its investment securities classified under FVOCI amounting to AED 23,260 thousand as at 31 December 2021 (31 December 2020: AED 19,758 thousand).

Included in the above are investment securities amounting to AED 816,437 thousand (2020: AED 741,667 thousand) secured under repurchase agreement with the lenders. The Banks holds an ECL allowance of AED 3,155 thousand (2020: AED 3,208 thousand) on these investment securities secured under repurchase agreements.

Grading of gross balances of investment securities (FVOCI and Amortised Cost) along with stages:

	Stage 1 AED'000	***Stage 2 AED'000***	***Stage 3 AED'000***	***Total AED'000***
High	**1,703,378**	-	-	**1,703,378**
Standard	**1,828,386**	-	-	**1,828,386**
Total gross carrying amount	**3,531,764**	-	-	**3,531,764**
Expected credit loss	**(25,502)**	-	-	**(25,502)**
As at 31 December 2021	**3,506,262**	-	-	**3,506,262**

	Stage 1 AED'000	*Stage 2 AED'000*	*Stage 3 AED'000*	*Total AED'000*
High	1,420,056	-	-	1,420,056
Standard	1,861,035	-	-	1,861,035
Total gross carrying amount	3,281,091	-	-	3,281,091
Expected credit loss	(19,758)	-	-	(19,758)
As at 31 December 2020	3,261,333	-	-	3,261,333

Movement in the provision for impairment of investment securities (FVOCI and Amortised Cost):

	Stage 1 AED'000	***Stage 2 AED'000***	***Stage 3 AED'000***	***Total AED'000***
Balance as at 31 December 2020	**19,758**	-	-	**19,758**
Charge to income statement (Note 22)	**5,744**	-	-	**5,744**
As at 31 December 2021	**25,502**	-	-	**25,502**

	Stage 1 AED'000	*Stage 2 AED'000*	*Stage 3 AED'000*	*Total AED'000*
Balance as at 31 December 2019	21,956	-	-	21,956
Charge to income statement (Note 22)	(2,198)	-	-	(2,198)
As at 31 December 2020	19,758	-	-	19,758

8 Investments and Islamic instruments (continued)

An analysis of the investment based on external credit ratings is as follows:

As at 31 December 2021	**Debt securities AED'000**	**Other investments AED'000**	**Total AED'000**
AA	**896,947**	**-**	**896,947**
AA-	**301,764**	**-**	**301,764**
A+	**-**	**-**	**-**
A	**504,668**	**-**	**504,668**
A-	**-**	**152**	**152**
BBB+	**25,805**	**-**	**25,805**
BBB	**35,308**	**-**	**35,308**
BBB- and below	**1,360,352**	**-**	**1,360,352**
Unrated	**406,920**	**543**	**407,463**
Total investments	**3,531,764**	**695**	**3,532,459**
Expected credit loss	**(2,242)**	**-**	**(2,242)**
Net investments	**3,529,522**	**695**	**3,530,217**

As at 31 December 2020	Debt securities AED'000	Other investments AED'000	Total AED'000
AA	742,603	-	742,603
AA-	370,120	-	370,120
A+	38,442	-	38,442
A	237,844	-	237,844
A-	31,048	92	31,140
BBB+	91,763	-	91,763
BBB	36,725	-	36,725
BBB- and below	1,276,327	-	1,276,327
Unrated	456,219	543	456,762
Total investments	3,281,091	635	3,281,726
Expected credit loss	-	-	-
Net investments	3,281,091	635	3,281,726

9 Property, equipment and capital work-in-progress

	Freehold land and buildings AED'000	***Motor vehicles, leasehold improvements, furniture, fixtures and equipment AED'000***	***Capital work-in-progress AED'000***	***Total AED'000***
Cost or valuation:				
At 1 January 2021	432,362	293,616	112,383	838,361
Additions	-	29	12,642	12,671
Transfers	-	6,376	(6,376)	-
Write-offs	(3,170)	-	-	(3,170)
Disposals	(8,531)	-	-	(8,531)
Other movements	-	-	(10,000)	(10,000)
At 31 December 2021	**420,661**	**300,021**	**108,649**	**829,331**
Accumulated depreciation:				
At 1 January 2021	27,137	237,671	-	264,808
Charge for the year	3,433	16,572	-	20,005
Write-offs	(581)	-	-	(581)
Disposals	(3,935)	-	-	(3,935)
At 31 December 2021	**26,054**	**254,243**	**-**	**280,297**
Impairment on properties	(169,234)	-	(76,529)	(245,763)
Net Carrying Value as at 31 December 2021	**225,373**	**45,778**	**32,120**	**303,271**

	Freehold land and buildings AED'000	*Motor vehicles, leasehold improvements, furniture, fixtures and equipment AED'000*	*Capital work-in-progress AED'000*	*Total AED'000*
Cost or valuation:				
At 1 January 2020	432,362	271,244	110,251	813,857
Additions	-	816	27,000	27,816
Transfers	-	23,000	(23,000)	-
Write-offs	-	(1,049)	(1,868)	(2,917)
Disposals	-	(395)	-	(395)
At 31 December 2020	432,362	293,616	112,383	838,361
Accumulated depreciation:				
At 1 January 2020	23,390	218,589	-	241,979
Charge for the year	3,747	19,674	-	23,421
Write-offs	-	(197)	-	(197)
Disposals	-	(395)	-	(395)
At 31 December 2020	27,137	237,671	-	264,808
Impairment on properties	(169,234)	-	(76,529)	(245,763)
Net Carrying Value as at 31 December 2020	235,991	55,945	35,854	327,790

9 Property, equipment and capital work-in-progress (continued)

The cost of freehold land included above is AED 338,368 thousand (2020: AED 338,368 thousand).

During 2021, additions to capital work in progress relate to expenditure incurred in connection with the purchase of property and equipment amounting to AED 12,642 thousand (2020: AED 27,000 thousand). Upon completion of associated projects, AED 6,376 thousand (2020: AED 23,000 thousand) was transferred to 'motor vehicles, leasehold improvements, furniture, fixtures and equipment' whilst AED Nil was (2020: AED 1,868 thousand) was written-off.

During 2021, the Bank wrote-off computer software with a net carrying value of AED Nil (2020: AED 852 thousand).

Included in Property, equipment and capital work-in-progress are plots of land with gross carrying values of AED 422,400 thousand (2020: AED 422,400 thousand). Management has completed the assessment of the carrying values of these plots of land and has accordingly recognised an impairment of AED Nil during 2021 (2020: AED 104,455 thousand).

Intangible assets relating to computer software are included within equipment with a net carrying value of AED 18,833 thousand (2020: AED 20,767 thousand).

Description of the valuation techniques used and key inputs to valuation of properties is as follows:

	Valuation technique	**Significant unobservable inputs**
Plot 1	DRC method (refer below)	Sales rate per sq ft on gross floor area (GFA) amended to incorporate negotiation, size and time adjustment for transactions
Plot 2	Sales Comparison method (refer below)	Negotiation adjustment of 15% has been applied to the current asking price for similar land parcels

<u>Depreciated Replacement Costs ("DRC") method</u>

The DRC method is based on the market value of the current use of the land in addition to the current gross replacement costs of improvements less allowances for physical deterioration and all relevant forms of obsolescence and optimization.

<u>Sales comparison method</u>

This method involves analysing sales and asking prices of similar plots of land and comparing these to the property owned.

10 Other assets

	2021 AED'000	2020 AED'000
Interest receivable	**60,243**	83,577
Positive fair value of derivatives (Note 25)	**16,054**	8,055
Acceptances	**390,030**	240,863
Prepayments and other assets	**116,954**	63,566
Right-of-use assets (Note 28)	**4,886**	9,838
Assets repossessed in settlement of debts (refer below)	**156,737**	117,248
	744,904	523,147

10 Other assets (continued)

The Bank's portfolio of assets repossessed in settlement of debts amounted to AED 293,854 thousand (2020: AED 254,160 thousand). In 2021, the Bank recognised a gain on sale of AED 5,945 thousand (2020: AED 2,100 thousand) on its properties which had a net carrying value of AED 8,162 thousand (2020: AED 28,300 thousand) at the time of sale. The management completed an assessment of the carrying values of the remaining properties in 2021 and has accordingly recognised an impairment of AED 4,831 thousand (2020: AED 39,366 thousand) for the year.

Grading of credit exposure for financial assets which are part of other assets along with stages is shown below:

Other assets	***Stage 1 AED'000***	***Stage 2 AED'000***	***Stage 3 AED'000***	***Total AED'000***
High	**10,588**	**-**	**-**	**10,588**
Standard	**533,167**	**22,184**	**-**	**555,351**
Watch list	**-**	**7,801**	**-**	**7,801**
As at 31 December 2021	**543,755**	**29,985**	**-**	**573,740**

Other assets	*Stage 1 AED'000*	*Stage 2 AED'000*	*Stage 3 AED'000*	*Total AED'000*
High	3,451	-	-	3,451
Standard	352,615	24,311	-	376,926
Watch list	-	-	-	-
As at 31 December 2020	356,066	24,311	-	380,377

11 Due to banks

	2021 AED'000	2020 AED'000
Demand deposits	**5,525**	27,732
Term deposits	**2,405,463**	1,205,738
	2,410,988	1,233,470

Term deposits include borrowings through repurchase agreements of AED 709,245 thousand (2020: AED 605,938 thousand).

	2021 AED'000	2020 AED'000
Gross amounts due to banks by geographical area		
Within U.A.E.	**888,268**	765,038
Within GCC	**4,516**	4,609
Other countries	**1,518,204**	463,823
	2,410,988	1,233,470

12 Customers' deposits and Islamic customer deposits

	2021 AED'000	2020 AED'000
Term deposits	**7,304,064**	8,359,748
Current accounts	**2,819,597**	2,563,013
Call and saving accounts	**282,764**	324,074
	10,406,425	11,246,835

Customer' deposits include Islamic customer deposits amounting to AED 2,299,713 thousand (2020: AED 3,390,329 thousand) undertaken through the Bank's Shari'a - compliant Islamic window.

13 Medium term borrowings

Movement in medium term borrowings during the year is as follows:

	2021 AED'000	2020 AED'000
Balance as at 1 January	**-**	1,487,363
Issued during the year	**-**	-
Repaid during the year	**-**	(1,487,363)
Balance as at 31 December	**-**	-

In order to actively manage its balance sheet and optimize fund usage, the Bank has early repaid all its outstanding medium term borrowings in June 2020.

14 Other liabilities

	2021 AED'000	2020 AED'000
Acceptances	**390,030**	240,863
Interest payable	**79,384**	146,315
Negative fair value of derivatives (Note 25)	**116,664**	230,587
ECL on off-balance sheet exposures and due from other banks	**100,722**	112,472
Staff related provisions	**19,223**	17,414
Accrued expenses	**33,534**	38,116
Un-presented cheques	**36,435**	42,297
Lease liability (Note 28)	**6,164**	9,838
Others	**68,581**	76,399
	850,737	914,301

	2021 AED'000	2020 AED'000
Staff related provisions		
The aggregate employee entitlement liability comprises:		
Employees' end of service benefits	**18,805**	16,394
Other liabilities	**418**	1,020
	19,223	17,414

14 Other liabilities (continued)

In accordance with UAE labour law, the Bank provides for end of service benefit for its expatriate employees. Movements in the liability recognised in the statement of financial position in respect of end of service benefits are as follows:

	2021 **AED'000**	2020 AED'000
Liability as at 1 January	**16,394**	23,058
Expense recognised in the statement of income	**5,065**	4,676
End of service benefits paid	**(2,654)**	(11,340)
Liability as at 31 December	**18,805**	16,394

15 Share capital and reserves

a) Share capital

The authorised paid up share capital of the Bank is 2,750,067,532 (2020: 2,750,067,532) shares of AED 1 each. The issued and fully paid up share capital of the Bank comprises 2,062,550,649 (2020: 2,062,550,649) shares of AED 1 each. See Note 23 for details.

b) Special reserve

Decretal Federal Law No. (14) of 2018 concerning the Central Bank, the Monetary System and Organisation of Banking requires that 10% of the net profit is transferred to a non-distributable special reserve until this reserve equals 50% of the paid up share capital. This reserve has been a balance of AED 7,019 thousand as of 31 December 2021.

c) Statutory reserve

UAE Federal Law No.(2) of 2015 and the Articles of Association of the Bank, require that 10% of the net profit is transferred to a non-distributable statutory reserve until this reserve equals 50% of the paid up share capital. This reserve has a balance of AED 35,943 thousand as of 31 December 2021.

d) General reserve

The general reserve may be utilised for any purpose to be determined by a resolution of the shareholders of the bank at an ordinary general meeting, on the recommendation of the Board of Directors. This reserve has a balance of AED 9,311 thousand as of 31 December 2021.

e) Revaluation reserve

The revaluation reserve is used to record increases in the fair value of freehold land and buildings and decreases to the extent that such decreases relate to an increase on the same asset previously recognised in comprehensive income. In 2008, the Bank changed its accounting policy to the cost basis of accounting for land and buildings. This reserve has a balance of AED Nil as of 31 December 2021.

f) Dividends

The directors do not propose any cash dividend for the year ended 31 December 2021 (2020: Nil).

g) Cumulative changes in fair value

Cumulative changes in fair value reserve includes the net change in fair value of FVOCI assets and the net effective portion of changes in fair value of cash flow hedges (if any). This reserve has a balance of AED 7,656 thousand as of 31 December 2021.

16 Interest income and income from Islamic financing products

	2021 AED'000	2020 AED'000
Loans and advances and Islamic financing products	**340,560**	477,398
Money market and interbank transactions	**10,223**	31,878
Debt investments securities and profit on Sukuk's	**127,332**	132,653
	478,115	641,929

17 Interest expense and distribution to depositors

	2021 AED'000	2020 AED'000
Customer deposits	**131,239**	240,806
Interbank transactions	**69,066**	107,714
	200,305	348,520

18 Net fees and commission income

	2021 AED'000	2020 AED'000
Fees on letters of credit and acceptances	**12,218**	12,697
Fees on guarantees	**20,006**	26,578
Fees on loans and advances	**21,854**	16,742
Commission expense	**(7,015)**	(13,708)
	47,063	42,309

19 Foreign exchange income

Foreign exchange income comprises mainly of net gains of AED 13,089 thousand (2020: AED 12,693 thousand) arising from trading in foreign currencies.

20 Other operating income

	2021 AED'000	2020 AED'000
Gain on sale of FVOCI investments	**40,775**	5,033
Charges recovered from customers	**20,021**	23,218
Income from collections	**2,459**	2,540
Others	**42,683**	19,405
	105,938	50,196

21 Other operating expenses

	2021 AED'000	2020 AED'000
Occupancy and maintenance costs	**36,452**	47,220
Legal and professional fees	**17,565**	13,209
Other administrative expenses	**21,656**	20,850
Write-off of property and equipment (Note 9)	**2,589**	2,720
	78,262	83,999

22 Net impairment losses

Provision for credit losses recognised in the statement of income is as follows

	2021 AED'000	2020 AED'000
Net impairment of financial assets on:		
Loans and advances and Islamic financing receivables (Note 7)	**150,180**	683,357
Contingent liabilities (Note 26)	**(870)**	23,655
Due from other banks (Note 6)	**22**	26
Investments and Islamic instruments (Note 8)	**5,744**	(2,198)
Provision on fair value through other comprehensive income equities	**-**	220
Principal waivers on loans and advances and Islamic financing receivables	**-**	(68)
Net impairment of non-financial assets on:		
Property, equipment and capital work-in-progress (Note 9)	**-**	104,455
Other assets (Note 10)	**4,831**	39,366
Recovery on bad debts written off	**(24,180)**	(40,690)
Net impairment losses	**135,727**	808,123

23 Earnings / (Loss) per share

Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year. The calculations are as follows:

	2021 AED'000	2020 AED'000
Net profit / (loss) for the year	**70,191**	(667,295)
Weighted average number of ordinary shares:		
Weighted average number of shares of AED 1 each outstanding for the year	**2,062,550,649**	2,062,550,649
Basic and diluted Earnings / (loss) per share	**AED 0.03**	(AED 0.32)

The diluted earnings / (loss) per share are the same as Basic earnings / (loss) per share as the Bank has not issued any instruments which would have a dilutive impact on earnings per share if or when exercised.

24 Related party transactions

The Bank carries out transactions in the ordinary course of business with related parties, defined as shareholders who have a significant equity interest in the Bank, directors of the Bank, key management personnel of the Bank and companies over which such shareholders and directors exercise control or significant influence either directly or indirectly. The significant balances outstanding at 31 December are as follows:

	2021 AED'000	2020 AED'000
Shareholders:		
Due from banks	**94**	66
Due to other banks	**3,454**	2,669
Commitments and contingencies	**4,000**	5,174
Directors:		
Loans and advances	**11,045**	6,511
Customers' deposits	**7,151**	6,296
Commitments and contingencies	**45**	45
Other related entities of shareholders and directors:		
Loans and advances	**171,989**	180,167
Investments	**-**	64,131
Due from banks	**13**	29
Due to other banks	**273**	448
Customers' deposits	**235,035**	243,954
Commitments and contingencies	**76,020**	97,881
Key management personnel of the Bank:		
Loans and advances	**2,132**	4,136
Customers' deposits	**4,312**	1,445
Shareholders, directors and their related entities and key management personnel:		
Accrued interest income	**221**	1,595
Accrued interest expense	**899**	4,204
ECL charge to / (release from) income statement	**1,423**	(5,393)

24 Related party transactions (continued)

The income, expenses, purchase and sale of investments in respect of related parties during the year included in the statement of income are as follows:

	2021 AED'000	2020 AED'000
Shareholders, directors and their related entities		
Interest income	**9,681**	17,746
Interest expense	**783**	3,776
Professional fees	**3,000**	-
Loss from sale of investments	**(4,078)**	-
Sale proceeds from investments	**66,105**	-

	2021 AED'000	2020 AED'000
Key management personnel		
Number of key management personnel	**14**	13
Salaries and other short term benefits	**17,478**	15,923
Employees' end of service benefits	**1,429**	2,156
Total compensation to key management personnel	**18,907**	18,079

Key management personnel	2021 AED'000	2020 AED'000
Interest income	**66**	111
Interest expense	**-**	1

Terms and conditions of transactions with related parties

The above mentioned outstanding balances and transactions arose from the ordinary course of business and have been conducted on an arm's length. The interest charged to, and by, related parties is at normal commercial rates.

The related parties exposures have been secured against collateral amounting to AED 135,305 thousand (2020: AED 127,811 thousand).

For the year ended 31 December 2021, the Bank has not recorded any stage 3 impairment on amounts owed by related parties (2020: Nil).

The Bank has leased office space in various premises owned by a related party. The property rentals less associated expenses for the year amounted to AED 1,916 thousand (2020: AED 1,929 thousand). The property rentals are negotiated each year at market rates.

24 Related party transactions (continued)

Movement in the gross balances of all related party loans and advances:

Gross carrying amount	***Stage 1 AED'000***	***Stage 2 AED'000***	***Stage 3 AED'000***	***Total AED'000***
As at 31 December 2020	**167,743**	**23,071**	**-**	**190,814**
Net of new assets originated and assets repaid	**(5,265)**	**(383)**	**-**	**(5,648)**
Transferred from Stage 1	**(40,505)**	**40,505**	**-**	**-**
Transferred from Stage 2	**1,838**	**(1,838)**	**-**	**-**
Transferred from Stage 3	**-**	**-**	**-**	**-**
As at 31 December 2021	**123,811**	**61,355**	**-**	**185,166**

Gross carrying amount	*Stage 1 AED'000*	*Stage 2 AED'000*	*Stage 3 AED'000*	*Total AED'000*
As at 31 December 2019	344,934	249,368	-	594,302
Restatement of opening balance	10,497	-		10,497
Net of new assets originated and assets repaid	(186,984)	(7,986)	-	(194,970)
Reclassified amounts which are no longer related parties	-	(219,015)	-	(219,015)
Write-offs	-	-	-	-
Transferred to/ (from) Stage 1	(704)	704	-	-
Transferred to/ (from) Stage 2	-	-	-	-
Transferred to/ (from) Stage 3	-	-	-	-
As at 31 December 2020	167,743	23,071	-	190,814

Movement in provision for impairment of related party loans and advances:

	Stage 1 AED'000	***Stage 2 AED'000***	***Stage 3 AED'000***	***Total AED'000***
Balance as at 31 December 2020	**2,118**	**1,854**	**-**	**3,972**
Changes due to provisions recognized in the opening balance that have:				
Transferred from 12 months ECL	**120**	**(120)**	**-**	**-**
Charge to income statement	**(443)**	**1,866**	**-**	**1,423**
As at 31 December 2021	**1,795**	**3,600**	**-**	**5,395**

	Stage 1 AED'000	*Stage 2 AED'000*	*Stage 3 AED'000*	*Total AED'000*
Balance as at 31 December 2019	5,185	4,180	-	9,365
Changes due to provisions recognized in the opening balance that have:				
Transferred to 12 months ECL	(97)	97	-	-
Charge to income statement	(2,970)	(1,436)	-	(4,406)
Reclassified amounts which are no longer related parties	-	(987)	-	(987)
As at 31 December 2020	2,118	1,854	-	3,972

25 Derivatives

In the ordinary course of business the Bank enters into various types of transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instrument, reference rate or index. Derivative financial instruments include forwards and swaps.

25.1 Derivative product types

a) Forward Contracts

Forward contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in the over-the-counter market. The Bank has credit exposure to the counterparties of forward contracts.

b) Options

Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or sell a specific amount of a financial instrument at a fixed price, either at a fixed future date or at any time within a specified period.

c) Swaps

Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in a specified underlying index such as an interest rate, foreign currency rate or equity index.

Interest rate swaps relate to contracts taken out by the Bank with other financial institutions in which the Bank either receives or pays a floating rate of interest in return for paying or receiving, respectively, a fixed rate of interest. The payment flows are usually netted against each other, with the difference being paid by one party to the other.

In a currency swap, the Bank pays a specified amount in one currency and receives a specified amount in another currency. Currency swaps are mostly gross-settled.

25.2 Purpose of derivatives

The Bank is a party to derivative instruments in the normal course of meeting the needs of the Bank's customers. In addition, as part of its risk management activity, the Bank uses these derivative instruments for hedging purposes in order to reduce its own exposure to current and expected risks. This is achieved by hedging specific transactions as well as strategic hedging against overall balance sheet exposures.

Derivatives often involve at their inception only a mutual exchange of promises with little or no transfer of consideration. However, these instruments frequently involve a high degree of leverage and are very volatile. A relatively small movement in the value of the asset, rate or index underlying a derivative contract may have a significant impact on the profit or loss of the Bank.

Over-the-counter derivatives may expose the Bank to the risks associated with the absence of an exchange market on which to close out an open position.

The derivatives are recorded at fair value by using the published price quotations in an active market or counterparty prices or valuation techniques using a valuation model that has been tested against the prices actual market transactions and the Bank's best estimate of the most appropriate model inputs (Note 27).

The tables below show the fair values of derivative financial instruments for risk management and hedging purposes, recorded as assets and liabilities, together with their notional amounts. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are neither indicative of the market risk nor credit risk.

25 Derivatives (continued)

25.2 Purpose of derivatives (continued)
25.2.1 Derivatives held for risk management

31 December 2021				**Notional amounts by term to maturity**			
	Positive fair value AED'000	**Negative fair value AED'000**	**Notional amount AED'000**	**Within 3 months AED'000**	**3-12 months AED'000**	**1-5 years AED'000**	**Over 5 years AED'000**
Forward contracts	**10,600**	**(1,710)**	**2,170,134**	**758,524**	**907,270**	**504,340**	**-**
Interest rate swaps	**5,454**	**(5,455)**	**1,082,415**	**-**	**-**	**482,415**	**600,000**
	16,054	**(7,165)**	**3,252,549**	**758,524**	**907,270**	**986,755**	**600,000**

31 December 2020				Notional amounts by term to maturity			
	Positive fair value AED'000	Negative fair value AED'000	Notional amount AED'000	Within 3 months AED'000	3-12 months AED'000	1-5 years AED'000	Over 5 years AED'000
Forward contracts	3,687	(33)	2,299,687	1,279,889	1,019,798	-	-
Interest rate swaps	4,368	(4,368)	251,651	-	-	251,651	-
	8,055	(4,401)	2,551,338	1,279,889	1,019,798	251,651	-

Fair value hedges of interest rate risk

The Bank uses interest rate swaps to hedge its exposure to changes in fair values of fixed-rate investments in respect of a benchmark interest rate. Interest rate swaps are matched to specific purchases of investments.

The Bank hedges interest rate risk only to the extent of benchmark interest rates. The benchmark rate is a component of interest rate risk that is observable in relevant environments. Hedge accounting is applied where economic hedge relationships meet the hedge accounting criteria.

When fair value hedge accounting is applied by the Bank, the Bank assesses whether the derivative designated in each hedging relationship is expected to be and has been highly effective in offsetting changes in fair value of the hedged item using regression analysis. The assessment is based on an evaluation of the quantitative measures of the regression results.

The fair value of the swaps is disclosed in other assets (liabilities) and the carrying amount of the hedged items included in the line item 'Investments' in the statement of financial position. Fair value gains on derivatives held in qualifying fair value hedging relationships and the hedging gain or loss on the hedged items are included in other operating income.

At 31 December 2021, the Bank held the following interest rate swaps as hedging instruments in fair value hedges of interest risk, along with amounts relating to hedged items.

				Notional amounts by term to maturity			
	Positive fair value AED'000	**Negative fair value AED'000**	**Notional amount AED'000**	**Within 3 months AED'000**	**3-12 months AED'000**	**1-5 years AED'000**	**Over 5 years AED'000**
31 December 2021							
Hedge of investments	**-**	**(109,499)**	**1,989,166**	**-**	**146,900**	**1,180,635**	**661,631**
31 December 2020							
Hedge of investments	-	(226,186)	2,114,107	-	55,822	1,099,375	958,910

25 Derivatives (continued)

25.2 Purpose of derivatives (continued)
25.2.1 Derivatives held for risk management (continued)

Fair value hedges of interest rate risk (continued)

The carrying amount of the hedged items are included in the line item 'Investments' on the statement of financial position with the notional amount totalling to AED 2,110,459 thousand (2020: AED 2,311,164 thousand). These hedged items comprise of debt instruments which are held as FVOCI.

The Bank has recognised the following gain relating to hedge ineffectiveness calculated as follows:

	2021		2020	
	Change in value AED'000	**Ineffectiveness recognised in profit and loss AED'000**	Change in value AED'000	Ineffectiveness recognised in profit and loss AED'000
On hedging instruments	**(106,916)**	**9,625**	(105,225)	249
On hedged items	**116,541**	**-**	105,474	-

25.3 Derivative related credit risk

Credit risk in respect of derivative financial instruments arises from the potential for a counterparty to default on its contractual obligations and is limited to the positive fair value of instruments that are favourable to the Bank. Approximately 89% (2020: 97%) of the Bank's derivative contracts are entered into with other financial institutions.

26 Contingent liabilities and commitments

Credit related commitments

The Bank's contractual amounts in respect of letters of credit and guarantees commit the Bank to make payments on behalf of customers contingent upon the customer satisfying the terms of the contract. The contractual amounts represent the credit risk, assuming that the amounts are fully advanced, guarantees are called for full amount following performance failure, and that any collateral or other security is of no value. However, the total contractual amount of commitments does not necessarily represent future cash requirements since many of such commitments will expire or terminate without being funded.

The loan commitments represent the contractual commitments to make the loan. These commitments are revocable and generally have fixed expiry dates or other termination clauses. Since commitments are revocable, may expire without being drawn down, and also the conditions precedent to draw down have to be fulfilled, the total contract amounts do not necessarily represent future cash outflow requirements.

The Bank has the following credit related commitments:

	2021 AED'000	2020 AED'000
Contingent liabilities		
Letters of credit	**278,000**	215,578
Guarantees	**2,386,034**	2,527,627
	2,664,034	2,743,205
Commitments		
Undrawn loan commitments	**2,286,975**	3,098,643

The undrawn loan commitments of the Bank are all revocable and are not considered for ECL computation.

26 Contingent liabilities and commitments (continued)

Grading of gross balances of commitments and contingent liabilities along with stages

	Stage 1 ***AED'000***	***Stage 2*** ***AED'000***	***Stage 3*** ***AED'000***	***Total*** ***AED'000***
High	**4,947**	**-**	**-**	**4,947**
Standard	**2,086,697**	**310,828**	**-**	**2,397,525**
Watch list	**-**	**53,351**	**-**	**53,351**
Default	**-**	**-**	**208,211**	**208,211**
Total gross carrying amount	**2,091,644**	**364,179**	**208,211**	**2,664,034**
Expected credit loss	**(9,059)**	**(31,855)**	**(47,033)**	**(87,947)**
As at 31 December 2021	**2,082,585**	**332,324**	**161,178**	**2,576,087**

	Stage 1 *AED'000*	*Stage 2* *AED'000*	*Stage 3* *AED'000*	*Total* *AED'000*
High	16,586	-	-	16,586
Standard	1,843,736	662,643	-	2,506,379
Watch list	-	128,978	-	128,978
Default	-	-	91,262	91,262
Total gross carrying amount	1,860,322	791,621	91,262	2,743,205
Expected credit loss	(18,255)	(56,710)	(37,397)	(112,362)
As at 31 December 2020	1,842,067	734,911	53,865	2,630,843

Movement in the gross balance of contingent liabilities

Gross carrying amount	***Stage 1*** ***AED'000***	***Stage 2*** ***AED'000***	***Stage 3*** ***AED'000***	***Total*** ***AED'000***
As at 31 December 2020	**1,860,322**	**791,621**	**91,262**	**2,743,205**
Changes due to financial assets recognised in the opening balance that have:				
Transferred to/ (from) Stage 1	**(58,986)**	**58,986**	**-**	**-**
Transferred to/ (from) Stage 2	**160,523**	**(160,523)**	**-**	**-**
Transferred to/ (from) Stage 3	**-**	**(125,109)**	**125,109**	**-**
Originated / (expired) during the year	**129,785**	**(200,797)**	**(8,159)**	**(79,171)**
As at 31 December 2021	**2,091,644**	**364,178**	**208,212**	**2,664,034**

Gross carrying amount	*Stage 1* *AED'000*	*Stage 2* *AED'000*	*Stage 3* *AED'000*	*Total* *AED'000*
As at 31 December 2019	2,415,078	1,029,493	68,116	3,512,687
Changes due to financial assets recognised in the opening balance that have:				
Transferred to/ (from) Stage 1	(93,053)	90,022	3,031	-
Transferred to/ (from) Stage 2	3,649	(28,077)	24,428	-
Transferred to/ (from) Stage 3	-	-	-	-
Originated / (expired) during the year	(465,352)	(299,817)	(4,313)	(769,482)
As at 31 December 2020	1,860,322	791,621	91,262	2,743,205

26 Contingent liabilities and commitments (continued)

Movement in the provision for impairment of contingent liabilities

	Stage 1 AED'000	***Stage 2 AED'000***	***Stage 3 AED'000***	***Total AED'000***
Balance as at 31 December 2020	**18,255**	**56,710**	**37,397**	**112,362**
Changes due to provisions recognized in the opening balance that have:				
Transferred to 12 month ECL	**1,838**	**(1,838)**	**-**	**-**
Transferred to lifetime ECL not credit impaired	**(7,247)**	**7,247**	**-**	**-**
Transferred to lifetime ECL credit impaired	**-**	**(1,860)**	**1,860**	**-**
Transferred from / (to) ECL credit impaired on loans (Note 7)	**-**	**(7,997)**	**(2,963)**	**(10,960)**
Charge to income statement (Note 22)	**(3,856)**	**(7,752)**	**10,738**	**(870)**
As at 31 December 2021	**8,990**	**44,510**	**47,032**	**100,532**

	Stage 1 AED'000	*Stage 2 AED'000*	*Stage 3 AED'000*	*Total AED'000*
Balance as at 31 December 2020	14,000	45,462	31,833	91,295
Changes due to provisions recognized in the opening balance that have:				
Transferred to 12 month ECL	587	(587)	-	-
Transferred to lifetime ECL not credit impaired	(12,254)	12,254	-	-
Transferred to lifetime ECL credit impaired	-	(2,961)	2,961	-
Transferred from / (to) ECL credit impaired on loans (Note 7)	-	(5,191)	2,603	(2,588)
Charge to income statement (Note 22)	15,922	7,733	-	23,655
As at 31 December 2020	18,255	56,710	37,397	112,362

27 Risk management

Introduction

Risk is inherent in all of the Bank's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to their responsibilities.

Risk Management covers all risks including credit, liquidity, market and operational risk, and processes from origination to approval and ongoing control, review, maintenance and reporting of exposures. It also covers the high level organisation, roles and responsibilities of Board and management level committees, and authorities and processes relating to risk management, internal controls, compliance and internal audit functions.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. These are monitored through the Bank's strategic planning process.

27 Risk management (continued)

Risk Management Structure

Board level committees

The Board of Directors are ultimately responsible for identifying and controlling risks; however, there are separate board sub-committees responsible for managing and monitoring risks.

(a) Board Credit Committee

The Board Credit Committee (BCC) has the responsibility to establish credit risk strategy and monitor the overall credit process within the Bank for maintaining a diversified portfolio, avoiding undesired risk concentrations, improving the overall asset quality of the portfolio, and complying with Credit Policy and regulatory guidelines.

(b) Board Audit Committee

The Board Audit Committee (BAC) is responsible for monitoring, reviewing and reporting to the Board on the formal arrangements relating to the financial and narrative reporting of the Bank, internal controls, compliance and internal / external audit processes.

(c) Board Risk Committee

The Board Risk Committee (BRC) has the overall responsibility for the development of the risk strategy and implementing principles, frameworks and policies for enhancing the Bank's risk management framework to best practices standards. This includes, but is not limited to, ensuring effective control structures and the monitoring of aggregate risk exposures (including but not limited to credit, market, liquidity, operational and legal).

(d) Group Remuneration Committee

The Group Remuneration Committee (GRC) acts on behalf of the Board on all matters related to governance, remuneration, nomination and strategic plans, except for those powers and actions that are restricted to the Board on the basis of legal provisions or the Articles. The GRC is responsible for supporting the Board in overseeing the remuneration scheme, in order to ensure that the subject remuneration is appropriate and consistent with the Bank's culture, long-term business and risk appetite, performance and control environment as well as with any legal or regulatory requirements.

Management Groups

The Board level committees are further supplemented by the management Banks / functions who are responsible for day to day monitoring of risks.

(a) Risk Management Group

The Risk Management Group is responsible for implementing and maintaining risk related procedures to ensure an independent control process. It works closely with the commercial organization to support their activities, while safe-guarding the risk profile of the Bank. It institutes prudent risk monitoring and control mechanisms (processes and systems) to ensure compliance of individual risk assets and portfolios to agreed terms and policy parameters. It reviews and presents all credit submissions, risk policy and portfolio management reports to the BCC and BRC.

(b) Treasury

Treasury is responsible for managing the Bank's assets and liabilities and the overall financial structure. It is also primarily responsible for managing the funding and liquidity risks of the Bank.

(c) Internal Audit

Risk management processes throughout the Bank are audited annually by the internal audit function that examines both the adequacy of, and the Bank's compliance with, its procedures. Internal Audit discusses the results of all assessments with management and reports its findings and recommendations to the Board Audit Committee.

From 2019 till 2021, UAE Central Bank has issued a number of standards and regulations on the various elements of overall Risk Management, Anti-Money Laundering, Capital adequacy and Capital Management Framework. The standards and regulations including but not limited to financial reporting, external audit, internal controls, compliance & internal audit, operational, country and transfer risk, market risk and interest rate and rate of return risk have been effected in 2019. The Bank had taken measures to adhere to the aforementioned standards and regulations to ensure compliance from the effective implementation date.

27 Risk management (continued)

Risk Measurement and Reporting Systems

Monitoring and controlling risks is primarily performed based on limits established by the Bank. These limits reflect both the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept, with additional emphasis on selected industries. In addition, the Bank monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

Information compiled from all the businesses is examined and processed in order to identify, analyse and control at an early stage. The Board receives a comprehensive credit risk report once a quarter which is designed to provide all the necessary information to assess and conclude on the credit related risks of the Bank. The report includes aggregate credit exposure, hold limit exceptions, liquidity ratios and risk profile changes. Senior management assess the appropriateness of the allowance for credit losses on a quarterly basis.

For all levels throughout the Bank, specifically tailored risk reports are prepared and distributed in order to ensure all business divisions have access to extensive, necessary and up-to-date information.

Regular briefings are given to the Chief Executive Officer, GMRC and all other relevant members of management on all aspects of risk taken by the Bank including the utilisation of limits, proprietary investments and liquidity, plus any other risk developments.

Risk Mitigation

The Bank actively uses collateral to reduce its credit risks.

Also, as part of its overall risk management, the Bank uses derivatives and other instruments to manage exposures resulting from changes in interest rates and foreign currencies.

Risk concentration

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

In order to avoid excessive concentrations of risk, the Bank's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

Credit Risk

Credit risk is the risk that a customer or counterparty will fail to meet a commitment / contractual obligation, resulting in a financial loss to the Bank. Such risk arises from lending, trade finance, treasury and other activities undertaken by the Bank. Credit risk is the single largest risk for the Bank's business and is actively monitored in accordance with the credit policies which clearly define delegated lending authorities, policies and procedures. The management of credit risk also involves the monitoring of risk concentrations by industrial sector as well as by geographic location.

The Bank has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The credit quality review process allows the Bank to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

27 Risk management (continued)

Credit Risk (continued)

The table below shows the maximum exposure to credit risk for the components of the statement of financial position, including contingent liabilities and commitments. The maximum exposure is shown, before the effect of mitigation through the use of credit enhancements, master netting and collateral agreements.

	Notes	2021 AED'000	2020 AED'000
Cash and balances with UAE Central Bank (excluding cash on hand)	5	**1,953,141**	1,341,924
Due from other banks	6	**378,735**	296,525
Loans and advances (net of provisions)	7	**8,213,350**	9,013,639
Investments	8	**3,531,764**	3,281,091
Other assets*	10	**573,740**	380,377
*excluding prepayments and assets acquired in settlement of debt and lease assets			
Total		**14,650,730**	14,313,556
Letters of credit	26	**278,000**	215,578
Guarantees	26	**2,386,034**	2,527,627
Undrawn loan commitments	26	**2,286,975**	3,098,643
Total		**4,951,009**	5,841,848
Total credit risk exposure		**19,601,739**	20,155,404

Where financial instruments are recorded at fair value the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

Risk concentrations of the maximum exposure to credit risk

Concentration of risk is managed by client / counterparty, by geographical region and by industry sector. The maximum credit exposure to any client or counterparty as of 31 December 2021 was AED 599,959 thousand (2020: AED 560,000 thousand).

The Bank's maximum exposure to credit risk, after provisions but before taking into account any collateral held or other credit enhancements can be analysed by the following geographical regions:

	2021		2020	
	Assets AED'000	Contingent liabilities and commitments AED'000	Assets AED'000	Contingent liabilities and commitments AED'000
United Arab Emirates	**12,409,370**	**4,908,108**	12,999,665	5,558,102
Other Middle East countries	**1,215,353**	**20,695**	965,536	72,207
Europe	**64,323**	**15,186**	80,571	15,009
USA	**75,889**	**-**	18,601	-
Rest of the World	**885,795**	**7,020**	249,183	196,530
Total	**14,650,730**	**4,951,009**	14,313,556	5,841,848

27 Risk management (continued)

Credit risk (continued)

Risk concentrations of the maximum exposure to credit risk (continued)

An industry sector analysis of the Bank's maximum exposure to credit risk (excluding cash on hand) after provisions but before taking into account collateral held or other credit enhancements, is as follows:

	2021 AED'000	2020 AED'000
Financial services	**4,108,175**	3,210,947
Trade	**1,543,351**	1,610,936
Manufacturing	**778,475**	1,185,445
Government and public sector	**3,918,262**	3,157,288
Construction	**481,538**	570,042
Services	**1,104,348**	1,926,413
Others	**3,521,406**	4,308,030
	15,455,555	15,969,101
Less: impairment provision on loans and advances	**(804,825)**	(1,655,545)
	14,650,730	14,313,556

Past due but not impaired

Past due loans and advances include those that are past due on their repayment schedule. Aging analysis of past due but not impaired loans and advances is as follows:

31 December 2021	Less than 30 days AED'000	31 to 60 days AED'000	61 to 90 days AED'000	More than 91 days AED'000	Total AED'000
Loans and advances	**42,396**	**8,144**	**710**	**125**	**51,375**
31 December 2020					
Loans and advances	96,274	24,215	5,166	10,053	135,708

Amounts which are not yet past due and related to loans which have delinquent payments, are not included in the table above. Approximately 86% (2020: 88%) of the above loans are advanced to the corporate sector.

Loans and advances and Islamic financing receivables with renegotiated terms

Loans and advances and Islamic financing receivables with renegotiated terms are those which have been rescheduled or restructured and where the Bank has made concessions that it would otherwise not consider. Rescheduled and restructured loans are classified under Stage 2 attracting lifetime ECL – not credit impaired impact.

The gross amount per class of on-balance sheet financial assets whose terms have been renegotiated are as follows:

	2021 AED'000	2020 AED'000
Loans and advances and Islamic financing receivables	**963,219**	1,147,279

27 Risk management (continued)

Loans and advances and Islamic financing receivables with renegotiated terms (continued)

	Stage 1	***Stage 2***	***Stage 3***	***Total***
	AED'000	***AED'000***	***AED'000***	***AED'000***
Outstanding balance	**41,621**	**131,730**	**789,868**	**963,219**
Less: Provision for impairment	**(1,768)**	**(13,889)**	**(322,715)**	**(338,372)**
As at 31 December 2021	**39,853**	**117,841**	**467,153**	**624,847**

	Stage 1	*Stage 2*	*Stage 3*	*Total*
	AED'000	*AED'000*	*AED'000*	*AED'000*
Outstanding balance	47,942	492,762	606,575	1,147,279
Less: Provision for impairment	(741)	(134,570)	(396,246)	(531,557)
As at 31 December 2020	47,201	358,192	210,329	615,722

Collateral and other credit enhancements

The Bank holds collateral and other credit enhancements against certain of its credit exposures. The main types of collateral obtained are cash, securities, charges over real estate properties, vehicles, plant and machinery, inventory and trade receivables. The Bank also obtains guarantees from parent companies for loans to their subsidiaries or other Bank companies. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters. Collateral is generally not held against non-trading investment and due from banks and financial institutions. Management monitors the market value of collateral and wherever necessary the Bank requests additional collateral in accordance with the underlying agreement, and considers collateral value during its periodic review of credit facilities and adequacy of provision for impairment on loans and advances.

The percentage of collateralized exposure and the principal types of collateral held against loans and advances are as follows:

	Percentage of collateralized exposure		
	2021	**2020**	**Principal type of collateral held**
Retail Mortgage Loans	**100%**	100%	Residential property
Corporate customers	**62%**	65%	Cash, securities, vehicles, property and equipment, commercial property, inventory and trade receivables

27 Risk management (continued)

Retail mortgage loans

Credit exposure on retail mortgage loans by range of loans to value (LTV) ratio are as follows:

	2021	2020
	AED'000	AED'000
LTV ratio		
Less than 50%	**213,574**	161,956
51- 75%	**579,511**	589,199
76- 90%	**176,805**	580,176
91- 100%	**29,873**	117,327
More than 100%	**50,476**	122,863
Total	**1,050,239**	1,571,521

LTV is calculated as the ratio of the gross amount of the loan to the value of the collateral. The valuation of the collateral excludes any adjustments for obtaining and selling the collateral. The value of the collateral for residential mortgage loans is based on the collateral value at origination updated based on changes in house price indices.

Impaired loans

For impaired loans the value of collateral is based on the most recent appraisals. Credit exposure on impaired retail mortgage loans by range of LTV ratio are as follows:

	2021	2020
	AED'000	AED'000
LTV ratio		
Less than 50%	**3,807**	18,915
51- 75%	**21,636**	12,328
More than 75%	**50,409**	93,971
Total	**75,852**	125,214

At 31 December 2021, the carrying amount of impaired loans and advances to retail customers (including mortgages) amounted to AED 93,727 thousand (2020: AED 201,033 thousand) and the value of identifiable collateral held against those loans and advances amounted to AED 88,484 thousand (2020: AED 125,735 thousand).

Corporate customers

At 31 December 2021, the net carrying amount of impaired loans and advances to corporate customers amounted to AED 1,044,296 thousand (2020: AED 1,476,166 thousand) and the value of identifiable collateral (mainly commercial properties) held against those loans and advances amounted to AED 582,839 thousand (2020: AED 543,608 thousand). For each loan, the value of disclosed collateral is capped to the nominal amount of the loan that is held against.

27 Risk management (continued)

Credit risk (continued)

Impairment Reserve under the UAE Central Bank

The UAE Central Bank issued its IFRS 9 guidance on 30 April 2018 via notice no. CBUAE/BSD/2018/458 addressing various implementation challenges and practical implications for banks adopting IFRS 9 in the UAE (the "Guidance"). Pursuant to clause 6.4 of the guidance, the reconciliation between general and specific provision under circular 28/2010 of the UAE Central Bank and IFRS 9 is as follows:

	2021	2020
	AED'000	AED'000
Impairment Reserve: General		
General Provisions under Circular 28/2010 of UAE Central Bank	**163,869**	160,375
Less: Stage 1 & Stage 2 provisions under IFRS 9	**260,116**	382,239
General Provision transferred to impairment reserve	**-**	-
Impairment Reserve: Specific		
Specific Provisions under Circular 28/2010 of UAE Central Bank	**269,726**	849,669
Less: Stage 3 provisions under IFRS 9	**544,709**	1,273,305
Specific Provision transferred to impairment reserve	**-**	-

Liquidity risk

Liquidity risk is defined as the risk that the Bank will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Bank might be unable to meet its payment obligations when they fall due under both normal and stressed circumstances. To limit this risk, management have arranged diversified funding sources in addition to its core deposit base and adopted a policy of managing assets with liquidity in mind and of monitoring future cash flows and liquidity on a daily basis. The Bank has developed internal control processes and contingency plans for managing liquidity risk. This incorporates an assessment of expected cash flows and the availability of high-grade collateral which could be used to secure additional funding if required.

The Bank maintains a portfolio of marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption of cash flow. The Bank also has committed lines of credit that it can access to meet liquidity needs. In addition, the Bank maintains a statutory deposit with the Central Bank of UAE equal to 7% of current deposits and 1% of time deposits (2020: 14% of current deposits and 1% of time deposits). In accordance with the Bank's policy, the liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Bank.

The most important of these is to maintain the regulatory limits for Lending to Stable Resources and Eligible Liquid Assets to total liabilities ratios. The Bank stresses the importance of current accounts, time deposits and savings accounts as a source of funds to finance its lending to customers. They are monitored using the lending to stable resources ratio, which compares loans and advances to customers as a percentage of core customer current and savings accounts, together with medium term borrowing. Eligible Liquid Assets ratio was introduced by Central Bank of the UAE in 2015 and replaced the Liquid Assets ratio. Eligible liquid assets consist of cash, balances with the Central Bank of UAE, short term bank deposits and eligible debt securities. The ratios as at the year-end were as follows:

	2021	2020
Lending to Stable Resources Ratio	**80.7%**	80.5%
Eligible Liquid Assets Ratio	**19.1%**	16.4%

27 Risk management (continued)

Liquidity risk (continued)

Maturities of assets and liabilities based on the remaining period at the statement of financial position date to the contractual maturity date not taking account of the effective maturities as indicated by the Bank's deposit retention history and the availability of liquid funds, as at 31 December 2021 is as follows:

	Less than 3 months AED'000	*From 3 months to 6 months AED'000*	*From 6 months to 12 months AED'000*	*Sub total less than 12 months AED'000*	*1 to 5 years AED'000*	*Over 5 years AED'000*	*Subtotal over 12 months AED'000*	*Undated AED'000*	*Total AED'000*
Assets									
Cash and balances with the UAE Central Bank	2,009,565	-	-	2,009,565	-	-	-	-	2,009,565
Due from other banks	378,735	-	-	378,735	-	-	-	-	378,735
Loans and advances (Gross)	2,241,101	474,359	312,727	3,028,187	2,642,872	3,347,116	5,989,988	-	9,018,175
Investments	55,551	169,659	-	225,210	1,404,290	1,900,019	3,304,309	698	3,530,217
Property, equipment and capital work-in-progress	-	-	-	-	-	-	-	303,271	303,271
Other assets	343,296	49,781	188,745	581,822	160,191	2,891	163,082	-	744,904
Provision for impairment of loans and advances and interest in suspense	(804,825)	-	-	(804,825)	-	-	-	-	(804,825)
Total assets	**4,223,423**	**693,799**	**501,472**	**5,418,694**	**4,207,353**	**5,250,026**	**9,457,379**	**303,969**	**15,180,042**
Liabilities and shareholders' funds									
Due to banks	1,883,873	108,450	418,665	2,410,988	-	-	-	-	2,410,988
Customers' deposits	5,784,503	2,054,972	1,699,157	9,538,632	867,792	-	867,792	-	10,406,424
Other liabilities	485,695	43,948	188,401	718,044	53,115	60,773	113,888	18,806	850,738
Shareholders' equity	-	-	-	-	-	-	-	1,511,892	1,511,892
Total liabilities and shareholders' equity	**8,154,071**	**2,207,370**	**2,306,223**	**12,667,664**	**920,907**	**60,773**	**981,680**	**1,530,698**	**15,180,042**
Net liquidity gap	**(3,930,648)**	**(1,513,571)**	**(1,804,751)**	**(7,248,970)**	**3,286,446**	**5,189,253**	**8,475,699**	**(1,226,729)**	**-**

27 Risk management (continued)

Liquidity risk (continued)

The maturity profile of assets and liabilities at 31 December 2020 was as follows:

	Less than 3 months AED'000	*From 3 months to 6 months AED'000*	*From 6 months to 12 months AED'000*	*Sub total less than 12 months AED'000*	*1 to 5 years AED'000*	*Over 5 years AED'000*	*Subtotal over 12 months AED'000*	*Undated AED'000*	*Total AED'000*
Assets									
Cash and balances with the UAE Central Bank	1,406,322	-	-	1,406,322	-	-	-	-	1,406,322
Due from other banks	296,525	-	-	296,525	-	-	-	-	296,525
Loans and advances (Gross)	2,601,665	424,223	203,881	3,229,769	2,975,821	4,463,593	7,439,414	-	10,669,183
Investments	91,950	188,279	61,303	341,532	1,508,276	1,431,280	2,939,556	638	3,281,726
Property, equipment and capital work-in-progress	-	-	-	-	-	-	-	327,790	327,790
Other assets	311,556	53,719	35,275	400,550	122,597	-	122,597	-	523,147
Provision for impairment of loans and advances and interest in suspense	(1,655,544)	-	-	(1,655,544)	-	-	-	-	(1,655,544)
Total assets	3,052,474	666,221	300,459	4,019,154	4,606,694	5,894,873	10,501,567	328,428	14,849,149
Liabilities and shareholders' funds									
Due to banks	866,220	-	367,250	1,233,470	-	-	-	-	1,233,470
Customers' deposits	7,058,238	1,882,180	1,890,771	10,831,189	415,646	-	415,646	-	11,246,835
Medium term borrowings	-	-	-	-	-	-	-	-	-
Other liabilities	579,790	52,789	35,055	667,634	89,104	141,169	230,273	16,394	914,301
Shareholders' equity	-	-	-	-	-	-	-	1,454,543	1,454,543
Total liabilities and shareholders' equity	8,504,248	1,934,969	2,293,076	12,732,293	504,750	141,169	645,919	1,470,937	14,849,149
Net liquidity gap	(5,451,774)	(1,268,748)	(1,992,617)	(8,713,139)	4,101,944	5,753,704	9,855,648	(1,142,509)	-

27 Risk management (continued)

Liquidity risk (continued)

Analysis of financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Bank's financial liabilities at 31 December 2021 based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Bank expects that many customers will not request repayment on the earliest date the Bank could be required to pay and the table does not reflect the expected cash flows indicated by the Bank's deposit retention history.

Financial Liabilities	***Carrying amount AED'000***	***On demand AED'000***	***Less than 3 months AED'000***	***3 to 12 months AED'000***	***1 to 5 years AED'000***	***Over 5 years AED'000***	***Total AED'000***
31 December 2021							
Due to banks	**2,410,988**	**5,525**	**1,883,125**	**532,157**	**-**	**-**	**2,420,807**
Customers' deposits	**10,406,425**	**2,821,739**	**2,987,649**	**3,816,072**	**896,046**	**-**	**10,521,506**
Other liabilities	**734,072**	**245,436**	**258,781**	**229,855**	**-**	**-**	**734,072**
Financial derivatives	**218,651**	**-**	**13,440**	**37,887**	**139,661**	**27,663**	**218,651**
Total undiscounted financial liabilities	**13,770,136**	**3,072,700**	**5,142,995**	**4,615,971**	**1,035,707**	**27,663**	**13,895,036**

Financial Liabilities	*Carrying amount AED'000*	*On demand AED'000*	*Less than 3 months AED'000*	*3 to 12 months AED'000*	*1 to 5 years AED'000*	*Over 5 years AED'000*	*Total AED'000*
31 December 2020							
Due to banks	1,233,470	27,732	845,580	370,654	-	-	1,243,966
Customers' deposits	11,246,835	2,699,327	4,399,669	3,894,445	457,183	-	11,450,624
Medium term borrowings	-	-	-	-	-	-	-
Other liabilities	683,714	279,122	317,052	86,559	981	-	683,714
Financial derivatives	230,587	-	14,455	43,300	177,024	57,389	292,168
Total undiscounted financial liabilities	13,394,606	3,006,181	5,576,756	4,394,958	635,188	57,389	13,670,472

The disclosed financial derivative instruments in the above table are the gross undiscounted cash flows. However, these amounts may be settled gross or net. The following table shows the corresponding carrying amounts.

	On demand AED'000	***Less than 3 months AED'000***	***3 to 12 months AED'000***	***1 to 5 years AED'000***	***Over 5 years AED'000***	***Total AED'000***
31 December 2021						
Inflows	-	**948**	**5,537**	**57,238**	**13,713**	**77,436**
Outflows	-	**(13,440)**	**(37,887)**	**(139,661)**	**(27,663)**	**(218,651)**
Net	-	**(12,492)**	**(32,350)**	**(82,423)**	**(13,950)**	**(141,215)**
Discounted at applicable interbank rates	-	**(12,466)**	**(32,216)**	**(81,491)**	**(13,748)**	**(139,921)**

27 Risk management (continued)

Liquidity risk (continued)

	On demand AED'000	*Less than 3 months AED'000*	*3 to 12 months AED'000*	*1 to 5 years AED'000*	*Over 5 years AED'000*	*Total AED'000*
31 December 2020						
Inflows	-	1,173	2,894	17,808	12,779	34,654
Outflows	-	(14,455)	(43,300)	(177,024)	(57,389)	(292,168)
Net	-	(13,282)	(40,406)	(159,216)	(44,610)	(257,514)
Discounted at applicable interbank rates	-	(13,250)	(40,326)	(158,764)	(44,319)	(256,659)

The table below shows the contractual maturity profile of the Bank's contingent liabilities and commitments:

	On demand AED'000	***Less than 3 months AED'000***	***3 to 12 months AED'000***	***1 to 5 years AED'000***	***Over 5 years AED'000***	***Total AED'000***
31 December 2021						
Contingent liabilities	**-**	**2,050,108**	**348,120**	**265,806**	**-**	**2,664,034**
Commitments	**2,286,975**	**-**	**-**	**-**	**-**	**2,286,975**
Total	**2,286,975**	**2,050,108**	**348,120**	**265,806**	**-**	**4,951,009**
31 December 2020						
Contingent liabilities	-	1,963,756	609,801	169,648	-	2,743,205
Commitments	3,098,643	-	-	-	-	3,098,643
Total	3,098,643	1,963,756	609,801	169,648	-	5,841,848

The Bank expects that not all of the contingent liabilities or commitments will be drawn and therefore the actual cash flows are expected to be significantly lower than those reflected in the above table.

Market risk

Market risk arises from fluctuations in interest rates, foreign exchange rates and equity prices. The Board has set limits on the value of risk that may be accepted. This is monitored on a regular basis by the Bank's Asset and Liability Committee (ALCO).

27 Risk management (continued)

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Bank is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off balance sheet instruments that mature or reprice in a given period. The Board has established limits on the interest rate gaps for stipulated periods. Positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within the established limits.

Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for re-pricing bands. ALCO is the monitoring body for compliance with these limits and is assisted by Treasury in its day-to-day monitoring activities.

The following table summarises interest rate sensitivity position at the year end. A summary of the Bank's interest rate gap position on non-trading portfolios is as follows:

	Less than 3 months AED'000	*3 to 12 months AED'000*	*1 to 5 years AED'000*	*Over 5 years AED'000*	*Non Interest Sensitive AED'000*	*Carrying amount AED'000*
31 December 2021						
Assets						
Cash and balances with the UAE Central Bank	**1,300,000**	**-**	**-**	**-**	**709,565**	**2,009,565**
Due from other banks	**150,000**	**-**	**-**	**-**	**228,735**	**378,735**
Loans and advances	**5,785,722**	**668,711**	**1,438,801**	**320,116**	**-**	**8,213,350**
Investments	**55,551**	**138,816**	**1,378,485**	**1,956,670**	**695**	**3,530,217**
Other assets	**-**	**-**	**-**	**-**	**744,904**	**744,904**
Total assets	**7,291,273**	**807,527**	**2,817,286**	**2,276,786**	**1683,899**	**14,876,771**
Liabilities and shareholders' equity						
Due to banks	**1,878,348**	**527,115**	**-**	**-**	**5,525**	**2,410,988**
Customers' deposits	**3,020,807**	**3,715,753**	**850,267**	**-**	**2,819,598**	**10,406,425**
Other liabilities	**-**	**-**	**-**	**-**	**850,737**	**850,737**
Shareholders' equity	**-**	**-**	**-**	**-**	**1,511,892**	**1,511,892**
Total liabilities and shareholders' equity	**4,899,155**	**4,242,868**	**850,267**	**-**	**5,187,752**	**15,180,042**
On-balance sheet	**2,392,118**	**(3,435,341)**	**1,967,019**	**2,276,786**	**(3,200,582)**	**-**
Off-balance sheet	**3,071,581**	**-**	**-**	**-**	**2,165,104**	**5,236,685**
Cumulative interest rate sensitivity gap	**5,463,699**	**2,028,358**	**3,995,377**	**6,272,163**	**5,236,685**	**-**

27 Risk management (continued)

Interest rate risk (continued)

31 December 2020	*Less than 3 months AED'000*	*3 to 12 months AED'000*	*1 to 5 years AED'000*	*Over 5 years AED'000*	*Non Interest Sensitive AED'000*	*Carrying amount AED'000*
Assets						
Cash and balances with the UAE Central Bank	850,000	-	-	-	556,322	1,406,322
Due from other banks	-	-	-	-	296,525	296,525
Loans and advances	6,157,113	465,753	1,750,293	640,480	-	9,013,639
Investments	91,950	249,582	1,508,276	1,431,283	635	3,281,726
Property, equipment and capital work-in-progress	-	-	-	-	327,790	327,790
Other assets	-	-	-	-	523,147	523,147
Total assets	7,099,063	715,335	3,258,569	2,071,763	1,704,419	14,849,149
Liabilities and shareholders' equity						
Due to banks	838,488	367,250	-	-	27,732	1,233,470
Customers' deposits	4,554,119	3,732,588	397,115	-	2,563,013	11,246,835
Medium term borrowings	-	-	-	-	-	-
Other liabilities	-	-	-	-	914,301	914,301
Shareholders' equity	-	-	-	-	1,454,543	1,454,543
Total liabilities and shareholders' equity	5,392,607	4,099,838	397,115	-	4,959,589	14,849,149
On-balance sheet	1,706,456	(3,384,503)	2,861,454	2,071,763	(3,255,170)	-
Off-balance sheet	2,365,758	-	-	-	2,299,687	4,665,445
Cumulative interest rate sensitivity gap	4,072,214	687,711	3,549,165	5,620,928	4,665,445	-

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Bank's income statement.

The sensitivity of the statement of income is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate non-trading financial assets and financial liabilities held at 31 December 2021, including the effect of hedging instruments.

	2021		2020	
	Change in basis points	**Sensitivity of net interest income AED'000**	Change in basis points	Sensitivity of net interest income AED'000
Increase in rate	**+25**	**19,398**	+25	23,135
Decrease in rate	**-25**	**(19,398)**	-25	(23,135)

The interest rate sensitivity set out above relates primarily to the US Dollar as the Bank does not have any significant net exposure for non-trading floating rate financial assets and financial liabilities denominated in other currencies.

The Bank is also exposed to fair value risk arising from its unhedged fixed rate bonds portfolio. A change in the fair value of these bonds by +/-5% will result in a positive/negative change in the fair value reserve in equity by AED 1,062 thousand (2020: AED 2,256 thousand).

27 Risk management (continued)

Interest rate risk (continued)

Interest rate benchmark reform

A fundamental reform of major interest rate benchmarks is being undertaken globally to replace or reform IBOR with alternative risk-free rates - RFR (referred to as 'IBOR reform'). The Bank has exposure to interbank offered rates (IBORs) on its financial instruments that will be replaced or reformed as part of this market-wide initiative. The Bank has established a cross-functional IBOR Transition Working Group (referred to as 'IBOR Working Group') to manage its transition to alternative RFRs.

The Bank continues to maintain its momentum in tracking its exposure to IBOR, preparing its IT systems to accommodate the incoming RFRs, amending contracts / addendums and communicating progress with the regulators and clients. IBOR reform exposes the Bank to various risks, which the IBOR Working Group is managing and monitoring closely.

These risks include but are not limited to the following:

- *Conduct risk* arising from discussions with clients and market counterparties due to the amendments required to existing contracts necessary to effect IBOR reform;
- *Financial risk* to the Bank and its clients that markets are disrupted due to IBOR reform giving rise to financial losses;
- *Pricing risk* including re-pricing risk from the potential lack of market information if liquidity in IBORs reduces and RFRs are illiquid and unobservable; and
- *Operational risk* arising from changes to the Bank's IT systems and processes, also the risk of payments being disrupted if an IBOR ceases to be available.

The Bank has set up a methodical framework to monitor the progress of transition from IBORs to new benchmark rates by reviewing its exposure and contracts on a regular basis. The Bank considers that a contract is not yet transitioned to an alternative benchmark rate when interest under the contract is indexed to a benchmark rate that is still subject to IBOR reform, even if it includes a fall back clause that deals with the cessation of the existing IBOR.

The Bank holds derivatives for risk management purposes. Derivatives held for risk management purposes are designated in hedging relationships. The interest rate swaps have floating legs that are indexed to various IBORs. The Bank's derivative instruments are governed by ISDA definitions and adheres to the ISDA 2020 IBOR fall back official protocol and supplement.

Further, the Bank evaluated the extent to which it's fair value hedging relationships are subject to uncertainty driven by IBOR reform as at the reporting date. The Bank's hedged items and hedging instruments continue to be indexed to IBOR benchmark rates, which are mainly USD 3 months LIBOR Index. These IBOR benchmark rates are quoted regularly and IBOR cash flows are exchanged with its counterparties as usual.

The Bank's exposure to interest rate swaps designated in hedge accounting relationships as at 31 December 2021 represents an amount of AED 1,989 million. The objective of the majority of these hedges is to maintain consistency with the overall interest rate risk profile and to manage, hedge and optimize interest rate risk.

The Bank has achieved readiness to transition the relevant portion of its IBOR exposure to RFRs and has in place detailed plans, processes and procedures to support the transition of the IBOR exposures prior to the its cessation. The Bank is communicating to the impacted customers with necessary information and price revision letters based on RFR effective 01 January 2022.

The Bank's IBOR exposures on floating-rate loans and advances and Islamic financing facilities amounted to AED 987,464 thousand and AED 83,098 thousand for USD and EUR respectively as at 31 December 2021.

27 Risk management (continued)

Interest rate risk (continued)

Interest rate benchmark reform (continued)

The Bank has floating-rate derivative liabilities indexed to 3-month IBOR's as shown in the table below denominated in USD and EUR which will be affected by IBOR transition to RFRs:

	Notional Amount AED'000	*Average Remaining Maturity (in years)*
3 Months LIBOR: Interest Rate Swaps		
- USD	**2,247,576**	**1.4 years**
- EUR	**41,772**	**4.1 years**
Total as at 31 Dec 2021	**2,289,348**	**4.1 years**

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Bank has set limits on positions by currency. Positions are monitored on a daily basis and hedging strategies used to ensure positions are maintained within established limits.

As the UAE Dirham and most of the GCC currencies are currently pegged to the US Dollar, balances in US Dollars are not considered to represent significant currency risk.

The tables below indicates the currencies to which the Bank had significant exposure at 31 December 2021 on its monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against the AED, with all other variables held constant on the statement of income (due to the fair value of currency sensitive monetary assets and liabilities) and equity. A negative amount in the table reflects a potential net reduction in income statement, while a positive amount reflects a net potential increase.

	2021		2020	
Currency	**Change in currency rate in %**	**Effect on profit AED'000**	Change in currency rate in %	Effect on profit AED'000
EUR	**+10**	**19**	+10	(27)
GBP	**+10**	**(2)**	+10	2

Concentration of assets and liabilities by currency

	AED AED'000	*USD AED'000*	*Other AED'000*	*Total AED'000*
Cash and balances with UAE Central Bank	**2,009,565**	**-**	**-**	**2,009,565**
Due from other banks	**161,847**	**195,212**	**21,676**	**378,735**
Loans and advances and Islamic financing receivables	**6,873,722**	**1,249,882**	**89,746**	**8,213,350**
Investments and Islamic instruments	**543**	**3,485,844**	**43,830**	**3,530,217**
Property, equipment and capital work-in-progress	**303,271**	**-**	**-**	**303,271**
Other assets	**703,641**	**40,278**	**985**	**744,904**
Total assets	**10,052,589**	**4,971,216**	**156,237**	**15,180,042**
Due to banks	**515,525**	**1,895,463**	**-**	**2,410,988**
Customers' deposits and Islamic customer deposits	**7,427,284**	**1,248,801**	**1,730,340**	**10,406,425**
Other liabilities	**702,475**	**132,035**	**16,217**	**850,727**
Total liabilities	**8,645,284**	**3,276,299**	**1,746,557**	**13,668,140**

27 Risk management (continued)

Currency risk (continued)

Concentration of assets and liabilities by currency (continued)

	AED ***AED'000***	***USD*** ***AED'000***	***Other*** ***AED'000***	***Total*** ***AED'000***
Net shareholders' equity	**1,529,698**	**(23,749)**	**5,943**	**1,511,892**
Net balance sheet position	**(122,393)**	**1,718,666**	**(1,596,262)**	**11**
Off-balance sheet position	**132,210**	**(1,721,569)**	**1,598,574**	**9,215**

	AED *AED'000*	*USD* *AED'000*	*Other* *AED'000*	*Total* *AED'000*
Cash and balances with UAE Central Bank	1,406,322	-	-	1,406,322
Due from other banks	13,492	239,710	43,323	296,525
Loans and advances and Islamic financing receivables	8,151,437	855,554	6,648	9,013,639
Investments and Islamic instruments	542	3,231,817	49,367	3,281,726
Property, equipment and capital work-in-progress	327,790	-	-	327,790
Other assets	484,382	37,946	819	523,147
Total assets	10,383,965	4,365,027	100,157	14,849,149
Due to banks	641,668	591,788	14	1,233,470
Customers' deposits and Islamic customer deposits	7,504,302	1,617,131	2,125,402	11,246,835
Medium term borrowings	-	-	-	-
Other liabilities	619,886	252,129	42,286	914,301
Total liabilities	8,765,856	2,461,048	2,167,702	13,394,606
Net shareholders' equity	1,453,763	(5,121)	5,904	1,454,546
Net balance sheet position	164,346	1,909,100	(2,073,449)	(3)
Off-balance sheet position	(163,229)	(1,903,463)	2,070,380	3,688

Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Bank cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Bank is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

27 Risk management (continued)

Current Economic Situation

The economic fallout of COVID-19 crisis continued to evolve and disrupt businesses and economic activity in 2021. The regulators and governments across the globe have introduced fiscal and economic stimulus measures to mitigate any impact of the corona virus. The Central Bank of the UAE (“CBUAE”) has announced (a) TESS (Targeted Economic Support Scheme) and (b) Capital and Liquidity stimulus packages. The Bank has participated in the scheme of CBUAE.

In line with the IASB guidance issued on 27th March 2021, the CBUAE introduced a joint guidance on 22 April 2021 which stipulates the following considerations while measuring ECL:

a) Temporary moratorium on payments, or a waiver of a breach of covenant in itself is not considered an SICR trigger in the current environment, therefore
b) For the duration of the COVID-19 pandemic, aside from scenario inputs to be considered gradually, CBUAE does not expect any re-calibration of the macro models
c) The Bank distinguishes between obligors whose long-term credit risk is unlikely to be significantly affected by the COVID-19 from those who may be more permanently impacted. These factors are considered to determine whether there is a case of SICR.

Impact of COVID-19 on ECL and Significant Increase in Credit Risk (SICR)

IFRS 9 framework requires estimation of ECL based on current and forecast economic conditions. In order to assess ECL under forecast economic conditions, the Bank utilizes a range of economic scenarios of varying severity, and with appropriate weightings, to ensure that ECL estimates are representative of a range of possible economic outcomes. The Bank has robust governance in place to ensure the appropriateness of the IFRS 9 framework and resultant ECL estimates at all times.

The measurement of ECL for each stage consider information about past events, current condition as a well as reasonable and supported forecast of future events and economic conditions. Inherent limitations in modeling process and its reliance on previous historical losses required Bank to implement the ECL overlay framework with subjective inputs to adequately cover the current and future losses. In some instances the inputs and model used for calculating ECLs may not always capture all the obligor characteristic at the time of preparation of financial statements, to reflect this, qualitative adjustments or overlay are used to shore the ECL coverage across the customers.

The Bank has reviewed the potential impact of COVID-19 outbreak on the inputs and assumptions for IFRS 9 ECL measurement in light of available information. Overall, the COVID-19 situation remains fluid which makes it challenging to reliably reflect its impact in our ECL estimates. Notwithstanding this, recognizing that the outbreak is expected to have an impact on the macro-economic environment beyond reasonable doubt, the Bank has assessed the impact of an increase in probability for the pessimistic scenario and removal of any upside scenario in the ECL measurement on as follows:

Scenario	Assigned probabilities Pre COVID-19	Assigned probabilities Post COVID-19
Base	72%	40%
Upside	14%	20%
Downside	14%	40%

Under IFRS 9, loans are required to be moved from Stage 1 to Stage 2 if and only if they have been the subject of SICR since origination. SICR occurs when there has been a significant increase in risk of default. The Bank continues to assess borrowers for other indicators of unlikeliness to pay, taking into consideration the underlying cause of any financial difficulty and whether it is likely to be temporary as a result of COVID-19 or long term. The Bank supported its impacted customers through a program of payment relief that was initiated in 2020 by deferring interest / principal due.

These payment reliefs are considered as short term liquidity support to address borrower cash flow issues. The Bank believes that availing payment reliefs does not automatically trigger SICR where the impact on customer’s business is expected to be short term. For all other customers, the Bank continues to consider severity and extent of potential COVID-19 impact on economic sector and future outlook, cash flow and financial strength, agility and change in risk profile along with the past track record in determining SICR.

The Bank has participated in CBUAE TESS program by providing deferrals to it wholesale and retail banking customers affected by COVID 19. The total installment deferred by the Bank on its customers amounts to AED 449,110 thousand. The TESS deferral program has formally concluded as of 31 December 2021 and all the customers have moved out of TESS deferral and the Bank has reverted to its regular SICR classifications and staging rules.

27 Risk management (continued)

Forward Looking Information

The Bank has assessed the macro-economic scenarios and associated weights and analyzed their impact on 2021 ECL estimates. Accordingly, updated macroeconomic variables (refer Note 4) were used with the associated weights remaining unchanged from those used at year end 2020. The Bank has also applied ECL adjustments to retail customers availing TESS deferrals based upon employment status and level of salary inflows. The Bank continues to assess individually significant exposures for any adverse movements due to COVID-19.

As with any economic forecasts, the projections and likelihoods of the occurrence are subject to inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. Overlays are judgmental and the Bank will continue to reassess the impact of these on a regular basis.

Deferral amount and outstanding balances of UAE customers

During 2020, the Bank drew AED 449,110 thousand of Zero Cost Funding (ZCF) under the CBUAE TESS program and repaid the full amount as at 31 December 2021. As at 31 December 2021, there are no active deferrals related to TESS program.

28 Right of use assets and lease liabilities

Below are the carrying amounts of right-of-use assets (included under 'Other Assets' in Note 10) and lease liabilities (included under 'Other Liabilities' in Note 14) and the movements during the year:

	2021	2020
	AED'000	AED'000
Right-of-use assets		
As at 1 January	**9,838**	18,059
Less: Asset retirement obligation	**(56)**	(3,699)
Less: Depreciation charge	**(4,896)**	(4,522)
As at 31 December	**4,886**	9,838

	2021	2020
	AED'000	AED'000
Lease liabilities		
As at 1 January	**9,838**	18,247
Add: Accretion of interest	**243**	326
Less: Payments	**(4,336)**	(4,529)
Less: Liability increase in obligation / (retirement)	**419**	(4,206)
As at 31 December	**6,164**	9,838

29 Segmental analysis

For the purposes of reporting to the chief operating decision makers, the Bank is organised into two segments:

Wholesale banking - principally handling loans and other credit facilities and deposit and current accounts for corporate and institutional customers. This segment also includes Financial Markets which is principally involved in providing money market, trading and treasury services, as well as the management of the Bank's funding operations; and

Retail banking - principally handling individual customers' deposits, and providing consumer type loans, overdrafts, credit card facilities and funds transfer facilities as well as Islamic banking services

Transactions between segments are conducted at estimated market rates on an arm's length basis. Interest is charged / credited to business segments based on a pool rate which approximates the marginal cost of funds.

29 Segmental analysis (continued)

Segmental information for the year ended 31 December 2021 is as follows:

	Wholesale banking *AED'000*	*Retail banking* *AED'000*	*Total* *AED'000*
Net interest income and income from Islamic products net of distribution to depositors	202,872	74,939	277,811
Other operating income	154,070	17,753	171,823
Operating expenses	(181,319)	(62,397)	(243,716)
Net impairment losses	(96,353)	(39,374)	(135,727)
Profit / (Loss) for the year	**79,270**	**(9,079)**	**70,191**
Capital Expenditure			
- Property and equipment	11,343	1,327	12,670
31 December 2021			
Segment Assets	13,590,009	1,590,033	15,180,042
Segment Liabilities	11,867,321	1,800,830	13,668,151

Segmental information for the year ended 31 December 2020 was as follows:

	Wholesale banking *AED'000*	*Retail banking* *AED'000*	*Total* *AED'000*
Net interest income and income from Islamic products net of distribution to depositors	208,591	84,818	293,409
Other operating income	103,347	6,107	109,454
Operating expenses	(191,956)	(70,079)	(262,035)
Net impairment losses	(702,460)	(105,663)	(808,123)
Loss for the year	(582,478)	(84,817)	(667,295)
Capital Expenditure			
- Property and equipment	23,756	4,060	27,816
31 December 2020			
Segment Assets	12,681,841	2,167,308	14,849,149
Segment Liabilities	10,753,905	2,640,701	13,394,606

The Bank operates in only one geographic area, the Middle East. Accordingly, no geographical analysis of operating income, net profit and net assets is given.

30 Fair values of financial instruments

Determination of fair value and fair value hierarchy

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1 - quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2 - other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3 - techniques that use inputs which have a significant effect on the recorded fair value that are not based on observable market data

Financial instruments and assets recorded at fair value

The following table shows an analysis of financial instruments and assets recorded at fair value by level of the fair value hierarchy:

31 December 2021	**Level 1 AED'000**	**Level 2 AED'000**	**Level 3 AED'000**	**Total AED'000**
Financial assets				
Derivative financial instruments				
Interest rate swaps	-	5,454	-	5,454
Forward contracts	-	10,600	-	10,600
Currency swaps	-	-	-	-
	-	16,054	-	16,054
Financial investments FVOCI				
Quoted investments				
Government debt securities	1,683,641	-	-	1,683,641
Other debt securities	1,736,947	-	-	1,736,947
Equities	153	-	-	153
Unquoted Investments				
Equities	-	-	543	543
	3,420,741	-	543	3,421,284
Financial liabilities				
Derivative financial instruments				
Interest rate swaps	-	114,954	-	114,954
Forward contracts	-	1,710	-	1,710
Currency options	-	-	-	-
	-	116,664	-	116,664

30 Fair values of financial instruments (continued)

Financial instruments and assets recorded at fair value (continued)

31 December 2020	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
Financial assets				
Derivative financial instruments				
Interest rate swaps	-	4,368	-	4,368
Forward contracts	-	3,687	-	3,687
Currency swaps	-	-	-	-
	-	8,055	-	8,055
Financial investments FVOCI				
Quoted investments				
Government debt securities	1,391,137	-	-	1,391,137
Other debt securities	1,889,954	-	-	1,889,954
Equities	92	-	-	92
Unquoted Investments				
Equities	-	-	543	543
	3,281,183	-	543	3,281,726
Financial liabilities				
Derivative financial instruments				
Interest rate swaps	-	230,554	-	230,554
Forward contracts	-	33	-	33
Currency options	-	-	-	-
	-	230,587	-	230,587

The following is a description of the determination of fair value for financial instruments and assets which are recorded at fair value using valuation techniques. These incorporate the Bank's estimate of assumptions that a market participant would make when valuing the instruments.

30.1 Derivatives

Derivative products valued using a valuation technique with market observable inputs are mainly interest rate swaps, currency options and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

30.2 Financial investments

Financial investments valued using a valuation technique or pricing models primarily consist of unquoted equities. These assets are valued using models which sometimes only incorporate data observable in the market and at other times use both observable and non-observable data. The non-observable inputs to the models include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates.

30.3 Movements in level 3 financial instruments measured at fair value

There was no other movement between the levels of financial instruments during the year (2020: AED Nil).

30 Fair values of financial instruments (continued)

30.4 Gains or losses on level 3 financial instruments included in the profit or loss for the year:

No gains or losses on level 3 financial instruments were included in the profit or loss for the year (2020: AED Nil).

30.5 Impact on fair value of level 3 financial instruments measured at fair value of changes to key assumptions

The impact on the fair value of level 3 instruments of using reasonably possible alternative assumptions by class of instrument is negligible.

30.6 Financial instruments not recorded at fair value

The fair values of financial instruments not recorded at fair value includes cash and balances with UAE Central Bank, due from other banks, loans and advances, other assets (excluding derivative assets), due to banks, customers' deposits and other liabilities (excluding derivative liabilities) that are categorised as level two based on market observable inputs. The fair values of financial instruments not recorded at fair value are not materially different to their carrying values.

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements:

30.6.1 Asset for which fair value approximates carrying value

For financial assets and financial liabilities that have short term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and savings accounts without specific maturity.

30.6.2 Financial instruments carried at amortised cost

The fair value of the quoted debt instruments at amortised cost as at 31 December 2021 amounted to AED 111,176 thousand (2020: AED Nil). The fair value determination of the quoted debt instruments will fall under level 1 category wherein fair value is determined based on inputs that are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

31 Capital adequacy

The Bank actively manages the capital base to cover risks inherent in the business. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision ("BIS rules / ratios") and adopted by the Central Bank of UAE in supervising the Bank.

Capital management

The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements and that the Bank maintains strong credit ratings and healthy capital ratios in order to support its business and maximise shareholders' value.

The Bank manages its capital base and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital base, the Bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from the previous years.

31 Capital adequacy (continued)

Capital management (continued)

As per UAE Central Bank Regulation for Basel III, Minimum Capital Requirement including Capital Conservation Buffer ("CCB") for the year ended 31 Dec 2021 is as below:

	2021		2020	
	Revised under TESS	**Original**	Revised under TESS	Original
Capital element				
Minimum Common Equity Tier 1 (CET 1) ratio	**7%**	**7%**	7%	7%
Minimum tier 1 capital ratio	**8.5%**	**8.5%**	8.5%	8.5%
Minimum capital adequacy ratio	**10.5%**	**10.5%**	10.5%	10.5%
CCB	**1.0%**	**2.5%**	1.0%	2.5%

As part of the capital stimulus package provided by the CBUAE under the TESS program, Banks are allowed to tap into the capital conservation buffer of 2.5% up to a maximum of 60% effective from 15 March 2021 until 30 June 2022. Upon full consumption of this capital relief, the minimum capital adequacy ratio requirement reduces to 11.5% (as opposed to 13.0% previously applicable) for reporting periods falling within the specified duration. The Bank continues to be in compliance with this revised minimum capital threshold requirement as per CBUAE guidelines for the year ended 31 December 2021.

The risk asset ratio calculations, in accordance with the capital adequacy guidelines as per Basel II and III established for the global banking industry, are as follows:

Capital structure

The table below details the regulatory capital resources of the Bank:

	2021	2020
	AED'000	AED'000
CET 1 / Tier 1 Capital		
Share capital	**2,062,550**	2,062,550
Statutory reserve	**35,943**	28,924
Special reserve	**7,019**	-
General reserve	**9,311**	9,311
Fair value reserves on investment securities at FVOCI	**3,445**	9,224
Accumulated losses	**(610,587)**	(667,257)
Add back of ECL under TESS program	**-**	73,639
Regulatory deduction for amounts exceeding large exposure threshold	**-**	(45,496)
Total CET 1 / Tier 1	**1,507,681**	1,470,895
Tier 2 Capital		
Eligible general provision	**136,558**	133,649
Total Tier 2	**136,558**	133,649
Total Regulatory Capital	**1,644,239**	1,604,544

31 Capital adequacy (continued)

Capital structure (continued)

	2021 **AED'000**	2020 AED'000
Risk weighted exposures		
Credit Risk	**10,924,600**	10,691,945
Operational Risk	**996,951**	1,055,571
Market Risk	**2,835**	1,295
Total Risk weighted exposures	**11,924,386**	11,748,811
CET 1 / Tier I and II Capital		
CET 1 / Tier I Capital	**1,507,681**	1,470,895
Tier II Capital	**136,558**	133,649
Total Capital Base	**1,644,239**	1,604,544

The Capital Adequacy Ratio as per Basel III capital regulation is given below:

Capital Ratio	**2021** **%**	**2020** %
Total capital adequacy ratio	13.8%	13.7%
Common equity Tier 1 capital ratio	12.6%	12.6%
Tier 1 capital ratio	12.6%	12.6%

32 Social contribution

Social contributions (including donations and charity) made during the year to various beneficiaries amounts to AED 264 thousand (2020: AED 755 thousand).

33 Zakat

The articles of association of the Bank do not require the Bank to pay zakat on behalf of its shareholders. Consequently, distribution of the zakat is the responsibility of the shareholders of the Bank.

34 Legal proceedings

Litigation is a common occurrence in the banking industry due to the nature of the business undertaken. The Bank has proper controls and policies for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, the Bank makes adjustments to account for any adverse effects which the claims may have on its financial standing. Based on the information available, no material adverse impact on the financial position of the Bank is expected to arise from legal claims as at 31 December 2021other than to the extent already provided, hence no additional provision for any claim needs to be made in these financial statements.

35 Comparative figures

Certain comparative figures have been reclassified where appropriate to conform to the presentation and accounting policies adopted in these financial statements.