2023

Disclosure - Pillar 3

BANK SADERAT IRAN
United Arab Emirates

Email: rofc@bsi.co.ae
Website: www.banksaderat.ae
Tel: +971 4 6035555
Dubai, UAE

Table of Contents

BACKGROUND 1
OVERVIEW OF RISK MANAGEMENT, KEY PRUDENTIAL METRICS AND RWA 3
Key Prudential Metrics (KM1) 3
Overview of Risk Management and RWA (OVA) 5
Overview of RWA (OV1) 12
LINKAGES BETWEEN FINANCIAL STATEMENTS AND REGULATORY EXPOSURES 13
Main source of difference (LI2) 13
COMPOSITION OF CAPITAL 14
Composition of Regulatory Capital (CC1) 14
Reconciliation of regulatory capital to balance sheet (CC2) 18
Main features of regulatory capital instruments (CCA) 20
COUNTERCYCLICAL BUFFER 22
Geographical distribution of counter cyclical capital buffer (CCyB1) 22
LEVERAGE RATIO 23
Leverage ratio common disclosure (LR2) 23
LIQUIDITY 25
Liquidity risk management (LIQA) 25
Liquidity Coverage Ratio (LIQ1) 27
Net Stable Funding Ratio (LIQ2) 28
Eligible Liquid Assets Ratio (ELAR) 29
Advances to Stables Resource Ratio (ASRR) 30
CREDIT RISK 31
General Qualitative information about Credit Risk (CRA) 31
Credit Quality of Assets (CR1) 34
Changes in stock of defaulted loans and debt securities (CR2) 35
Additional disclosure related to the credit quality of assets (CRB) 36
Credit Risk Exposure and Credit Risk Mitigation effects (CR4) 38
Exposures by Asset Classes and Risk Weights (CR5) 40
MARKET RISK 42
General qualitative disclosure requirements related to market risk (MRA) 42
Market risk under the standardized approach (MR1) 44
INTEREST RATE IN BANKING BOOK 45
IRRBB risk management objectives and policies (IRRBBA) 45
Quantitative information on IRRBB (IRRBB1) 47

OPERATIONAL RISK 48

General qualitative information on a bank's operational risk framework (ORA) 48

REMUNERATION POLICY 53

Key Feature of Remuneration System (REMA) 53

Remuneration awarded during the financial year (REM1) 56

END OF 2023 - PILLAR III DISCLOSURE 57

About This Document

This document is published as a regulatory supplement with an objective of increasing transparency in financial disclosure of Bank Saderat Iran – UAE which is a licensed financial Institution in the United Arab Emirates.

Endorsed by

Head of Risk Management

Chief Financial Officer

Validated by

Head of Compliance

Reviewed by

Head of Internal Audit

BASEL III - PILLAR 3 Disclosure

Year 2023

Acknowledged by

Risk Management Committee

Regional Manager

Background

The Pillar-3 disclosure document is prepared in line with the CBUAE Regulations on Capital Adequacy Standards and Guidance along with Notice 4980/2020. This included revised Standards and Guidance with respect to Pillar 3 – Market Disclosures. Further to this, Central Bank of the UAE provided explanatory notes and disclosure templates for Pillar 3 on 30th November 2021 as part of Notice 5508/2021 and 9th May 2022 Notice 2022/1887. The Standards prescribed the effective date of these disclosures to be 31st December 2021 and quarterly thereon.

Entity Name	Registered Office Address
Bank Saderat Iran (UAE) Foreign Branch	**UAE Regional Office:** Bank Saderat Iran Building, Al Maktoum Street, Deira , Dubai, U.A.E., P.O. Box 4182
Bank Saderat Iran	**Head Office: Bank Saderat Iran** No. 43 Sepher Tower, Somayeh Str. Tehran, Iran P.O Box 1571838713 Tel: 009821 84761

Bank Saderat Iran -UAE (BSI) operate in the UAE as a branch of a foreign bank, the consolidation is done around Bank Saderat Iran, UAE Branches only. Bank Saderat Iran is an Iranian Private Sector Bank, with majority shareholding of Private constituting 91.28%. Being a branch, capital requirements of the bank's UAE operations are provided by the Head Office (Bank Saderat Iran- Tehran, Iran) by way of capital funds. The UAE capital includes Head Office allocated capital funds, reserves and surplus, retained profits etc.

The internal controls around Pillar 3 reporting are listed below:

- Maker and Checker controls: The pillar 3 disclosure processes undergo four eyes principle (maker and checker control).

- Data reconciliation – Data taken from various sources are compared and reconciled with the financial statements, before using the same for compiling Pillar 3 disclosures.
- Validation and Reviews – Pillar 3 report undergoes several rounds of reviews by Risk, Finance and other relevant functions.
- Assurance Internal audit – Independent and objective assurance of disclosures in Pillar 3 report is provided by Internal Audit.

Overview of Risk Management, Key Prudential Metrics and RWA

Key Prudential Metrics (KM1)

This section describes Key prudential metrics related to regulatory capital, leverage ratio and liquidity standards which are included in this table.

		AED 000s				
		Dec-23	Sep-23	Jun-23	Mar-23	Dec-22
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1)	491,772	495,013	483,644	462,141	445,186
1a	Fully loaded ECL accounting model	491,772	495,013	483,644	462,141	445,186
2	Tier 1	491,772	495,013	483,644	462,141	445,186
2a	Fully loaded ECL accounting model Tier 1	491,772	495,013	483,644	462,141	445,186
3	Total capital	538,225	542,861	534,698	510,533	492,071
3a	Fully loaded ECL accounting model total capital	538,225	542,861	534,698	510,533	492,071
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	3,726,496	3,838,554	4,094,591	3,882,744	3,764,523
	Risk-based capital ratios as a percentage of RWA					
5	Common Equity Tier 1 ratio (%)	13.20%	12.90%	11.81%	11.90%	11.83%
5a	Fully loaded ECL accounting model CET1 (%)	13.20%	12.90%	11.81%	11.90%	11.83%
6	Tier 1 ratio (%)	13.20%	12.90%	11.81%	11.90%	11.83%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	13.20%	12.90%	11.81%	11.90%	11.83%
7	Total capital ratio (%)	14.44%	14.14%	13.06%	13.15%	13.07%
7a	Fully loaded ECL accounting model total capital ratio (%)	14.44%	14.14%	13.06%	13.15%	13.07%
	Additional CET1 buffer requirements as a percentage of RWA					
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.50%	2.50%	2.50%	2.50%	2.50%
9	Countercyclical buffer requirement (%)	0.00%	0.00%	0.00%	0.00%	0.00%
10	Bank D-SIB additional requirements (%)	0.00%	0.00%	0.00%	0.00%	0.00%
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9+ row 10)	2.50%	2.50%	2.50%	2.50%	2.50%
12	CET1 available after meeting the bank's minimum capital requirements (%)	3.94%	3.64%	2.56%	2.65%	2.57%
	Leverage Ratio					
13	Total leverage ratio measure	6,200,434	5,985,188	6,605,956	6,458,256	6,505,270
14	Leverage ratio (%) (row 2/row 13)	7.93%	8.27%	7.32%	7.16%	6.84%
14a	Fully loaded ECL accounting model leverage ratio (%) (row 2A/row 13)	7.93%	8.27%	7.32%	7.16%	6.84%

14b	Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	7.93%	8.27%	7.32%	7.16%	6.84%
	Liquidity Coverage Ratio					
15	Total HQLA	N/A	N/A	N/A	N/A	N/A
16	Total net cash outflow	N/A	N/A	N/A	N/A	N/A
17	LCR ratio (%)	N/A	N/A	N/A	N/A	N/A
	Net Stable Funding Ratio					
18	Total available stable funding	N/A	N/A	N/A	N/A	N/A
19	Total required stable funding	N/A	N/A	N/A	N/A	N/A
20	NSFR ratio (%)	N/A	N/A	N/A	N/A	N/A
	ELAR					
21	Total HQLA	741,142	786,988	817,068	956,560	1,046,979
22	Total liabilities	4,162,838	4,231,907	4,575,809	4,421,630	4,544,671
23	Eligible Liquid Assets Ratio (ELAR) (%)	17.80%	18.60%	17.86%	21.63%	23.04%
	ASRR					
24	Total available stable funding	4,316,308	4,098,449	4,467,890	4,465,942	4,554,160
25	Total Advances	2,506,235	2,520,412	2,568,858	2,527,552	2,500,823
26	Advances to Stable Resources Ratio (%)	58.06%	61.50%	57.50%	56.60%	54.91%

Overview of Risk Management and RWA (OVA)

BSI's Risk Management Framework (RMF) sets out the overarching arrangements for risk management, control and assurance within the bank, including how the business model of the BSI gives rise to the risks that the risk is exposed to and its risk profile.

The RMF is designed to provide a consistent and structured approach to identify, assess, measure, control, monitor and report on the BSI's risks. The RMF helps to ensure that material risks implicit within the business activities are identified. The BSI has also developed a Risk Appetite Framework (RAF) in accordance with its risk profile which is monitored against the Supervisory Board approved Risk Appetite Statement on a quarterly basis and any breaches against the risk appetite are reviewed by the Risk Management Committee (RMC).

Effective risk governance and oversight provides Management and other stakeholders with assurance that the BSI's business activities will not be excessively impacted by risks that could have been reasonably foreseen. This, in turn, reduces the uncertainty of achieving the BSI's strategic objectives.

The Supervisory Board (SB) through the Board Risk Committee has overall responsibility for establishment and oversight of the risk management framework. They are assisted by various management committees including the Executive Risk Management Committee (ERMC), Assets and Liabilities Committee (ALCO), and Compliance Risk Committee (CRC). Board committees' members are appointed by the Supervisory Board who assists the Supervisory Board in management of risk in the BSI including review and approval of all risk management policies.

While the Supervisory Board carries ultimate responsibility for overall risk management, the ERMC assists the Supervisory Board/Board Risk Committee in discharging these responsibilities including identifying, analyzing, assessing, treating, monitoring and communicating the risks associated with all activities, functions and processes within the BSI.

The Risk Management Department (RMD) is independent of business and is led by a Head of Risk Management Department (HRMD) with responsibility for deploying an enterprise-wide risk management and oversight of all material risks with the BSI. The

RMD is primarily responsible for defining the framework for management of all material risks.

The Internal Audit (IA) acts as the third line of defense function, independent from both the business units ("first line of defense") and Risk Management and Compliance ("second line of defense"). IA provides independent assurance to senior management on compliance with all risk policies and procedures in the BSI and the effectiveness of the risk management processes. This is undertaken through periodic reviews of all risk-taking units within the BSI, in addition to Risk Management.

The Supervisory Board has the overall responsibility for establishing and overseeing the implementation of the BSI's Risk Management Framework (RMF). In addition, the Supervisory Board sets, communicates, and enforces the BSI's risk culture that consistently influences and aligns with the strategy and objectives of the BSI, and thereby supports the embedding of this RMF, risk policies and processes within the BSI.

Stress testing is a key management tool within the BSI. The Stress Testing Program assesses BSI's capital strength and enhances the resilience to shocks aiding the BSI to identify and mitigate risks.

Stress testing within the BSI is governed by the BSI's Stress Testing Policy which sets out the approaches for stress testing and associated roles and responsibilities.

Risk Management Approach

Supervisory Board (SB) and Senior Management assesses and manages risks, enabling users to gain a clear understanding of the BSI's risk appetite in relation to its main activities and all significant risks. Accordingly, the overall Risk management approach of the BSI is as under;

- Overall Risk Profile

Risk is an integral part of the banking business and the BSI aims to achieve an appropriate trade-off between risk and returns. To ensure sustainable and consistent growth, the BSI has developed a sound risk management framework so that the risks assumed by the BSI are properly assessed and monitored. The BSI undertakes business activities within the defined risk appetite limits and policies approved by the Supervisory Board of the BSI.

The BSI is involved in different commercial banking activities including accepting deposits and providing loans and advances to customers, other ancillary activities such as remittances and payments and settlements to its customers. In the process the BSI is exposed to various potential risks, mainly categorized into credit risk, market risk, operational risk, liquidity risk, business and strategic risk, reputational risk, compliance risk etc.

To manage the identified risks, the SB of the BSI sets risk appetite for the UAE operations the operating units are adhering to the risk appetite limits by ensuring that their businesses are well within the threshold levels. However, BSI due to ongoing situation and external constrains few thresholds are breaching and these have been discussed at SB.

The risk appetite reviewed and updated on annual basis.

- Risk Governance Structure

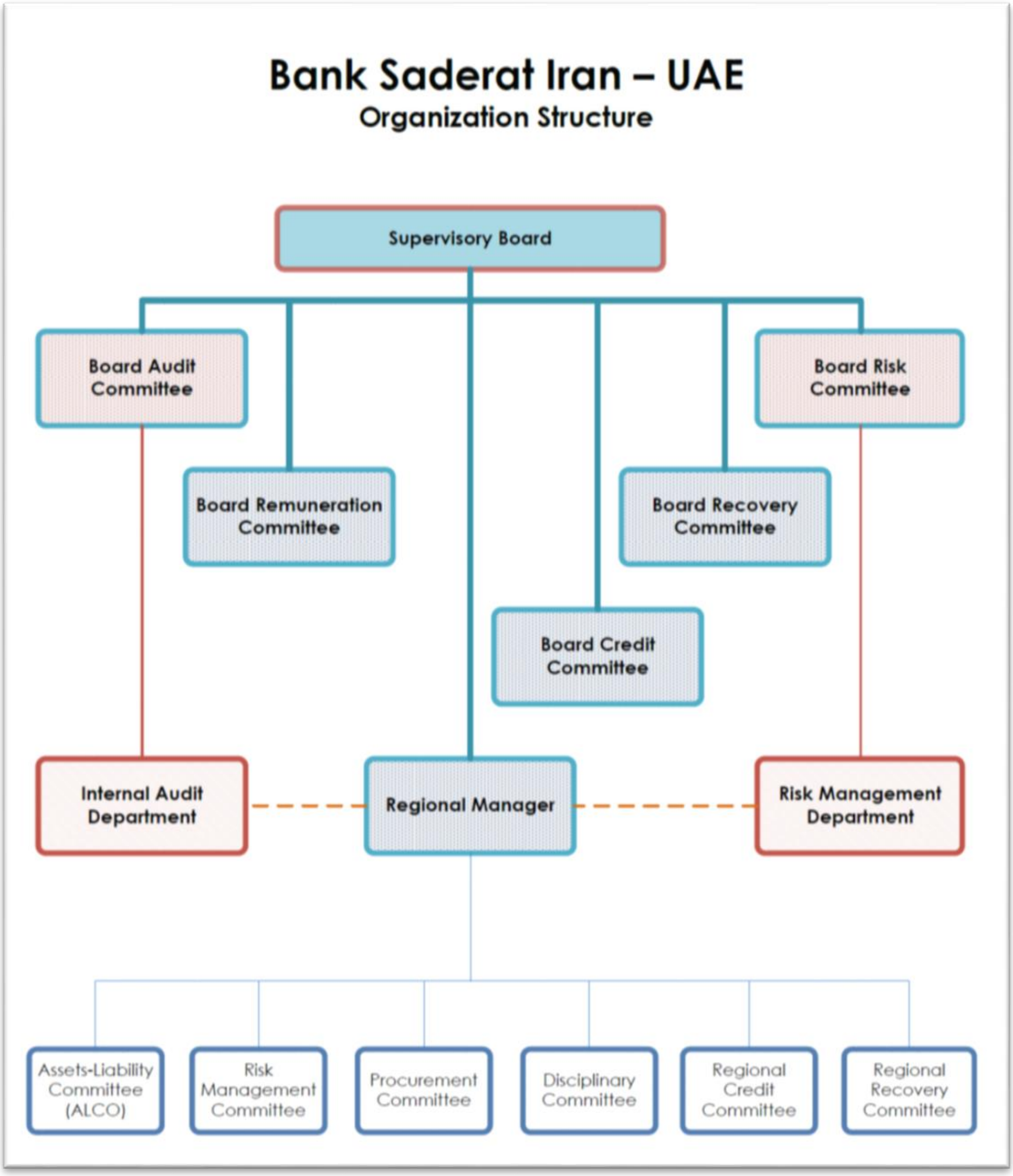
The BSI adopted three lines of defense for its risk management. The increased focus on risk and the supporting governance framework includes identifying the responsibilities of different parts of the BSI for addressing and managing risk. Each of the three lines has an important role to play in risk management. These are:

1) **First Line of defense**: This comprises of the entire BSI's business line functions and operating units employees as required to own and ensure the effective management of risk and compliance with regulations, BSI's policies and guidelines.

2) **Second line of defense**: This comprises of the risk control owners, the risk management function and compliance function. It is responsible for identifying, measuring, monitoring and reporting risk on a bank-wide basis independently from the first line of defense.

3) **Third line of defense**: An independent assurance is provided by the internal audit function by conducting internal risk-based and other audits. The reviews provide assurance to the Supervisory Board that the overall governance framework, including the risk governance framework, is effective and that policies and processes are in place and consistently applied.

The BSI's organization structure consists of Senior Management, Management Committees, control functions under second and third line (Risk Management & Compliance under 2nd line and Internal Audit function- 3rd line) to manage various material risks assumed by the UAE operations during the course of business. The BSI's Oversight Committees structure, its linkages with Head Office Governance structure is shown below.



The Supervisory Board (SB) of the BSI is responsible for overall risk management across the Bank Saderat Iran in GCC, including UAE Operations. Specific committees of the Supervisory Board have been constituted to facilitate focused oversight on various risks. The Supervisory Board has also constituted a Risk Management Committee of the Board which oversees the different type of risks. All risks are approved within the overarching Risk Appetite Framework.

Executive Risk Management Committee is responsible for UAE wide risk management and review/ monitoring of risk exposures vis-à-vis the risk appetite set by the Supervisory Board.

Further, as a part of implementation of Corporate Governance Regulations of 2019 of Central Bank of the UAE (CBUAE), the BSI has constituted the following Committees, duly approved by the Head Office:

- Executive Risk Management Committee
- Asset and Liability Committee
- Regional Credit Committee
- Regional Recovery Committee
- Disciplinary Committee
- Procurement Committee

- Risk Culture

A strong risk culture needs consistent support and appropriate risk awareness, behavior and judgment about risk-taking within a strong risk governance framework of the BSI. The BSI is constantly endeavoring to create a strong risk culture by imparting trainings to the employees at all levels. The Risk Management Framework endeavors to inculcate risk culture and philosophy through regular awareness sessions and trainings. Risk awareness trainings shall be conducted regularly to ensure that:

- All employees in the BSI are aware of the basic concepts and benefits of risk management in their respective areas and enable them to apply risk management principles in day-to-day operations.

- All employees are made aware of the organization's approach to risk management and risk culture within the BSI.

Risk Culture is being created through continuous interactions with various functional units for implementation of risk management strategies, policies and processes.

All risk limits are defined in the policies/ frameworks/ manuals. Business functions operate within the limits and any deviation on the same is reported to the Senior Management and Supervisory Board.

Employees have been provided with Employee Handbook to communicate the corporate core principles of Bank Saderat Iran.

- Risk Measurement Systems:

Major risk areas like Credit, Market, Operational, Liquidity Risk, Concentration Risk, have tools or systems in place to measure and manage the risks.

- Risk Reporting:

Risk Management Department, in addition to risk reporting to Supervisory Board level, monitors bank-wide risks and also furnishes various risk-related reports/dashboards to assist Executive Management and Committees periodically.

- Stress Testing Framework

The stress testing is continued to be an important tool that is used by the BSI as part of its internal risk management that alerts the BSI's Management with regard to adverse & unexpected outcomes related to a broad variety of risks, and provides an indication to the BSI on how much capital would be needed to absorb losses if large shocks occur.

BSI's Stress testing framework (as part of the Policy on ICAAP-Stress Test) has been designed to meet clear objectives that are documented and approved at the

Supervisory Board level. The BSI uses regulatory prescribed stress scenarios as well as internal scenarios while carrying out the stress tests.

Stress tests are carried out with varying levels of intensity on various kinds of risks, including credit, market, operational, liquidity, and other material risks, identified from time to time. The results of stress tests are discussed with the respective business owners.

- Risk Management Process of Monitoring and Mitigation

Monitoring and reporting processes are in place for periodic monitoring of key risks through various risk metrics and methodologies appropriate for each risk category. The BSI's Risk Appetite Framework and various risk management policies cover the identification of the material risks and their mitigation techniques commensurate with the business operations in the UAE. Further, the respective risk policies and operation manuals articulate the procedure of risk identification, monitoring and mitigations.

Overview of RWA (OV1)

The purpose of this metrics is to provide an overview of total risk weighted assets.

		AED 000s		
		RWA		Minimum capital requirements
		Dec-23	Sep-23	Dec-23
1	Credit risk (excluding counterparty credit risk)	3,716,238	3,827,836	390,205
2	Of which: standardised approach (SA)	3,716,238	3,827,836	390,205
3	[redacted]	[redacted]	[redacted]	[redacted]
4	[redacted]	[redacted]	[redacted]	[redacted]
5	[redacted]	[redacted]	[redacted]	[redacted]
6	Counterparty credit risk (CCR)	0	0	0
7	Of which: standardised approach for counterparty credit risk	0	0	0
8	[redacted]	[redacted]	[redacted]	[redacted]
9	[redacted]	[redacted]	[redacted]	[redacted]
10	[redacted]	[redacted]	[redacted]	[redacted]
11	[redacted]	[redacted]	[redacted]	[redacted]
12	Equity investments in funds - look-through approach	0	0	0
13	Equity investments in funds - mandate-based approach	0	0	0
14	Equity investments in funds - fall-back approach	0	0	0
15	Settlement risk	0	0	0
16	Securitisation exposures in the banking book	0	0	0
17	[redacted]	[redacted]	[redacted]	[redacted]
18	Of which: securitisation external ratings-based approach (SEC-ERBA)	0	0	0
19	Of which: securitisation standardised approach (SEC-SA)	0	0	0
20	Market risk	10,258	10,718	1,077
21	Of which: standardised approach (SA)	10,258	10,718	1,077
22	[redacted]	[redacted]	[redacted]	[redacted]
23	Operational risk	0	0	0
24	[redacted]	[redacted]	[redacted]	[redacted]
25	[redacted]	[redacted]	[redacted]	[redacted]
26	**Total (1+6+10+11+12+13+14+15+16+20+23)**	**3,726,496**	**3,838,554**	**391,282**

Linkages between financial statements and regulatory exposures

Main source of difference (LI2)

This table demonstrates the main sources of differences between regulatory exposure amounts and carrying values in financial statements

		AED 000s				
			Items subject to:			
		Total	Credit risk framework	Securitisation framework	Counterparty credit risk framework	Market risk framework
1	**Asset carrying value amount under scope of regulatory consolidation (as per template LI1)**	6,084,501	6,084,501	-	-	-
2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	-	-	-	-	-
3	Total net amount under regulatory scope of consolidation	6,084,501	6,084,501	-	-	-
4	Off-balance sheet amounts	80,915	28,398	-	-	-
5	*Differences in valuations*	-	-	-	-	-
6	*Differences due to different netting rules, other than those already included in row 2*	-	-	-	-	-
7	*Differences due to consideration of provisions*	-	-	-	-	-
8	*Differences due to prudential filters*	-	-	-	-	-
9	**Exposure amounts considered for regulatory purposes**	**6,165,416**	**6,112,899**	**-**	**-**	**-**

The Bank financials are prepared and disclosed based on the IFRS guidelines whereas the regulatory consolidation is as per the Basel guidelines / Central Bank of the UAE Regulations. Since our UAE operations are branch operations, no other entity's financials are consolidated and only standalone UAE data is included in this reporting.

Composition of Capital

This section demonstrates the composition of regulatory capital, along with the reconciliation of regulatory capital to the balance sheet.

Composition of Regulatory Capital (CC1)

		AED 000s
		Amounts
	Common Equity Tier 1 capital: instruments and reserves	
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	2,350,000
2	Retained earnings	(1,009,146)
3	Accumulated other comprehensive income (and other reserves)	573,010
4	*Directly issued capital subject to phase-out from CET1 (only applicable to non-joint stock companies)*	-
5	Common share capital issued by third parties (amount allowed in group CET1)	-
6	**Common Equity Tier 1 capital before regulatory deductions**	**1,913,864**
	Common Equity Tier 1 capital regulatory adjustments	
7	Prudent valuation adjustments	-
8	Goodwill (net of related tax liability)	-
9	Other intangibles including mortgage servicing rights (net of related tax liability)	-
10	Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of related tax liability)	1,422,094
11	Cash flow hedge reserve	-
12	Securitisation gain on sale	-
13	Gains and losses due to changes in own credit risk on fair valued liabilities	-
14	Defined benefit pension fund net assets	-
15	Investments in own shares (if not already subtracted from paid-in capital on reported balance sheet)	-
16	Reciprocal cross-holdings in CET1, AT1, Tier 2	-

17	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-
18	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-
19	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-
20	Amount exceeding 15% threshold	-
21	Of which: significant investments in the common stock of financials	-
22	Of which: deferred tax assets arising from temporary differences	-
23	CBUAE specific regulatory adjustments	-
24	**Total regulatory adjustments to Common Equity Tier 1**	**1,422,094**
25	**Common Equity Tier 1 capital (CET1)**	**491,772**
	Additional Tier 1 capital: instruments	
26	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	-
27	OF which: classified as equity under applicable accounting standards	-
28	Of which: classified as liabilities under applicable accounting standards	-
29	*Directly issued capital instruments subject to phase-out from additional Tier 1*	-
30	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in AT1)	-
31	*Of which: instruments issued by subsidiaries subject to phase-out*	-
32	Additional Tier 1 capital before regulatory adjustments	**-**
	Additional Tier 1 capital: regulatory adjustments	
33	Investments in own additional Tier 1 instruments	-
34	Investments in capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-
35	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-
36	CBUAE specific regulatory adjustments	-
37	Total regulatory adjustments to additional Tier 1 capital	**-**
38	**Additional Tier 1 capital (AT1)**	**-**
39	**Tier 1 capital (T1= CET1 + AT1)**	**491,772**
	Tier 2 capital: instruments and provisions	

40	Directly issued qualifying Tier 2 instruments plus related stock surplus	-
41	*Directly issued capital instruments subject to phase-out from Tier 2*	-
42	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 30) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	-
43	*Of which: instruments issued by subsidiaries subject to phase-out*	-
44	Provisions	46,453
45	**Tier 2 capital before regulatory adjustments**	**46,453**
	Tier 2 capital: regulatory adjustments	
46	Investments in own Tier 2 instruments	-
47	Investments in capital, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-
48	Significant investments in the capital, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-
49	CBUAE specific regulatory adjustments	-
50	**Total regulatory adjustments to Tier 2 capital**	**-**
51	**Tier 2 capital (T2)**	**46,453**
52	**Total regulatory capital (TC = T1 + T2)**	**538,225**
53	**Total risk-weighted assets**	**3,726,496**
	Capital ratios and buffers	
54	**Common Equity Tier 1 (as a percentage of risk-weighted assets)**	13.20%
55	**Tier 1 (as a percentage of risk-weighted assets)**	13.20%
56	**Total capital (as a percentage of risk-weighted assets)**	14.44%
57	**Institution specific buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus higher loss absorbency requirement, expressed as a percentage of risk-weighted assets)**	2.50%
58	**Of which: capital conservation buffer requirement**	2.50%
59	**Of which: bank-specific countercyclical buffer requirement**	0.00%
60	**Of which: higher loss absorbency requirement (e.g. DSIB)**	0.00%
61	**Common Equity Tier 1 (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirement.**	3.94%
	The CBUAE Minimum Capital Requirement	
62	Common Equity Tier 1 minimum ratio	7.00%
63	Tier 1 minimum ratio	8.50%
64	Total capital minimum ratio	10.50%

	Amounts below the thresholds for deduction (before risk weighting)	
[redacted]		
66	Significant investments in common stock of financial entities	-
[redacted]		
68	Deferred tax assets arising from temporary differences (net of related tax liability)	-
	Applicable caps on the inclusion of provisions in Tier 2	
69	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	1.25%
70	Cap on inclusion of provisions in Tier 2 under standardised approach	2.00%
[redacted]		
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)	
73	*Current cap on CET1 instruments subject to phase-out arrangements*	-
74	*Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)*	-
75	*Current cap on AT1 instruments subject to phase-out arrangements*	-
76	*Amount excluded from AT1 due to cap (excess after redemptions and maturities)*	-
77	*Current cap on T2 instruments subject to phase-out arrangements*	-
78	*Amount excluded from T2 due to cap (excess after redemptions and maturities)*	-

Reconciliation of regulatory capital to balance sheet (CC2)

This table is to identify the differences between the scope of accounting consolidation and the scope of regulatory consolidation, and to show the link between a bank's balance sheet in its published financial statements and the numbers that are used in the composition of capital disclosure template set out in Template CC1.

	AED 000s	
	Balance sheet as in published financial statements	**Under regulatory scope of consolidation**
	As at period-end	**As at period-end**
Assets		
Cash and balances with the Central Bank of the UAE	741,142	741,142
Due from Head Office and its branches abroad	238,223	238,223
Due from Other banks	978,754	978,754
Export bills Discounted for Iranian banks abroad	-	-
Loans and Advances	2,594,527	2,594,527
Other Assets	1,489,064	1,489,064
Property, plant and equipment	16,590	16,590
Right to use assets	26,201	26,201
Investment properties	-	-
Goodwill and other intangible assets	-	-
Of which: goodwill	-	-
Of which: intangibles (excluding MSRs)	-	-
Of which: MSRs	-	-
Total assets	**6,084,501**	**6,084,501**
Liabilities		
Due to other banks	1,251,008	1,251,008
Customer deposits	2,466,019	2,466,019
Due to Head Office and its branches abroad	319,987	319,987
Provision for employees' end of services indemnity	22,282	22,282

Provision for taxation	16,975	16,975
Other Liability	94,366	94,366
Accruals, deferred income and other liabilities	-	-
Current and deferred tax liabilities	-	-
Of which: DTLs related to goodwill	-	-
Of which: DTLs related to intangible assets (excluding MSRs)	-	-
Of which: DTLs related to MSRs	-	-
Subordinated liabilities	-	-
Provisions	-	-
Retirement benefit liabilities	-	-
Total liabilities	**4,170,637**	**4,170,637**
Shareholders' equity		
Paid-in share capital	2,350,000	2,350,000
Of which: amount eligible for CET1	2,350,000	2,350,000
Of which: amount eligible for AT1	-	-
Retained earnings	(1,009,146)	(1,009,146)
Accumulated other comprehensive income (and Reserves)	573,010	573,010
Total shareholders' equity	**1,913,864**	**1,913,864**

The Bank financials are prepared and disclosed based on the IFRS guidelines whereas the regulatory consolidation is as per the Basel guidelines / Central Bank of the UAE Regulations. Since our UAE operations are branch operations, no other entity's financials are consolidated and only standalone UAE data is included in this reporting.

Main features of regulatory capital instruments (CCA)

This table provides detailed description of the main features of a bank's regulatory capital instruments.

		a
		Quantitative / qualitative information
1	Issuer	Not Applicable
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	
3	Governing law(s) of the instrument	
	Regulatory treatment	
4	Transitional arrangement rules (i.e. grandfathering)	
5	Post-transitional arrangement rules (i.e. grandfathering)	
6	Eligible at solo/group/group and solo	
7	Instrument type (types to be specified by each jurisdiction)	
8	Amount recognized in regulatory capital (currency in millions, as of most recent reporting date)	
9	Nominal amount of instrument	
9a	Issue price	
9b	Redemption price	
10	Accounting classification	
11	Original date of issuance	
12	Perpetual or dated	
13	Original maturity date	
14	Issuer call subject to prior supervisory approval	
15	Optional call date, contingent call dates and redemption amount	
16	Subsequent call dates, if applicable	
	Coupons / dividends	
17	Fixed or floating dividend/coupon	
18	Coupon rate and any related index	
19	Existence of a dividend stopper	
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	
21	Existence of step-up or other incentive to redeem	
22	Non-cumulative or cumulative	
23	Convertible or non-convertible	
24	Write-down feature	
25	If write-down, write-down trigger(s)	

26	If write-down, full or partial	
27	If write-down, permanent or temporary	
28	If temporary write-own, description of write-up mechanism	
28a	Type of subordination	
29	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned).	
30	Non-compliant transitioned features	
31	If yes, specify non-compliant features	

The BSI equity is purely comprised of capital investment from its Head Office and is operated as a foreign branch in the UAE, further the BSI has not issued any debt or equity instruments. Hence, this table requirement is not applicable.

Countercyclical Buffer

This section provides an overview of the geographical distribution of private sector credit exposures relevant for the calculation of the countercyclical buffer.

Geographical distribution of counter cyclical capital buffer (CCyB1)

This table demonstrates geographical distribution of credit exposures used in the countercyclical capital buffer.

Geographical breakdown	a	b	c	d	e
	Countercyclical capital buffer rate	**Exposure values and/or risk-weighted assets used in the computation of the countercyclical capital buffer**		**Bank-specific countercyclical capital buffer rate**	**Countercyclical buffer amount**
		Exposure values	**Risk-weighted assets**		
Home Country 1	**Not Applicable**				
Country 2					
Country 3					
…..					
Country N					
Sum					
Total					

The bank is not required to hold positive counter cyclical capital buffer for any jurisdiction.

Leverage ratio

This section reconciles total assets in the published financial statements to the leverage ratio exposure measure.

Leverage ratio common disclosure (LR2)

This table detailed breakdown of the components of the leverage ratio denominator, as well as information on the actual leverage ratio, minimum requirements and buffers.

		AED 000s	
		Dec-23	**Sep-23**
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	6,168,300	5,941,259
2	Gross-up for derivatives collateral provided where deducted from balance sheet assets pursuant to the operative accounting framework	-	-
3	(Deductions of receivable assets for cash variation margin provided in derivatives transactions)	-	-
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	-	-
5	(Specific and general provisions associated with on-balance sheet exposures that are deducted from Tier 1 capital)	-	-
6	(Asset amounts deducted in determining Tier 1 capital)	-	-
7	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)**	**6,168,300**	**5,941,259**
Derivative exposures			
8	Replacement cost associated with *all* derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	-	-
9	Add-on amounts for PFE associated with *all* derivatives transactions	-	-
10	(Exempted CCP leg of client-cleared trade exposures)	-	-
11	Adjusted effective notional amount of written credit derivatives	-	-
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
13	**Total derivative exposures (sum of rows 8 to 12)**	**-**	**-**
Securities financing transactions			
14	Gross SFT *assets* (with no recognition of netting), after adjusting for sale accounting transactions	-	-
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
16	CCR exposure for SFT assets	-	-
17	Agent transaction exposures	-	-

18	**Total securities financing transaction exposures (sum of rows 14 to 17)**	-	-
Other off-balance sheet exposures			
19	Off-balance sheet exposure at gross notional amount	80,915	108,368
20	(Adjustments for conversion to credit equivalent amounts)	(48,781)	(64,439)
21	(Specific and general provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital)	-	-
22	**Off-balance sheet items (sum of rows 19 to 21)**	**32,134**	**43,929**
Capital and total exposures			
23	**Tier 1 capital**	**491,772**	**495,013**
24	**Total exposures (sum of rows 7, 13, 18 and 22)**	**6,200,434**	**5,985,188**
Leverage ratio			
25	**Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)**	7.93%	8.27%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	7.93%	8.27%
26	CBUAE minimum leverage ratio requirement	3.00%	3.00%
27	**Applicable leverage buffers**	0.00%	0.00%

Liquidity

This section demonstrates the soundness of a bank's liquidity risk management framework and liquidity position.

Liquidity risk management (LIQA)

In compliance with CBUAE "Regulations re Liquidity at Banks" (Circular Number 33/2015) and accompanying guidance manual in addition to the document for "Principles for Sound Liquidity Management" published by Basel Committee on Banking Supervision (BCBS), BSI has established a liquidity management framework under which an Assets Liability Management (ALM) policy extensively covers liquidity risk and interest rate risk within banking operation in the UAE.

The Assets and Liability Committee (ALCO), the owner of ALM Policy, operates to ensure a high degree of confidence that the BSI is able to fulfill its daily liquidity obligations even during a period of liquidity stress. In addition to maintaining sound liquidity governance and management practices, the BSI also holds a significant amount of highly liquid assets as liquidity cushion comprised of CBUAE ODF to ensure smooth settlement of BSI's obligation during such periods of liquidity stress.

Since the BSI currently is not under LCR/NSFR regime therefore only uses CBUAE prescribed alternative approaches and reporting only ELAR and ASRR through CBUAE predefined templates BRF-8 and BRF-7 respectively.

Governance Structure

The Supervisory Board (SB) bears the ultimate responsibility for liquidity risk management within BSI. The SB members have a thorough understanding of the close links between Funding liquidity risk and Market liquidity risk, as well as how other risks including credit, market, operational and reputational risk affect the BSI's overall liquidity risk.

The SB review and approve the ALM policy and definition of Liquidity Risk Management Limits whereas ALCO is responsible to define strategies, develop/enhance policies and practices to manage liquidity in accordance with SB approved risk tolerance and to ensure maintaining sufficient liquidity all times.

BSI's Treasury, Risk Management and Internal Audit departments act as first, second and third lines of defense respectively.

Funding Strategies and diversification

The BSI uses its funding strategy on a diversified profile in terms of investor types, geography and wide range of retail and corporate products, which forms an important element of BSI's liquidity risk management framework. BSI's most stable funding element (i.e., Capital) in UAE is sourced from its Head Office, Iran. Other sources comprise of customer deposits (retail as well as corporate) and inter bank borrowings, which act as an additional source of funding.

Liquidity Risk Mitigation techniques

For liquidity risk management, the BSI maintains high quality liquid funds in the form of ODF and cash balances with Central Bank of the UAE. The BSI monitors bank-wide liquidity position on a daily basis through its developed tools. Treasury manages the liquidity position keeping in view of the risk appetite and threshold limits set under the risk appetite framework and ALM policy.

Liquidity stress testing

The BSI has identified Liquidity Risk, as per the guidelines, by calculating and monitoring ELAR (Eligible Liquid Asset Ratio) on daily basis, a stress is applied as a "what if scenario", that is, how withdrawal of large deposits, having residual maturity within 30 days, will impact on Liquidity Ratio against the threshold and risk appetite.

Liquidity Coverage Ratio (LIQ1)

This table shows breakdown of a bank's cash outflows and cash inflows, as well as its available high-quality liquid assets (HQLA), as measured and defined according to the CBUAE Liquidity standard.

Not Applicable

BSI is measuring liquidity by calculating Eligible Liquid Ratio (ELAR), that is, an alternate approach for measuring liquidity instead of calculating Liquidity Coverage Ratio (LCR) as per Liquidity Risk Regulation of CBUAE 2015.

Net Stable Funding Ratio (LIQ2)

This table provides details of a bank's NSFR and selected details of its NSFR components

Not Applicable

BSI is calculating Advance to Stable Resources Ratio (ASRR), that is, an alternate approach instead of calculating Net Stable Fund Resources (NFSR) as per Liquidity Risk Regulation of CBUAE 2015.

Eligible Liquid Assets Ratio (ELAR)

This table provides the breakdown of a bank's available high-quality liquid assets (HQLA), as measured and defined according to the CBUAE Liquidity Regulations.

		AED 000s	
1	**High Quality Liquid Assets**	**Nominal amount**	**Eligible Liquid Asset**
1.1	Physical cash in hand at the bank + balances with the CBUAE	739,332	
1.2	UAE Federal Government Bonds and Sukuks	0	
	Sub Total (1.1 to 1.2)	739,332	739,332
1.3	UAE local governments publicly traded debt securities	0	
1.4	UAE Public sector publicly traded debt securities	0	
	Subtotal (1.3 to 1.4)	0	0
1.5	Foreign Sovereign debt instruments or instruments issued by their respective central banks	0	0
1.6	**Total**	**739,332**	**739,332**
2	Total liabilities		4,098,417
3	**Eligible Liquid Assets Ratio (ELAR)**		**18.04%**

Figures presented above are as averages of daily observations over the previous quarter, that is, the average calculated over a period of 90 days.

Advances to Stables Resource Ratio (ASRR)

This table provides breakdown of a bank's advances to Stables Resource ratio as per the Liquidity regulations.

		Items	AED 000s Amount
1		**Computation of Advances**	
	1.1	Net Lending (gross loans - specific and collective provisions + interest in suspense)	2,604,800
	1.2	Lending to non-banking financial institutions	47,473
	1.3	Net Financial Guarantees & Stand-by LC (issued - received)	-146,038
	1.4	Interbank Placements	0
	1.5	**Total Advances**	2,506,235
2		**Calculation of Net Stable Resources**	
	2.1	Total capital + general provisions	1,980,969
		Deduct:	
	2.1.1	Goodwill and other intangible assets	0
	2.1.2	Fixed Assets	42,791
	2.1.3	Funds allocated to branches abroad	0
	2.1.5	Unquoted Investments	0
	2.1.6	Investment in subsidiaries, associates and affiliates	0
	2.1.7	**Total deduction**	42,791
	2.2	**Net Free Capital Funds**	1,938,178
	2.3	**Other stable resources:**	
	2.3.1	Funds from the head office	0
	2.3.2	Interbank deposits with remaining life of more than 6 months	156,200
	2.3.3	Refinancing of Housing Loans	0
	2.3.4	Borrowing from non-Banking Financial Institutions	0
	2.3.5	Customer Deposits	2,221,930
	2.3.6	Capital market funding/ term borrowings maturing after 6 months from reporting date	0
	2.3.7	**Total other stable resources**	2,378,130
	2.4	**Total Stable Resources (2.2+2.3.7)**	4,316,308
3		**Advances TO STABLE RESOURCES RATIO (1.6/ 2.4*100)**	58.06

Credit Risk

This section describes the main characteristics and elements of credit risk management of the Bank Saderat Iran - UAE (BSI).

General Qualitative information about Credit Risk (CRA)

Credit Risk Profile

The BSI's credit risk primarily arises from its lending activities such as loan and advances, secured and unsecured revolving credit, trade finance and treasury activities but can also arise from commitments such letter of guarantees, letter of credits, endorsements, and acceptances.

Presently the BSI is not exposed to any other forms of credit risks such that may arise from investments in debts instruments, derivatives, securities financing transactions due to no business activities in this areas.

The BSI's credit portfolio is segregated into four major segments:

1. Corporate Loan
2. SME Loans
3. Retail Loans
4. Syndicated Loans

However BSI is not engage in any type of syndicated loan at present.

Credit Risk Management and Credit Risk Appetite

The credit underwriting standards are articulated in the Credit Policy (CP). The risk appetite framework encompasses all types of risk, including credit risk, are embedded in the Risk Management Framework.

BSI's credit risk management function is independent from the business division and its primary goal is to maximize its risk-adjusted returns while maintaining its credit risk exposure within acceptable parameters by identifying, measuring, monitoring and controlling credit risk across the BSI.

The Supervisory Board (SB) is responsible for determining BSI's strategic objectives and principles for Credit Risk Management. The SB, with the aim of maximizing BSI's risk-adjusted return as well as shareholders' wealth, holds ultimate responsibility for the BSI's overall Credit Risk Management Process.

Credit Risk Management and Control Functions

BSI articulates roles and responsibilities at business/ control functions to actively identify, communicate and manage credit risks arising from business activities and to implement the risk management policy. Senior management at executive level plays a crucial role while taking the overall responsibility for policy compliance on Credit Risk Management.

Credit risk identification and assessment are carried out through a comprehensive mechanism comprising three levels of defense. The first level of defense lies with the business units/ loan departments which are responsible for maintaining a sound credit quality of assets in line with the approved business strategy and credit risk appetite. These functions assess the risk of a customer at facility level and ensure proper documentation of customer, facility and security documents. The second level of defense is Risk management unit that assesses credit risk and maintains credit risk policies. Internal Audit acts as a third level of defense with regular review and assurance of credit and the risk functions to check the compliance with policies and procedures of the BSI.

Functions of Risk Management Department (RMD) concentrate on the size and quality of balance sheet, complexity of product, services and operations, required technical / professional manpower and systems in the BSI. The RMD is responsible for establishing the Risk Management Framework and assessing management's control of the BSI's risks.

Relationship between control functions

RMD liaises closely with the Internal Audit and Compliance Departments to exchange information for their assurance that the BSI complies with all regulatory requirements related to capital management and lending processes.

Internal Audit Department leads an independent role by performing its assurance to the Supervisory Board on second line i.e., Risk Management and Compliance activities in addition to first line of defense.

Credit Risk Reporting

Risk Management Department monitors the prudential limits and risk appetite as per the approved policies. The status of various limits and credit risk related MIS is presented to the Risk Management Committee and also to the Senior Management, for strategic direction and taking necessary remedial action, if any.

The Risk Management Department reports the credit risk profile of the BSI to Risk Management Committee.

Credit Quality of Assets (CR1)

This table provides comprehensive picture of the credit quality of a bank's (on- and off-balance sheet) assets.

		a	b	c	d	e	f
		Gross carrying values of		Allowances/Impairments	Of which ECL accounting provisions for credit losses on SA exposures		Net values (a+b-c)
	AED 000s	Defaulted exposures	Non-defaulted exposures		Allocated in regulatory category of Specific	Allocated in regulatory category of General	
1	Loans	9,682,398	644,224	7,731,849	7,664,746	67,103	2,594,773
2	Debt securities	-	-	-	-	-	-
3	Off-balance sheet exposures	-	80,915	-	-	-	80,915
4	**Total**	**9,682,398**	**725,139**	**7,731,849**	**7,664,746**	**67,103**	**2,675,688**

Defaulted exposures is included the suspended interest thus the same is included in Allowance/Impairment as well in order to measure the precise net value.

Changes in stock of defaulted loans and debt securities (CR2)

This table highlights the changes in the stock of defaulted exposures, the flows between non-defaulted and defaulted exposure categories and reductions in the stock of defaulted exposures due to write-offs

	AED 000s	a
1	**Defaulted loans and debt securities at the end of the previous reporting period**	10,366,547
2	Loans and debt securities that have defaulted since the last reporting period	22,445
3	Returned to non-default status	636,276
4	Amounts written off	70,318
5	Other changes	-
6	**Defaulted loans and debt securities at the end of the reporting period (1+2-3-4±5)**	9,682,398

Additional disclosure related to the credit quality of assets (CRB)

This section provides additional qualitative information on the credit quality of the bank's assets.

Definitions of 'past due' and 'impaired' exposures

A financial asset to be in default, when the customer is unlikely to pay its credit obligations in full, without recourse by the bank to actions such as realizing security (if any is held);

For retail, a facility or any credit obligation to the customer is remain unpaid for more than 90 days; The BSI follows the CBUAE circular 28/2010 on regulations regarding classification of loans and their provisions for the definition of "impaired loans". The BSI uses both approaches of CBUAE regulation (CBUAE 28/2010 – Regulations for Classification of Loans and determining their provisions) and IFRS9 for determining the provisions on credit losses.

Accounting Provision under ECL Framework

Under IFRS9, equivalent of CBUAE Specific Provision is Stage 3 ECL, which is the allowance that captures the lifetime expected credit losses for impaired assets. The BSI reviews its impaired assets on a regular basis to assess the amount of Stage 3 ECL required to be recorded in the consolidated income statement. As per the CBUAE notice no. CBUAE/BSD/2018/458 dated 30 April 2018, clause 6.4, if the CBUAE specific provision and general/collective provision cumulatively is higher than the impairment allowance computed under IFRS 9, the differential should be transferred to an "Impairment Reserve" as an appropriation from the retained earnings. This Impairment Reserve shall be split to that which relates to difference in specific provision and general/collective provision.

To assess the amount of specific provision required for Stage 3 assets the BSI follows CBUAE circular 28/2010 wherein specific provisions are taken for 'Substandard', 'Doubtful' and 'Loss' grades as per the circular.

Under IFRS9, equivalent of CBUAE General Provision is Stage 1 and Stage 2 ECL, which is measured based on the extent of credit deterioration since origination as described below:

- Stage 1 – Where there has not been a significant increase in credit risk (SICR) since initial recognition of a financial instrument, an amount equal to 12 months expected credit loss is recorded.
- Stage 2 – When a financial instrument experiences a SICR subsequent to origination but is not considered to be impaired, i.e. Stage 3, it is included in Stage 2. This requires the computation of expected credit loss over the remaining estimated life of the financial instrument.

As per the CBUAE notice no. CBUAE/BSD/2018/458 dated 30 April 2018, the BSI compares the IFRS9 ECL for Stage 1 and Stage 2 with the CBUAE General Provision requirement which is calculated as per the CBUAE circular 28/2010 based on the total Credit Risk Weighted Assets (CRWA) and accordingly creates an Impairment Reserve, if required.

Definition of Restructuring

A restructured account is one where the bank, for economic or legal reasons relating to the borrower's financial difficulty, grants to the borrower concessions that the bank would not otherwise consider. Restructuring would normally involves modification of terms of the loan / advances, which would generally include, alteration of repayment period / repayable amount/ the installment amount / rate of interest due to reasons other than competitive reasons.

Credit Risk Exposure and Credit Risk Mitigation effects (CR4)

This table illustrates the effect of CRM (comprehensive and simple approach) on standardized approach capital requirements' calculations and, RWA density provides a synthetic metrics on riskiness of each portfolio.

	AED 000s	a	b	c	d	e	f
		Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	Asset classes	**On-balance sheet amount**	**Off-balance sheet amount**	**On-balance sheet amount**	**Off-balance sheet amount**	**RWA**	**RWA density**
1	Sovereigns and their central banks	703,200	-	703,200	-	-	0.0%
2	Public Sector Entities	-	-	-	-	-	0.0%
3	Multilateral development banks	-	-	-	-	-	0.0%
4	Banks	1,207,633	-	1,207,633	-	350,895	29.1%
5	Securities firms	-	-	-	-	-	0.0%
6	Corporates	587,429	49,874	564,154	12,989	577,143	100.0%
7	Regulatory retail portfolios	56,794	31,041	47,840	3,881	48,193	93.2%
8	Secured by residential property	-	-	-	-		0.0%
9	Secured by commercial real estate	-	-	-	-		0.0%
10	Equity Investment in Funds (EIF)	-	-	-	-		0.0%
11	Past-due loans	2,017,656	-	2,017,656	-	2,604,453	129.1%
12	Higher-risk categories	-	-	-	-	-	0.0%
13	Other assets	1,595,590	-	1,595,590	-	135,554	8.5%
14	**Total**	**6,168,302**	**80,915**	**6,136,073**	**16,870**	**3,716,238**	**60.4%**

The sovereign asset class consists of only balance with the Central Bank of the UAE.

Major portions of the banks' exposures have contractual maturity within 3 months thus carry applicable risk weight 20%.

About 40% and 31% of off-balance sheet exposures are constitute of unused limits and tender bond/ performance bond/ bid bond guarantees that carry applicable credit conversion factors (CCF) 0% and 50% respectively. Further most of off-balance sheet exposures, carrying applicable 100% CCF, are secured by 100% cash margin.

About 87% of other assets consist of Deferred Tax Assets (DTA) which is deducted from Common Equity Tier 1 (CET1) capital as per CBUAE capital supply guideline, thus carry 0% risk weight.

Exposures by Asset Classes and Risk Weights (CR5)

This table presents the breakdown of credit risk exposures under the standardized approach by asset class and risk weight (corresponding to the riskiness attributed to the exposure according to standardized approach).

		a	b	c	d	e	f	g	h	i
	Assets Classes	**0%**	**20%**	**35%**	**50%**	**75%**	**100%**	**150%**	**Others**	**Total credit exposures amount (post CCF and post-CRM)**
1	Sovereigns and their central banks	703,200	-	-	-	-	-	-	-	703,200
2	Public Sector Entities	-	-	-	-	-	-	-	-	-
3	Multilateral development banks	-	-	-	-	-	-	-	-	-
4	Banks	-	670,896	-	536,737	-	-	-	-	1,207,633
5	Securities firms	-	-	-	-	-	-	-	-	-
6	Corporates	-	-	-	-	-	577,143	-	-	577,143
7	Regulatory retail portfolios	-	-	-	-	14,104	37,616	-	-	51,720
8	Secured by residential property	-	-	-	-	-	-	-	-	-
9	Secured by commercial real estate	-	-	-	-	-	-	-	-	-
10	Equity Investment in Funds (EIF)	-	-	-	-	-	-	-	-	-
11	Past-due loans	-	-	-	-	-	844,050	1,173,602	-	2,017,652
12	Higher-risk categories	-	-	-	-	-	-	-	-	-
13	Other assets	1,460,036	-	-	-	-	135,554	-	-	1,595,590
14	**Total**	**2,163,236**	**670,896**	**-**	**536,737**	**14,104**	**1,594,363**	**1,173,602**	**-**	**6,152,938**

The sovereign asset class consists of only balance with the Central Bank of the UAE.

Major portions of the banks' exposures have contractual maturity within 3 months thus carry applicable risk weight 20%.

About 40% and 31% of off-balance sheet exposures are constitute of unused limits and tender bond/ performance bond/ bid bond guarantees that carry applicable credit conversion factors (CCF) 0% and 50% respectively. Further most of off-balance sheet exposures, carrying applicable 100% CCF, are secured by 100% cash margin.

About 87% of other assets consist of Deferred Tax Assets (DTA) which is deducted from Common Equity Tier 1 (CET1) capital as per CBUAE capital supply guideline, thus carry 0% risk weight.

Market Risk

This section provides a description of the risk management objectives and policies for market risk

General qualitative disclosure requirements related to market risk (MRA)

Market risk is the risk that the market value of financial instruments held by the Bank Saderat Iran – UAE (BSI) or associated cash flows/income of the same instruments may be adversely affected by movement in market prices. These prices generally include interest rates, credit spreads, foreign exchange rates, equity and commodity prices etc.

BSI follows Market Risk Management policy and procedure defined under Risk Management Policy approved by the Supervisory Board (SB) which contains a comprehensive market risk identification, measurement, monitoring, management and reporting framework that helps managing and overseeing market risk on a timely manner.

The Policy covers the limits and risk management techniques to protect the BSI against any downside risk as well as clearly defined the scope of trading activities in such a way that the risk taken is within the BSI's risk appetite and in order to protect BSI to expose against unwarranted riskier position. The policy is reviewed on a yearly basis considering changing market conditions, future business projections and the best market practices as well as update in regulatory guidelines that impact the operation of BSI.

Currently, BSI does not engage in commodity business. The BSI also does not hold any trading positions in debt and equity instruments. The BSI is having minimal currency gap positions and therefore BSI's market risk is limited to foreign currency risk and presently is the only component of market risk capital requirements.

BSI's Asset Liability Committee (ALCO) manages the Market Risk as per approved policy along with Asset Liability Management (ALM). Market Risk Management Team regularly carries out practices as follows:

- Monitor Foreign Exchange related risk such as exchange rate risk and maintenance of FX related limits.
- Conduct Stress Testing activity to understand shock resilience capacity of the BSI.
- Analyze Stress Testing report, finding out the vulnerable areas that are needed to be addressed and accordingly advising the same to Executive Management to ensure maintenance of adequate capital for absorbing any unforeseen losses.
- Ensure to keep open position only in Iranian Riyals (with exception of holidays) within the limit as per management approval in correspondent's account.
- Review risk taken by the business and the returns for taking these risks.
- Daily review of market news and movement.
- Plan and develop appropriate training for staff.

Risk Management function is independent of the business/treasury function and the BSI's Head of Risk at UAE has a direct line of reporting to Supervisory Board (SB).

Market risk under the standardized approach (MR1)

This table provides the components of the capital requirement under the standardized approach for market risk.

	AED 000s	a RWA
1	General Interest rate risk (General and Specific)	-
2	Equity risk (General and Specific)	-
3	Foreign exchange risk	10,258
4	Commodity risk	-
	Options	
5	Simplified approach	-
6	Delta-plus method	-
7	[redacted]	
8	Securitisation	-
9	**Total**	10,258

BSI is having minimal currency gap positions and therefore BSI's market risk is limited to foreign currency risk and presently is the only component of market risk capital requirements

Interest Rate in Banking Book

This section provides a description of the risk management objectives and policies concerning Interest Rate Risk in Banking Book (IRRBB).

IRRBB risk management objectives and policies (IRRBBA)

Interest Rate Risk in Banking Book (IRRBB) refers to the current or prospective risk to the bank's capital and earnings arising from adverse movements in interest rates that affect the bank's banking book positions. When interest rates change, the present value and timing of future cash flows change. This in turn changes the underlying value of a bank's assets, liabilities and off-balance sheet items and hence its economic value. Changes in interest rates also affect a bank's earnings by altering interest rate-sensitive incomes and expenses, affecting its net interest income (NII). Excessive IRRBB can pose a significant threat to a bank's current capital base and/or future earnings if not managed appropriately.

Objectives and Measurements

- To achieve the targeted net interest income (NII) and net interest margin (NIM) in the short run and enhance the economic value of equity (EVE) in the long run.
- To monitor the Interest Rate Risk with the application of various techniques like GAP Analysis, Earning at risk and Duration Analysis.
- Select appropriate parameters that accurately and reliably measure the impact of interest rate risk on NII and EVE of the BSI.
- Proactively monitor and control interest rate exposures within predetermined limits.

Types of IRRBB

- Gap Risk

- Basis Risk
- Option Risk

Option Risk is further categorized in Automatic Option Risk and Behavioral Option Risk.

IRRBB risk Management, calculation and mitigation strategies

Interest rate risk is a strategic and inherent part of banking business through maturity and assets transformation ability of the bank and thus is a primary source of return to its shareholders however the mismatch in interest rate can lead to significant losses in bank's earnings and equity, as changes in interest rates can dramatically change the net present value of bank's assets and liabilities and affect the NII and NIM. The BSI uses the following tools to measure, monitor and manage the interest rate risk:

- Assets and Liability Committee (ALCO) periodically carry out the interest rate sensitivity gap analysis (IRSA) for measuring difference between Rate Sensitive Assets (RSAs) and Rate Sensitive Liabilities (RSLs), including off-balance sheet positions. The Statement of IRSA is generated by aggregating rate sensitive liabilities and rate sensitive assets and off-balance sheet positions into time buckets as per residual maturity / re-pricing period whichever is earlier.

- Earning at Risk is computed in order to evaluate the impact of interest rate changes on BSI's net interest income (NII) for the period of next one year. EaR is calculated assuming a parallel shift in yield curve for +/- 200 bps.

- Duration Gap Analysis (DA) is carrying out to measure the degree of impact on NII due to change in market interest rate.

Quantitative information on IRRBB (IRRBB1)

This table provides information on the bank's changes in economic value of equity and net interest income under the prescribed interest rate shock scenarios.

				AED 000s
In reporting currency (AED)	**ΔEVE**		**ΔNII**	
Period	**Dec-23**	**Dec-22**	**Dec-23**	**Dec-22**
Parallel up	(56,160)	(80,560)	(56,160)	(80,560)
Parallel down	56,160	80,560	56,160	80,560
Steepener				
Flattener				
Short rate up				
Short rate down				
Maximum				
Period	**31-Dec-23**		**31-Dec-22**	
Tier 1 capital	491,772		445,186	

Figures are calculated based on assumption of 200 bps shock over 12 months horizon.

Operational Risk

This section describes the main characteristics and elements of a bank's operational risk management framework.

General qualitative information on a bank's operational risk framework (ORA)

An Operational Risk Management Framework serves to orientate the employees to the essential objectives and components of Operational Risk Management.

Operational Risk Management Framework

Bank Saderat Iran – UAE (BSI) Operational Risk Management Framework articulates the standards for Operational Risk Management (ORM) to ensure systematic and proactive identification, assessment, mitigation, monitoring and reporting of the operational risks.

The Operational Risk Management Framework enables BSI to establish an effective governance structure, develop policies and procedures, and adopt systems and controls for ORM in accordance with the Central Bank of UAE (CBUAE) guidelines, regulations and standards.

BSI's Operational Risk Management Framework also assists setting standards for ORM in order to clearly define approaches for identification, assessment, mitigation, monitoring and reporting ORM across the region by defining strategic approach for operational risk management and by establishing a culture that ensures effective implementation of risk management processes. The key components of BSI's Operational Risk Management Framework are as follows:

Governance, Policies & Procedures

The Supervisory Board through the Risk Management Committee ensures that appropriate policies and procedures are formulated to comply with the Circulars & Notices issued by the Central Bank of the UAE and Head Office, Tehran from time to time for its operations.

Risk Assessment

BSI assesses operational risk by performing an annual risk assessment which considers the likelihood and impact of each potential operational risk and then determines mitigating controls to show the residual risk.

Monitoring & Reporting

The assessment is forwarded by making sure that the agreed actions are taken while recommending controls to the management.

Control Environment

Since Operational Risk is evolving and the business environment is constantly changing, Executive Management ensures implementation of the framework's policies, processes and systems in order to always maintain sufficiently robust.

Operational Risk Definition

The BSI adopts the Basel Committee on Banking Supervision (BCSB) and the Central Bank of UAE's definition of operational risk, which defines operational risk as "the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events." This definition includes legal risk but excludes strategic risk and reputational risk.

Operational Risk Strategy

The Supervisory Board has articulated the operational risk management strategy for the BSI within the regions, in line with the business objectives and risk appetite. The BSI's strategy towards operational risk management focuses on:

- Emphasis on minimizing the losses to an acceptable level that is as per Risk Appetite of BSI.
- Review operational risk events that may occur in daily operation and analyze its subsequent results, to ensure efficient and effective processes.

- o Analyze the impact of failures processes, technology/ systems and develop/enhance mitigating technique to minimize the impact.
- o Develop plans for external shocks that will adversely impact on the continuity in the BSI's operations.

Operational Risk Management Policy

The operational risk management policy objectives are as follows:

- o Provide quality assurance and follow-up on all risk events recorded by the Business units/Departments.
- o Ensure all risk events are recorded.
- o Quantify the qualitative data.
- o Conduct transaction review and analysis to identify operational risk events.
- o Analyze and monitor risk events to identify adverse trends and report to Executive Management along with suggested remedies and actions to be taken.
- o Provide training.
- o Update business processes, risk management policies, strategies and statements, as required.

Operational Risk Governance Structure

The BSI adopted three lines of defense for its operational risk management. The increased focus on risk and the supporting governance framework includes identifying the responsibilities of different parts of the BSI for addressing and managing risk. Each of the three lines has an important role to play in risk management. These are:

1) **First Line of defense**: This comprises of the entire BSI's business line functions and operating units' employees as required to own and ensure the effective management of operational risk and compliance with regulations, BSI's policies and guidelines.

2) **Second line of defense**: This comprises of the operational risk control owners, the operational risk management function. It is responsible for identifying, measuring, monitoring and reporting risk on a BSI-wide basis independently from the first line of defense.

3) **Third line of defense**: An independent assurance is provided by the internal audit function by conducting internal risk-based and other audits. The reviews provide assurance to the Supervisory Board that the overall operational risk governance framework is effective and that policies and processes are in place and consistently applied.

Operational Risk Management

The BSI identifies and assesses the operational risk inherent in all its material products, activities, processes and systems. Furthermore, the BSI ensures that before new products, activities, processes and systems are introduced or undertaken, the operational risk inherent in them is subject to adequate assessment procedures. The use of new products or systems should be approved in advance by the relevant internal body such as the Executive Management.

The BSI mitigates operational risks by defining, documenting and updating the relevant business processes. Furthermore, the BSI mitigates operational risk by following strict rules for the assignment of duties and responsibilities among and within the functions and a system of internal control and supervision. The main principle for organizing work flows is to segregate the business-generating functions from the recording and monitoring functions. An important factor in operational risk mitigation is also the continuous development and upgrading of strategic information and communication systems.

Structure to Identify and Manage Operational Risk

The BSI's activities and operations has been defined as a set of processes in which operational risks may occur, and in which the BSI's operational risks consequently will be identified, reported, followed and managed. To reflect changes in the BSI's operations and/or organizational structure, the defined processes might be amended from time to time.

Risk Control Strategies and Guidelines

In addition to this Policy the BSI has developed, implemented and maintains an Operational Risk Management Framework, congruent with the Policy and the principles for the sound management of operational risk as per Basel framework. The Framework provides the strategic direction and guidelines on operational risk in order to ensure that an effective operational risk management and measurement process is adopted throughout the BSI. The Framework also provides for the consistent and comprehensive capture of data elements needed to measure and verify the operational risk exposure, as well as to implement appropriate reporting systems and mitigation strategies.

Remuneration Policy

This section describes the bank's remuneration policy as well as key features of the remuneration system to allow meaningful assessments by users of Pillar 3 data of banks' compensation practices.

Key Feature of Remuneration System (REMA)

Bank Saderat Iran – UAE (BSI) Remuneration Policy is overseen and approved by the Supervisory Board which clearly outlines the remuneration structure of the staff.

The Remuneration Policy applies to all of the eight branches and departments of the BSI across the UAE. The Board Remuneration Committee is composed of five members who are appointed by the Supervisory Board to approve all remuneration decisions for the BSI.

The Remuneration Committee holds meetings according to its SB approved Terms of Reference, to:

- Review and update the Remuneration Policy;
- Supervise the proper implementation of the Remuneration Policy;
- Assess the efficiency and effectiveness of the Remuneration Policy;
- Evaluate the performance of the executive managers;

The Remuneration Committee coordinates closely with the Risk Management Committee when assessing the compensations, its associated risks, suitability and effectiveness compared with the performance of the BSI. This is facilitated by the common member between the two committees who will convey from the risk perspective any view on the compensations.

This policy is reviewed annually and when required by the Remuneration Committee to ensure compliance with the law and corporate governance practices as well as conformity with the strategy of the BSI and the development of its operations with following objectives.

- The effectiveness, appropriateness and transparency of the remuneration mechanism.
- The consistency of the remuneration across the Region.
- Ensuring that the BSI attracts and retains the talent needed to deliver on its business objectives.
- Approving and recommending to the Supervisory Board the HR Policy and Procedure.
- The BSI's compliance with applicable legal and regulatory requirements;

BSI's rewards philosophy incorporates the following principles:

- Discourage Risk taking beyond appetite.
- Reward employees for embracing BSI'S corporate values
- Compliant with Local Laws and Regulations.
- Achieving the purpose for which those remunerations were granted.

The Remuneration policy promotes sound and effective risk management and is a key driver in motivating employees and fueling superior performance.

The Remuneration policy forms the guiding principle for core Rewards Strategy and offers a strong and well-designed rewards proposition for the employees, driven by the vision and mission of the BSI to attract and retain a diverse workforce, all-inclusive equal opportunities workplace.

The remunerations of all BSI's employees can comprise of fixed and variable components. These components are determined based on the nature of the work of the employees, their level and responsibilities, and if they are a UAE national, locally recruited or Out-of-Station. The compensation offered to most of the employees is mainly fixed in nature. Variable compensation is paid in few exception cases and in a nominal proportion.

The compensation of controllers (Head of Internal Audit, Head of Compliance and Head of Risk Management) are determined separately and as per CBUAE Internal Controls, Compliance and Internal Audit Standards 161/2018 in a way that makes their incentives independent of the lines of business whose risk taking and incentive compensation they monitor and control. Instead, their performance measures and incentives are based on achievement of their own objectives so as not to compromise their independence.

BSI's remuneration policy is equally applicable to all employees of the BSI including the Chief Executive, Senior Management and all staff across functions. Compensation given to Senior Management and material Risk Takers can be reduced or reviewed in certain conditions however that shall cease within certain period as decided by Remuneration Committee.

The Reward Governance Framework ensures that our employees are operating within the established professional protocols and are fully aware of the disciplinary action, claw backs & forfeit of variable pay in case of gross misconduct, unacceptable behaviors, and taking excessive risk or miss-selling. This is also reinforced by BSI'S code of conduct.

The BSI Performance is mainly measured on achieving the financial objectives, customer related metrics and meeting regulatory requirements and level of reward is determined on the basis individual performance, contribution of business unit and the overall BSI performance.

If the overall BSI's performance is not satisfactory and below the financial targets, the remuneration amounts becomes discretionary and adjusted. Lower the performance, lower the reward and vice versa.

Remuneration awarded during the financial year (REM1)

This table provides quantitative information on remuneration for the financial year.

	AED 000s		a	b
	Remuneration Amount		**Senior Management**	**Other Material Risk-takers**
1	Fixed Remuneration	Number of employees	0	10
2		**Total fixed remuneration (3 + 5 + 7)**	**-**	***4,192.16***
3		Of which: cash-based	-	4,192.16
4		Of which: deferred	-	-
5		Of which: shares or other share-linked instruments	-	-
6		Of which: deferred	-	-
7		Of which: other forms	-	-
8		Of which: deferred	-	-
9	Variable Remuneration	Number of employees	0	0
10		**Total variable remuneration (11 + 13 + 15)**	**-**	**-**
11		Of which: cash-based	-	-
12		Of which: deferred	-	-
13		Of which: shares or other share-linked instruments	-	-
14		Of which: deferred	-	-
15		Of which: other forms	-	-
16		Of which: deferred	-	-
17	**Total Remuneration (2+10)**		**-**	**4,192.16**

The bank has a simple structure of Remuneration mostly constituting from its operational activities.

End of 2023 - Pillar III Disclosure