



Pillar III Disclosure

December 2023

BANK OF CHINA LTD. -ABU DHABI

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1 GENERAL OVERVIEW

1.1 Introduction and basis of preparation

1.1.1 Scope of Basel 3 Pillar 3 disclosures

Basel Committee on Banking Supervision (BCBS) Basel 3 capital adequacy framework consists of three pillars. Pillar 1 provides a framework for measuring minimum capital requirements for credit, market and operational risks faced by banks. Pillar 2 allows banks and supervisors to take a view on whether the bank should hold additional capital to cover the three Pillar 1 risk types and/or to cover other risks. Pillar 3 requires banks to publish a range of disclosures, mainly covering risk, capital, leverage, liquidity and remuneration.

This report provides Pillar 3 disclosures for Bank of China.-Abu Dhabi referred to as “BOCAD” or the “Bank”.

1.1.2 Significant Pillar 3 disclosure requirements and regulations

Capital adequacy, liquidity, funding and remuneration related disclosures in Pillar 3 report has been prepared in accordance with Central Bank of UAE Pillar 3 disclosure requirements as stipulated in “Standards and Guidance re Capital Adequacy in the UAE – December 2022” and Explanatory Notes on Pillar 3 disclosure requirements (May 2022), the underlying BCBS guidance “Revised Pillar 3 disclosure requirements” issued in January 2015, the “Frequently asked questions on the revised Pillar 3 disclosure requirements” issued in August 2016, the “Pillar 3 disclosure requirements – consolidated and enhanced framework” issued in March 2017 and the subsequent “Technical Amendment – Pillar 3 disclosure requirements – regulatory treatment of accounting provisions” issued in August 2018.

1.2 Overview of Basel 3 requirements

The Bank complies with the Basel 3 standards and guidance notes (December 2022) which have been implemented in the UAE.

Basel requirements are structured around three ‘pillars’ which are outlined below:

Pillar 1 - deals with maintenance of regulatory capital calculated for three major components of risk that a bank faces: credit risk, market risk and operational risk. Other risks are not considered fully quantifiable at this stage;

Pillar 2 - allows banks and supervisors to take a view on whether the bank should hold additional capital to cover the three Pillar 1 risk types and/or to cover other risks. A bank’s own internal models and assessments support this process. The second pillar deals with the regulatory response to the first pillar giving regulators much-improved tools over those available to them under Pillar 1. It also provides a framework for dealing with all the other risks a bank may face such as systemic risk, concentration risk, strategic risk, reputational risk, liquidity risk and legal risk. This risk and capital assessment is commonly referred to as the Internal Capital Adequacy Assessment

Process (ICAAP);

Pillar 3 - covers external communication of risk and capital information by banks as specified in the Basel rules. The aim of Pillar 3 is to provide a consistent and comprehensive disclosure framework by requiring institutions to disclose details on the scope of application, capital, risk exposures, risk assessment processes, capital adequacy, liquidity and funding position and leverage of the institution. It must be consistent with how the senior management including the Board assess and manage the risks of the institution.

This report should be read in conjunction with the risk disclosures in audited consolidated financial statements.

Basel 3 also provides for different approaches to calculating capital requirements for credit risk exposures as follows:

Standardized approach — under this approach, the assets (including off-balance-sheet post-CCF) is classified into asset types to enable better risk sensitivity. The risk weights used to assess capital requirements against credit exposures are consistent across the industry.

Internal-ratings-based approach (IRB) — under this approach, the risk weights are derived from the Bank's internal models. The IRB approach is further sub-divided into two alternative applications- Foundation and Advanced.

Foundation IRB (FIRB) — Under this approach, the banks are allowed to develop their own models to estimate the PD (probability of default) for individual counterparties or groups of counterparties and use supervisory values for LGD (loss given default) and EAD (exposure at default) estimates. Banks can use this approach only subject to approval from their local regulators.

Advanced IRB (AIRB) — under this approach, the banks are allowed to develop their own models to quantify required capital for credit risk. PD, LDG and EAD used for computing capital is determined using the Bank's internal models. Banks can use this approach only subject to approval from their local regulators.

1.2.1 BOCAD's approach to Pillar 1

Credit risk: the Bank uses the standardised approach for calculating its capital requirements for credit risk. This approach allows the use of external ratings from designated credit-rating agencies wherever available in determining the appropriate risk weights. The risk weights are determined by the asset class and the external rating of the counterparty. The net exposure incorporates off-balance-sheet exposures after applying the credit conversion (CCF) and credit risk mitigation (CRM) factors.

Market risk: the Bank uses the standardised approach for calculating regulatory market risk capital requirements.

Operational risk: the Bank uses the standardised approach for computing capital

requirements for operational risk.

1.2.2 Minimum capital requirement

To achieve broader macro-prudential goal of protecting the banking sector from the periods of excess aggregate credit growth and in addition to the capital conservation buffer (CCB) requirement, banks are required to maintain the countercyclical buffer (CCyB). Banks must meet CCB and CCyB requirement by using Common Equity Tier 1 (CET1) capital. The level of CCB requirement is set to 2.5% of risk weighted assets. Banks will also be subject to CCyB that varies between zero and 2.5% of total risk weighted assets and is currently at 0.0% for BOCAD. CCyB buffer applicable to each bank will reflect the geographic composition of its portfolio of credit exposures.

Further, to reduce risks related to the failure of domestic systemically relevant institutions, the Central Bank of the UAE has introduced domestic systematically important banks (D-SIB) buffer. However, BOCAD is not listed as a D-SIB.

1.2.3 Leverage and liquidity ratios

Basel 3 introduced a 3% minimum leverage ratio.

1.2.4 Revised Standards for Pillar 3 disclosures

Basel 3 standards and guidance notes (December 2022) which has been implemented in the UAE laid out the revised disclosure requirements. These standards and guidance notes supersede the existing Pillar 3 disclosure requirements issued in 2009. These revised requirements are an integral part of the Basel framework and they complement other disclosure requirements issued separately by the UAE Central Bank. Pillar 3 Disclosure requirements apply to all banks in the UAE at consolidated level for local banks and all branches of foreign banks.

1.2.5 Internal controls and verification

The key features of internal controls around Pillar 3 reporting are as follows:

- Segregation of duties – maker-checker process is strictly followed in compiling Pillar 3 report,
- Data-sourcing and reconciliation – data is sourced from multiple systems which are reconciled with the general ledger, sub-ledgers and audited financial statements,
- Reviews – Pillar 3 report undergoes several rounds of reviews by Finance and Risk functions,
- Internal audit – Internal auditors provide independent and objective assurance on disclosures in Pillar 3 report, and
- Attestation – Attestation is obtained from SMC members that Pillar 3 report has

been prepared in accordance with the SMC internal control processes.

Pillar 3 disclosures for the year ended 31 December 2023 have been appropriately reviewed by the management, SMC and internal auditor of the Bank.

1.2.6 Bank of China Ltd.-Abu Dhabi at a glance

BOCAD was incorporated in 2014 holding a wholesale banking licence and is regulated by the Central Bank of UAE (herein simply referred to as “CBUAE”).

The Bank is wholly owned by Bank of China Limited (herein simply referred to as “BOC” or the “the Group”) which is registered and domiciled in the People’s Republic of China. The Group provides support to the Bank in terms of capital, technology and IT human resources.

2 FORWARD LOOKING AND RISK FACTORS

2.1 Forward Looking Statement

2.1.1 United Arab Emirates

Moody's has affirmed the UAE's credit rating, citing the government's low debt levels and adherence to balanced budget targets as key factors. Despite risks from the transition away from hydrocarbons and geopolitical tensions in the region, the UAE's strong institutions and diversification efforts help mitigate these challenges.

The federal government of the UAE is expected to continue meeting balanced budget targets despite increasing spending by 1.6%. The limited scope for federal spending is supported by significant fiscal decentralization across the government and individual emirates, with substantial spending by Abu Dhabi on specific projects. As a result, Moody's expects the UAE federal government debt to reach 3% of GDP by the end of 2026, compared to 2.1% of GDP at the end of 2023. The UAE's strong fiscal controls and potential support from Abu Dhabi during times of stress or shocks contribute to its very high fiscal strength, with federal debt remaining among the lowest across sovereigns.

In terms of the economy projection, on December 22, 2023, the Central Bank of UAE has revised its projection of UAE GDP growth in 2024 from 4.3% to 5.7%, driven by higher oil GDP growth expectation in 2024 as OPEC+ announced significant increases in oil production in 2024. Meanwhile, the World Bank raise its projection of UAE GDP growth to 3.7% and 3.8% in 2024 and 2025, this is 0.3% and 0.4% higher than its forecast released in June 2023.

2.1.2 GCC economy forecasting

Oil production cuts and country-specific factors have started to weigh on oil exporters. Oil GDP growth is slowing after three rounds of deep OPEC+ oil production cuts (October 2022, April 2023, June 2023) and additional temporary cuts by Saudi Arabia. For GCC countries, crude oil production was cut considerably, driving a deceleration in oil GDP growth. Crucially, the slowdown of oil GDP has been partially offset by

continued strong non-oil GDP growth, driven by robust manufacturing activity (Oman, Qatar, Saudi Arabia, United Arab Emirates) and surging services (Bahrain, Oman, Saudi Arabia, United Arab Emirates). Based on IMF's World Economic Outlook (December 2023), the real GDP growth in the GCC countries is forecasted to be 1.5% for 2023, falling sharply from 7.9% of 2022. This downturn reflects lower oil prices, tighter financial constraints, and a weaker global economy. Even in the face of rising borrowing costs, the non-oil private sector within the GCC showed resilience, with growth being supported by a domestic demand, which triggered new orders and led to an increase in employment.

It is important to note that economic forecasts are subject to change based on a range of factors and uncertainties, and different organizations may have varying outlooks based on their unique methodologies and assumptions.

2.2 Foreseeable Risk Factors

A slowing global economy coupled with a divergent economic landscape will challenge the banking industry in new ways in 2024. Although recent efforts to combat inflation are showing signs of success in many countries, the risks brought to light by supply chain disruptions, rewiring of trade relationships, and ongoing geopolitical tensions will complicate economic growth worldwide. With this backdrop, the International Monetary Fund (IMF) expects the world economy to grow at no more than 3.0% in 2024.

In light of the glooming economic outlook, the uncertainty of all kinds of risks involved in the operating environment of the banking sector is elevated. Not only the traditional risks but also emerging risks require a closer attention to ensure the Bank stay on track. In the near future, elevated inflation and interest rates, global recession risk, geopolitical risk, and rising cyber security risks are the foreseeable risk factors/challenges which may lead to NIM decrease, higher funding cost and liquidity risk, elevated credit risk(deteriorated credit asset quality), and also financial crime risk.

High interest rates have been a boon to the banking industry. However, elevated rates will continue to push funding costs higher and squeeze margins. The pace and steepness of the current rate cycles have dramatically boosted the cost of interest-bearing deposits for banks. Going forward, the banking industry may be hard-pressed to bring down high deposit costs even as interest rates drop. Customer expectations of higher rates, coupled with increased market competition, will force many banks to offer higher deposit rates to retain customers and shore up liquidity. Consequently, the combination of higher deposit costs, lower policy rates, and somewhat constrained loan potential can adversely impact banks' ability to generate strong net interest margin (NIM) in 2024.

The exponential pace of new technologies, and the confluence of multiple trends, are influencing how banks operate and serve customer needs. The impact of generative AI, industry convergence, embedded finance, and open data, digitization of money, decarbonisation, digital identity, and fraud will grow in 2024. Hence, combatting financial crime risk remains another key challenge for the banking sector. In addition, financial crime compliance will be purpose-led and will focus more on effectiveness,

concentrating on outcomes rather than outputs. Advancements in technology and data will also result in new ways to approach know-your-customer (KYC) and customer due diligence (CDD) procedures in the future.

From the perspective of emerging risks, environmental, social, and governance (ESG) issues as well as their associated opportunities and risks are becoming more and more relevant for financial institutions. Especially, UAE is at the forefront in addressing ESG issues and driving sustainability under its Net Zero 2050 strategy. ESG risk is not a fully stand-alone risk type; it exerts influence on financial and non-financial risks to varying degrees. The Bank will approach ESG risks in a holistic vision when embedding them into their risk management frameworks. This process includes adjusting business and risk strategies and corresponding risk appetite statements, making sure roles and responsibilities are fully transparent throughout all three lines of defence. Moreover, the Bank also considers related issues in product design, pricing and sales decisions.

3 OVERVIEW OF RISK MANAGEMENT AND RISK WEIGHTED ASSETS

3.1 Key prudential metrics

KM1: Key Metrics

		Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1)	448,385	385,026	397,900	391,418	395,891
1a	Fully loaded ECL accounting model	448,385	385,026	397,900	391,418	395,891
2	Tier 1	448,385	385,026	397,900	391,418	395,891
2a	Fully loaded ECL accounting model Tier 1	448,385	385,026	397,900	391,418	395,891
3	Total capital	464,143	399,570	406,574	398,518	405,095
3a	Fully loaded ECL accounting model total capital	464,143	399,570	406,574	398,518	405,095
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	1,338,594	1,204,148	735,205	609,684	778,397
	Risk-based capital ratios as a percentage of RWA					
5	Common Equity Tier 1 ratio (%)	33.5%	31.97%	54.12%	64.20%	50.86%
5a	Fully loaded ECL accounting model CET1 (%)	33.5%	31.97%	54.12%	64.20%	50.86%
6	Tier 1 ratio (%)	33.5%	31.97%	54.12%	64.20%	50.86%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	33.5%	31.97%	54.12%	64.20%	50.86%

7	Total capital ratio (%)	34.67%	33.18%	55.30%	65.37%	52.04%
7a	Fully loaded ECL accounting model total capital ratio (%)	34.67%	33.18%	55.30%	65.37%	52.04%
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 (%)	2.50%	2.50%	2.50%	2.50%	2.50%
12	CET1 available after meeting the bank's capital requirements	24.17%	22.68%	44.80%	54.86%	41.54%
Leverage Ratio						
13	Total leverage ratio measure	3,408,896	2,860,721	2,958,747	2,021,551	2,473,273
14	Leverage ratio (%) (row 2/row 13)	13.15%	13.46%	13.45%	19.36%	16.01%
ELAR						
21	Total HQLA	844,666	669,294	1,241,652	843,272	543,328
22	Total liabilities	2,492,835	2,067,679	2,240,207	1,452,302	1,716,380
23	Eligible Liquid Assets Ratio (ELAR) (%)	33.88%	32.37%	55.43%	58.06%	31.66%
ASRR						
24	Total available stable funding	1,848,877	1,227,884	1,851,984	1,452,302	1,293,795
25	Total Advances	777,793	681,785	723,590	843,272	833,960
26	Advances to Stable Resources Ratio (%)	42.07%	55.53%	39.07%	58.06%	64.46%

OVA: Risk Management Approach

3.2 The risk management objectives and policies of the Bank

The primary risk management objectives of Bank of China (the “BOC”) are to optimize capital allocation, maximize revenue for its shareholders, maintain risk level within acceptable parameters and satisfy depositors and the regulatory requirements and other interest groups in order to achieve the Bank’s prudent and stable development.

The Bank, as a branch of the BOC Group as well as a local financial institution, works continuously to implement the strategic requirements, as serving to boost the local economic development, financial prosperity, and international expansion of Chinese enterprises. Currently the target clients of the Bank are mainly the major local companies, governments and sovereigns, major international companies and financial institutions with investment rating, and medium-and-large Chinese corporates operating in the Middle East.

Flexibility and adaptability should be built into the business strategy in response to changing market conditions. At the moment, main issues posing strategic risks to the Bank include Global economic recession, Middle East Geo-political Conflict Escalation, commodity price volatility, and clean energy transition escalation. The Bank has attached great significance to the business and strategic risk management to avoid the failure of the Bank’s long term strategy.

In order to address the key risks and to support the business with long term financial soundness and positive stakeholder outcomes, the Risk Management Objectives are set and embedded via Risk Appetite Framework to achieve the following purposes:

- Maintaining sustainability and viability through capital and liquidity strengths;
- Adopting prudent approach towards lending, with on-going enhancement on the risk mitigation and concentration management; and
- Strengthening the risk management framework, tools and infrastructures and stay dynamic at an on-going basis.

In addition, risk appetite is designed with strategic and forward-looking considerations whereas risk indicators and risk limits are used to govern and monitor our day-to-day business activities. Risk strategy guides risk appetite, which is embodied in risk policies, covering integrated risk identification, assessment and management.

3.3 The business model of the Bank

The Bank carries out business activities in line with the Wholesale Banking License issued by Central Bank of UAE. The main products and services the Bank provides

to its clients include: providing credit, accepting deposit, arranging credit and advising on credit, providing agency services, matchmaking, and etc.

The Bank, under the guidance of the group's risk appetite and policies, the Bank's goal is therefore to achieve an appropriate balance between risk and return, minimize potential negative effects on the Bank's financial performance, serve and implement the BOC Group's strategies.

The target clients of the Bank are mainly the major local companies, governments and sovereigns, major international companies and financial institutions with investment rating, and medium-and-large Chinese companies operating in the Middle East.

The Bank is focus on GCC countries and China. The Bank prefers to counties with rich oil & gas reserves and comprehensive national strength such as the UAE, Saudi Arabia, Qatar and Kuwait to find out business opportunities that match with the Bank's risk appetite. In addition, as a Chinese bank, the Bank always takes China as one of its prior markets.

3.4 The risk governance structure of the Bank

The Bank has an effective and well-established governance framework in place to ensure that risks impacting our businesses are identified, appropriately categorized, assessed, managed and communicated to the Senior Management in a timely manner. The Senior Management Committee (SMC) has overall accountability and responsibility for the Bank's management of risk. Also it is the strategy-making level of risk management in the Bank. The SMC delegates specific risk management roles and responsibilities to: RMC(Risk Management Committee), ALCO (Asset Liability Committee), AMCC(Anti Money Laundering and Compliance Committee) and the Internal Audit Officer.

Specific responsibilities of the above committees (as well as the SMC) and posts are defined in the Terms of Reference of each committee and the authorization document for each post. Particularly, RMC is responsible for determining the risk appetites and risk tolerance, general principles of risk management, risk management framework and overall risk strategy.

In addition, the Bank has established three lines of defence for risk management and internal control. The business lines are the first line (1LoD) of defence which is responsible for identifying, assessing and managing all risks generated from its operation, undertaking the full control management lifecycle activities, identifying and remediating issues, establishing and performing 1LoD risk reporting and monitoring, and escalating risk events or material concerns to the second line of defence (2LoD) in charge of the management of the relevant risk types.

In terms of 2LoD, the Risk Management Functions mean the departments and/or posts that are responsible for the management of various risks under the direction of the SMC and relevant committees. Among them, the Risk Management Department takes

the lead to manage the credit risk, market risk and operational risk; Financial Management Department is in charge of the management of liquidity risk and interest rate risk in the banking book and strategic risk. The Legal and Compliance Department takes the lead to manage the compliance risk, AML risk, IT risk and outsourcing risk; the Executive Office is responsible to manage reputation risk.

The Internal Audit Officer, namely the third of defence, is responsible for evaluating and supervising the risk management and assessment of the adequacy and effectiveness of internal control and governance procedures. The internal audit post acts as the leading department of the internal audit.

3.5 Channels to the risk culture with the Bank

The Bank endeavours to promote strong risk conduct and embedded a risk management culture throughout various ways. The senior management also takes the risk culture as priorities. The Senior Management approved Enterprise Culture and Employee Conduct Framework which provides organizational direction and describes our approach to a set of related topics applicable to all risk categories such as accountability and risk culture.

Senior Management communicates behavioural standards to our staff on a regular basis, with a focus on conduct and values. Furthermore, the Code of Conduct outlines an employee's need to be truthful, respect others, and follow all applicable laws, regulations, and policies. Anyone who violates the Code of Conduct or fails to disclose a probable or actual violation faces corrective or disciplinary action.

3.6 The scope and main features of risk measurement systems

The Bank adopts the risk measurement systems developed by the Bank of China HO and holds a "neutral" risk appetite to balance risk and return in line with the principles of "rationality, stability and prudence".

In terms of credit risk management, Corporate Credit Management System (CCMS) and Global Risk Mitigation System (GRMS), IFRS9, etc. are deployed to strengthen the automated risk measurements. Specifically, it implements centralized credit approval and risk classification, internal rating, credit disbursement in CCMS, and collateral management in GRMS, computes loan provisions in IFRS 9. It enhances credit authorization and post-loan management, as well as the disposal and recovery of non-performing loans. For market risk management, the Bank formulates Market Risk Management Policy to define the market risk measurement, risk limit structure and risk limit monitoring, and systems like IMA and XPAD are launched to facilitate the risk measurement. In respect of liquidity risk management, the head office takes charge of liquidity risks of the whole bank group and realizes high degree of unification of policy and risk measurement standard in line with the discipline of centralized management.

The Bank adopts an operational management framework in accordance with

regulatory provisions for the purposes of establishing and improving the operational risk management performance of the Bank. The bank aims to reduce the losses from operational risk to an acceptable level (that is, within the risk preference) through 3 Lines-of-Defence.

To identify and mitigate the operational risk exposure, the Bank classifies operational risk in respect of operational risk cause, operational risk event and its impact through 3 major operational risk management tools namely RACA, KRI and LDC, which are carried out in a timely manner for existing and newly launched important products, business activities, business procedures, information technology systems, personnel management, external factors and their changes. RACA, KRI and LDC, which are carried out in a timely manner for existing and newly launched important products, business activities, business procedures, information technology systems, personnel management, external factors and their changes.

3.7 The process of reporting to the SMC

The SMC is accountable for establishing the Bank's overall strategy and significant policies relating to the risk management in relation to a specific risk type or in general. Therefore the risk information reporting to the SMC includes but not limited to:

- Enterprise Risk Management Framework (ERMF) and ensure its integrity during implementation,
- The Bank's Risk Appetite Framework (RAF) and Risk Appetite Statement (RAS), and ensure it remains consistent with the Bank's strategy, business and capital plans as well as compensation programs,
- The risk limits and its monitoring results,
- The fundamental principles that facilitate the identification, measurement, treatment, monitoring and reporting of all risks,
- The strategies and measures for managing individual risk element are in place.

3.8 Qualitative information on stress testing

The Bank actively manages the entire assets portfolio and major risks through performing stress testing on a regular basis. As the leading department, Risk Management Department (RMD) designed three macro stress scenarios comprising "Global Economic Recession", "Middle East Geo-political Conflict Escalation", and "Global Market Shocks" for the enterprise-wide stress tests in 2023. The scope of these scenarios covers credit risk, market risk, operational risk, credit concentration risk, IRRBB, and liquidity risk for the purpose of prudentially risk assessment and management.

The process of stress tests is supported by robust and documented methodologies.

And multiple methods including sensitivity analysis and scenario analysis are employed to compute a reliable measurement of loss under the aforementioned extreme but plausible events. From the stress testing results, the Bank shows a relatively strong resilience to absorb the loss or bear the pressure under the aforementioned stressed scenarios.

The responsibility for managing credit risk is shared broadly following the three lines of defence governance model. Head Office delegates a specific credit approval authority to the Bank. Credit facilities in excess of the authorised amount must be approved by of the EMEA Credit Approval Centre. To facilitate day-to-day business activities, the CRO has been empowered to further delegate credit risk approval authorities to individuals within RMD as necessary. The Bank's medium-low risk appetite towards credit risks is reflected in the conservative approach towards lending focusing on investment grade corporate customers, collateralized lending, etc. , a rigorous view towards high leverage financial project and a tight restriction over such facilities. The Bank seeks to reduce the exposure to credit risk through a variety of means, including the structuring of transactions and the use of collateral. Risk mitigates include the use of guarantees, collateral, seniority, loan-to-value (LTV) requirements and covenants.

For market risk, the Bank's cautious risk appetite is reflected in a strict restriction to the back to back clients trading, and moderate limit in the exchange rate risk in the trading and banking book. The Bank does not conduct any proprietary trading; all of the trading activities are client driven (need to be operated on a back-to-back basis), or for hedging of banking account market risk. The Bank adopts FX risk exposure, intraday and overnight FX risk exposure, PVBP and VaR etc. for the purpose of monitoring, reporting and managing the market risk in the trading and banking book.

The Bank's cautious risk appetite towards liquidity risk is reflected in the effective and prudent management of liquidity risk to ensure the continuing health and strength of the Bank. The LCR is adopted as liquidity risk appetite indicators for monitoring.

The Bank mainly utilizes the interest rate sensitivity gap to analyse the re-pricing risk on a static basis from net interest income perspective. The Bank adopts the Net Interest Income (NII) Movement Ratio for the purpose of monitoring, reporting and managing the IRRBB.

For Interest Rate Risk in Banking Book (IRRBB), the Bank's cautious risk appetite is reflected in well management of the re-pricing gap, and moderate losses to the Bank in term of the Bank's earnings due to the change of interest rate.

The Bank has a cautious risk appetite for material operational risks. All appropriate measures should be taken towards achieving a high level of operational risk awareness and the establishment of a rigorous operational risk management system. Operational risk appetite is measured as a percentage of regulatory capital. A level of operational loss for any given year of above Moderate level is considered

unacceptable.

The Bank maintains a cautious risk appetite for compliance risk. Given the nature of compliance risk, the risk appetite indicator related to compliance risk is qualitative in nature. The Bank endeavours to put in place appropriate policies, procedures and controls to ensure no material breach of applicable laws, regulations and rules are committed by the Bank or its Employees.

The Bank maintains a cautious risk appetite for AML risks. Given the nature of AML risk, the risk appetite indicator related to AML risk is qualitative in nature. The Bank endeavours to put in place appropriate policies, procedures, systems and controls to ensure no material breach of applicable AML laws, regulations and rules is committed by the Bank or its Employees.

3.9 Overall of risk weighted assets

OV1: Overview of RWA

No.	Items (AED' 000)	Dec 2023	Dec 2022
1	Credit risk (Standardized approach (SA))	1,260,641	736,346
2	Market risk (Standardized approach (SA))	949	2,131
3	Operational risk (Basic indicator approach (BIA))	77,004	39,924
Total RWA		1,338,594	778,401

3.10 Linkages between Financial Statement and Regulatory Exposures

The below table shows the effect of regulatory adjustments required to derive the Bank's exposure at default (EAD) for the purposes of calculating its capital requirements. The differences between the carrying values under regulatory scope of consolidation and carrying values in financial statements are detailed below:

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

	Items (AED' 000)	a	b
		Total	Items subject to:
			Credit risk framework
1	Asset carrying value amount under scope of regulatory consolidation (as per template LI1)	2,959,675	2,959,675
2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	0	0
3	Total net amount under regulatory scope of consolidation	2,959,675	2,959,675
4	Off-balance sheet amounts	900,366	900,366
5	Differences in valuations	0	0
6	Differences due to different netting rules, other than those already included in row 2	0	0
7	Differences due to consideration of provisions	0	0
8	Differences due to prudential filters	0	0
9	Exposure amounts considered for regulatory purposes	0	0

4 REGULATORY CAPITAL AND CAPITAL ADEQUACY

4.1 Capital Composition

The table below shows the Bank's breakdown of regulatory capital according to the scope of regulatory consolidation and in-line with the CBUAE capital supply standard.

CC1: Composition of regulatory capital

		a	b
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
	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	367,200	Same as (h) from CC2 template
2	Retained earnings	77,543	
3	Accumulated other comprehensive income (and other reserves)	4,935	
4	Directly issued capital subject to phase-out from CET1 (only applicable to non-joint stock companies)	0	

5	Common share capital issued by third parties (amount allowed in group CET1)	0	
6	Common Equity Tier 1 capital before regulatory deductions	449,678	
	Common Equity Tier 1 capital regulatory adjustments		
7	Prudent valuation adjustments	0	
8	Goodwill (net of related tax liability)	0	CC2 (a) minus (d)
9	Other intangibles including mortgage servicing rights (net of related tax liability)	15	CC2 (b) minus (e)
10	Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of related tax liability)	1,278	
11	Cash flow hedge reserve	0	
12	Securitization gain on sale	0	
13	Gains and losses due to changes in own credit risk on fair valued liabilities	0	
14	Defined benefit pension fund net assets	0	
15	Investments in own shares (if not already subtracted from paid-in capital on reported balance sheet)	0	
16	Reciprocal cross-holdings in CET1, AT1, Tier 2	0	
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)	0	
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)	0	
19	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	0	
20	Amount exceeding 15% threshold	0	
21	Of which: significant investments in the common stock of financials	0	
22	Of which: deferred tax assets arising from temporary differences	0	
23	CBUAE specific regulatory adjustments	0	

24	Total regulatory adjustments to Common Equity Tier 1	1,293	
25	Common Equity Tier 1 capital (CET1)	448,385	
Additional Tier 1 capital: instruments			
26	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	0	CC2 (i)
27	Of which: classified as equity under applicable accounting standards	0	
28	Of which: classified as liabilities under applicable accounting standards	0	
29	Directly issued capital instruments subject to phase-out from additional Tier 1	0	
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)	0	
31	Of which: instruments issued by subsidiaries subject to phase-out	0	
32	Additional Tier 1 capital before regulatory adjustments	0	
Additional Tier 1 capital: regulatory adjustments			
33	Investments in own additional Tier 1 instruments	0	
34	Investments in capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation	0	
35	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation	0	
36	CBUAE specific regulatory adjustments	0	
37	Total regulatory adjustments to additional Tier 1 capital	0	
38	Additional Tier 1 capital (AT1)	0	
39	Tier 1 capital (T1= CET1 + AT1)	448,385	
Tier 2 capital: instruments and provisions			
40	Directly issued qualifying Tier 2 instruments plus related stock surplus	0	
41	Directly issued capital instruments subject to phase-out from Tier 2	0	

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)	0	
43	Of which: instruments issued by subsidiaries subject to phase-out	0	
44	Provisions	15,758	
45	Tier 2 capital before regulatory adjustments	15,758	
Tier 2 capital: regulatory adjustments			
46	Investments in own Tier 2 instruments	0	
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)	0	
48	Significant investments in the capital, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	0	
49	CBUAE specific regulatory adjustments	0	
50	Total regulatory adjustments to Tier 2 capital	0	
51	Tier 2 capital (T2)	15,758	
52	Total regulatory capital (TC = T1 + T2)	464,143	
53	Total risk-weighted assets	1,338,594	
Capital ratios and buffers			
54	Common Equity Tier 1 (as a percentage of risk-weighted assets)	33.5%	
55	Tier 1 (as a percentage of risk-weighted assets)	33.5%	
56	Total capital (as a percentage of risk-weighted assets)	34.67%	
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.	24.17%	
The CBUAE Minimum Capital Requirement			
62	Common Equity Tier 1 minimum ratio	7%	
63	Tier 1 minimum ratio	8.50%	
64	Total capital minimum ratio	10.50%	
Amounts below the thresholds for deduction (before risk weighting)			
65	Non-significant investments in the capital and other TLAC liabilities of other financial entities	0	
66	Significant investments in common stock of financial entities	0	
67	Mortgage servicing rights (net of related tax liability)	0	
68	Deferred tax assets arising from temporary differences (net of related tax liability)	0	
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)	19,202	
70	Cap on inclusion of provisions in Tier 2 under standardised approach	15,758	
71	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	0	
72	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	0	
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	0	
74	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	0	
75	Current cap on AT1 instruments subject to phase-out arrangements	0	
76	Amount excluded from AT1 due to cap (excess after redemptions and maturities)	0	
77	Current cap on T2 instruments subject to phase-out arrangements	0	

78	Amount excluded from T2 due to cap (excess after redemptions and maturities)	0
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4.2 Capital Adequacy

The capital adequacy ratio (CAR) is calculated by dividing the regulatory capital base by the total on and off balance sheet RWAs. The minimum CAR for foreign banks incorporated in UAE is 10.5 per cent.

4.3 Reconciliation of regulatory capital to balance sheet

The table below shows the link between the Bank's balance sheet in its published financial statements and the numbers that are used in the composition of capital disclosure.

CC2: Reconciliation of regulatory capital to balance sheet

Items(AED'000)	Balance sheet as in published financial statements	Under regulatory scope of consolidation	CC2 Ref
Assets			
Cash and balances with the UAE Central Bank	140,784	140,784	
Due from banks	1,275,218	1,275,848	A
Due from related parties	44,192	44,192	
Financial assets measured at amortised cost	703,869	703,882	
Loans and advances	773,844	777,793	A
Other Assets	12,623	12,623	
Property, plant and equipment	3,260	3,260	
Intangible assets	15	15	
Current and deferred tax assets	1,278	1,278	
Total assets	2,955,083	2,959,675	
Liabilities			
Customer deposits	1,618,755	1,618,756	
Due to related parties	826,243	826,243	
Due to banks and other financial institutions	8,016	8,017	
Other liabilities	41,485	39,819	A
Provisions	-	6,256	A
Total liabilities	2,494,499	2,499,091	
Shareholders' equity			
Paid-in share capital	367,200	367,200	
Of which: amount eligible for CET1	367,200	367,200	
Of which: amount eligible for AT1	-	-	
Retained earnings	69,471	75,503	
Accumulated other comprehensive	23,913	17,881	

income			
Total shareholders' equity	460,584	460,584	

A: Key differences between regulatory exposure and carrying values in financial statements are mainly on account of: Treatment of carrying amount as net of provision in financial statements.

5 LEVERAGE RATIO

The Basel 3 leverage ratios is calculated by dividing the period-end tier 1 capital by the period-end leverage ratio denominator (LRD), as summarized in the tables below.

LR2: Leverage ratio common disclosure

On-balance sheet exposures		31-Dec-23	30-Sep-23	30-Jun-23	31-Mar-23	31-Dec-22
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	2,959,675	2,522,196	2,683,132	1,758,352	2,127,140
2	Gross-up for derivatives collateral provided where deducted from balance sheet assets pursuant to the operative accounting framework	0	0	0	0	0
3	(Deductions of receivable assets for cash variation margin provided in derivatives transactions)	0	0	0	0	0
4	(Adjustment for securities received under securities financing transactions that are recognized as an asset)	0	0	0	0	0
5	(Specific and general provisions associated with on-balance sheet exposures that are deducted from Tier 1 capital)	0	0	0	0	0
6	(Asset amounts deducted in determining Tier 1 capital)	(1,293)	(3,647)	(3,650)	(3,652)	(3,655)
7	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)	2,958,382	2,518,549	2,679,482	1,754,700	2,123,485
Other off-balance sheet exposures						
19	Off-balance sheet exposure at gross notional amount	900,366	684,343	558,530	533,701	663,111
20	(Adjustments for conversion to credit equivalent amounts)	(449,852)	(342,172)	(279,265)	(266,851)	(313,323)
21	(Specific and general provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital)	0	0	0	0	0
22	Off-balance sheet items (sum of rows 19 to 21)	450,514	342,171	279,265	266,850	349,788
Capital and total exposures						
23	Tier 1 capital	448,385	385,026	397,900	391,418	395,891
24	Total exposures (sum of rows 7, 13, 18 and 22)	3,408,896	2,860,721	2,958,747	2,021,550	2,473,273
Leverage ratio						

25	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)	13.15%	13.46%	13.45%	19.36%	16.01%
25 a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	0.00%	0.00%	0.00%	0.00%	0.00%
26	CBUAE minimum leverage ratio requirement	3.00%	3.00%	3.00%	3.00%	3.00%
27	Applicable leverage buffers	0.00%	0.00%	0.00%	0.00%	0.00%

6 LIQUIDITY RISK MANAGEMENT

Liquidity risk is the risk that a bank may not be able to meet short term financial obligations. This usually occurs due to the inability to convert a security or hard asset to cash without a loss of capital and/or income in the process.

Due to the nature and strategy of business, the Bank holds sufficient high liquidity assets that bring liquidity risk to a very limited level.

6.1 Governance of liquidity risk management

The responsibility for liquidity risk management has been vested upon the Bank's ALCO. The ALCO shall be responsible for the Bank's liquidity risk management and performs the following functions:

- Approving the Bank's liquidity risk management policy;
- Oversee the development, establishment and maintenance of procedures and practices that translate the goals, objectives and risk tolerance into operating standards;
- Formulate, review and supervise the implementation of liquidity risk management strategy, policy and procedures in accordance with the tolerable liquidity risk;
- Determine the organizational framework of liquidity risk management and clarify the responsibility of each department;
- Oversee the establishment of effective internal controls over the liquidity risk management process;
- Draw up the liquidity risk contingency plan, understand the events that may trigger the contingency plan, and promptly implement the plan when these events take place.
- The ALCO will make all important decisions with respect to the management of the Bank's liquidity position.

FMD is responsible for measuring, and monitoring the liquidity positions in the Branch daily and reporting to the senior management, the Branch ALCO and the relevant departments on a regular basis. The Bank measures its liquidity by regularly calculating a set of liquidity ratios. It is also entrusted with the responsibility to conduct stress tests and make recommendations based on the results.

FMD performs the following functions:

- Draft liquidity risk management strategy, policy and procedures;
- Take charge of the Branch's liquidity risk management established by the ALCO;

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- Establish and implement the liquidity risk limit indicator system;
 - Measure and monitor the Branch's net amount of cash flow mismatch daily. According to the existing business; Measure the LR. Ensure the regulatory liquidity limits are satisfied;
 - Implement stress test and put forth management suggestions based on test results;
 - Report the Branch's liquidity situation to the ALCO and the Senior Management on a regular basis;
 - Submit information on liquidity risk management to the regulatory authority as required.

Global Market Department (herein simply referred as GMD) performs the following functions:

- Manage the intra-day liquidity, allocate the fund position and ensure to avoid the payment risk;
- Implement the interbank lending and borrowing according to the business demands and liquidity ratio demands;
- Make investment and interbank transaction strictly following the Branch's liquidity limits;
- Monitor and test the Bank's ability of market financing and report to the Senior Management and the ALCO on a regular basis.

Operation Department (herein simply referred as OD) performs the following functions:

- Make funds transfer in accordance with the Global Market Department's instruction;
- Monitor the Branch's nostro accounts to ensure there is sufficient balance for payment.

Corporate Banking Department and Banking Department performs the following functions:

- Comply with the Branch's liquidity management requirements and forecast the fund flow in writing to the GMD, FMD and OD.
- When the Branch's liquidity ratio is lower than the internal Buffer, put loans only if there is sufficient fund support.

RMD performs the following functions:

-
- Ascertain the influence of credit risk, market risk and operational risk on the Bank's over all liquidity position.
 - Identify any other events that might trigger liquidity risk.

Lines of Authority: The Bank is mandated to report its relevant liquidity reports to the local regulator and the Bank's FMD as required frequencies.

6.2 Funding strategy

Consistent with the requirements set by the Bank's LMP, the Bank must have sufficient resources of liquidity, being liquidity assets and access to sources of funding, to withstand a range of liquidity crises without impairing its:

- Solvency;
- Normal levels of customer business;
- Continued access to customer and institutional market funding; and
- Cost of funding.

The Bank is expected to be self-sufficient for its liquidity needs and the Bank should have third-party sources of funding at the local level though the Bank will always enjoy commitment from the Bank for unlimited access to the Bank's central funding pool and other forms of liquidity support.

The third-party sources of funding developed and operationalized by the Bank must be as diversified as far as possible to ensure that an adequate portion of the third-party unsecured funding can be refinanced in any stress situation or a liquidity crisis. The Bank is also expected to hold an appropriate portfolio of unencumbered liquid assets that can be used to manage aggravated levels of liquidity risk in a stress situation, to replace withdrawals of unsecured funding.

6.3 Eligible Liquid Assets Ratio (ELAR)

The table below shows the breakdown of the bank's available high-quality liquid assets (HQLA), as measured and defined according to the CBUAE Liquidity Regulations. The bank is required to maintain at a minimum regulatory high quality assets of 10% of total liabilities, which is higher.

1	High Quality Liquid Assets	Nominal amount	Eligible Liquid Asset
1.1	Physical cash in hand at the bank + balances with the CBUAE	140,784	
1.2	UAE Federal Government Bonds and Sukuks	703,882	
	Sub Total (1.1 to 1.2)	844,666	844,666
1.3	UAE local governments publicly traded debt securities	0	0

1.4	UAE Public sector publicly traded debt securities		
	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	844,666	844,666
2	Total liabilities		2,492,835
3	Eligible Liquid Assets Ratio (ELAR)		34%

6.4 Advances to Stables Resource Ratio

The table below shows the breakdown of the bank's advances to Stables Resource ratio as per the Liquidity regulations. The regulatory requirement of the ratio is less than 100% and the bank meets the requirement.

ASRR: Advances to Stables Resource Ratio

	Computation of Advances	Dec 2023
1.1	Net Lending (gross loans - specific and collective provisions + interest in suspense)	777,793
1.2	Lending to non-banking financial institutions	0
1.3	Net Financial Guarantees & Stand-by LC (issued - received)	0
1.4	Interbank Placements	0
1.5	Total Advances	833,960
	Calculation of Net Stable Resources	
2.1	Total capital + general provisions	466,840
	Deduct:	
2.1.1	Goodwill and other intangible assets	15
2.1.2	Fixed Assets	3,259
2.1.3	Funds allocated to branches abroad	
2.1.5	Unquoted Investments	
2.1.6	Investment in subsidiaries, associates and affiliates	
2.1.7	Total deduction	3,274
2.2	Net Free Capital Funds	463,566
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	0
2.3.3	Refinancing of Housing Loans	0
2.3.4	Borrowing from non-Banking Financial Institutions	0
2.3.5	Customer Deposits	1,385,311
2.3.6	Capital market funding/ term borrowings maturing after 6 months from reporting date	0
2.3.7	Total other stable resources	1,385,311
2.4	Total Stable Resources (2.2+2.3.7)	1,848,877
	Advances TO STABLE RESOURCES RATIO (1.6/ 2.4*100)	42.07%

7 MATERIAL RISKS

7.1 Credit Risk

Credit risk refers to the risk that a borrower will default on their debt obligation by failing to make required repayments. This risk can result in loss to both interest and principle. Credit Risk is the biggest risk the Bank is exposed to. Thus credit risk management has an overreaching impact on the Bank's operations and performance.

7.1.1 Elements of Credit Risk Management

CRA: General qualitative information about credit risk

The branch is an overseas subsidiary of Bank of China Group in UAE, and mainly focuses on providing financial services to corporate clients ,including term loans, trade financing, project financing, RCF etc. Therefore the credit risk profile of the branch mainly refers to a possibility of facing a loss caused by declining or loss of asset value (including off-balance asset), resulting from a deterioration in the corporate clients' financial conditions or the default of them. Guided by the BOC group's "moderate" risk appetite and the risk management principles of "rational and prudent", the branch's credit risk management goal is to strike a reasonable balance between risk and return. The components of the branch's credit risk management framework comprise credit risk governance structure, credit risk appetite and credit risk limits, credit risk management policies and procedures, and credit risk management system to ensure the branch's risk control and risk-taking ability matching its business model and development plan.

The credit risk management policies reflects the branch's risk appetite and takes into account the whole process of credit granting business, include qualitative and quantitative methods with regard to identification, measurement, assessment, monitoring, reporting, control and mitigation of credit risk; credit risk management reports and stress testing etc., in order to make sure that the credit risk is effectively managed and controlled. The core credit risk management policy of the branch is Credit Risk Management Manual covering requirements and procedures of internal credit rating, credit line review and approval, loan execution, collateral management, post-loan management, risk classification, and so on. As to the credit risk limits, the branch sets limits from a variety of dimensions such as industry, country, product and tenor, single clients and group clients etc., in the aim of not only implementing requirements in the risk appetite but also decentralizing the credit risk.

The branch has established a credit risk management structure with clear division of responsibilities, including Chief Risk Officer (CRO), Risk Management Committee (RMC) and Risk Management Department (RMD). CRO is a member of the branch's senior management and RMC, who is in charge of the holistic credit risk management including decision-making and supervising the implementation of credit risk appetite and management strategies, policies and procedures etc. RMC aims to assess the credit risk profile of the Branch and develop appropriate strategies to monitor, control

and mitigate the credit risk related, and its responsibilities consist of reviewing all relevant dimensions and identifying metrics of credit portfolio risk, reviewing and approving credit limits, customer concentration and stress testing related issues proposed by the RMD, etc. RMD is responsible for daily credit risks management and control, including but not limited to due diligence on the credit facilities, review internal credit rating ,review risk classifications of credit assets, monitoring and management of ECL, analyse credit risk portfolio ,prepare credit risk management report, and conduct stress testing.

The Bank has established three lines of defence for internal control. The business line departments are the first line of defence which aims to realize self-control. Credit risk management and risk control is the responsibility of Risk Management Department (RMD) of which specific functions are introduced in the previous question. Legal and Compliance Department (LCD) is in charge of ensuring business compliance with the local laws and regulations and international AML requirements, etc. RMD and LCD both are the second line of defence, taking charge of the overall establishment of internal control system to guide, inspect, supervise and evaluate the first line of defence. Internal Audit which is the third line of defence, independently exams and evaluates the appropriateness and effectiveness of business operations. Risk management, compliance management and corporate governance of the branch are in a systematic and standardized manner.

Risk Management Department (RMD) needs to prepare the credit portfolio review report quarterly covering analysis of credit assets quality and credit assets distribution, the amount and adequacy analysis of general provisions and specific provisions, collection and disposal of existing NPL, potential high-risk customers and corresponding risk control measures, newly incurred NPL and significant risk events, effectiveness of credit risk management, work plans in the next quarter, etc. In addition, the Branch-wide credit risk management summary and forward-looking trend analysis are prepared by RMD monthly which will be included within the Branch's Enterprise Risk Management Report submitted to Head Office, as well as credit data analysis. On top of routine reports, ad hoc reports such as major credit risk reports will also be reported to RMC, and Head Office if necessary and in an appropriate manner.

7.2 Credit Quality of Assets

7.2.1 Composition

The table below shows the carrying values of credit quality of assets of the Bank.

CR1: Credit quality of assets

		a	b	c	d	e	f
		Gross carrying values of		Allowances Impairment s	Of which ECL accounting provisions for credit losses on SA exposures		Net values (a + b - c)
		Defaulted exposures	Non-defaulte d exposures		Allocated regulatory of Specific	Allocated in regulatory category of General	
1	Loans	0	777,793	4,538		4,538	773,255
2	Debt securities	0	703,882	13		13	703,869
3	Off-balance sheet exposures	0	900,366	1,705		1,705	898,661
4	Total	0	2,382,041	6,256		6,256	2,375,785

CR2: Changes in stock of defaulted loans and debt securities

		Dec 2023
1	Defaulted loans and debt securities at the end of the previous reporting period	0
2	Loans and debt securities that have defaulted since the last reporting period	0
3	Returned to non-default status	0
4	Amounts written off	0
5	Other changes	0
6	Defaulted loans and debt securities at the end of the reporting period (1+2-3-4±5)	0

7.2.2 Qualitative Disclosure

An exposure is “past-due” when any amount of principal, interest or fee has not been paid at the date it was due. An exposure is "impaired" when the borrower shows obvious weakness in its financial condition and creditworthiness which may hinder the scheduled repayment, or the loan principals or interests have been overdue for more than 90 days. The scope of 'past due' and 'impaired' is applicable to all the on-and-off balance sheet credit exposures granted to all the wholesale obligors. While for the definition of default, it refers to: 1) the principal or interest of loan is past due more than 90 days to the Branch, or 2) the corporate borrower is unlikely to pay its credit obligations to the Branch in full, without recourse by the Branch to actions such as liquidation against collateral, or 3) the corporate borrower has the above matters in other financial institutions refers to the above criteria.

As of the end of 2023, there is no past-due exposure (> 90 days) in the Bank.

In accordance with IFRS 9 requirements, the Bank assesses and recognizes its loan impairment losses based on expected credit losses model. The expected credit losses (ECL) are a probability-weighted estimate of the credit loss (ie. the present value of all cash shortages) for the estimated duration of the financial instrument. The formula of the ECL model is " $ECL = \sum_t ECL(t) = \sum_t [EXP(t) \cdot DF(t) \cdot PD(t) \cdot LGD(t)]$ ", and the model applies to all the financial assets on and off the balance sheet classified by loan risk categories, including syndicated loans, bilateral loans, trade finance, commitment, L/C or L/G etc. ECL accounting provisions charged for Stage 1 and Stage 2 exposures in accordance with IFRS 9 are categorised as general provisions, while provisions incurred by Stage 3 exposures are categorised as specific provisions.

From the perspective of the branch, debt restructuring means a series of actions taken by the branch on the basis of adequate assessment of the credit risk, including modifying or making a new repayment plan and adjusting the terms of the facility agreement, to urge the debtor to repay its debt, defuse credit risk and minimize or prevent credit loss of the branch. Specifically, the restructuring loans could be categorised as distressing restructuring and other restructuring. A credit facility shall be regarded as a distressed restructuring if any of its terms are formally amended in a context of financial difficulty of the borrower, and, in order for the borrower to obtain concessions for economic or legal reasons that may not otherwise be granted. This includes restructuring that commences/concludes after a credit facility becomes past due 90 days. A credit facility shall be categorised as other restructuring any of its terms are formally amended for commercial or regulatory reasons, including the intention to mitigate future financial difficulties, but excluding current situations of financial distress. Such type of restructuring includes credit facilities for which the contractual obligations and repayments have been made, without any history of past dues on the credit facility. The risk classification of a restructured loan shall not be higher than substandard I.

7.2.3 Quantitative Disclosure

The tables below show the breakdown of exposures by geographical areas, industry and residual maturity.

CRB: Additional disclosure related to the credit quality of assets (on-balance sheet)

Industry	Balance(000' AED)	Percentage
Transport and logistics	36,747.29	4.72%
Electricity, water and gas supply	3.35	-
Government	466,581.57	59.99%
Agriculture	13,773.75	1.77%
Telecommunication	123,169.96	15.84%
Oil and gas	137,517.12	17.68%
In total	777,793.04	100.00%

Country	Balance(000' AED)	Percentage
UAE-Abu Dhabi	189,283.96	24.34%
UAE-Dubai	36,747.29	4.72%
UAE-Sharjah	119,372.50	15.35%
Oman	347,209.07	44.64%
Saudi Arabia	3.35	-
Indonesia	71,403.12	9.18%
Chile	13,773.75	1.77%
In total	777,793.04	100.00%

Tenor (Residual maturity)	Balance(000' AED)	Percentage
less than 1 year	13,773.75	1.77%
1-3 years	119,372.50	15.35%
3-5 years	231,320.37	29.74%
over 5 years	413,326.42	53.14%
In total	777,793.04	100.00%

As of the end of 2023, there are no impaired exposures, no accounting past-due exposures and no restructured exposures in the Bank.

7.2.4 Credit Risk Exposure under Standardised approach

The table below shows the credit exposure under standardised approach as at end of 2023.

CR4: Standardised approach - credit risk exposure and Credit Risk Mitigation (CRM) effects

N o.	Asset classes	a	b	c	d	e	f
		Exposures before CCF and CRM		Exposures post-CRM and CCF		RWA and RWA density	
		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	1,311,248	0	981,399	0	17,360	1%
2	Public Sector Entities	189,284	65,589	123,170	32,795	57,429	23%
3	Multilateral development banks						
4	Banks	1,329,656	596,339	1,329,656	280,135.90	981,591	51%
5	Securities firms						
6	Corporates	123,639	238,438	123,639	97,433	196,497	54%
7	Regulatory retail portfolios						
8	Secured by residential property						
9	Secured by commercial real estate						
10	Equity Investment in Funds (EIF)						
11	Past-due loans						
12	Higher-risk categories						
13	Other assets	5,847	0	5,847	0	7,764	133%
14	Total	2,959,674.00	900,366.00	2,563,711.00	410,363.90	1,260,641.00	33%

7.2.5 Exposures under Standardised Approach

The table below shows the exposures by asset classes and risk weights under standardised approach as at 31st December, 2023 (Exposures post CCF and CRM).

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

		a	b	c	d	e	f	g	h	i
	Risk weight Asset classes	0%	20%	35%	50%	75%	100%	150%	Others	Total credit exposures
1	Sovereigns and central banks	964,039					17,360			981,399
2	Public Sector Entities		123,170				32,795			155,965
3	Multilateral development banks									
4	Banks		140,424		1,031,723		437,645			1,609,792
5	Securities firms									
6	Corporates				49,150		171,922			221,072
7	Regulatory retail portfolios									
8	Secured by residential property									
9	Secured by commercial real estate									
10	Equity Investment in Funds (EIF)									
11	Past-due loans									
12	Higher-risk categories									
13	Other assets						4,569		1,278	5,847
14	Total	964,039	263,594	0	1,080,873	0	664,291	0	1,278	2,974,075

7.3 Market Risk

Market risk is the risk of adverse revaluation of any financial instrument as a consequence of changes in interest rates, equity rates, credit spreads, foreign exchange rates and commodity prices.

7.3.1 Market Risk Management

MRA: General qualitative disclosure requirements related to market risk

The basic principles of risk management of the Bank are to match the business scale, product complexity and risk characteristics of the Bank. The Bank follows the principles of “integrated, comprehensive and timely” in its management. The goal of market risk management is to control the market risk within the limits approved by the HO and take effective measures to monitor risks under the business authorization of the HO, so as to achieve a reasonable balance of risks and returns, thereby promoting the steady and sustainable development of the business.

In order to identify, measure, monitor and control the Bank's market risks, the RMD combined qualified methods with quantified methods, including Value at Risk (VAR), stress test, sensitivity analysis, scenario analysis, foreign exchange exposure analysis, net interest income analysis, Economic Value analysis, re-pricing gap analysis and duration analysis.

The risk monitoring is subject to a periodic independent check. The Bank uses HO's Models to determine or interpolate specific market risk factors together with CBUAE regulation. The RMD pays particular attention to the monitoring of market risk that does not conform to the usual Market Risk policy and reports unauthorized exceptions to policies, procedures and limits in a timely manner to the senior management along with any remedial action proposed or taken. Besides, The RMD periodically reviews the Market Risk limits in order to check their suitability for current market conditions and the Bank's overall risk appetite.

The RMD has set an appropriate limit structure to control its Market Risk Exposure. The degree of granularity within the limit structure, or how hierarchical it is, will depend on the nature of the products traded (for example, whether the underlying risks are linear or non-linear) and the scale of the Bank's overall business (for example, whether the Bank is an active market maker). The RMD will identify timely report and subsequently act in respect of exceptions to limits. The RMD also monitors the limit breaches and action arising from exceptions. They will consider whether it is appropriate to set intermediate thresholds that alert management when limits are approached, triggering review or other appropriate action, or both.

The Bank has established a market risk management structure composed of the RMC, the RMD, FMD, GMD and the Chief internal auditor.

The RMC is in charge of: reviewing, discussing and formulating major adjustments of the Bank's major market risk management policies under the overall market risk management policy and risk appetite set by the HO; evaluating market risk status based on monitoring indicators and limit implementation, and coordinating matching of risk exposure and business revenue goals; review the implementation on the setting of market risk limits at the bank level; review the recommendations on market risk prevention and control measures; and listen to reports from the GMD on implementing market risk management requirements.

The RMD is responsible for the identification, monitoring and analysis of the Bank's overall market risk. The main responsibilities include: implementation of various regulatory regulations and management requirements for market risks set by regulatory agencies; responsible for monitoring and timely report to the risk management department of the HO for major changes. Measure market risk exposure in accordance with the methods and standards set by the HO. Monitoring the implementation of market risk limits according to the requirements of the HO.

The GMD is responsible for the conduct of the daily trading businesses, while monitors the risks generated by the business. Through implementing various market risk management policies and systems, establishing and enhancing business and personnel management mechanism to ensure that relevant market risk indicators are controlled within the approved limits. When significant changes, which is expected to cause adverse impact on the Bank's operation, in market risk exposure or significant changes in market interest rates and exchange rates are observed, the GMD should report immediately to the RMD and the FMD.

FMD: put forward relevant measures and suggestions for asset and liability management in banking book based on regulatory requirements, financial budgets and operating indicators issued by the HO.

Internal auditor: independently evaluating the Bank's adequacy and effectiveness of the market risk management framework and implementation.

The RMD implements a system of management reporting which provides relevant, accurate, comprehensive, timely and reliable Market Risk reports monthly and quarterly to relevant functions within the Bank based on daily monitoring. These reports (1) alert the Senior Management's attention to the size of Exposures and the relationship between these Exposures and limits; (2) cover exceptions to the Bank's Market Risk policy; (3) present the results from stress tests undertaken; and (4) analyse and explain any changes to the level and nature of Market Risk and any remedial action proposed or taken. The Bank also has procedures or controls including: stop-loss procedures, taking appropriate action according to the information within the management reports; reporting any trades booked at off-market rates.

Measurement methods selection of the Bank keeps to the principle of "Appropriate",

“Applicable”, and “Universally Acceptable”. Despite of different market risk types and measurement requirements of the trading book and the banking book, market risk factors that could directly or indirectly induce market risk, should all be captured. The bank will assess the impact of any new transaction on its market risk position on an on-going basis, and carry out a full measurement of its positions daily.

7.3.2 Market risk under the standardised approach (SA)

The table below shows the components of the capital requirement under the SA for market risk. Currently, there is only foreign exchange risk in the Bank’s trading book.

MR1: Market risk under the standardised approach (SA)

Items (AED’000)		Dec 2023
1	General Interest rate risk (General and Specific)	0
2	Equity risk (General and Specific)	0
3	Foreign exchange risk	100
4	Commodity risk	0
5	Option	0
6	Total	100

7.4 Interest Rate Risk in the Banking Book (IRRBB)

IRRBBA: IRRBB risk management objectives and policies

Interest Rate Risk in the 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. Excessive IRRBB can pose significant threat to a Bank’s capital base and/or earnings if not managed prudently. Changes in interest rates affect the underlying economic value of the Bank’s banking book assets, liabilities and off balance sheet instruments by changing the present value of future cash flows. Changes in interest rates also affect Bank’s earnings by increasing or decreasing its EaR (Earnings at Risk) / NII (Net Interest Income). The Bank manages IRRBB through both economic value and earnings based measures. The three main sub-types of IRRBB are as follows:

- Gap Risk: arises from the term structure of banking book instruments and describes the risk arising from the timing of instruments’ rate changes.
- Basis Risk: arises from financial instruments having similar tenors but are priced using different interest rate indices.
- Option Risk: arises from Bank’s assets, liabilities and/or off balance sheet item where the bank or its customers can alter the level and timing of their cash flows.

The Bank’s IRRBB policy sets guidelines and framework to identify, measure, evaluate, monitor, report and control or mitigate material sources of IRRBB on a timely basis. IRRBB policy aims to define the risk governance framework and

IRRBB risk tolerance limits.

IRRBB measures Economic Value of Equity (EVE) and Earnings at Risk (EaR) are calculated, reported and monitored on a monthly basis against prescribed limits.

7.4.1 IRRBB Management Strategies and Processes

Strategies for the management of Interest Rate Risk in the Banking Book include:

- Identification and assessment of potential IRRBB exposure before new products are launched and new business developed.
- Evaluation of interest rate risk profiles for new business and the capacity of risk measurement and monitoring of related information systems.
- Enforcing the same policies and guidelines across the Bank in addressing Interest Rate Risk in the Banking Book.

7.4.2 Structure of the Management Function

The SMC is also responsible for the overall IRRBB management and the ALCO of the Bank assumes the primary responsibility for Internal Capital Adequacy Assessment and ensures capital is adequate to cover the Bank's main risks. The RMC approves the strategies and policies with respect to interest rate risk management and ensures that Senior Management takes the necessary steps to monitor and control these risks.

The ALCO is responsible for monitoring and implementing actions with respect to the management of interest rate risk and evaluates on and off balance sheet risk.

The FMD is responsible for preparing and compiling the interest rate sensitivity gap for major currencies. The department also analyses the risk profiles and reports to the Senior Management and HO.

The business departments contribute in the management of interest rate risk by providing the required inputs to the FMD.

Internal Audit: Internal Audit function independently reviews controls and processes around IRRBB.

7.4.3 Scope and Nature of IRRBB Reporting and Measurement Systems

The Bank's interest rate risk profile are reported to ALCO on a regular basis, while the results of the stress testing are reported quarterly to ensure that the Bank's exposure is managed based on the Group's objectives and in compliance with CBUAE regulations.

The Bank uses the following technical approaches to measure interest rate risk:

- Interest Rate Sensitivity Gap Analysis.

-
- The Net Interest Income (NII) Sensitivity.

7.4.4 Mitigation of Interest Rate Risk in the Banking Book

The management of IRRBB is mainly focused on measuring the interest rate re-pricing risk of asset-liability structure. Key measures used include:

- The sensitivity of net interest income (NII).
- The sensitivity of economic value (EV) on banking book to the change in interest rate.

7.4.5 IRRBB Quantitative Disclosure

Economic value of equity (“EVE”) refers to the ratio of changes in a bank’s economic value to its Tier 1 capital in the interest shock scenarios as defined in the standardized framework;

$$EVE = \Delta EVE / \text{Tier 1 capital}$$

The ΔEVE is measured per currency for all six prescribed interest rate shock scenarios (Parallel up, Parallel down, Steeper, Flatteners, Short rate up, Short rate down), given by the regulatory authority’s standardized framework, and take maximum of the worst aggregated reductions to EVE as the results.

Net interest income volatility ratio (“NII”) refers to the ratio of changes in a bank’s income in the next year to its net interest income budget in the parallel interest rate shock scenarios as defined in the standardized framework;

$$NII = \Delta NII / \text{Net Interest Income Budget}$$

The ΔNII is measured using the parallel interest rate shock scenarios for assets, liabilities and off-balance items for the coming year under the regulatory authority’s standardized framework.

According to internal regulation, the bank should comply with EVE limits (20 Million CNY or equivalent) and NII (not exceeding 20%) set by the Head Office.

The table below shows the Bank’s ΔEVE and ΔNII as at Dec 2023 and Dec 2022. The Bank meets the regulatory requirements.

IRRBB1: Quantitative information on IRRBB

In reporting currency (AED)	ΔEVE		ΔNII	
Period	Dec 2023	Dec 2022	Dec 2023	Dec 2022
Parallel up	1,0731	7,287	-3,650	-2,079
Parallel down	-1,0847	-7,337	3,650	2,079
Steeper	-8,036	-6,160		
Flattener	10,376	7,807		

Short rate up	13,794	10,109		
Short rate down	-13,984	-10,207		
Maximum	13,794	10,109		
Period	Dec 2023		Dec 2022	
Tier 1 capital	448,385		395,891	

7.5 Operational Risk

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

Operational risk is the risk of loss arising from inadequate or failed internal processes, people and systems or from external events. While including legal risk, but excluding strategic and reputational risk, damage to the Bank's reputation, legal or regulatory implications, financial losses and other factors are being considered when assessing impact of operational risk events.

Operational risk is inherent in all dimensions of the Bank, including all banking products, activities, processes and systems. Therefore the effective management of operational risk is a fundamental element of the Bank's risk management program.

7.5.1 Operational Risk Management

The Bank adopts an operational management framework in accordance with regulatory provisions for the purposes of establishing and improving the operational risk management performance of the Bank. The Bank aims to reduce the losses from operational risk to an acceptable level (that is, within the risk appetite) through 3 Lines-of-Defence.

To identify and mitigate the operational risk exposure, the Bank classifies operational risk in respect of operational risk cause, operational risk event and its impact through 3 major operational risk management tools namely RACA, KRI and LDC, which are carried out in a timely manner for existing and newly launched important products, business activities, business procedures, information technology systems, personnel management, external factors and their changes.

7.5.2 Scope and Nature of Reporting and Measurement Systems

The constant monitoring and reporting of Operational Risk is a key component of an effective operational risk management framework. In this regard, the Bank has clear and consistent reporting lines. Operational Risk reports are submitted the Head Office by the RMD in a quarterly basis. The business departments report the monitoring result of KRI in a monthly manner or immediately upon the breach of any indicator.

The Bank calculates and measures the Operational Risk using the Basic Indicator Approach (BIA). This approach uses the Bank's total gross income as a risk indicator for the Bank's operational risk exposure and sets the required level of operational risk capital as 15% of the Bank's annual positive gross income averaged over the previous three years.

7.5.3 Mitigation of Strategies and Processes

To effectively mitigate operational risk, the Bank's uses the following management tools:

- ***Risk Identification and Self-Assessment Process:*** The Bank uses the RACA to identify and evaluate the effectiveness of controls in place and assess whether the risks are effectively managed within the risk appetite.
- ***Key Risk Indicators:*** A Key Risk Indicators (KRI) is a risk metric that provides regular insight into a Bank's risk exposure. The aim is to ensure that all the major risk exposures are captured by KRIs in each department. The Bank has a well-established list of KRIs for different departments which are reviewed annually and approved by the RMC. The KRI data is collected on a monthly/quarterly basis from all the departments and reported to the Board and Senior Management as a part of the quarterly Board meeting agenda.
- ***Operational Risk Loss Data Collection (LDC):*** Operational Risk Loss Data provides meaningful information for assessing the Bank's exposure to operational risk and the effectiveness of internal controls. The LDC is collected on a monthly basis from all departments irrespective of the amount. The Bank records all actual, potential or near miss losses. RMD and CD conducts analysis of critical events and recommends actions plan in agreement with the respective department reporting/ affected by the loss. The Bank has an ORM system where all RACA processes, loss events and KRIs are recorded.

The Bank has also adopted a series of qualitative standards, including: the existence of an independent risk control, audit and compliance function, effective use of risk reporting systems, active involvement of management and appropriate documentation of risk management systems.

7.5.4 Capital Requirements for Operational Risk

The Bank calculates the capital requirement for operational risk using the Basic Indicator Approach (BIA). The capital requirement is 15% of the average over the previous three years annual gross income.

The table below shows the Bank's minimum capital requirement for operational risk.

AED'000	2021	2022	2023	Average
Gross Income	15,504	27,873	79,831	41,069
Beta Factor				15%
Capital requirement for operational risk(UAE Capital factor 1.313)				8,089

8 REMUNERATION POLICY

REMA: Remuneration policy

The Bank has formulated its remuneration policy, in accordance with the relevant provisions of the "Corporate Governance Regulation for Banks" (the Regulation) and the "Corporate Governance Standards for Banks" (the Standards) issued by the Central Bank of the UAE (CBUAE, Circular No. 83/2019), and relevant policies issued by the head office.

The remuneration policy covers all categories of employees in the Bank. In general, risk factors which have been considered in the performance appraisal of a staff affect the bonus for the same staff. Also, the current and future risk of the Bank will be considered by the head office in the determination of the overall bonus to be allocated.

8.1 General Principles

Remuneration should facilitate the delivery of long-term financial stability for the business and promote sound risk management principles. Risk control functions have played an important role in the remuneration related procedures and decisions of the Bank. The preparation of the remuneration policy is initiated by the Bank and the relevant work shall be organized and implemented by the HR after reporting to the Bank management for approval.

The remuneration policy of the Bank is formulated on the basis of the Guidance of the head office and the annual remuneration budget for the Bank, including salary and bonus, is given by the head office. The total budget is based on the Bank's overall performance, after factoring in the financial, non-financial and other long-term strategic measures, as well as risk-adjusted elements.

The aim of the remuneration policy and the arrangement is to enable the Bank to maintain a fair, equitable and market-competitive remunerative structure for its employees based on the Bank's performance and industry practice, and is designed to encourage employee behaviour that supports the institution's risk appetite, risk management, business strategies and long-term financial soundness of the Bank. The remuneration of staff in risk control functions are determined in accordance with their performance objectives and are independent of the performance of the business units which they oversee. The performance factors in carrying out their core job responsibilities under their respective job functions are assessed in the performance appraisals, and appropriate remuneration will be recommended based on the appraisal result.

In order to avoid large fluctuation of employees' remuneration during the years, the bonus pool and salary-quota borrowing mechanism are implemented. If necessary, the Bank may apply to the head office for the use of bonus pool funds or to borrow salary-quota in advance. When the business performance improves, the Bank shall apply to the head office for recharging the bonus pool or returning the borrowed salary-quota on the premise of meeting the reasonable salary expense demand.

8.2 Remuneration Structure

Remuneration refers to the cash and non-cash compensation received by Bank's employees for providing services to the Bank, including employee salary and employee benefits. Employee salaries are divided into fixed salary and bonus, and employee benefits include statutory benefits and extra benefits.

The award of bonus depends on the fulfilment of budgeted income, takes into account the overall performance of the Bank and individual business units, while individual performance is measured against the established key performance indicators, adherence to risk management policies, corporate culture and compliance with legal and regulatory requirements.

In addition, the Bank maintains a performance appraisal scheme to ensure individual staff performance would be adequately and effectively evaluated. Bonus is directly related to performance, and poor performance will result in a reduction or elimination of bonus.

8.3 Senior Management Remuneration

The salary of senior management members shall be approved by the head office. The performance bonus of the general manager shall be calculated and determined by the head office in consideration of the Bank performance and other factors. The performance bonus of other senior management members is distributed by the general manager, taking into account factors such as work performance, appraisal results, and the number of months of duty performance. Among them, the appraisal includes relevant indicators such as compliance and risk control. A deferral of partial performance bonus for senior management members shall be conducted.

8.4 Policy Review

The remuneration policy must be in line with the Regulation and the Standards of the CBUAE and shall be reviewed as necessary by HR and approved by the senior management of the Bank.

8.5 Remuneration awarded during the financial year

The table below shows the Bank's remuneration awarded during the financial year.

REM1: Remuneration awarded during the financial year

			a	b
		Remuneration Amount(AED'000)	Senior Management	Other Material Risk-takers
1	Fixed Remuneration	Number of employees	2	5
2		Total fixed remuneration (3 + 5 + 7)	658	651
3		Of which: cash-based	658	651
4		Of which: deferred	0	0
5		Of which: shares or other share-linked instruments	0	0
6		Of which: deferred	0	0
7		Of which: other forms	0	0
8		Of which: deferred	0	0
9	Variable Remuneration	Number of employees	2	5
10		Total variable remuneration(11 + 13 + 15)	592	585
11		Of which: cash-based	408	585
12		Of which: deferred	184	0
13		Of which: shares or other share-linked instruments	0	0
14		Of which: deferred	0	0
15		Of which: other forms	0	0
16		Of which: deferred	0	0
17	Total Remuneration (2+10)		1250	1236