

Agreed-Upon Procedures Report on Pillar III Disclosures for the year ended 31 December 2024

Bank of China Ltd – Abu Dhabi
Unit 4608, 46th Floor, Addax Tower
Al Reem Island, Abu Dhabi
United Arab Emirates

Scope and purpose

We have performed the procedures enumerated below, which were agreed to by the Bank of China Ltd – Abu Dhabi (“the Bank”), solely to assist the Bank to reconcile the Pillar 3 disclosures as per the guidelines prescribed by the Central Bank of the United Arab Emirates (the “CBUAE”) (“Subject Matter”) for the year ended 31 December 2024, and may not be suitable for another purpose.

Restricted use

This agreed-upon procedures report (“AUP Report”) is intended solely for the information and use of the Bank and for submission to the CBUAE and is not intended to be and should not be used by anyone else.

Responsibilities of the Bank

Bank has acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement. The Bank is responsible for the Subject Matter on which the agreed-upon procedures are performed. The sufficiency of these procedures is solely the responsibility of the Bank.

Responsibilities of EY

We have conducted the agreed-upon procedures engagement in accordance with the International Standard on Related Services (ISRS) 4400 (Revised), *Agreed-Upon Procedures Engagements*. An agreed-upon procedures engagement involves our performing the procedures that have been agreed with the Bank, and reporting the findings, which are the factual results of the agreed-upon procedures performed. We make no representation regarding the appropriateness or the sufficiency of the agreed-upon procedures described below either for the purpose for which this AUP Report has been requested or for any other purpose.

This agreed-upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported.

Our independence and quality management

In performing the Agreed-Upon Procedures engagement, we complied with the ethical requirements in the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA). We are the independent auditor of the Entity and therefore we also complied with the independence requirements of the IESBA Code that apply in context of the financial statement audit.

EY applies International Standard on Quality Management 1, which requires us to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Description of procedures performed and findings

We have performed the procedures described below, which were agreed upon with the Bank, on the Subject Matter:

- (a) We obtained from the Bank the Pillar III disclosure report (the “Statement”) as of 31 December 2024;
- (b) We have performed the procedures described in Annexure 1, which were agreed with the Bank on the Statement obtained in step (a) above;

Description of procedures performed and findings (continued)

In respect of the procedures performed in step (b) above as described in Annexure 1, except for the matter noted below in (i), no other exceptions were noted:

- i. For the following sections of Annexure 1, no procedures were performed. We understand from the management of the Bank, that these sections are not applicable for the Bank for the year ended 31 December 2024.
 - a. Tab PV1 - Prudent valuation adjustments
 - b. Tab LI1 - Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories
 - c. Tab LIA - Explanations of differences between accounting and regulatory exposure amounts
 - d. Tab CCyB1 - Geographical distribution of credit exposures used in the countercyclical buffer
 - e. Tab LR1 - Summary comparison of accounting assets versus leverage ratio exposure measure
 - f. Tab LIQ1 - Liquidity Coverage Ratio
 - g. Tab LIQ2 - Net Stable Funding Ratio
 - h. Tab CRC - Qualitative information on the mitigation of credit risk
 - i. Tab CR3 - Credit risk mitigation techniques – overview
 - j. Tab CRD - Qualitative disclosures on banks' use of external credit ratings under the standardised approach for credit risk
 - k. Tab SECA - Qualitative disclosures related to securitization exposures
 - l. Tab SEC1 - Securitisation exposures in the banking book
 - m. Tab SEC2 - Securitisation exposures in the trading book
 - n. Tab SEC3 - Securitisation exposures in the banking book and associated regulatory capital requirements - bank acting as originator or as sponsor
 - o. Tab SEC4 - Securitisation exposures in the banking book and associated capital requirements - bank acting as investor
 - p. Tab CCRA - Qualitative disclosure related to CCR
 - q. Tab CCR1 - Analysis of CCR by approach
 - r. Tab CCR3 - Standardised approach - CCR exposures by regulatory portfolio and risk weights
 - s. Tab CCR5 - Composition of collateral for CCR exposure
 - t. Tab CCR6 - Credit derivatives exposures
 - u. Tab CCR8 - Exposures to central counterparties
 - v. Tab REM2 – Special Payments
 - w. Tab REM3 – Deferred remuneration

In respect of the following sections of Annexure I, we draw attention to our findings below:

1. In section CC2: Current and deferred tax is reported as AED 2,280 thousand in the Pillar III report, whereas it is reported as AED 1,581 thousand in the signed financial statements.
2. In section CC2: Other liabilities are reported as AED 67,013 thousand in the Pillar III report, whereas it is reported as AED 67,300 thousand in the signed financial statements.
3. In section CC2: Due to Banks and other financial institutions are reported as AED 5,978 thousand in the Pillar III report, whereas it is reported as AED 6,978 thousand in the signed financial statements.
4. In section CC2: Total shareholders' equity are reported as AED 497,629 thousand in the Pillar III report, whereas it is reported as AED 496,643 thousand in the signed financial statements.
5. In section IRRBBA: Tier 1 capital is reported as AED 481,210 thousand in the Pillar III report, whereas it is reported as AED 483,615 thousand in the signed financial statements.

This report relates only to the Pillar III disclosure report for the year ended 31 December 2024 of the Bank, stamped by us for identification purposes only, and does not extend to any financial statements of the Bank taken as a whole, or to any other reports of the Bank.

For Ernst & Young Middle East (Abu Dhabi Branch)



17 June 2025

Abu Dhabi, United Arab Emirates

Annexure I

Agreed Upon procedures on the Pillar 3 Reporting

The following procedures have been determined by Bank of China Ltd – Abu Dhabi (“the Bank”) and are to be performed in relation to the Pillar 3 disclosure report (the “Statements”) provided to us by the Bank.

1	Overview of risk management and risk weighted assets
a.	[Tab KM1] Key prudential metrics related to regulatory capital, leverage ratio and liquidity standards.
	<p>Agreed procedures/ work performed:</p> <ul style="list-style-type: none"> (i) Trace the individual amounts of available capital and risk weighted assets as disclosed in KM1 to related BRF returns as follows: <ul style="list-style-type: none"> a. Trace the individual numbers in ‘Available Capital’ and ‘Risk Weighted assets’ to BRF 95 (Capital Return) b. Trace the individual numbers in ‘Leverage Ratio’ to BRF 96 c. Trace the individual numbers in ‘Liquidity Coverage Ratio’ to BRF 8 d. Trace the individual numbers in ‘Net Stable Funding Ratio’ to BRF 7 e. Traced the individual numbers in ‘ELAR and ASRR’ to BRF 7 and BRF 8. (ii) Agree the ‘Risk-based capital ratios as a percentage of RWA’ balances to the audited financial statements: <ul style="list-style-type: none"> a. Common Equity Tier 1 (CET1) b. Tier 1 c. Total capital d. Total Risk weighted assets (RWA) (iii) Check the calculation of the ratios by checking the formula as follows: <ul style="list-style-type: none"> a. CET 1 ratio = CET1 capital/ RWA b. Tier 1 ratio = Tier 1 capital/ RWA c. Total capital ratio = Total capital/ RWA (iv) Compare the capital conservation buffer used in the template to the CBUAE notice 60/ 2017 (v) Check the calculation of the following ratios by checking the formula as follows: <ul style="list-style-type: none"> a. Leverage Ratio = Tier 1/Total leverage ratio measure b. Liquidity Coverage Ratio = Total HQLA/Total net cash outflow c. Net Stable Funding Ratio = Total available stable funding/Total required stable funding d. Eligible Liquid Assets Ratio = Total HQLA/Total liabilities e. Advances to Stable Resources Ratio = Total available stable funding/Total Advances
b	[Tab OVA] The risk management objectives and policies of the Bank.
	<p>Agreed procedures/ work performed:</p> <ul style="list-style-type: none"> (i) Confirm that all of the following risk management objectives and policies adopted by the Bank are disclosed in Tab “OVA”: <ul style="list-style-type: none"> ✓ The business model of the Bank describing the interaction of the business model with the Bank’s overall risk profile and the interaction of the risk profile with the risk tolerance approved by the Board. ✓ The risk governance structure of the Bank explaining the roles and responsibilities attributed throughout the bank and the relationships between the structures involved in risk management processes.

	<ul style="list-style-type: none"> ✓ The channels used by the Bank to communicate, decline and enforce the risk culture within the bank ✓ The scope and main features of risk measurement systems. ✓ The Bank's description of the process of risk information reporting provided to the board and senior management, in particular the scope and main content of reporting on risk exposure. ✓ The Bank's qualitative information on stress testing ✓ The strategies and processes of the Bank used to manage, hedge, and mitigate risks that arise from the bank's business model and the processes for monitoring the continuing effectiveness of hedges and mitigants.
c	[Tab OV1] Overview of risk weighted assets
	<p>Agreed procedures/ work performed:</p> <ul style="list-style-type: none"> (i) Agree the following amounts disclosed in column "RWA" for 31 December 2024 (column a) in OV1 to BRF 95 return: <ul style="list-style-type: none"> • Credit risk (excluding counterparty credit risk) • Counterparty credit risk (CCR) • Equity investments in funds • Settlement risk • Securitisation exposures in the banking book • Market risk • Operational risk (ii) Check the calculation of the amounts disclosed in column "minimum capital requirements" is 10.5% of the RWA disclosed in column a above. (iii) Check the arithmetical calculation of the totals.
2	Linkages between financial statements and regulatory exposures
a	[Tab LI2] Main sources of differences between regulatory exposure amounts and carrying values in financial statements
	<p>Agreed procedures/ work performed:</p> <ul style="list-style-type: none"> (i) Agree the amounts of assets and liabilities as disclosed in LI2 to the amounts disclosed in LI1 (ii) Agree the "off-balance sheet amount" disclosed in LI2 to the audited financial statements as of the reporting date (iii) Trace the following adjustments to the underlying workings prepared for BRF 1 and 2: <ul style="list-style-type: none"> • Differences in valuations • Differences due to different netting rules • Differences due to consideration of provisions • Differences due to prudential filters

4	Composition of Capital
a	[Tab CC1] Composition of regulatory capital
	<p>Agreed procedures/ work performed:</p> <ul style="list-style-type: none"> (i) Agree the amounts disclosed in CC1 to the audited financial statements and/or BRF 95 Return (ii) Agree the amounts disclosed as “Tier 1” and “Common Equity Tier 1” in CC1 tab to KM1 tab (iii) Check the mathematical calculation of the following ratios by checking the formula as follows: <ul style="list-style-type: none"> a. Common Equity Tier 1 (as a percentage of risk-weighted assets) b. Tier 1 (as a percentage of risk-weighted assets) c. Total capital (as a percentage of risk-weighted assets) d. Common Equity Tier 1 (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirement (iv) Compare the minimum required ratios as mentioned in the template to the CBUAE notice 60/ 2017
b	[Tab CC2] Reconciliation of regulatory capital to balance sheet
	<p>Agreed procedures/ work performed:</p> <ul style="list-style-type: none"> (i) Agree the carrying values of assets and liabilities as disclosed in CC2 in the Column a - ‘carrying values as reported in published financial statements’ to the audited financial statements of the Bank as at 31 December 2024 (ii) Agree the individual amounts as disclosed in Column b - ‘under regulatory scope of consolidation’ to the LI1 and LI2 tabs of the template. (iii) Agree the amounts cross-referred in Column C of template CC2 to the cross-referred amounts disclosed in CC1 tab.
c	[Tab CCA] Main features of regulatory capital instruments
	<p>Agreed procedures/ work performed:</p> <ul style="list-style-type: none"> (i) Agree the disclosure of the terms and conditions of the instruments included in the regulatory capital of the Bank as at 31 December 2024, as disclosed in tab CCA to the underlying agreements / Bank’s articles of association. (ii) Compare the reporting with the audited financial statements and related disclosures.
5	Leverage Ratio
a	[Tab LR2] Leverage ratio common disclosure
	<p>Agreed procedures/ work performed:</p> <ul style="list-style-type: none"> (i) Agree the individual amounts as disclosed in LR2 under column a to the BRF 96 returns. (ii) Mathematically check the following totals as disclosed by the Bank: <ul style="list-style-type: none"> a. on-balance sheet exposures b. derivative exposures c. securities financing transaction exposures d. other off-balance sheet items e. capital and total exposures (iii) Mathematically check the calculation of “Leverage Ratio”. (iv) Compare the minimum leverage ratio used in the template to the CBUAE Standard regarding Capital Adequacy issued in June 2019

	(v) Agree the amounts disclosed as “Leverage ratio” in LR2 tab to KM1 tab
6	Liquidity
a	[Tab LIQA] Liquidity Risk Management
	<p>Agreed procedures/ work performed:</p> <p>(i) Confirm that the Bank explains the soundness of its liquidity risk management framework and liquidity position by providing qualitative and quantitative disclosures, as per the below:</p> <p>Qualitative disclosures:</p> <ul style="list-style-type: none"> ✓ Governance of liquidity risk management, including risk tolerance; structure and responsibilities for liquidity risk management; internal liquidity risk strategy, policies and practices across business lines and with the board of directors. ✓ Funding strategy, including policies on diversification in the sources of funding (both products and counterparties) ✓ Liquidity risk mitigation techniques. ✓ An explanation of how stress testing is used. ✓ An outline of the bank's contingency funding plans. <p>Quantitative disclosures:</p> <ul style="list-style-type: none"> ✓ Customised measurement tools or metrics that assess the structure of the bank's balance sheet or that project cash flows and future liquidity positions, taking into account off-balance sheet risks which are specific to the bank. ✓ Concentration limits on collateral pools and sources of funding. ✓ Liquidity exposures and funding needs at the level of individual legal entities, foreign branches and subsidiaries, taking into account legal, regulatory and operational limitations on the transferability of capital. ✓ Balance sheet and off-balance sheet items broken down into maturity buckets and the resultant liquidity gaps. <p>(ii) For quantitative disclosures, agree the individual items in the “Balance sheet and off-balance sheet items broken down into maturity buckets and the resultant liquidity gaps” to the audited financial statements as at 31 December 2024.</p>
d	[Tab ELAR] Eligible Liquid Assets Ratio
	<p>Agreed procedures/ work performed:</p> <p>(i) Agree the individual amounts as disclosed in ELAR to the average of respective numbers as reported in BRF 8 returns for the last quarter</p> <p>(ii) Agree the following amounts and ratios reported under ELAR tab to KM 1 tab:</p> <ul style="list-style-type: none"> a. Total HQLA b. Total liabilities c. Eligible Liquid Assets Ratio (ELAR)
e	[Tab ASRR] Advances to Stable Resource Ratio
	<p>Agreed procedures/ work performed:</p> <p>(i) Agree the individual amounts as disclosed in ASRR to the average of respective numbers as reported in BRF 7 returns for the last quarter</p> <p>(ii) Agree the following amounts and ratios reported under ASRR tab to KM 1 tab:</p> <ul style="list-style-type: none"> a. Total available stable funding b. Total advances c. Advances to Stable Resources Ratio

7	Credit Risk
a	[Tab CRA] General qualitative information about credit risk
	<p>Agreed procedures/ work performed:</p> <p>(i) Confirm that the Bank describes the main characteristics and elements of credit risk management (business model and credit risk profile, organisation and functions involved in credit risk management, risk management reporting), as per the below:</p> <ul style="list-style-type: none"> ✓ How the business model of the Bank translates into the components of the Bank's credit risk profile ✓ Criteria and approach used for defining credit risk management policy and for setting credit risk limits ✓ Structure and organisation of the credit risk management and control function ✓ Relationships between the credit risk management, risk control, compliance, and internal audit functions ✓ Scope and main content of the reporting on credit risk exposure and on the credit risk management function to the executive management and to the board of directors
b	[Tab CR1] Credit quality of assets
	<p>Agreed procedures/ work performed:</p> <p>(i) Agree the gross exposures and impairment allowances of the below captions reported in CR1 to the audited financial statements as at 31 December 2024:</p> <ul style="list-style-type: none"> a. Loans b. Debt securities c. Off-balance sheet exposures <p>(ii) Mathematically check the totals to the amounts disclosed by the Bank.</p>
c	[Tab CR2] Changes in the stock of defaulted loans and debt securities
	<p>Agreed procedures/ work performed:</p> <p>(i) Agree the opening balances, movement and ending balances of the Bank's stock of defaulted loans and debt securities reported in CR2 to the audited financial statements as at 31 December 2024.</p>
d	[Tab CRB] Additional disclosure related to credit quality of assets
	<p>Agreed procedures/ work performed:</p> <p>(i) Confirm that the Bank supplements information on the credit quality of its assets by providing qualitative and quantitative disclosures, as per the below:</p> <p>Qualitative disclosures:</p> <ul style="list-style-type: none"> ✓ The scope and definitions of 'past due' and 'impaired' exposures for accounting purposes and the differences, if any, between the definition of past due and default for accounting and regulatory purposes. ✓ The extent of past-due exposures (>90 days) that are not considered to be impaired and the reasons for this.

	<ul style="list-style-type: none"> ✓ Description of methods used for determining accounting provisions for credit losses. In addition, banks that have adopted an ECL accounting model must provide information on the rationale for categorisation of ECL accounting provisions in general and specific categories for standardised approach exposures ✓ The bank's own definition of a restructured approach. <p>Quantitative disclosures:</p> <ul style="list-style-type: none"> ✓ Breakdown of exposures by geographical areas, industry and residual maturity. ✓ Amounts of impaired exposures (according to the definition used by the bank for accounting purposes) and related allowances and write-offs, broken down by geographical areas and industry. ✓ Ageing analysis of accounting past-due exposures. ✓ Breakdown of restructured exposures between impaired and not impaired exposures. <p>(ii) Agree the quantitative disclosures reported in CRB to the Bank's audited financial statements as at 31 December 2024.</p>
h	[Tab CR4] Standardised approach - credit risk exposure and Credit Risk Mitigation (CRM) effect
	<p>Agreed procedures/ work performed:</p> <ul style="list-style-type: none"> (i) Agree the individual on-balance sheet and off-balance sheet amounts to their corresponding captions reported in the Bank's BRF 95 returns. (ii) Mathematically check the total amounts and the computation of RWA density to the amounts disclosed by the Bank.
i	[Tab CR5] Standardised approach - exposures by asset classes and risk weights
	<p>Agreed procedures/ work performed:</p> <ul style="list-style-type: none"> (i) Agree the individual amounts as disclosed in CR5 to the corresponding captions as reported in BRF 95 returns (ii) Mathematically check the computation of "Total credit exposures amount (post CCF and post-CRM)" (iii) Agree the amounts disclosed as "Total credit exposures amount (post CCF and post-CRM)" in CR5 tab to the corresponding amount reported under CR4 tab.

10	Market Risk
a	[Tab MRA] General qualitative disclosure requirements related to market risk
	<p>Agreed procedures/ work performed:</p> <ul style="list-style-type: none"> (i) Confirm that the Bank provides qualitative information on its risk management objectives and policies for market risk according to the below: <ul style="list-style-type: none"> ✓ Strategies and processes of the bank including an explanation of management's strategic objectives in undertaking trading activities, as well as the processes implemented to identify, measure, monitor and control the bank's market risks, and the policies for hedging risk and strategies/processes for monitoring the continuing effectiveness of hedges. ✓ Structure and organisation of the market risk management function including description of the market risk governance structure

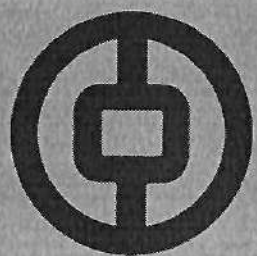
	<p>established to implement the strategies and processes of the bank discussed in row (i) above, and describing the relationships and the communication mechanisms between the different parties involved in market risk management.</p> <ul style="list-style-type: none"> ✓ The scope and nature of risk reporting and/or measurement systems.
b	<p>[Tab MR1] Market risk under the standardised approach</p> <p>Agreed procedures/ work performed:</p> <ul style="list-style-type: none"> (i) Agree the individual amounts pertaining to the below captions as disclosed in MR1 to the corresponding captions as reported in BRF 95 returns: <ul style="list-style-type: none"> a. General Interest rate risk (General and Specific) b. Equity risk (General and Specific) c. Foreign exchange risk d. Commodity risk e. Options (ii) Agree the total amount of Risk-weighted assets resulting from market risk as disclosed in MR1 to BRF 95 returns and the audited financial statements as at 31 December 2024
11	Interest rate risk in Banking Book (“IRRBB”)
a	<p>[Tab IRRBBA] IRRBB risk management objectives and policies</p> <p>Agreed procedures/ work performed:</p> <ul style="list-style-type: none"> 1. Confirm that the Bank provides the qualitative disclosures for the interest rate risk in the banking book according to the below: <ul style="list-style-type: none"> ✓ A description of how the Bank defines IRRBB for purposes of risk control and measurement. ✓ A description of the Bank's overall IRRBB management and mitigation strategies. ✓ The periodicity of the calculation of the bank's IRRBB measures, and a description of the specific measures that the bank uses to gauge its sensitivity to IRRBB. ✓ A description of the interest rate shock and stress scenarios that the bank uses to estimate changes in the economic value of earnings. ✓ Where significant modelling assumptions used in the bank's internal measurement systems (IMS) are different from the modelling assumptions prescribed for the disclosure in IRRBB1, the Bank should provide a description of those assumptions and their directional implications and explain its rationale for making those assumptions. ✓ A high-level description of how the bank hedges its IRRBB, as well as the associated accounting treatment. ✓ A high-level description of key modelling and parametric assumptions used in calculating ΔEVE and ΔNII, which includes: <ul style="list-style-type: none"> a. For ΔEVE, whether commercial margins and other spread components have been included in the cash flows used in the computation and discount rate used. b. How the average repricing maturity of non-maturity deposits has been determined (including any unique product characteristics that affect assessment of repricing behaviour). c. The methodology used to estimate the prepayment rates of customer loans, and/or the early withdrawal rates for time deposits, and other significant assumptions.

	<p>d. Any other assumptions that have a material impact on the disclosed ΔEVE and ΔNII, including an explanation of why these are material.</p> <p>e. Any methods of aggregation across currencies and any significant interest rate correlations between different currencies.</p> <p>Any other information which the bank wishes to disclose regarding its interpretation of the significance and sensitivity if the IRRBB measures disclosed and/or an explanation of any significant variations in the level of reported IRRBB since previous disclosures.</p> <p>2. Agree the amounts as disclosed in IRRBBA to the underlying workings prepared by the management.</p>
b	[Tab IRRBB1] Quantitative information on IRRBB
	<p>Agreed procedures/ work performed:</p> <p>(i) Agree the amount of Tier 1 capital in IRRBB1 to BRF 95 returns</p> <p>(ii) Agree the amount of Tier 1 capital as disclosed in IRRBB1 to the audited financial statements as at 31 December 2024</p> <p>(iii) Trace the amount of Tier 1 capital reported in IRRBB1 tab to the corresponding amount in KM1 tab</p> <p>(iv) Mathematically check that the amount adopted as “Maximum” represents the highest value amongst the following:</p> <ul style="list-style-type: none"> • Parallel up • Parallel down • Steepener • Flatteners • Short rate up • Short rate down <p>(v) Agree the amounts of the below as disclosed in IRRBB1 to the underlying workings prepared by the management:</p> <ul style="list-style-type: none"> • Parallel up • Parallel down • Steepener • Flatteners • Short rate up • Short rate down

12	Operational risk
a	[Tab OR1] Qualitative disclosures on operational risk
	<p>Agreed procedures/ work performed:</p> <p>(i) Confirm that the Bank describes the main characteristics and elements of its operational risk management framework according to the below:</p> <ul style="list-style-type: none"> ✓ The policies, frameworks and guidelines for the management of operational risk. ✓ The structure and organisation of their operational risk management and control function. ✓ The operational risk measurement system. ✓ The scope and main context of the reporting framework on operational risk to executive management and to the board of directors. ✓ The risk mitigation and risk transfer used in the management of operational risk.

13	Remuneration policy
a	[Tab REMA] Remuneration policy
	<p>Agreed procedures/ work performed:</p> <p>(i) Confirm that the Bank describes the remuneration policy as well as key features of the remuneration system according to the below:</p> <ul style="list-style-type: none"> ✓ The main elements of the remuneration system and how Bank has developed this system. ✓ Information relating to the bodies that oversee remuneration. Disclosures should include: <ul style="list-style-type: none"> a. Name, composition and mandate of the main body overseeing remuneration. b. External consultants whose advice has been sought, the body by which they were commissioned, and in what areas of the remuneration process. c. A description of the scope of the bank's remuneration policy, including the extent to which it is applicable to foreign subsidiaries and branches. d. A description of the types of employees considered as material risk-takers and as senior managers. ✓ Information relating to the design and structure of remuneration processes, including the following: <ul style="list-style-type: none"> a. An overview of the key features and objectives of remuneration policy. b. Whether the remuneration committee reviewed the Bank's remuneration policy during the past year, and if so, an overview of any changes that were made, the reasons for those changes and their impact on remuneration. c. A discussion of how the Bank ensures that risk and compliance employees are remunerated independently of the businesses they oversee. ✓ Description of the ways in which current and future risks are taken into account in the remuneration processes including an overview of the key risks, their measurement and how these measures affect remuneration. ✓ Description of the ways in which the Bank seeks to link performance during a performance measurement period with levels of remuneration. Disclosures should include 8.2 : <ul style="list-style-type: none"> a. An overview of main performance metrics for bank, top-level business lines and individuals. b. A discussion of how amounts of individual remuneration are linked to bank-wide and individual performance. c. A discussion of the measures the Bank will in general implement to adjust remuneration in the event that performance metrics are weak, including the bank's criteria for determining "weak" performance metrics. ✓ Description of the ways in which the bank seeks to adjust remuneration to take account of longer-term performance including: <ul style="list-style-type: none"> a. A discussion of the bank's policy on deferral and vesting of variable remuneration and, if the fraction of variable remuneration that is deferred differs across employees or groups of employees, a description of the factors that determine the fraction and their relative importance. b. A discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and after vesting through clawback arrangements.

	<ul style="list-style-type: none"> ✓ Description of the different forms of variable remuneration that the bank utilises and the rationale for using these different forms. Disclosures should include: <ul style="list-style-type: none"> a. An overview of the forms of variable remuneration offered b. A discussion of the use of the different forms of variable remuneration and, if the mix of different forms of variable remuneration differs across employees or groups of employees), a description of the factors that determine the mix and their relative importance.
b	[Tab REM1] Remuneration awarded during the financial year
	<p>Agreed procedures/ work performed:</p> <ul style="list-style-type: none"> (i) Agree the “number of employees” and “fixed and variable remunerations” bifurcated between “senior management” and “other material risk-takers” as disclosed in REM1 to the underlying workings prepared by the management.



中國銀行

BANK OF CHINA

Pillar III Disclosure

December 2024

BANK OF CHINA LTD. -ABU DHABI

1	GENERAL OVERVIEW	4
1.1	Introduction and basis of preparation.....	4
1.1.1	Scope of Basel 3 Pillar 3 disclosures	4
1.1.2	Significant Pillar 3 disclosure requirements and regulations	4
1.2	Overview of Basel 3 requirements	4
1.2.1	BOCAD's approach to Pillar 1.....	5
1.2.2	Minimum capital requirement.....	6
1.2.3	Leverage and liquidity ratios.....	6
1.2.4	Revised Standards for Pillar 3 disclosures	6
1.2.5	Internal controls and verification	6
1.2.6	Bank of China Ltd.-Abu Dhabi at a glance.....	7
2	FORWARD LOOKING AND RISK FACTORS.....	7
2.1	Forward Looking Statement	7
2.1.1	United Arab Emirates.....	7
2.1.2	GCC economy forecasting.....	7
2.2	Foreseeable Risk Factors.....	8
3	OVERVIEW OF RISK MANAGEMENT AND RISK WEIGHTED ASSETS	10
3.1	Key prudential metrics.....	10
3.2	The risk management objectives and policies of the Bank	13
3.3	The business model of the Bank	13
3.4	The risk governance structure of the Bank.....	14
3.5	Channels to the risk culture with the Bank.....	15
3.6	The scope and main features of risk measurement systems	15
3.7	The process of reporting to the SMC.....	16
3.8	Qualitative information on stress testing.....	16
3.9	Overall of risk weighted assets	18
3.10	Linkages between Financial Statement and Regulatory Exposures	19
4	REGULATORY CAPITAL AND CAPITAL ADEQUACY.....	20
4.1	Capital Composition.....	20
4.2	Capital Adequacy	25
4.3	Reconciliation of regulatory capital to balance sheet	25
5	LEVERAGE RATIO	26
6	LIQUIDITY RISK MANAGEMENT.....	29
6.1	Governance of liquidity risk management	29
6.2	Funding strategy	31
6.3	Eligible Liquid Assets Ratio (ELAR).....	31
6.4	Advances to Stables Resource Ratio.....	32
7	MATERIAL RISKS	33
7.1	Credit Risk	33
7.1.1	Elements of Credit Risk Management	33
7.2	Credit Quality of Assets.....	35
7.2.1	Composition.....	35

7.2.2	Qualitative Disclosure	37
7.2.3	Quantitative Disclosure.....	37
7.2.4	Credit Risk Exposure under Standardised approach	39
7.2.5	Exposures under Standardised Approach.....	40
7.3	Market Risk	41
7.3.1	Market Risk Management.....	41
7.3.2	Market risk under the standardised approach (SA).....	43
7.4	Interest Rate Risk in the Banking Book (IRRBB).....	43
7.4.1	IRRBB Management Strategies and Processes	44
7.4.2	Structure of the Management Function	44
7.4.3	Scope and Nature of IRRBB Reporting and Measurement Systems.....	44
7.4.4	Mitigation of Interest Rate Risk in the Banking Book.....	44
7.4.5	IRRBB Quantitative Disclosure	45
7.5	Operational Risk.....	46
7.5.1	Operational Risk Management.....	46
7.5.2	Scope and Nature of Reporting and Measurement Systems	46
7.5.3	Mitigation of Strategies and Processes	46
7.5.4	Capital Requirements for Operational Risk	47
8	REMUNERATION POLICY	47
8.1	General Principles	48
8.2	Remuneration Structure	48
8.3	Senior Management Remuneration	49
8.4	Material Risk Takers.....	49
8.5	Policy Review	49
8.6	Variable Remuneration.....	49
8.7	Remuneration awarded during the financial year.....	50

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 at 0.0% for BOCAD at the end of 2024. 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 systemically 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

The UAE’s real GDP is projected to remain at 4 percent in 2024, rising to 5.1 percent in 2025, according to the IMF World Economy Outlook (WEO). The predictable robust t growth which the UAE economy is going to experience, is mainly due to its diversified economy.

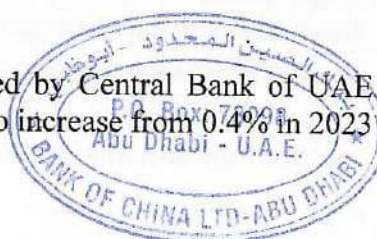
As for the hydrocarbon sectors, according to the Quarterly Economic Review of Dec 2024 published by Central Bank of UAE, the current levels of oil production in 2024 are projected to partially moderate the overall growth. For 2025, growth has been revised down to 4.5% due mainly to the OPEC’s meeting decision in December 2024 to extend production cuts. According to UAE Central Bank, growth is projected to be 5.5% in 2026, primarily due to the base effects of hydrocarbon GDP.

From the other side, the UAE’s diversified non-oil sector sustained the country’s growth in 2023 and 2024 despite the decline in oil production. According to the Central Bank of UAE, the UAE’s non-oil trade exceeded AED 1.3 trillion in H1 2024, equivalent to 134% of GDP. This represents a 10.6% Y-o-Y increase and reflects a successful implementation of the plan to diversify the UAE economy and strengthen ties with key trading partners.

As we look deeper into the non-oil sector, the government has prioritized manufacturing in its diversification strategy. According to Allianz, Manufacturing accounts for approximately 7-8% of GDP, driven by heavy industries such as metal processing, aluminium, construction materials and petrochemicals, which benefits from the availability of cheap energy. Construction and real estate have also been strong growth contributors, spurred by private real estate development and significant government-led infrastructure projects. The services sector remains a driving force in the Emirati economy, representing around 50% of GDP. Tourism, which has experienced high levels of growth since Expo 2020, expanded at a rate of +7-8% in 2024. Financial services, retail and logistics are also key contributors to the services sector in the UAE.

2.1.2 GCC economy forecasting

The Quarterly Economic Review of Dec 2024 published by Central Bank of UAE reveals economic growth in the GCC region is expected to increase from 0.4% in 2023



to 1.7% in 2024. Despite the contraction in oil production and exports due to the extension of voluntary oil production cuts, the continued investments in economic diversification, particularly across the tourism, real estate and manufacturing sectors, drove non-oil sector growth in 2024. These gains helped offset the impact of OPEC+ oil production cuts, which significantly affected hydrocarbon output. As a result, non-oil GDP growth averaged 3.7%, outpacing the overall economic growth rate of 1.8%. These suggest that diversification efforts have been effective, as countries such as Saudi Arabia, one of the hardest hits by production cuts, saw its non-oil sector expand at a healthy pace of 3.5% despite modest overall GDP growth of just 1.5%.

In 2025, the GCC is expected to remain economically resilient and effectively navigate the anticipated challenges of declining oil revenues and geopolitical fragmentation through balancing prudent fiscal management with strategic sovereign borrowing, achieving tax harmony, trade openness and strategic alliances, advancing urban development and leading in AI with major infrastructure investments and global partnerships which will define the year ahead. According to the Central Bank of UAE, growth is projected to significantly accelerate to 4.1% as oil production is likely to recover and shipping disruptions are expected to ease in 2025.

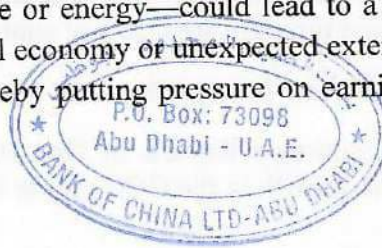
2.2 Foreseeable Risk Factors

The UAE banking sector has benefited greatly over the past several years from a robust domestic economy largely driven by high oil prices and a progressive diversification strategy that has expanded the non-oil sectors. Strong government support, favourable business regulations, and a well-established deposit base have underpinned the resilience and growth of UAE banks. However, as the global economic landscape shifts—with expectations of easing monetary policies, evolving regulatory requirements, and increasing cyber threats—UAE banks must also brace for potential headwinds. Despite stable asset quality and healthy capital positions, in the coming 2025, UAE banks might face a complex array of risks, including challenges from geopolitical tensions, potential margin compression due to falling interest rates, funding volatility, technological disruptions, and reputational concerns related to anti-money laundering and terrorism financing efforts.

Economic and Geopolitical Risk

Although UAE banks are forecast to benefit from a robust domestic economy driven by high oil prices and diversified non-oil growth, they remain vulnerable to regional geopolitical tensions and potential oil price volatility. Such uncertainties could disrupt business confidence and lending activity, ultimately impacting asset quality and profitability. Even with recent improvements in asset quality and low nonperforming loan ratios, UAE banks face the possibility that any downturn in economic growth or shifts in key sectors—such as real estate or energy—could lead to a deterioration in credit quality. A slowdown in the non-oil economy or unexpected external shocks may force banks to increase provisions, thereby putting pressure on earnings and overall balance sheet strength.

Interest Rate and Margin Pressure



As global monetary policies begin to ease and interest rates decline, UAE banks may experience compressed net interest margins. Although lower rates can stimulate lending and credit growth, they also reduce yields on new loans and narrow the spread between borrowing and lending costs. This margin squeeze could adversely affect profitability if banks are unable to efficiently restructure their funding profiles.

Liquidity and Funding Risk

UAE banks traditionally benefit from a strong deposit base and significant government support; however, their reliance on external deposits exposes them to volatility in global funding markets. In an environment of heightened economic or geopolitical uncertainty, fluctuations in external deposit inflows could challenge liquidity management and force banks to adjust their funding strategies to preserve balance sheet stability.

Cyber security and Technological Risk

Rapid digital transformation and the integration of new technologies such as artificial intelligence and open banking APIs have expanded operational capabilities, but also expose UAE banks to heightened cyber security risks. Cyber-attacks, data breaches, and system failures can disrupt operations, compromise customer data, and damage reputations, underscoring the need for continuous investments in advanced cyber security measures and robust IT governance.

Regulatory and Capital Adequacy Risk

Regulatory scrutiny in recent years has made the banks feel the squeeze of ever-changing compliance requirements in a fast-paced risk environment. Without exception, UAE banks operate under evolving regulatory frameworks set by the Central Bank, which increasingly emphasize stricter risk concentration and capital adequacy standards. Adjustments—such as those aligning with Basel III Endgame reforms—may require banks to hold higher capital buffers and enhance their risk management systems, potentially impacting lending capacity and increasing compliance costs if not managed efficiently.

Reputational and AML/Terrorism Financing Risk

While the UAE has recently made strides in strengthening its anti-money laundering (AML) and counter-terrorism financing frameworks, historical concerns and periodic regulatory scrutiny still pose reputational risks. Banks must maintain rigorous compliance and transparency to avoid associations with illicit financial flows, which could affect their global standing and relationships with international partner



3 OVERVIEW OF RISK MANAGEMENT AND RISK WEIGHTED ASSETS

3.1 Key prudential metrics

KM1: Key Metrics

	a	b	c	d	e
	Q4 2024	Q3 2024	Q2 2024	Q1 2024	Q4 2023
Available capital (amounts)					
1	481,210	447,628	447,253	447,318	448,385
1a	481,210	447,628	447,253	447,318	448,385
2	481,210	447,628	447,253	447,318	448,385
2a	481,210	447,628	447,253	447,318	448,385
3	503,017	465,443	463,032	461,385	464,143
3a	503,017	465,443	463,032	461,385	464,143
Risk-weighted assets (amounts)					
4	1,822,363	1,503,519	1,340,780	1,203,328	1,338,594

Risk-based capital ratios as a percentage of RWA						
5	Common Equity Tier 1 ratio (%)	26.41%	29.77%	33.36%	37.17%	33.50%
5a	Fully loaded ECL accounting model CET1 (%)	26.41%	29.77%	33.36%	37.17%	33.50%
6	Tier 1 ratio (%)	26.41%	29.77%	33.36%	37.17%	33.50%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	26.41%	29.77%	33.36%	37.17%	33.50%
7	Total capital ratio (%)	27.60%	30.96%	34.53%	38.34%	34.67%
7a	Fully loaded ECL accounting model total capital ratio (%)	27.60%	30.96%	34.53%	38.34%	34.67%
Additional CET1 buffer requirements as a percentage of RWA						
8	Capital conservation buffer requirement (%)	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	17.10%	20.46%	24.03%	27.84%	24.17%
Leverage Ratio						

13	Total leverage ratio measure	5,857,531	5,223,205	4,276,703	3,557,025	3,408,896
14	Leverage ratio (%) (row 2/row 13)	8.22%	8.57%	10.46%	12.58%	13.15%
	ELAR					
21	Total HQLA	1,214,968	1,216,803	890,936	844,892	844,666
22	Total liabilities	4,040,289	3,901,602	3,236,300	2,530,757	2,492,835
23	Eligible Liquid Assets Ratio (ELAR) (%)	30.07%	31.19%	27.53%	33.38%	33.88%
	ASRR					
24	Total available stable funding	2,442,460	2,476,731	2,463,642	2,130,439	1,848,877
25	Total Advances	1,796,103	1,149,989	737,448	774,213	777,793
26	Advances to Stable Resources Ratio (%)	73.54%	46.43%	29.93%	36.34%	42.07%



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 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, and 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 mainly focusing 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.

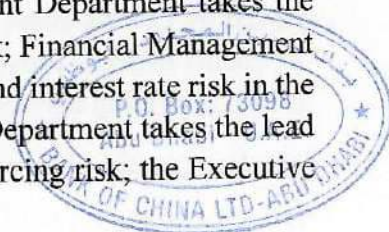
3.4 The risk governance structure of the Bank

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.

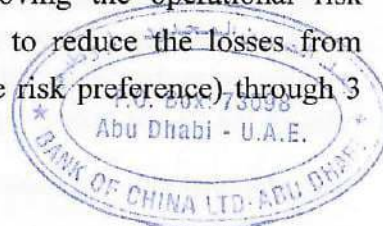
Senior Management communicates behavioural standards to our staff on a regular basis, with a focus on conduct and values. Furthermore, the Code of Conduct outlines an employee's need to be truthful, respect others, and follow all applicable laws, regulations, and policies. Anyone who violates the Code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

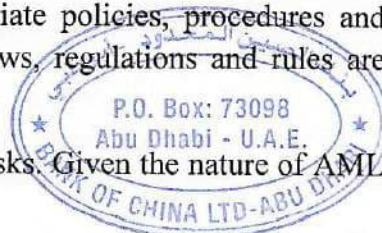
The Bank mainly utilizes the interest rate sensitivity gap to analyse the re-pricing risk on a static basis from net interest income perspective. The Bank adopts the Net Interest Income (NII) Movement Ratio for the purpose of monitoring, reporting and managing the IRRBB.

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 2024	Dec 2023
1	Credit risk (Standardized approach (SA))	1,744,592	1,260,641
2	Market risk (Standardized approach (SA))	766	949
3	Operational risk (Basic indicator approach (BIA))	77,005	77,004
Total RWA		1,822,363	1,338,594



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

	a	b
Items (AED' 000)	Total	Items subject to: Credit risk framework
1 Asset carrying value amount under scope of regulatory consolidation (as per template LI1)	4,545,823	4,545,823
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	4,545,823	4,545,823
4 Off-balance sheet amounts	2,591,496	2,591,496
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

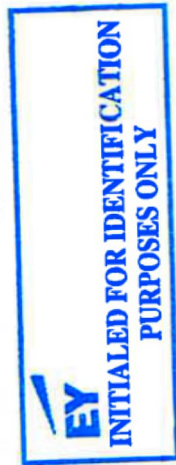
The table below shows the Bank's breakdown of regulatory capital according to the scope of regulatory consolidation and in-line with the CBUAE capital supply standard.

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	105,447	
3	Accumulated other comprehensive income (and other reserves)	10,968	
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	483,615	

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)		125	CC2 (b) minus (e)
10	Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of related tax liability)		2,280	
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		2,405	
25	Common Equity Tier 1 capital (CET1)		481,210	



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)	481,210	
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	21,807
45	Tier 2 capital before regulatory adjustments	21,807
	Tier 2 capital: regulatory adjustments	
46	Investments in own Tier 2 instruments	0
	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
47	Significant investments in the capital, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	0
48	CBUAE specific regulatory adjustments	0
49	Total regulatory adjustments to Tier 2 capital	0
50	Tier 2 capital (T2)	21,807
51	Total regulatory capital (TC = T1 + T2)	503,017
52	Total risk-weighted assets	1,822,363
	Capital ratios and buffers	
53	Common Equity Tier 1 (as a percentage of risk-weighted assets)	26.41%
54	Tier 1 (as a percentage of risk-weighted assets)	26.41%
55	Total capital (as a percentage of risk-weighted assets)	27.60%
56	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%
57	Of which: capital conservation buffer requirement	2.50%
58	Of which: bank-specific countercyclical buffer requirement	0.00%
59	Of which: higher loss absorbency requirement (e.g. DSIB)	0.00%
60	Common Equity Tier 1 (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirement.	17.10%

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)	23,351
70	Cap on inclusion of provisions in Tier 2 under standardised approach	21,807
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



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

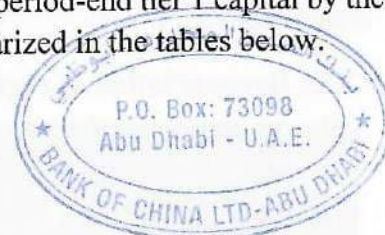
Items(AED'000)	Balance sheet as in published financial statements	Under regulatory scope of consolidation	CC2 Ref
Assets			
Cash and balances with the UAE Central Bank	155,937	155,937	
Due from banks	1,458,265	1,458,646	A
Due from related parties	49,976	49,992	A
Financial assets measured at amortised cost	1,059,017	1,059,031	A
Loans and advances	1,790,087	1,796,103	A
Other Assets	21,131	21,131	
Property, plant and equipment	2,578	2,578	
Intangible assets	125	125	
Current and deferred tax assets	2,280	2,280	
Total assets	4,539,396	4,545,823	
Liabilities			
Customer deposits	1,838,824	1,838,824	
Due to related parties	2,129,952	2,129,952	
Due to banks and other financial institutions	5,978	5,978	
Other liabilities	67,013	65,535	A
Provisions	-	7,905	A
Total liabilities	4,041,767	4,048,194	
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	104,015	104,015	
Accumulated other comprehensive	26,414	26,414	

income			
Total shareholders' equity	497,629	497,629	

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-24	30-Sep-24	30-Jun-24	31-Mar-24	31-Dec-23
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	4,545,792	4,407,076	3,728,330	3,010,501	2,959,675
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)	(2,405)	(1,285)	(1,288)	(1,291)	(1,293)
7	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)	4,543,387	4,405,791	3,727,042	3,009,210	2,958,382
Derivative exposures						
8	Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	0	0	0	0	0
9	Add-on amounts for PFE associated with all derivatives transactions	0	0	0	0	0
10	(Exempted CCP leg of client-cleared trade exposures)	0	0	0	0	0
11	Adjusted effective notional amount of written credit derivatives	31	43	0	0	0
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0	0	0	0	0



13	Total derivative exposures (sum of rows 8 to 12)	31	43	0	0	0
Securities financing transactions						
14	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	0	0	0	0	0
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0	0	0	0	0
16	CCR exposure for SFT assets	0	0	0	0	0
17	Agent transaction exposures	0	0	0	0	0
18	Total securities financing transaction exposures (sum of rows 14 to 17)	0	0	0	0	0
Other off-balance sheet exposures						
19	Off-balance sheet exposure at gross notional amount	2,591,496	1,598,011	1,062,593	1,058,900	900,366
20	(Adjustments for conversion to credit equivalent amounts)	(1277,383)	(780,640)	(512,932)	(511,085)	(449,852)
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)	1,314,113	817,371	549,661	547,815	450,514
Capital and total exposures						
23	Tier 1 capital	481,210	447,628	447,253	447,318	448,385
24	Total exposures (sum of rows 7, 13, 18 and 22)	5,857,531	5,223,205	4,276,703	3,557,025	3,408,896
Leverage ratio						
25	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)	8.22%	8.57%	10.46%	12.58%	13.15%
25 a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	8.22%	8.57%	10.46%	12.58%	13.15%
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;



- 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:

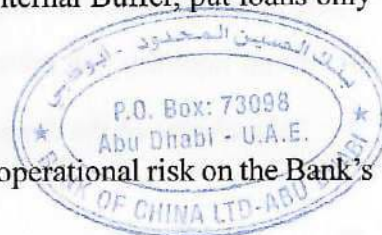
- Make funds transfer in accordance with the Global Market Department's instruction;
- Monitor the Branch's nostro accounts to ensure there is sufficient balance for payment.

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	155,937	
1.2	UAE Federal Government Bonds and Sukuks	1,059,031	
	Sub Total (1.1 to 1.2)	1,214,968	1,214,968
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	1,214,968	1,214,968
2	Total liabilities		4,040,289
3	Eligible Liquid Assets Ratio (ELAR)		30.07%

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 2024
1.1	Net Lending (gross loans - specific and collective provisions + interest in suspense)	1,796,103
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	1,796,103
	Calculation of Net Stable Resources	
2.1	Total capital + general provisions	503,645
	Deduct:	
2.1.1	Goodwill and other intangible assets	125
2.1.2	Fixed Assets	2,578
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	2,703
2.2	Net Free Capital Funds	500,942
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	367,300
2.3.3	Refinancing of Housing Loans	0
2.3.4	Borrowing from non-Banking Financial Institutions	850
2.3.5	Customer Deposits	1,573,368
2.3.6	Capital market funding/ term borrowings maturing after 6 months from reporting date	0
2.3.7	Total other stable resources	1,941,518
2.4	Total Stable Resources (2.2+2.3.7)	2,442,460
	Advances TO STABLE RESOURCES RATIO (1.6/ 2.4*100)	73.54%

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 overarching impact on the Bank's operations and performance.

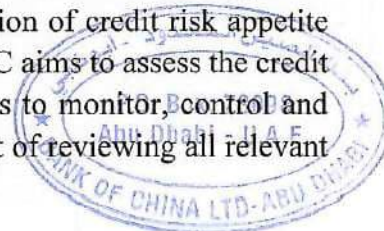
7.1.1 Elements of Credit Risk Management

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.

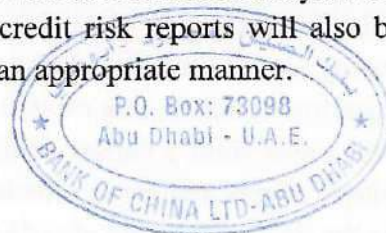
The branch has established a credit risk management structure with clear division of responsibilities, including Chief Risk Officer (CRO), Risk Management Committee (RMC) and Risk Management Department (RMD). CRO is a member of the branch's senior management and RMC, who is in charge of the holistic 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- defaulted exposures		Allocated regulatory category of Specific	Allocated in regulatory category of General	
1	Loans	0	1,796,103	6,017		1,790,086
2	Debt securities	0	1,059,031	14		1,059,017
3	Off-balance sheet exposures	0	2,591,496	1,483		2,590,013
4	Total	0	5,446,630	7,514		5,439,116



CR2: Changes in stock of defaulted loans and debt securities

		Dec 2024
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

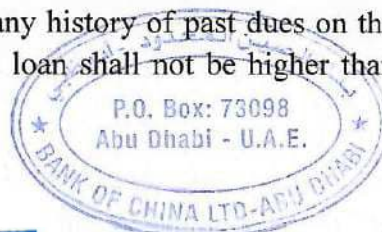
An exposure is "past-due" when any amount of principal, interest or fee has not been paid at the date it was due. An exposure is "impaired" when the borrower shows obvious weakness in its financial condition and creditworthiness which may hinder the scheduled repayment, or the loan principals or interests 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 2024, 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
Finance	497,883	28%
Electricity, Gas and Water	429,087	24%
Government	426,791	24%
Transport, Storage & Communication	332,593	19%
Mining & Quarrying	109,749	6%
In total	1,796,103	100.00%

Country	Balance('000' AED)	Percentage
UAE-Abu Dhabi	629,425	35%
Saudi Arabia	381,094	21%
Oman	347,209	19%
UAE-Dubai	230,000	13%
UAE-Sharjah	79,582	4%
Indonesia	50,981	3%
Uzbekistan	47,992	3%
Cayman Islands	29,819	2%
In total	1,796,103	100.00%

Tenor (Residual maturity)	Balance('000' AED)	Percentage
less than 1 year	0	0%
1-3 years	481,329	27%
3-5 years	895,002	50%
over 5 years	419,771	23%
In total	1,796,103	100.00%

As of the end of 2024, 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 Exposures before CRM		b Exposures post-CRM and CCF		c Exposures post-CRM and CCF		d Off-balance sheet amount		e RWA and RWA density		f RWA density
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	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	1,641,759	0	0	0	1,641,759	0	0	0	8,680	1%	
2	Public Sector Entities	859,425	0	0	0	859,425	0	0	0	344,131	40%	
3	Multilateral development banks											
4	Banks	1,508,638	2,344,322			1,508,638	1,172,161.00			1,017,537	26%	
5	Securities firms											
6	Corporates	509,886	247,174			553,536	101,762			344,708	46%	
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	26,115	0	0	0	26,115	0	0	0	29,535	113%	
14	Total	4,545,823	2,591,496			4,589,473	1,273,923			1,744,591	24%	

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, 2024 (Exposures post CCF and CRM).

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

Risk weight Asset classes		a	b	c	d	e	f	g	h	i
		0%	20%	35%	50%	75%	100%	150%	Others	Total credit exposures
1	Sovereigns and central banks	1,624,399			17,360					1,641,759
2	Public Sector Entities	58,768	570,657				230,000			859,425
3	Multilateral development banks									
4	Banks		1,143,557		1,496,832		40,410			2,680,799
5	Securities firms									
6	Corporates	37,174	75,418		426,164		116,542			655,298
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						23,835		2,280	26,115
14	Total	1,720,341	1,789,632	-	1,940,356	-	410,787	-	2,280	5,863,396

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

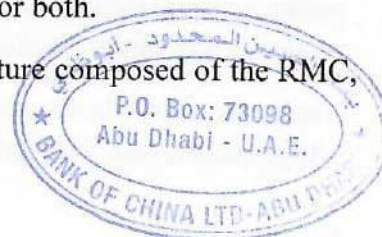
The basic principles of risk management of the Bank are to match the business scale, product complexity and risk characteristics of the Bank. The Bank follows the principles of “integrated, comprehensive and timely” in its management. The goal of market risk management is to control the market risk within 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 2024
1	General Interest rate risk (General and Specific)	0
2	Equity risk (General and Specific)	0
3	Foreign exchange risk	80
4	Commodity risk	0
5	Option	0
6	Total	80

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, Flattener, 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 2024	Dec 2023	Dec 2024	Dec 2023
Parallel up	6,289	10,731	1,871	-3,650
Parallel down	-6,350	-10,847	-1,871	3,650
Steeper	-5,057	-8,036		
Flattener	6,410	10,376		
Short rate up	8,343	13,794		
Short rate down	-8,439	-13,984		
Maximum	8,343	13,794		

Period	Dec 2024	Dec 2023
Tier 1 capital	481,210	448,385

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.

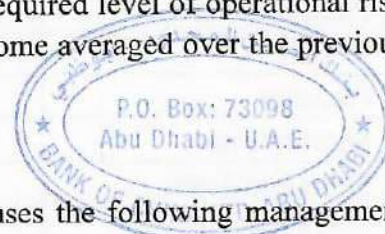
7.5.2 Scope and Nature of Reporting and Measurement Systems

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.

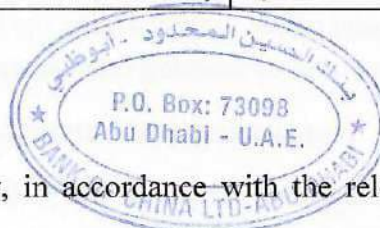
The table below shows the Bank's minimum capital requirement for operational risk.

AED'000	2021	2022	2023	Average
Gross Income	15,504	27,873	79,831	41,069
Beta Factor				15%*1.313
Capital requirement for operational risk(UAE Capital factor 1.313)				8,086

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 Material Risk Takers

"Material risk takers" are defined as individuals whose roles involve managing or influencing significant risk exposures that could impact the bank's financial stability or regulatory compliance. This includes:

Senior Management: CEO, CFO, CRO, Compliance Officer, etc.

Key Business Units: Heads of Trading, Corporate Banking, and Global Market Department, whose decisions directly affect credit, market, or operational risk profiles.

8.5 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.

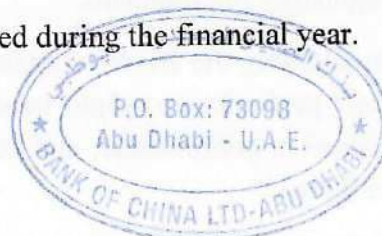
8.6 Variable Remuneration

The bank's variable remuneration policy aims to align employee incentives with long-term performance, risk management, and stakeholder interests while complying with regulations. It comprises bonuses, performance-linked incentives, and long-term incentives (LTIs).

Performance linkage involves financial metrics like ROE and non - financial ones such as customer satisfaction, with weightages varying by role. A risk - adjustment mechanism exists, including claw back provisions to address improper performance or misstatements. Deferral and vesting arrangements apply, especially for senior staff and risk - takers, with LTIs often deferred for years and vested based on performance and continued employment.

8.7 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

Remuneration Amount(AED'000)		a	b
		Senior Management	Other Material Risk-takers
1	Number of employees	2	5
2	Total fixed remuneration (3 + 5 + 7)	654	897
3	Of which: cash-based	654	897
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	Number of employees	2	5
10	Total variable remuneration(11 + 13 + 15)	542	602
11	Of which: cash-based	423	602
12	Of which: deferred	119	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)	1,196	1,499

