



INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED
ABU DHABI BRANCH

2023

PILLAR III DISCLOSURES

**Industrial and Commercial Bank of
China Limited - Abu Dhabi Branch**
PILLAR III DISCLOSURES
FOR THE YEAR ENDED 31 DECEMBER 2023

Industrial and Commercial Bank of China Limited - Abu Dhabi Branch
Pillar III Disclosures for the year ended 31 December 2023

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1. Overview of Risk Management and RWA

KM1: Key Metrics

		a	b	c	d	e
		T	T-1	T-2	T-3	T-4
		Available capital (amounts in AED '000)				
1	Common Equity Tier 1 (CET1)	613,251	543,149	545,700	543,752	545,115
1a	Fully loaded ECL accounting model	613,251	543,149	545,700	543,752	545,115
2	Tier 1	613,251	543,149	545,700	543,752	545,115
2a	Fully loaded ECL accounting model Tier 1	613,251	543,149	545,700	543,752	545,115
3	Total capital	694,123	638,769	639,667	640,568	658,265
3a	Fully loaded ECL accounting model total capital	694,123	638,769	639,667	640,568	658,265
		Risk-weighted assets (amounts in AED '000)				
4	Total risk-weighted assets (RWA)	2,513,528	2,958,727	2,187,796	1,940,364	1,782,993
		Risk-based capital ratios as a percentage of RWA				
5	Common Equity Tier 1 ratio (%)	24.40%	18.36%	24.94%	28.02%	30.57%
5a	Fully loaded ECL accounting model CET1 (%)	24.40%	18.36%	24.94%	28.02%	30.57%
6	Tier 1 ratio (%)	24.40%	18.36%	24.94%	28.02%	30.57%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	24.40%	18.36%	24.94%	28.02%	30.57%
7	Total capital ratio (%)	27.62%	21.59%	29.24%	33.01%	36.92%
7a	Fully loaded ECL accounting model total capital ratio (%)	27.62%	21.59%	29.24%	33.01%	36.92%
		Additional CET1 buffer requirements as a percentage of RWA				
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.50%	2.50%	2.50%	2.50%	2.50%

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9	Countercyclical buffer requirement (%)	0.00%	0.00%	0.00%	0.00%	0.00%
10	Bank D-SIB additional requirements (%)	0.00%	0.00%	0.00%	0.00%	0.00%
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9+ row 10)	2.50%	2.50%	2.50%	2.50%	2.50%
12	CET1 available after meeting the bank's minimum capital requirements (%)	17.40%	11.36%	17.94%	21.02%	23.57%
Leverage Ratio						
13	Total leverage ratio measure	5,081,656	5,781,472	4,508,275	4,563,559	3,342,956
14	Leverage ratio (%) (row 2/row 13)	12.07%	9.39%	12.10%	11.92%	16.31%
14a	Fully loaded ECL accounting model leverage ratio (%) (row 2A/row 13)	12.07%	9.39%	12.10%	11.92%	16.31%
14b	Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	12.07%	9.39%	12.10%	11.92%	16.31%
ELAR						
21	Total HQLA	829,598	858,109	900,789	1,289,765	346,084
22	Total liabilities	3,521,556	4,105,197	3,186,230	3,320,212	2,061,309
23	Eligible Liquid Assets Ratio (ELAR) (%)	23.56%	20.90%	28.27%	38.85%	16.79%
ASRR						
24	Total available stable funding	3,130,938	2,651,608	2,215,645	2,572,637	2,135,214
25	Total Advances	782,063	196,032	360,970	207,077	761,177
26	Advances to Stable Resources Ratio (%)	24.98%	7.39%	16.29%	8.05%	35.65%

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OVA: Risk Management Approach

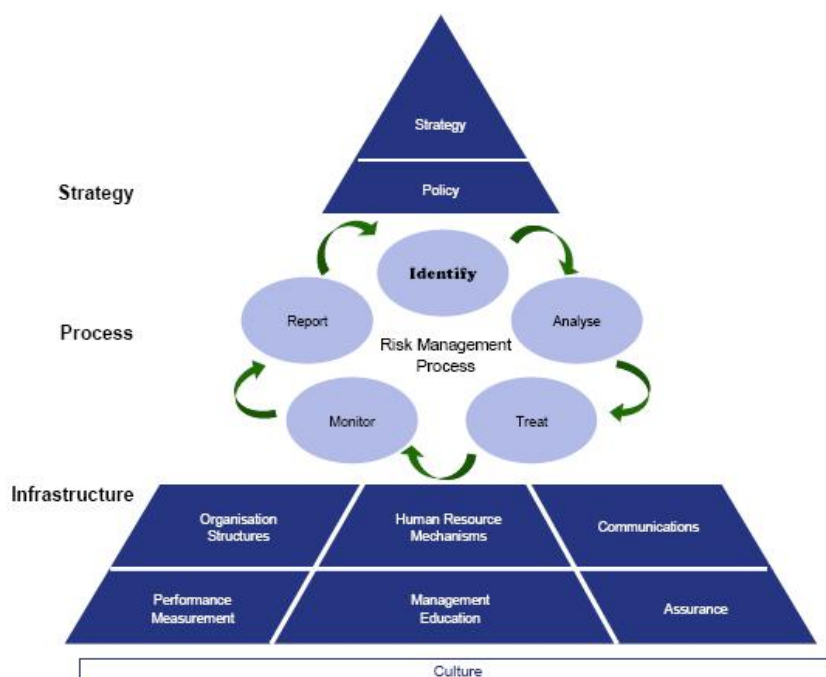
The Industrial and Commercial Bank of China, Abu Dhabi Branch (the Branch), is a branch of Industrial and Commercial Bank of China (ICBC or Group) regulated by the Central Bank of U.A.E (CBUAE). Consistent with the Group, the Branch uses an enterprise risk management framework across the organization and across all risk types, underpinned by ICBC risk culture. The framework fosters continuous monitoring of the risk environment, and promotes risk awareness and sound operational and strategic decision making. It also ensures the Branch has a consistent approach to monitoring, managing and mitigating the risks we accept and incur in our activities.

According to the Branch's business mix, business model and its strategy, the Branch has identified various key risks including Strategic Risk, Credit Risk, Market Risk, Liquidity Risk, Operational Risk, Compliance & Money Laundering Risk, Interest Rate Risk in Banking Book, Reputational Risk, Concentration Risk, IT and Cyber Risk, etc. The Branch has established processes for identification, measurement, assessment, control or mitigation, monitoring, reporting and aggregation of various risks within the Branch's Enterprise Risk Management Policy.

Based on the basic risk appetite and tolerance determined at ICBC Head Office level, the Branch also take into account the local market situation and formalize a Branch-specific risk appetite statement with defined limits, which is integrated into the Branch's risk management process. The Branch is only permitted to grant customer credit ratings and credit line approvals within the specific authorization limits determined by ICBC Head Office, who determines the authorization limits of each of its subsidiaries and branches to grant customer credit ratings, credit line and individual loan approvals on an annual basis based on the Group's overall strategies and policies. Risk management coordination between the Branch and ICBC Head Office is achieved through general supervision and more specifically, through periodic on-site or off-site inspections in accordance with the internal procedures set by ICBC Head Office.

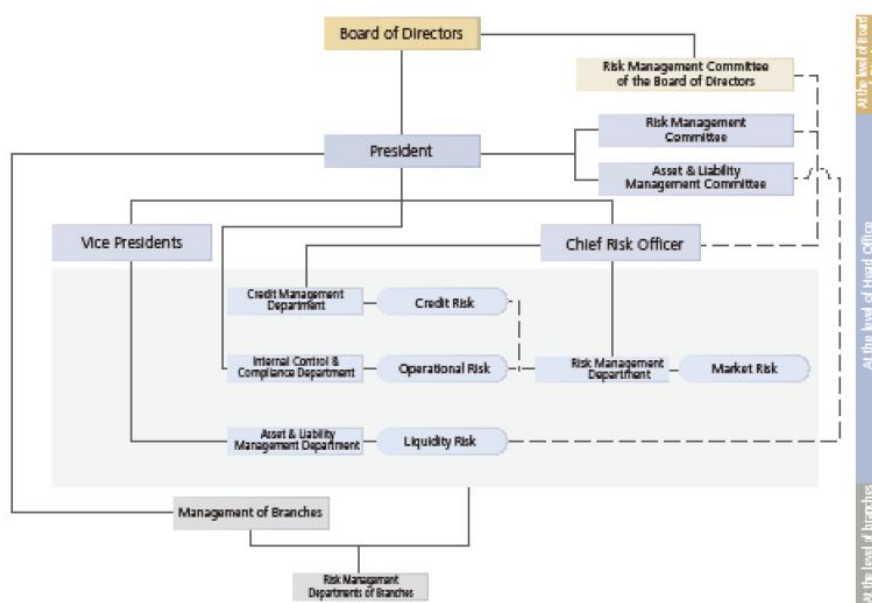
Key elements of the Branch's risk management structure are as illustrated in the diagram below under the categories of Strategy, Process and Infrastructure.

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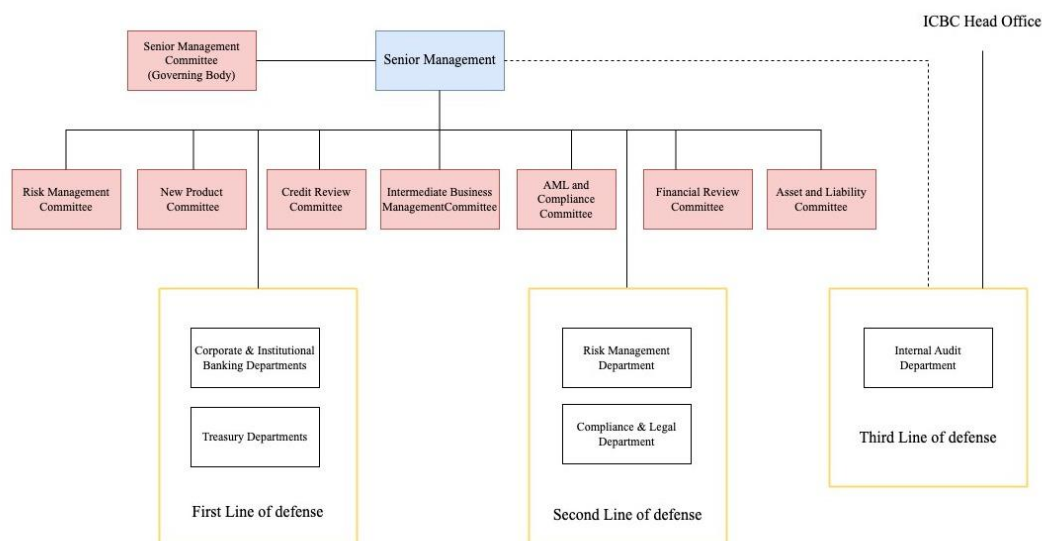
Risk Governance

As a branch of the Group, the branch’s risk governance consists of Head Office Level and Branch Level. At ICBC Head Office level, the senior management team under the leadership of the President is responsible for implementing the strategy, culture, people, processes, technology and structures which constitute the risk management policy. The President is assisted by the Chief Risk Officer (CRO) and a head office level Risk Management Committee on risk management related matters and an Asset and Liability Management Committee on assets, liabilities and capital.



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On Branch Level, the effective risk governance is supported by adequate oversight of risk management by Senior Management, and well-defined three lines of defense underpinned by strong risk culture, supported by the following committees:



ICBC Head Office decide annual authorization for the Branch, in which the defining the Branch’s authorization, business scope, credit policies, credit limits, etc. The Branch exercise its operation and management in according to the annual authorization and local regulations. Businesses exceeding the authorized limits shall be submitted to ICBC Head Office for approval.

Three Lines of Defense

The Three Lines of Defense model ensures the resilience of the Branch’s risk and control environment and safeguards the sustainability of our business model going forward.

First line of defense–Risk owners:

Front-office business marketing departments are the first line of defense in risk management. The first line of defense shall carry out business activities in accordance with laws, regulations, and the Branch's related provisions and processes, formulate the business policy for its business line, and effectively control customer access; it shall intensify monitoring and examination on its business line; it shall carry out positive identification, assessment and control to the risks in its operation and business process, collect and report risk points, and make improvement targeting at weak links promptly. It shall, through self-evaluation, self-examination, self-improvement and self-training on the systems, processes and provisions related to businesses and products, perform the self-risk control duty in the course of business operation.

Second line of defense–Risk control functions:

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Risk Management Department and Compliance & Legal Department contribute to the independent risk control are the second line of defense in risk management. The second line of defense shall, through formulating risk management policies, standards and requirements, provide risk management methods, tools, processes, training and guidance to the first line of defense, and promote consistency and effectiveness of the Branch's risk management. It shall monitor the risk status and compliance status of business lines and the Branch through with laws, regulations, corporate governance rules and policies, independently assess the risks and problems confronted by business lines and the Branch. It shall supervise and examine the implementation status and effectiveness of risk management measures taken by the first line of defense.

Third line of defense—Internal audit function:

Internal Audit Department is the third line of defense in risk management. It shall, through internal independent and objective supervision and evaluation, and by applying systematic and standard methods, audit the performance of duties of the first and second lines of defense in risk management, carry out independent and objective supervision, auditing, evaluation and reporting on the effect of risk management, and promote the realization of the Branch's development strategy and business management objectives.

Risk Culture

The Branch's risk culture is coherent with the Group risk culture which centered on independent balancing, reasonable risk taking, process management and risk incentives. Risk management system with separate front-, middle- and back-offices have been established as part of independent balancing between responsibilities while avoiding conflict of interest. Recognizing the importance of sound risk culture, the Branch has formulated and maintained various risk management policies and procedures and code of conduct applicable to all staff at all levels to help foster an effective on-going promotion of strong risk culture within the Branch.

The Branch ensures that comprehensive process management shall be incorporated to risks according to the process of risk identification, measurement, monitoring, control or mitigate and reporting. As part of the enforcing the risk culture of the Branch, the responsibility for identifying and assessing risk lies with those who have been assigned responsible for managing business areas (Department Heads). The Department Heads will take primary responsibility for the identification and management of the risks in their business areas, and then report to the Senior Management.

The Branch has also established a comprehensive performance assessment mechanism of which salary payment and job promotion shall be linked with risks, and, not only gains and losses shall be considered, risks and long-term development condition shall also be taken into account.

Risk Measurement Systems

The Branch relies on risk measurement systems developed by the ICBC Head Office or Group to accurately and timely measure and assess each type of inherent risk. Depending on the nature of

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risk and the business activities or products involved, different risk measures are calculated to monitor the risk positions in terms of exposure size, risk level, concentration and asset quality, etc. both in normal times and in times of stress. A range of key risk measures or indicators are applied to the Branch and its major operating subsidiaries where applicable to ensure comprehensive review and monitoring on various risk types.

The risk measurement and reporting systems are designed to help ensure that risks are comprehensively captured with all the attributes necessary to support well-founded decisions, which those attributes are accurately assessed, and that information is delivered in a timely manner for those risks to be successfully managed and mitigated. ICBC Head Office continues to invest significant resources in IT systems and processes in order to maintain and improve our risk management capabilities. ICBC Head Office standards govern the procurement and operation of systems used in our subsidiaries to process risk information within business lines and risk functions.

Risk Management Reports

The Enterprise Risk Management report is provided to the management of the Branch and ICBC Head Office on a quarterly basis, which includes the analysis and control measures of credit risk, liquidity risk, market risk, operational risk, AML risk and reputation risk. The credit risk management summary is provided to the management on a monthly basis, including but not limited to contents such as the loan quality and provision, facility distribution, loan concentration, credit facilities provided and repaid for the month.

Besides the Enterprise Risk Management Report, the following major risk information reporting is presented to the Senior Management and ICBC Head Office on a regular/ad-hoc basis:

- The latest status of our liquidity and funding is presented to the Asset and Liability Committee (ALCO) on quarterly basis.
- Internal Capital Adequacy Assessment Process Report (ICAAP) is presented to Senior Management Committee (SMC) on yearly basis.
- Latest status of Branch's compliance and AML risk is presented to AML and Compliance Committee (AMCC) at least quarterly.

Stress Testing

Stress testing and sensitivity analysis are essential tools in the risk management toolkit, for instance to identify weaknesses or blind spots, stress capital and liquidity adequacy, and so on. Routine stress tests shall be performed on a regular basis in the light of stress test purpose, risk type, risk level, external environment and regulatory requirements. Generally, stress test of credit risk and operational risk shall be conducted at least once a year, in principle. Stress test of liquidity risk and market risk shall be conducted at least once a quarter, in principle. Comprehensive enterprise risk stress test shall be conducted in accordance to the schedule and requirement from both ICBC Head Office and CBUAE.

Review of Risk Policy and Procedures

The Branch undertakes a review of the risks that it faces as an annual exercise which will include an assessment (with impact and probability assessment) of the various material risks faced by the Branch or are likely to be faced by the Branch in the foreseeable future, as well as assessment of the strength and effectiveness of the controls and mitigation measures implemented by the Branch to address the relevant risks. The updated policy or procedure will be presented to the Branch's RMC for review and approval.

Risk Identification and Overall Risk Management Measures

Risk identification refers to the process to systematically classify potential items or factors affecting the realization of various objectives and find out risk causes. Stress testing and scenario analysis methods can be applied to better understand the potential risks under various unfavorable scenarios.

Risk management processes aim to identify, assess, measure and monitor the key risks that the Branch might be exposed to. Risk measurement or assessment refers to the process to measure or assess the possibility, and potential items affecting the realization of objectives on the basis of defining risk properties through risk identification. Combined qualitative and quantitative methods shall be applied for carrying out risk measurement. For quantifiable risks, the measurement, control or mitigation of related risks shall be strengthened through risk measurement technology; for risks not quantifiable, the identification, assessment, control or mitigation and reporting mechanisms of risks shall be established to ensure that related risks can be effectively managed.

The Branch has a comprehensive range of quantitative tools and metrics in place to monitor its risk exposures and risk level. Risk mitigation is one of the key aspects of prudent risk management. Depending on the nature of different products and business, a range of risk mitigating techniques such as seeking collateral, netting arrangement, hedging and insurance is covered in the relevant policies and procedures to mitigate the risks and reduce the potential loss. To ensure the effectiveness of mitigating techniques, there are structured process and requirements regarding the recognition of collateral or mitigating tools, the timely and reliable valuation and legal enforceability of the tools. There are also specific analyses in regular risk management reports to monitor the potential concentration of collaterals.

Other than mitigating tools for particular customers, products or business lines, other mitigating strategies which can more broadly impact the risk exposure or restore the Group's liquidity and capital level are set out at the Recovery Plan and Contingency Funding Plan. The aforesaid documents are subject to periodic review and approval by the ALCO or RMC to ensure the strategies remain appropriate and effective.

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Capital adequacy assessment for major risk

In the context of the Internal Capital Adequacy Assessment Process (ICAAP), the Branch perform Pillar 1 plus approach, in which the Branch apply the Standardized Approach for credit risk capital calculation, the Standardized Approach for market risk capital calculation, and Basic Indicator Approach for operational risk capital calculation.

- **Credit Risk:** The Branch applies the Standardized Approach to calculate RWA for credit risk. In accordance with the Central Bank of the United Arab Emirates (CBUAE) guidelines, the Branch applies Credit Conversion Factor (CCF) for the off-balance sheet exposure. The risk weights are driven by credit ratings published by external credit agencies approved by the CBUAE.
- **Market Risk:** The Branch applies the Standardized Approach to calculate RWA for market risk as per the CBUAE guidelines. The market risk includes Interest rate risk, Foreign exchange risk, Equity exposure risk, Commodity risk and Options risk. In calculating RWA for market risk, Interest rate risk is restricted to the Branch's trading book, while the Foreign exchange risk applies on the Branch's banking book and trading book.
- **Operational Risk:** The Branch applies the Basic Indicator Approach for calculating capital requirement for operational risk

For risks not covered or not fully covered in the Pillar 1 calculation, the Branch uses the regulatory method or the scorecard method from ICBC Head Office to assess the level of risk and quality of risk management. According to the assessment, the Branch allocates the capital to major risks faced by the Branch including concentration risk, country risk , liquidity risk, interest rate risk in the banking book and etc.

OV1: Overview of RWA

		AED 000		
		(a)	(b)	(c)
		RWA		Min Capital Requirement
		Q4 2023	Q3 2023	Q4 2023
1	Credit risk (excluding counterparty credit risk)	2,350,804	2,758,762	246,834
2	<i>Of which: standardised approach (SA)</i>	2,350,804	2,758,762	246,834
6	Counterparty credit risk (CCR)	93,908	131,289	9,860
7	<i>Of which: standardised approach for counterparty credit risk</i>	93,908	131,289	9,860
12	Equity investments in funds - look-through approach	0		0
13	Equity investments in funds - mandate-based approach	0		0
14	Equity investments in funds - fall-back approach	0		0
15	Settlement risk	0		0

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16	Securitisation exposures in the banking book	0		0
18	<i>Of which: securitisation external ratings-based approach (SEC-ERBA)</i>	0		0
19	<i>Of which: securitisation standardised approach (SEC-SA)</i>	0		0
20	Market risk	1,695	1,555	178
21	<i>Of which: standardised approach (SA)</i>	1,695	1,555	178
23	Operational risk	67,121	67,121	7,048
26	Total (1+6+10+11+12+13+14+15+16+20+23)	2,513,528	2,958,727	263,920

2. Linkages between Financial Statements and Regulatory Exposures

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

		AED 000		
		(a)	(b)	(c)
		Total	Items subject to:	
			Credit risk framework	Counterparty credit risk framework
1	Asset carrying value amount under scope of regulatory consolidation	4,319,933	4,300,241	19,692
2	Liabilities carrying value amount under regulatory scope of consolidation	1,084		1,084
3	Total net amount under regulatory scope of consolidation	4,318,849	4,300,241	18,608
4	Off-balance sheet amounts	816,219	396,542	
5	<i>Differences in valuations</i>			
6	<i>Differences due to different netting rules, other than those already included in row 2</i>			
7	<i>Differences due to consideration of provisions</i>	55,352	55,352	
8	<i>Differences due to prudential filters</i>			
9	Exposure amounts considered for regulatory purposes	5,190,420	4,752,135	18,608

3. Composition of Capital

CC1: Composition of regulatory capital

		AED 000	
		(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	312,120	Same as (h) from CC2 template
2	Retained earnings	262,909	
3	Accumulated other comprehensive income (and other reserves)	38,221	
4	<i>Directly issued capital subject to phase-out from CET1 (only applicable to non-joint stock companies)</i>		
5	Common share capital issued by third parties (amount allowed in group CET1)		
6	Common Equity Tier 1 capital before regulatory deductions	613,251	
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)	0	CC2 (b) minus (e)
10	Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of related tax liability)	0	
11	Cash flow hedge reserve	0	
12	Securitisation 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	

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23	CBUAE specific regulatory adjustments	0	
24	Total regulatory adjustments to Common Equity Tier 1	0	
25	Common Equity Tier 1 capital (CET1)	613,251	
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	<i>Directly issued capital instruments subject to phase-out from additional Tier 1</i>	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	<i>Of which: instruments issued by subsidiaries subject to phase-out</i>	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)	613,251	
Tier 2 capital: instruments and provisions			
40	Directly issued qualifying Tier 2 instruments plus related stock surplus	0	
41	<i>Directly issued capital instruments subject to phase-out from Tier 2</i>	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)	50,313	
43	<i>Of which: instruments issued by subsidiaries subject to phase-out</i>		
44	Provisions	30,559	
45	Tier 2 capital before regulatory adjustments	80,872	
Tier 2 capital: regulatory adjustments			
46	Investments in own Tier 2 instruments	0	
47	Investments in capital, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	0	
48	Significant investments in the capital, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	0	
49	CBUAE specific regulatory adjustments	0	
50	Total regulatory adjustments to Tier 2 capital	0	

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51	Tier 2 capital (T2)	80,872	
52	Total regulatory capital (TC = T1 + T2)	694,123	
53	Total risk-weighted assets	2,513,528	
Capital ratios and buffers			
54	Common Equity Tier 1 (as a percentage of risk-weighted assets)	24.40%	
55	Tier 1 (as a percentage of risk-weighted assets)	24.40%	
56	Total capital (as a percentage of risk-weighted assets)	27.62%	
57	Institution specific buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus higher loss absorbency requirement, expressed as a percentage of risk-weighted assets)	2.50%	
58	Of which: capital conservation buffer requirement	2.50%	
59	Of which: bank-specific countercyclical buffer requirement		
60	Of which: higher loss absorbency requirement (e.g. DSIB)		
61	Common Equity Tier 1 (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirement.	17.40%	
The CBUAE Minimum Capital Requirement			
62	Common Equity Tier 1 minimum ratio	7.00%	
63	Tier 1 minimum ratio	8.50%	
64	Total capital minimum ratio	10.50%	
Amounts below the thresholds for deduction (before risk weighting)			
66	Significant investments in common stock of financial entities	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)	55,352	
70	Cap on inclusion of provisions in Tier 2 under standardised approach	30,559	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)			
73	<i>Current cap on CET1 instruments subject to phase-out arrangements</i>	0	
74	<i>Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)</i>	0	
75	<i>Current cap on AT1 instruments subject to phase-out arrangements</i>	0	
76	<i>Amount excluded from AT1 due to cap (excess after redemptions and maturities)</i>	0	
77	<i>Current cap on T2 instruments subject to phase-out arrangements</i>	50,313	
78	<i>Amount excluded from T2 due to cap (excess after redemptions and maturities)</i>	50,313	

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CC2: Reconciliation of regulatory capital to balance sheet

	AED 000		(c) Reference
	(a)	(b)	
	Balance sheet as in published financial statements	Under regulatory scope of consolidation	
	Q4 2023	Q4 2023	
Assets			
Cash and balances at central banks	247,631	247,631	
Items in the course of collection from other banks	1,758,720	1,758,720	
Loans and advances to customers	692,129	692,129	
Available for sale financial investments (Includes FVOCI)	1,548,985	1,548,985	
Prepayments, accrued income and other assets	64,356	64,356	
Goodwill and other intangible assets	0	0	
Of which: goodwill	0	0	(a)
Of which: intangibles (excluding MSRs)	0	0	(b)
Of which: MSRs	0	0	(c)
Property, plant and equipment	8,112	8,112	
Total assets	4,319,933	4,319,933	
Liabilities			
Items in the course of collection due to other banks	1,171,953	1,171,953	
Customer accounts	2,293,604	2,293,604	
Accruals, deferred income and other liabilities	57,501	57,501	
Current and deferred tax liabilities	0	0	
Of which: DTLs related to goodwill	0	0	(d)
Of which: DTLs related to intangible assets (excluding MSRs)	0	0	(e)
Of which: DTLs related to MSRs	0	0	(f)
Subordinated liabilities	183,625	183,625	
Total liabilities	3,706,683	3,706,683	
Shareholders' equity			
Paid-in share capital	312,120	312,120	
Of which: amount eligible for CET1	312,120	312,120	(h)
Of which: amount eligible for AT1	0	0	(i)
Retained earnings	262,909	262,909	
Accumulated other comprehensive income	38,221	38,221	
Total shareholders' equity	613,251	613,251	

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CCA: Main features of regulatory capital instruments

		(a)
		Quantitative / qualitative information
1	Issuer	NA
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	NA
3	Governing law(s) of the instrument	NA
	Regulatory treatment	NA
4	Transitional arrangement rules (i.e. grandfathering)	NA
5	Post-transitional arrangement rules (i.e. grandfathering)	NA
6	Eligible at solo/group/group and solo	NA
7	Instrument type (types to be specified by each jurisdiction)	NA
8	Amount recognised in regulatory capital (currency in millions, as of most recent reporting date)	NA
9	Nominal amount of instrument	NA
9a	Issue price	NA
9b	Redemption price	NA
10	Accounting classification	NA
11	Original date of issuance	NA
12	Perpetual or dated	NA
13	Original maturity date	NA
14	Issuer call subject to prior supervisory approval	NA
15	Optional call date, contingent call dates and redemption amount	NA
16	Subsequent call dates, if applicable	NA
	Coupons / dividends	NA
17	Fixed or floating dividend/coupon	NA
18	Coupon rate and any related index	NA
19	Existence of a dividend stopper	NA
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	NA
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	NA
21	Existence of step-up or other incentive to redeem	NA
22	Non-cumulative or cumulative	NA
23	Convertible or non-convertible	NA
24	Writedown feature	NA
25	If writedown, writedown trigger(s)	NA
26	If writedown, full or partial	NA
27	If writedown, permanent or temporary	NA
28	If temporary write-down, description of writeup mechanism	NA
28a	Type of subordination	NA
29	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned).	NA
30	Non-compliant transitioned features	NA
31	If yes, specify non-compliant features	NA

As of the end of reporting date, the Branch does not have regulatory capital instruments within the scope of CCA disclosure. The Branch however, has issued USD 50,000,000 Tier 2 Capital Instrument on 19 March 2015 which does not meet the Basel III qualifying criteria for the particular tier of capital. The Branch is required by the CBUAE to phase out the instrument by 10% annually commencing 1 January 2018 until 31 December 2027 under grandfathering arrangement.

4. Macroprudential Supervisory measures

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

Geographical breakdown	(a)	(b)		(c)	(d)	(e)
	Countercyclical capital buffer rate	Exposure values and/or risk-weighted assets used in the computation of the countercyclical capital buffer		Risk-weighted assets	Bank-specific countercyclical capital buffer rate	Countercyclical buffer amount
Exposure values						
Home Country 1	0%	0	0			
Country 2	0%	0	0			
Country 3	0%	0	0			
.....	0%	0	0			
Country N	0%	0	0			
Sum		0	0			
Total		0	0		0%	0

As of the end of reporting date, the Branch is not required to set aside countercyclical capital buffer.

5. Leverage ratio

LR2: Leverage ratio common disclosure template

		AED 000	AED 000
		(a)	(b)
		Q4 2023	Q3 2023
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	4,347,287	4,892,640
2	Gross-up for derivatives collateral provided where deducted from balance sheet assets pursuant to the operative accounting framework	0	
3	(Deductions of receivable assets for cash variation margin provided in derivatives transactions)	0	
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	0	
5	(Specific and general provisions associated with on-balance sheet exposures that are deducted from Tier 1 capital)	0	
6	(Asset amounts deducted in determining Tier 1 capital)	0	
7	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)	4,347,287	4,892,640
Derivative exposures			
8	Replacement cost associated with <i>all</i> derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	27,567	35,283
9	Add-on amounts for PFE associated with <i>all</i> derivatives transactions	310,260	445,634
10	(Exempted CCP leg of client-cleared trade exposures)	0	
11	Adjusted effective notional amount of written credit derivatives	0	
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0	
13	Total derivative exposures (sum of rows 8 to 12)	337,827	480,917
Securities financing transactions			
14	Gross SFT <i>assets</i> (with no recognition of netting), after adjusting for sale accounting transactions	0	0
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0	0
16	CCR exposure for SFT assets	0	0
17	Agent transaction exposures	0	0
18	Total securities financing transaction exposures (sum of rows 14 to 17)	0	0
Other off-balance sheet exposures			
19	Off-balance sheet exposure at gross notional amount	816,219	893,503
20	(Adjustments for conversion to credit equivalent amounts)	(419,677)	(485,588)
21	(Specific and general provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital)		
22	Off-balance sheet items (sum of rows 19 to 21)	396,542	407,915
Capital and total exposures			
23	Tier 1 capital	613,251	543,149
24	Total exposures (sum of rows 7, 13, 18 and 22)	5,081,656	5,781,472
Leverage ratio			
25	Leverage ratio (including the impact of any applicable temporary	12.07%	9.39%

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	exemption of central bank reserves)		
25 a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	12%	9%
26	CBUAE minimum leverage ratio requirement	3%	3%
27	Applicable leverage buffers	0.00%	0.00%

6. Liquidity

LIQA: Liquidity risk management

Liquidity risk is defined as the risk that the bank although solvent, does not have the capabilities to raise funds or unable to raise them at a reasonable costs to repay all of its liabilities as they fall due and be in a position that unable to meet other payment obligations to sustain its business growth. The Branch must comply with the regulatory ELAR and ASRR. In order to achieve this, the Branch maintains a strong portfolio of high liquid assets and a stable and diversified funding base. Asset Liability Committee (ALCO) is the Senior Management-level committee responsible for reviewing and approving the Branch's liquidity risk. The main responsibilities of the ALCO include: (1) Establish an effective risk management framework consistent with risk appetite and business strategies of the Branch, (2) Review and approve the liquidity risk management policy, (3) Discuss and approve liquidity risk indicators and limits to ensure proper risk appetite, and (4) Review and discuss liquidity risk report periodically.

The Branch has established a robust liquidity risk management framework that is well integrated with the overall risk management process. The liquidity risk management strategies are established pursuant to the liquidity risk appetite and specify the overall objective and management mode of liquidity risk management.

The Branch established and continuously calculates cash inflows and outflows in different future period of time in material currencies according to the future growth of assets and liabilities while covering the businesses on and off the balance sheet. The calculation and analysis of cash flow covers future cash flows from assets and liabilities as well as potential cash flows from contingent assets and contingent liabilities. Cash flow with definite maturity date includes on and off balance sheet cash flow that has a definite maturity cash flow, while cash flow with indefinite maturity date is calculated pursuant to the principle of prudence. Also, the Branch analyses overall funding composition to ensure stable and reasonable structure of funding sources. It includes but not limited to:

- Review continuously the top 5 deposit customers and top 5 interbank lenders for each significant currency;
- Manage the concentration of funding sources reasonably by diversifying funding types, terms, counterparties, currencies, financing collaterals and financing markets ;
- Periodically assess market financing capacity and asset liquidity;

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- Watch closely on trading volume, price and other aspects of major financial markets, and assess the influence of market liquidity on the funding capacity of the Branch.

The Branch unceasingly and actively manages its intra-day liquidity positions prudently in order to ensure it has the capabilities to satisfy its payment and settlement obligations under business as usual and stressed scenarios which includes but not limited to:

- Forecast intra-day fund to identify and measure the cash inflow and outflow as well as potential net funding gap;
- Monitor interbank fund transfer to ensure sufficient intra-day liquidation position;
- Monitor closely on intra-day liquidity positions against unexpected activities;
- Identify and prioritise the most time-critical payment and settlement obligations;
- Deal with unexpected disruptions to intra-day liquidity flows.

Notably, The Branch uses a range of liquidity indicators to identify, manage and control its liquidity risk. This is achieved by setting controls on regulatory requirements, which are commensurate with the business mix, complexity and risk profile. The liquidity risk monitoring indicators are monitored timely. The monitoring frequency and calculation scope of the liquidity risk limit indicators and monitoring indicators are fixed in line with the regulatory requirements and the management needs of the Branch. Details are listed in the table below:

Regulatory requirements			
Indicators	Requirements	Warning Limit	Frequency
ASRR	≤100.00%	≥85.00%	Daily
ELAR	≥10.00%	≤11.00%	Daily

The Branch conducts liquidity stress testing regularly on a quarterly basis and the frequency can be moderately increased based on the external market conditions, dramatic market volatility and other conditions according to management and regulatory requirements. The Branch performs scenario analysis for liquidity risk stress testing and analyses the separate and combined impacts of possible future liquidity stresses on its (1) Cash flows, (2) Liquidity position, and (3) Profitability. There are 3 scenarios for stress testing has been selected with separate impacts calculated.

- Scenario 1 (firm-specific scenario): FI Stop Lending;
- Scenario 2 (market-wide scenario): Customer Deposit Withdrawn;
- Scenario 3 (Combined scenario): Repayment delays.

The result of the stress testing is reported to ALCO on quarterly basis and ensure the result are: (1) reflected in the processes, strategies and systems established, (2) used to develop effective Liquidity Contingency Plans, (3) Integrated with the business planning process and day-to-day risk management, and (4) Consider in setting liquidity risk appetite and optimize liquidity risk management.

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The Branch established a Contingencies Funding Plan (CFP) that addresses the strategies for liquidity shortfalls in emergency situations. The CFP outlines policies to manage a range of stress scenarios, establish clear lines of responsibility, include clear invocation and escalation procedures and is regularly tested and updated to ensure that it is operationally robust. The Branch also conducts the CFP simulation annually to assess the feasibility of CFP and to ensure that all the members are aware of the procedures and their roles when the CFP is activated.

The Branch continuously calculates cash inflows and outflows in different future period of time according to the future growth of assets and liabilities while covering the businesses on and off the balance sheet. The calculation and analysis of cash flow covers future cash flows from assets and liabilities as well as potential cash flows from contingent assets and contingent liabilities.

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

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Maturities of assets and liabilities based on the remaining period at the statement of financial position date to the contractual maturity date not taking account of the effective maturities as indicated by the Branch's deposit retention history and the availability of liquid funds, as at 31 December 2023 is as follows:

	Less than 3 months AED	3 months to 12 months AED	1-5 years AED	Over 5 years AED	Total AED
2023					
ASSETS					
Cash and balances with the UAE Central Bank	247,631,305	-	-	-	247,631,304
Due from banks	1,195,967,568	348,635,348	-	-	1,544,602,916
Due from the Head Office and affiliates	214,116,498	-	-	-	214,116,498
Investment securities	484,235,813	459,444,890	527,917,175	77,386,920	1,548,984,798
Loans and advances - net	250,777,475	91,504,994	156,816,164	193,030,688	692,129,321
Property, furniture and equipment	-	-	544,024	7,568,098	8,112,122
Other assets	53,285,587	-	-	11,070,414	53,285,587
Total	2,446,014,246	899,585,232	685,277,363	289,056,120	4,319,932,960
LIABILITIES					
Due to banks	292,161,416	-	-	-	292,161,416
Due to the Head Office and affiliates	820,184,311	59,606,835	-	-	879,805,596
Subordinated borrowings	-	-	183,625,000	-	183,625,000
Customer deposits	801,213,549	1,492,390,408	-	-	2,293,603,957
Other liabilities (including taxation)	42,222,538	15,278,696	-	-	57,501,234
Total	1,955,781,814	1,567,275,939	183,625,000	-	3,706,682,753
Net liquidity gap	490,232,432	(667,690,707)	501,652,363	289,056,120	613,250,207

Analysis of undiscounted financial liabilities by remaining contractual maturities

The table below summarizes the maturity profile of the Branch's financial liabilities at 31 December 2023 based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Branch expects that many customers

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will not request repayment on the earliest date the Branch could be required to pay and the table does not reflect the expected cash flows indicated by the Branch's deposit retention history.

	Total carrying amount AED	Gross nominal outflows AED	Less than 3 months AED	3 months to 12 months AED	1-5 years AED	Over 5 years AED
2023						
Due to banks and other financial institutions	292,161,416	292,552,115	292,552,115			
Due to the banks, Head Office and affiliates	879,791,146	880,994,613	820,934,901	60,059,712		
Subordinated borrowings	183,625,000	195,101,563	-		195,101,563	
Customer deposits	2,293,603,957	2,306,239,704	2,004,454,616	301,785,088		
Other liabilities	22,263,502	22,263,502	22,263,502			
Total liabilities	3,671,445,021	3,697,151,497	3,140,205,134	361,844,800	195,101,563	

The table below shows the contractual expiry by maturity of the Branch's contingent liabilities and commitments:

	On demand AED	Less than 3 months AED	3 to 12 months AED	1 to 5 years AED	Over 5 years AED	Total AED
2023						
Contingent liabilities	54,890,592	26,603,627	275,243,267	393,041,686	66,438,702	816,217,874

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ELAR: Eligible Liquid Assets Ratio

1	High Quality Liquid Assets	AED 000	
		Nominal amount	Eligible Liquid Asset
1.1	Physical cash in hand at the bank + balances with the CBUAE	741,829	
1.2	UAE Federal Government Bonds and Sukuks	77,386	
	Sub Total (1.1 to 1.2)	819,215	819,215
1.3	UAE local governments publicly traded debt securities	10,383	
1.4	UAE Public sector publicly traded debt securities	0	
	Sub Total (1.3 to 1.4)	10,383	10,383
1.5	Foreign Sovereign debt instruments or instruments issued by their respective central banks	0	0
1.6	Total	829,598	829,598
2	Total liabilities		3,521,556
3	Eligible Liquid Assets Ratio (ELAR)		23.56%

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ASRR: Advances to Stables Resource Ratio

		Items	AED 000
			Amount
1		Computation of Advances	
	1.1	Net Lending (gross loans - specific and collective provisions + interest in suspense)	691,156
	1.2	Lending to non-banking financial institutions	0
	1.3	Net Financial Guarantees & Stand-by LC (issued - received)	-257,981
	1.4	Interbank Placements	348,888
	1.5	Total Advances	782,063
2		Calculation of Net Stable Resources	
	2.1	Total capital + general provisions	845,428
		Deduct:	
	2.1.1	Goodwill and other intangible assets	0
	2.1.2	Fixed Assets	8,113
	2.1.3	Funds allocated to branches abroad	0
	2.1.5	Unquoted Investments	0
	2.1.6	Investment in subsidiaries, associates and affiliates	0
	2.1.7	Total deduction	8,113
	2.2	Net Free Capital Funds	837,315
	2.3	Other stable resources:	
	2.3.1	Funds from the head office	0
	2.3.2	Interbank deposits with remaining life of more than 6 months	0
	2.3.3	Refinancing of Housing Loans	0
	2.3.4	Borrowing from non-Banking Financial Institutions	20
	2.3.5	Customer Deposits	2,293,603
	2.3.6	Capital market funding/ term borrowings maturing after 6 months from reporting date	0
	2.3.7	Total other stable resources	2,293,623
	2.4	Total Stable Resources (2.2+2.3.7)	3,130,938
3		Advances TO STABLE RESOURCES RATIO (1.5/ 2.4*100)	24.98%

7. Credit Risk

CRA: General qualitative information about credit risk

Credit risk is the potential that a borrower or counter-party fails to meet its obligations to the Branch in accordance to the agreed terms. The Branch's credit risk mainly originates from loans, while treasury operation and off-balance-sheet business may also expose the Branch to credit risk. In line with ICBC Group, the main principles used for defining the Branch's credit risk management policy and subsequently credit risk limits or controls are "economic origin, prudent, good faith and compliance, customer selection, credit management by experts, and duty fulfillment". The Branch formulated its credit risk management policy in accordance to the CBUAE regulation as well as relevant ICBC Head Office credit risk management policies which includes credit risk appetite, customer selection criteria, customer acceptance criteria, and post-approval monitoring.

The Branch has adopted a "Three Lines of Defense" credit risk management structure. Business Units play the first line of defense and primary responsible party of the credit risk. Risk Management Department, Compliance & Legal Department are independent of Business Units and play the second line of defense. Internal Audit Department plays the third line of defense and is responsible to providing assurance on the effectiveness of the Branch's risk management.

In terms of structure and organization of credit risk management, the Branch's business and credit functions are independent and carried out by the Corporate & Institutional Banking Department and Risk Management Department respectively to avoid potential conflict of interest and to gain a fair and objective view on the risks that the Branch is undertaking. The Branch's Credit Review Committees (CRC) responsible to collectively deliberate and review credit proposal from various financing, investment and other related businesses. This committee is chaired by Senior Management of the Branch and is a key part of the corporate governance framework designed to effectively address the credit risks the Branch is likely to face. The Branch's credit approval authority was delegated by ICBC Head Office and further delegated to Deputy General Manager.

The Branch utilized the unified credit risk management system developed by ICBC Head Office. The systems center on customers, and fully cover all credit risk businesses. The comprehensive credit granting process and policy on credit onboarding effectively control credit risks within an acceptable scope. The Branch leverages on the internal rating measurement system of the ICBC Head Office for effective credit risk identification, monitoring, early warning and reporting and deepens the application in capital allocation, credit approving, loan pricing, duration management, provision, and performance appraisal.

In general, a customer should have a credit rating and credit limit before individual credit approval.

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For new customer, the credit rating and credit limit applications can be processed at the same time as the individual credit application. For some credit products, individual business can be processed directly once the customer has a credit limit.

Prior to the approval of each credit facility, the Branch must conduct a thorough assessment of the potential customer. The purpose is to establish the financial viability and profitability of the business of the customer and the customer's ability to meet its financial obligations. The Relationship Manager (as first line of defense) shall, through on-site visits and other appropriate means, collect relevant information required for conducting customer rating and credit limit analysis and prepare initial proposals on the basis of his investigation and analysis. The Corporate Credit Report of the customer published by Al Etihad Credit Bureau (AECB) should be obtained and the related analysis on the non performing record should be conducted in this process. These initial proposals shall then be reviewed by the Head of the Corporate & Institutional Banking Department and then submitted to the Risk Management Department for review by the Credit Analyst. The customer rating and credit line proposals and the risk review report will submit for discussion and voting by the CRC. The General Manager or the authorized personnel, based on decision by the Credit Review Committee, will ratify the proposed customer rating and credit line within his authorization limits. Customer rating, credit line applications or credit applications that exceed the authorization limits of the Branch must be submitted to the Head Office for final ratification.

The Branch also continuously optimize the management and control mechanism for large customers, manage loans with potential risks and overdue loans, enhance the collection of non-performing loans (NPLs) while improve asset quality monitoring and management system to comprehensively and objectively assess the overall soundness of asset quality as well as risk prevention and control capabilities of institutions at all levels. In order to assess the impacts of changes in credit risk under early warning stress scenarios, the Branch frequently carries out stress testing or portfolio risk assessment to risk-sensitive industry, region, and product mixes. For the purpose to minimize concentration risk, the Branch also sets up credit risk limits in respect of large exposure and country risk.

The Branch-wide Credit Risk Management summary will be prepared by Risk Management Department on quarterly basis which will be included within the Branch's Enterprise Risk Management report provided to ICBC Head Office and deliberated in the quarterly RMC meeting. The scope and main content of the report including but not limited to the (1) size of the Bank's loan portfolio and corresponding loan classification and internal credit rating; (2) asset quality of key business segments; (3) overdue and non-performing loan status at the reporting period; (4) credit concentration by industry, products and country; and (5) thematic review of key customers. On top of routine reports, ad hoc reports such as portfolio review will also be reported to CRC, RMC, and ICBC Head Office if necessary and in an appropriate manner.

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CR1: Credit quality of assets

		AED 000					
		(a)	(b)	(c)	(d)	(e)	(f)
		Gross carrying values of		Allowances/ Impairments	Of which ECL accounting provisions for credit losses on SA exposures		Net values (a+b-c)
		Defaulted exposures	Non-defaulted exposures		Allocated in regulatory category of Specific	Allocated in regulatory category of General	
1	Loans	0	738,899	46,770	0	46,770	692,129
2	Debt securities	0	1,549,006	21	0	21	1,548,985
3	Off-balance sheet exposures	0	816,218	1,508	0	1,508	814,710
4	Total	0	3,104,123	48,299	0	48,299	3,055,824

CR2: Changes in stock of defaulted loans and debt securities

		AED 000
		(a)
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

CRB: Additional disclosure related to the credit quality of assets

Default and Credit-Impaired Exposures

The Branch defines a corporate borrower as in default when it meets one or more of the following criteria at the timing of recognition:

- The principal or interest of loan is past due more than 90 days to the Branch;
- 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;
- The corporate borrower has the above matters in other financial institutions refers to the above criteria.

Generally, a financial asset is considered to be credit-impaired if:

- It has been overdue for more than 90 days;
- In light of economic, legal or other factors, the Branch has made concessions to a borrower in financial difficulties, which would otherwise have been impossible under normal circumstances;
- The borrower is probable to be insolvent or carry out other financial restructurings;
- Due to serious financial difficulties, the financial asset cannot continue to be traded in an active market;
- There are other objective evidences that the financial asset is impaired.

Rescheduled Exposures

The Branch can extend the loan maturity date by negotiation and consent of the two parties on the following circumstances:

- The borrower's operational income and repayment resource are temporarily affected by such incidents as the government's policy adjustment, the external natural conditions, and the fluctuation of economic circles.
- High concentration of repayment schedule which result in the difficulty of repayment.
- The repayment resource is explicit while it cannot fulfill immediately.
- Any other circumstances that the Regulator or Head Office allows rescheduling.

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The borrower shall satisfy the following:

- Business operation is generally normal and it has the capacity of repayment.
- Provides accurate and full financial statement and other materials explaining its repayment capacity to the Branch, and cooperates with the Branch in due-diligence, review and post-lending management.
- Willing to repay and there is no default record and no principle or interest overdue.
- The security measure is not weaker than the existing loan.

Restructured Exposures

In the event that borrower defaults due to credit risk, the Branch can take the remedial actions i.e. adjusting such elements as the borrower, the collateral, the repayment date, the applicable interest rate, the repayment schedule, etc. to lower or resolve the risk. The restructuring shall apply to at least one of the circumstances below:

- If the borrower is changed, the repayment capacity and willingness of the new borrower shall be better than the existing borrower.
- If there is any legal defect in the existing loan agreement, the restructuring shall resolve the defect.
- The Branch can partially collect the defaulted principal or interest through restructuring or it is in favor of the fulfillment of repayment plan.
- The security of the loan will be strengthened, or the unsecured loan be restructured into secured loan.
- Other circumstance that can reduce the risk of existing loan.

The following exposures cannot be restructured:

- Borrower defaults with vicious intention.
- Borrower in the midst of bankruptcy proceeding.
- Borrower that almost bankrupt and there is no support from the government of the new investors.
- Loan that currently in litigation or execution.
- Loan classified as bad or loss.

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Loan Classification and Credit Provisioning

The process for provisioning against bad and doubtful debts is conducted in accordance with market best practice and on a prudent and cautious manner. The review on loan classification is performed by the Credit Analyst periodically on monthly basis. Besides the regular classification exercises, the Branch can downgrade on ad-hoc basis on any loans whose quality deteriorates significantly that an immediate downgrade becomes necessary before the regular classification. However, the regular classification procedures shall still apply.

The Branch measures Expected Credit Loss (ECL) on an individual basis, or on a collective basis for portfolios of finances that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original Effective Interest Rate (EIR), regardless of whether it is measured on an individual basis or a collective basis.

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- Full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL. ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Branch under the contract and the cash flows that the Branch expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR. For undrawn financial commitments, the ECL is the difference between the present value of the difference between the contractual cash flows that are due to the Branch if the holder of the commitment draws down the finance and the cash flows that the Branch expects to receive if the finance is drawn down; and for financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed financing instrument less any amounts that the Branch expects to receive from the holder, the customer or any other party.

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The Branch's Loan Classification and Provisioning Standard are as follows:

ECL Stage	5 Loan Classification	Impairment Loss	Criteria	Provision Level
1	Pass	12-month ECL	A financial instrument of which the credit risk has not significantly increase since initial recognition	General Provision
2	Special Mention	Lifetime ECL	A financial instrument with a significant increase in credit risk since initial recognition but is not considered to be credit-impaired	General Provision
3	Substandard	Lifetime ECL	Credit Impaired	Specific Provision
	Doubtful			
	Loss			

As of 31 December 2023, according to the Branch's loan classification, all of the its credit assets were in pass status. The NPL ratio maintained at zero.

As of 31 December 2023, the major funded credit assets of the Branch were loans, debt securities and inter-bank lending, and the total funded exposure was AED 3,789.52 million. The unfunded credit assets were guarantees and commitment, and the total unfunded exposure (post-CCF) was AED 408.11 million.

Breakdown of exposures by geographical areas:

Geographic Distribution	Exposures post-CCF (AED 000)					
	On-balance sheet amount				Off-balance sheet amount	Total
	Loans	Debt Securities	Inter-bank Lending	Total Funded		
United Arab Emirates	237,545	1,157,311	128,538	1,523,393	304,052	1,827,445
GCC excluding UAE	238,713	88,671	-	327,384	0	327,384
Asia	262,642	298,915	1,377,188	1,938,745	104,057	2,042,802
Total	738,899	1,544,897	1,505,725	3,789,521	408,109	4,197,630

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Breakdown of exposures by industry

Industry Segment	Exposures post-CCF (AED 000)					
	On-balance sheet amount				Off-balance sheet amount	Total
	Loans	Debt Securities	Inter-bank Lending	Total Funded		
Manufacturing	317,729	0	0	317,729	5,584	323,313
Electricity, gas & airconditioning supply	0	0	0	0	75	75
Construction & real estate	0	0	0	0	280,005	280,005
Transportation and storage	4,755	0	0	4,755	0	4,755
Information and communications	65,691	0	0	65,691	0	65,691
Financial and Insurance activities	47,743	864,254	1,505,725	2,417,721	104,057	2,521,779
Professional, scientific & technical activities	0	0	0	0	25	25
Other service activities	119,356	10,005	0	129,361	18,363	147,724
Government	183,625	670,638	0	854,263	0	854,263
Total	738,899	1,544,897	1,505,725	3,789,521	408,109	4,197,630

Breakdown of exposures by residual maturity:

Residual Contractual Maturity	Exposures post-CCF (AED 000)					
	On-balance sheet amount				Off-balance sheet amount	Total
	Loans	Debt Securities	Inter-bank Lending	Total Funded		
Less than 3 months	250,777	480,689	1,156,838	1,888,304	84,667	1,972,971
3 months to one year	91,906	458,884	348,888	899,677	93,676	993,353
One to five years	157,503	507,550	0	665,053	196,546	861,599
Over five years	238,713	97,775	0	336,488	33,219	369,707
Total	738,899	1,544,897	1,505,725	3,789,521	408,109	4,197,630

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The branch currently does not have any past due exposure, impaired exposure, or restructured exposure and have not allocated any specific provisions as of 31 December 2023.

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

		AED 000					
		(a)	(b)	(c)	(d)	(e)	(f)
		Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	Asset classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Sovereigns and their central banks	1,101,865		1,101,865	-	54,459	2%
2	Public Sector Entities	119,356	47,743	119,356	12,854	30,849	1%
3	Multilateral development banks	0	0	0	0	0	0%
4	Banks	2,659,513	545,943	2,659,513	704,527	1,828,601	78%
5	Securities firms	0	0	0	0	0	0%
6	Corporates	413,745	560,361	413,746	17,539	395,186	17%
7	Regulatory retail portfolios	0	0	0	0	0	0%
8	Secured by residential property	0	0	0	0	0	0%
9	Secured by commercial real estate	0	0	0	0	0	0%
10	Equity Investment in Funds (EIF)	0	0	0	0	0	0%
11	Past-due loans	0	0	0	0	0	0%
12	Higher-risk categories	0	0	0	0	0	0%
13	Other assets	41,738		41,738	-	41,709	2%
14	Total	4,336,217	1,154,047	4,336,218	734,920	2,350,804	100%

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

		AED 000								
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
		0%	20%	35%	50%	75%	100%	150%	Others	Total credit exposures amount (post CCF and post-CRM)
Risk Weights	Asset classes									
1	Sovereigns and their central banks	829,569	272,296	0	0	0	0	0	0	1,101,865
2	Public Sector Entities	0	126,701	0	0	0	5,509	0	0	132,210
3	Multilateral development banks	0	0	0	0	0	0	0	0	-
4	Banks	0	832,709	0	1,738,543	0	792,788	0	0	3,364,040
5	Securities firms	0	0	0	0	0	0	0	0	-
6	Corporates	550	10,005	0	55,088	0	365,641	0	0	431,284
7	Regulatory retail portfolios	0	0	0	0	0	0	0	0	-
8	Secured by residential property	0	0	0	0	0	0	0	0	-
9	Secured by commercial real estate	0	0	0	0	0	0	0	0	-
10	Equity Investment in Funds (EIF)	0	0	0	0	0	0	0	0	-
11	Past-due loans	0	0	0	0	0	0	0	0	-
12	Higher-risk categories	0	0	0	0	0	0	0	0	-
13	Other assets	29	0	0	0	0	41,709	0	0	41,738
14	Total	830,148	1,241,711	-	1,793,631	-	1,205,647	-	-	5,071,137

8. Market Risk

MRA: General qualitative disclosure requirements related to market risk

Market Risk Management Strategy

The market risk faced by the Branch mainly includes interest rate risk and exchange rate risk, which refer to the risks brought by the adverse changes in interest rate and exchange rate respectively. The Branch utilizes the market risk management systems established by ICBC Head Office to effectively identify, measure, monitor, control or mitigate and report market risk.

Layered management mechanism of market risk has been established for monitoring purposes which includes market risk limits setting, adjustment, early-warning, over-limit reporting and remediation procedures. Risk limit indicators for various levels have been created, and the limits will be reviewed and updated regularly as guided by ICBC Head Office. Along with requirements from ICBC Head Office, market risk monitoring and reporting system have been established and market risk stress testing shall be carried out to conduct continuous monitoring and reporting on the market risk. The Branch continuously conduct valuation through the Head Office valuation risk management system to effectively identify, measure, monitor, and control or mitigate and report valuation risk and control it within the affordable range. Comprehensive process and product controls have been established and documented.

Structure and Organization of the Market Risk Management Function

The Branch carries out the daily market risk management of its own institution under the policies, procedures and guidance of the ICBC Head Office, and shall meet relevant regulatory requirements. The Branch is responsible for implementing the market risk management regulations of the ICBC Head Office; submitting relevant reports and statements to the relevant management department of ICBC Head Office on time; assisting ICBC Head Office to promote and improve the group market risk management work.

The Senior Management of the Branch, with the assistance of RMC, is responsible for formulating, regularly reviewing, and supervising the implementation of market risk management policies, procedures and specific operating procedures, timely understanding the market risk level and management status, and ensuring that Branch have adequate human and material resources, as well as the appropriate organizational structure, management information system and technical level to effectively identify, measure, monitor and control the various types of market risks undertaken by various businesses, and review important matters of market risk management.

The RMC is responsible for reviewing specific policies and procedures for managing different risks such as interest rates or exchange rates arising from branch business activities. The risk management committee shall ensure that the Branch's risk management system can identify the

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main sources of interest rate or exchange rate risk of the branch and fully quantify its risk exposure. The RMC shall analyze the integrity and effectiveness of the branch market risk management to ensure that its practices are consistent with the goals and authorized business scope of the UAE Central Bank and the head office.

The Treasury Department (through its Asset Liability Management functions) is responsible for the simultaneous implementation of market risk identification, monitoring, control and reporting during the business development process, and the control of risks shall be taken as a prerequisite and guarantee for business development; responsible for the formulation of interest rate risks and exchange rates risks; risk management methods and procedures; identifying, measuring, monitoring and reporting Branch's interest rate risks; responsible for analyzing, monitoring and reporting branch exchange rate risks; responsible for the development, maintenance and upgrading of relevant information systems for the management of domestic and foreign currency interest rate risks.

The Risk Management Department is responsible for taking the lead in market risk management and product control, such as formulating and continuously improving the market risk management policy system; actively carry out the whole process management including market risk identification, measurement, monitoring, control and analysis report; market risk assessment and confirmation of financial market business products; improve the branch market risk appetite and limit management system, and implement various market limit management requirements including limit monitoring and over-limit handling; pay attention to changes in the market risk environment, and report the market risk status comprehensively and objectively in accordance with the requirements of the "Principle of Effective Data Aggregation and Risk Reporting"; formulate market risk stress testing methods and procedures, and carry out market risk stress testing in a timely manner; actively develop market risk management related system management applications; study and implement the latest measurement rules for market risk.

The Finance and Accounting Department is responsible for the formulation of accounting policies and valuation techniques for the fair value measurement of financial instruments and the specific measurement management at the end of the accounting period, as well as the overall planning of market risk capital measurement and allocation of market risk capital.

The Banking Department is responsible for the implementation of related business accounting and fund clearing. The Compliance and Legal Department is responsible for the compliance review of relevant market risk management systems and regulations, and supervises the implementation. The Internal Audit Department is responsible for supervising and evaluating the effectiveness of the market risk management process.

Risk measurement systems

The Branch utilizes the market risk management systems established by ICBC Head Office to

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effectively identify, measure, monitor, control or mitigate and report market risk, and control market risk. The Branch selects an appropriate method to measure market risk based on reasonable assumptions and parameters. Market risk measurement methods mainly include gap analysis, duration analysis, foreign exchange exposure analysis, sensitivity analysis, value at risk (VaR) measurement, and stress testing.

The regular return inspection shall be carried out by ICBC Head Office to judge and evaluate the validity of the market risk measurement model; to maintain, manage and optimize the market risk measurement method; and accuracy are regularly evaluated for continuous optimization. Sufficient market risk capital shall be provided for the Branch in accordance with the capital management policy requirements of the regulatory authority.

Foreign exchange risk, commodity risk and option risk, if any, are required to account for the overall position of the Branch. Option risk, if any, should equally be calculated for foreign exchange and commodity positions that are not part of the trading book. In addition, the Branch shall consider other relevant market risk exposures, including but not limited to interest rate risk in the banking book as part of internal capital adequacy assessment procedures, to ensure that Branch holds sufficient capital to address various market risks.

MR1: Market risk under the standardised approach (SA)

		AED 000
		(a)
		RWA
1	General Interest rate risk (General and Specific)	0
2	Equity risk (General and Specific)	0
3	Foreign exchange risk	1,695
4	Commodity risk	0
Options		
5	Simplified approach	0
6	Delta-plus method	0
8	Securitisation	0
9	Total	1,695

9. Interest rate risk in the banking book (IRRBB)

IRRBBA: IRRBB risk management objectives and policies

Interest Rate Risk in the Banking Book (IRRBB) is defined as the current or prospective risk to both the capital and earnings of the Branch arising from adverse movements in underlying interest rate. The management objective of IRRBB is to realize complete identification, accurate measurement, continuous monitoring, effective control and mitigation by establishing and improving the management system of interest rate risk, and maximizing the risk-adjusted net interest income within the acceptable level of interest rate risk commensurate with risk appetite, strategic planning and business plans.

The Branch has established governance framework to manage and mitigate risks arising from its IRRBB exposures. IRRBB has been included in the Enterprise Risk Management (ERM) framework. The Senior Management has the ultimate responsibility for understanding the nature and the level of interest rate risk taken by the Branch. The ALCO is the Senior Management-level committee responsible for developing long-term strategic decisions and short-term tactical plans regarding the structure of the consolidated balance sheet over time, to ensure that they are commensurate with the profitability targets and risk strategies established by the Senior Management. The interest rate risk exposures are managed within risk limits approved and monitored by the ALCO. The risk exposures are measured on a quarterly basis and the results are reported to the ALCO on a quarterly basis. Independent review of the internal risk controls over IRRBB management process is conducted through internal or external audit.

The Branch manages the IRRBB exposures using economic value (EVE) as well as earnings (NII) based measures. Interest rate shock scenarios under stressed market conditions are conducted to assess the vulnerability to loss on EVE and NII, and the results are considered for limits review and capital adequacy assessment. The Branch manages IRRBB exposure by using interest rate swaps and adjusting the duration of assets and liabilities.

The Branch adopts gap analysis in measurement of IRRBB and views risk from the perspective of both earnings and economic value. IRRBB in different currencies which the balances account for more than 5% of liabilities in the Banking Book are independently measured on quarterly basis, during the measurement of the impacts on economic values and earnings from IRRBB, the measurement methods are categorized as earning-based measurement method and economic-value-based measurement method. The focus of earnings perspective is the impact of interest rate movements on the net interest income over a time horizon of one year. It is regarded as the short-term sensitivity of earnings to interest rate movements. 200 bps shifts in interest rates in both directions are applied to measure the impact on net interest income within 1 year. The economic value of the Branch is defined as the discounted present value of the Branch's expected

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future net cash flows without spread, focusing on the sensitivity of the economic values of the Banking Book items to interest rate changes.

When measuring changes in the economic value of earnings, following scenarios of interest rate shock must be considered:

- Parallel shock up;
- Parallel shock down;
- Steepener shock (short rates down and long rates up);
- Flattener shock (short rates up and long rates down);
- Short rates shock up;
- Short rates shock down.

According to the six interest rate shock scenarios, the nominal repricing cash flow is discounted and changes in the net present value is calculated under the scenarios of interest rate shocks. The sum of the changes in net present value of nominal repricing cash flow under interest rate shock scenarios equals economic value changes under this interest rate scenario. After the aggregation of all currencies, the maximum loss of economic value changes under the six types of interest rate shock scenarios is the value of IRRBB based on the changes of economic value.

Control and mitigation of IRRBB's must be implemented in combination of strategic goals, business plans, and current & future interest rate trends. The relevant management measures mainly relate to market operations or balance sheet restructuring includes but are not limited to:

- Utilize active managing instruments, such as interest rate derivatives for hedging;
- Increase the bond valuation frequency;
- Dispose long term assets;
- Issue long term debt securities and instruments.

The effectiveness of the hedging activities is assessed regularly in accordance with International Financial Reporting Standards (IFRS).

The Branch applies the following key assumptions in calculating the impact on Δ EVE and Δ NII as below:

1. The average repricing maturity of non-maturity deposits (NMD), which included customer current and saving deposits, is non-interest bearing and distinguished as an unstable part of NMD categories. Therefore, we assume the Branch's average repricing maturity of NMDs is considered as overnight.
2. For fixed rate loan, the prepayment rates are very low based on historical observation, there has been only one prepayment since last year, the Branch assume early repayment rate of the customer loans is zero, therefore has not taken it into account. For term deposit, the branch assumes early withdrawal rate is zero, because the early withdrawal never

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happened based on historical observations.

3. For the measurement of NII, the Branch assesses the impact on earning over the 12 months with the assumption of no change in balance sheet size and structure with the maturing or repricing cash flows are replaced by new cash flows with identical features in respect of the amount, repricing period and spread components.
4. The Branch measures the impact of both EVE and NII against the standard scenarios defined by ICBC Head Office. For each scenario, the adverse currency impacts are aggregated for significant currencies in which no netting is adopted among currencies. The significant currencies are defined by ICBC Head Office with the general rule which account for 5% or more of the Branch's total on-balance sheet interest rate sensitive position in all currencies.

As the average repricing maturity of non-maturity deposits (NMDs), which included customer current and saving deposits, is non-interest bearing and distinguished as an unstable part of NMD categories, we therefore assume the Branch's average repricing maturity of NMDs is overnight.

IRRBB1: Quantitative information on IRRBB

In reporting currency (AED 000)	ΔEVE		ΔNII	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Parallel up	23,920	5,912	8,096	6,299
Parallel down	-29,957	-5,855	-8,096	-6,299
Steeper	15,703	-3,021		
Flattener	-10,746	4,286		
Short rate up	1,664	6,191		
Short rate down	-1,528	-6,300		
Maximum	23,920	6,191		
Period	31 Dec 2023		31 Dec 2021	
Tier 1 capital	602,180		545,115	

The interest rate risk sensitivity figures presented in the table above represent the effect of six interest rate scenarios on the change in economic value of equity (EVE) as well as the effect of the two parallel shock scenarios on the net interest income (NII) in the banking book as at 31st December 2023 and 31st December 2022.

As of 31 December 2023, the most adverse of the six interest rate scenarios with regard to ΔEVE was the "Parallel up" scenario, resulting in a change of the economic value of equity of negative AED 23.92 million, representing an increasing of 3.97% of tier 1 capital, which is well meet the regulatory requirement of no more than 20%. The ΔEVE decreased by AED 18.01 million by comparing December 2023 with December 2022.

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As of 31 December 2023, the most adverse of the two parallel interest rate scenarios with regard to Δ NII over the next 12 months was the "Parallel down" scenario, resulting in a potential change of the net interest income of negative AED 8.1 million, representing a increasing of 1.34% of tier 1 capital. The Δ NII increased by AED 1.8 million, comparing December 2023 with December 2022.

10. Operational Risk

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

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. Operational risk includes legal and compliance risk but excludes strategic and reputational risk. Operational risk is inherent in all banking products, activities, processes and systems. Operational risk has been included in the Enterprise Risk Management (ERM) Policy which defines the operational risk and its components, sets out the governance and responsibilities for controlling the operational risk exposure, articulates the operational risk appetite and limits, specifies the tools and processes of operational risk management, defines the capital allocation method for operational risk and provides the public disclosure requirements.

Control and reporting of operational risk findings and identified losses is the responsibility of all staff within the Branch, and ultimate accountability for operational risk management rests with the Branch's Authorized Person while the process to manage the reporting and oversight of risk issues rests with the Risk Management Department. The Branch has set up the operational risk governance structure on the basis of the principle of "three lines of defense" and enhanced its internal control for effective operational risk management through the application of detailed bylaws, ongoing training, clear definition of the roles and responsibilities and proper segregation among relevant functions so as to avoid potential conflict of interests.

The Authorized Person sets down an effective, integrated operational risk management framework with defined roles and responsibilities for all aspects of operational risk management /monitoring and appropriate tools that support the identification, assessment, control and reporting of key risks. The Risk Management Department implements the strategic direction set by the Authorized Person. The Authorized Person of the Branch is responsible for consistently implementing and maintaining throughout the organization policies, processes and systems for managing operational risk.

The Branch monitors several Key Operation risk indicators which are reported through an in-house system "Operational risk Management System". Compliance and Legal risks indicators are part of the Key Operational Risk Indicators.

The Branch has established a formal procedure for managing internal incidents and deliberate regularly self-assessments conducted by department heads in the Risk Management Committee meeting. Regular reporting mechanisms on loss due to operational risk/significant operational risk events are in place. Business Modules of Operational Risk Management, designed by the ICBC Head Office, are in place for the global management of operational risk. Annual operational risk

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scenario analysis and fraud risk self-examination are performed to identify weakness of operational risk control.

The Branch's internal control for effective operational risk management includes:

- Clear definition of the roles and responsibilities of each department and making proper separation among relevant functions so as to avoid potential conflicts of interests.
- A code of conduct to regulate on-job and off-job behavior particularly for the staff in important positions or at sensitive links.
- Every business marketing department appoints one representative (usually Head of Department) responsible for controlling operational risk in its department.
- Strengthening the business line management by fulfilling the effective operational procedures.
- Implementing regularly monitor of operational risk profiles and material exposures to losses, which is on a monthly basis for the Branch.
- On-going training in the usage of internal systems.
- Testing and evaluating by internal audit whether the operational management framework has been implemented as intended and is functioning effectively.

The Branch has set the Disaster Recovery Plan (DRP), Business Continuity Plan (BCP) and Crisis Management Guidelines in place, ensuring the continuity of the Branch's operations in significant incident.

The Branch-wide Operational Risk Management summary will be prepared by Risk Management Department on quarterly basis which will be included within the Branch's Enterprise Risk Management report provided to ICBC Head Office and deliberated in the quarterly RMC meeting. The scope and main content of the report including but not limited to the (1) reporting of any major operational risk events; (2) monitoring of operational risk limit indicators and KRI set by Head Office; (3) changes and updates in the operational risk regulations, policies or risk environment; and (4) any new products and respective developments. The Branch also reports on a regular basis the operational risk status of the Branch directly to the ICBC Head Office on quarterly basis. On top of routine reports, ad hoc reports will also be reported to RMC and ICBC Head Office if necessary and in an appropriate manner.

11. Remuneration Policy

REMA: Remuneration policy

The Branch 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 the "Guidance on Strengthening the Remuneration Management of Overseas Institutions" ("the Guidance") issued by the head office of Industrial and Commercial Bank of China Limited (ICBC).

The remuneration policy covers all categories of employees in the Branch including senior management, proprietary traders and dealers, marketing and sales, loan officers, risk management, financial control and compliance personnel.

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 Branch will be considered by the head office in the determination of the overall bonus to be allocated.

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 Branch. The preparation of the remuneration policy is initiated by Branch's human resources department and the relevant work shall be organized and implemented by the department after reporting to the Branch management for approval.

The remuneration policy of the Branch is formulated on the basis of the Guidance of the head office and the annual remuneration budget for the branch, including salary and bonus, is given by the head office. The total budget is based on the Branch'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 Branch to maintain a fair, equitable and market-competitive remunerative structure for its employees based on the Branch'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 Branch. 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,

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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 Branch 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 Branch 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.

Remuneration Structure

Remuneration refers to the cash and non-cash compensation received by Branch's employees for providing services to the Branch, 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 fulfillment of budgeted income, takes into account the overall performance of the Branch 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 Branch 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.

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 Branch 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.

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 human resources department and approved by the senior management of the Branch.

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REM1: Remuneration awarded during the financial year

			AED 000	
			(a)	(b)
Remuneration Amount			Senior Management	Other Material Risk-takers
1	Fixed Remuneration	Number of employees	3	3
2		Total fixed remuneration (3 + 5 + 7)	1,264	507
3		Of which: cash-based	1,264	507
4		Of which: deferred	0	0
5		Of which: shares or other share-linked instruments	0	0
6		Of which: deferred	0	0
7		Of which: other forms	0	0
8		Of which: deferred	0	0
9	Variable Remuneration	Number of employees	3	3
10		Total variable remuneration (11 + 13 + 15)	748	0
11		Of which: cash-based	748	0
12		Of which: deferred	276	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)		2,012	507

Industrial and Commercial Bank of China Limited - Abu Dhabi Branch
Pillar III Disclosures for the year ended 31 December 2023

