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Private and confidential
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Agreed-Upon Procedures Report on the verification of Pillar III Market Disclosures to be submitted to CBUAE

To the General Manager of Agricultural Bank of China – Dubai Branch

Purpose of this Agreed-Upon Procedures Report and Restriction on Use and Distribution

Our report is solely for the purpose of assisting you, Agricultural Bank of China – Dubai Branch ("the Branch") and the Central Bank of UAE ("CBUAE"), in combination with other information obtained by you to submit Pillar III Market Disclosures to CBUAE as of 31 December 2024 ("Services") and may not be suitable for another purpose. This report is intended solely for the Branch and the CBUAE and should not be used by, or distributed to, any other parties.

Responsibilities of the Engaging Party

The Branch has acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement.

The Branch is responsible for the subject matter on which the agreed-upon procedures are performed.

Practitioners' Responsibilities

We have conducted the agreed-upon procedures engagement in accordance with the International Standard on Related Services (ISRS) 4400 (Revised), *Agreed-Upon Procedures Engagements*. An agreed-upon procedures engagement involves our performing the procedures that have been agreed with the Branch, and reporting the findings, which are the factual results of the agreed-upon procedures performed. We make no representation regarding the appropriateness of the agreed upon procedures.

This agreed-upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion.

Had we performed additional procedures, other matters might have come to our attention that would have been reported.

Professional Ethics and Quality Control

We have complied with the relevant ethical requirements including independence requirements of International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) issued by the International Ethical Standards Board for Accountants.

Practitioners' Responsibilities (continued)

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

Procedures and Findings

We have performed the procedures described below, which were agreed upon with the Branch in the terms of engagement dated xx February 2026, on the Pillar III Market Disclosures:

S. No	Procedures	Findings
KM1	(i) We agree the individual amounts of available capital and risk weighted assets as disclosed in KM1 to management prepared schedules as approved by the General Manager. (ii) We recompute the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) as follows: a. LCR – dividing total High Quality Liquid Assets (HQLA) by total net cash outflow as disclosed in KM1; and b. NSFR - dividing total available stable funding by total required stable funding as disclosed in KM1.	(i) We agreed the individual amounts of available capital and risk weighted assets as disclosed in KM1 as at 31 December 2025 to management prepared schedules as approved by the General Manager. (ii) The Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) have not been reported by the Branch for the year ended 31 December 2024.
OV1	We perform the following procedures on the calculation of the risk weighted assets and minimum capital requirements as at 31 December 2024 as disclosed under RWA and the minimum capital requirements of OV1: (i) We agree the individual amounts under RWA and Minimum capital requirements in OV1 to management prepared schedules as approved by the General Manager; and (ii) We recompute the minimum capital requirements on the basis defined in OV1.	We have performed the following procedures on the calculation of the risk weighted assets and minimum capital requirements as disclosed under RWA and the minimum capital requirements of OV1 as at 31 December 2024: (i) We agreed the individual amounts as at 31 December 2024 under RWA and Minimum capital requirements in OV1 to management prepared schedules as approved by the General Manager; and (ii) We recomputed the minimum capital requirements on the basis defined in OV1 as at 31 December 2024.
LI2	We agree the individual amounts as disclosed in LI2 to management prepared schedules as approved by the General Manager.	We agreed the individual amounts as disclosed in LI2 as at 31 December 2024 to management prepared schedules as approved by the General Manager.

Procedures and Findings (continued)

S. No	Procedures	Findings
CC1	(i) We agree the individual amounts as disclosed in CC1 to management prepared schedules as approved by the General Manager. (ii) We recompute the following ratios on the basis defined in CC1: a. Common Equity Tier 1 (As a percentage of risk-weighted assets) by dividing total Common Equity Tier 1 Capital by Total risk-weighted assets; b. Tier 1 (as a percentage of risk-weighted assets) by dividing total Tier 1 Capital by Total risk-weighted assets; and c. Total capital (as a percentage of risk-weighted assets) by dividing total regulatory capital by total risk-weighted assets.	(i) We agreed the individual amounts as disclosed in CC1 as at 31 December 2024 to management prepared schedules as approved by the General Manager. (iii) We recomputed the following ratios as at 31 December 2024 on the basis defined in CC1: a. Common Equity Tier 1 (As a percentage of risk-weighted assets) by dividing total Common Equity Tier 1 Capital by Total risk-weighted assets; b. Tier 1 (as a percentage of risk-weighted assets) by dividing total Tier 1 Capital by Total risk-weighted assets; and c. Total capital (as a percentage of risk-weighted assets) by dividing total regulatory capital by total risk-weighted assets.
CC2	(i) We agree the carrying values of assets and liabilities as disclosed in CC2 in the column 'Balance sheet as in published financial statements' to the published financial statements of the Branch for the year ended 31 December 2024. (ii) We agree the individual amounts as disclosed in CC2 in the column 'Balance sheet as in published financial statements' to the published financial statements of the Branch for the year ended 31 December 2024 and column b of CC2 to management prepared schedules as approved by the General Manager.	(i) We agreed the carrying values of assets and liabilities as at 31 December 2024 as disclosed in CC2 in the column 'Balance sheet as in published financial statements' to the published financial statements of the Branch for the year ended 31 December 2024. (ii) We agreed the individual amounts as at 31 December 2024 as disclosed in CC2 in the column 'Balance sheet as in published financial statements' to the published financial statements of the Branch for the year ended 31 December 2024 and column b of CC2 to management prepared schedules as approved by the General Manager.
CCA	We check if management's documentation in relation to the disclosure of the terms and conditions of the instruments included in the regulatory capital of the Branch as at 31 December 2024, as disclosed in CCA of the template had been approved by the General Manager.	We checked that management's documentation in relation to the disclosure of the terms and conditions of the instruments included in the regulatory capital of the Branch as at 31 December 2024, as disclosed in CCA of the template had been approved by the General Manager.
CCyB1	We agree the individual amounts as disclosed in CCyB1 as at 31 December 2024 to management prepared schedules as approved by the General Manager.	CCyB1 as at 31 December 2024 has not been reported by the Branch for the year ended 31 December 2024.

Procedures and Findings (continued)

S. No	Procedures	Findings
LR2	(i) We agree the individual amounts as disclosed in LR2 as at 31 December 2024 to management prepared schedules as approved by the General Manager. (ii) We recompute the following metrics using the formula as defined in Tab LR2: a. Total on-balance sheet exposures; b. Total derivative exposures; c. Total securities exposures; d. Total securities financing transaction exposures; e. Off-balance sheet items; f. Total exposures; and g. Leverage Ratio.	(i) We agreed the individual amounts as disclosed in LR2 at 31 December 2024 to management prepared schedules as approved by the General Manager. (ii) We recomputed the following metrics as at 31 December 2024 using the formula as defined in Tab LR2: a. Total on-balance sheet exposures; b. Total derivative exposures; c. Total securities exposures; d. Total securities financing transaction exposures; e. Off-balance sheet items; f. Total exposures; and g. Leverage Ratio.
L1Q1	We agree individual amounts as disclosed in LIQ1 to management prepared schedules as approved by the General Manager.	LIQ1 as at 31 December 2024 has not been reported by the Branch for the year ended 31 December 2024.
L1Q2	We agree individual amounts as disclosed in LIQ2 to management prepared schedules as approved by the General Manager.	LIQ2 as at 31 December 2024 has not been reported by the Branch for the year ended 31 December 2024.
ELAR	We agree individual amounts as disclosed in ELAR to management prepared schedules as approved by the General Manager.	We agreed individual amounts as disclosed in ELAR as at 31 December 2024 to management prepared schedules as approved by the General Manager.
ASSR	We agree individual amounts as disclosed in ASRR to management prepared schedules as approved by the General Manager.	We agreed individual amounts as disclosed in ASRR as at 31 December 2024 to management prepared schedules as approved by the General Manager.
CR1	(i) We agree the individual amounts to management prepared schedules as approved by the General Manager. (ii) We will agree the Branch's definition of default in the accompanying narrative to the definition disclosed in the published financial statements of the Branch for the year ended 31 December 2024.	(i) We agreed the individual amounts as disclosed in CR1 as at 31 December 2024 to management prepared schedules as approved by the General Manager. (ii) Definition of default has not been reported by the Branch for the year ended 31 December 2024.
CR2	We agree the individual amounts disclosed in CR2 to management prepared schedules as approved by the General Manager.	We agreed the individual amounts as disclosed in CR2 as at 31 December 2024 to management prepared schedules as approved by the General Manager.
CR4	We agree the individual amounts as disclosed in CR4 as at 31 December 2024 to management	We agreed the individual amounts as disclosed in CR4 as at 31 December 2024

Procedures and Findings (continued)

S. No	Procedures	Findings
	prepared schedules as approved by the General Manager.	to management prepared schedules as approved by the General Manager.
CR5	We agree the individual amounts as disclosed in CR5 as at 31 December 2024 to management prepared schedules as approved by the General Manager.	We agreed the individual amounts as disclosed in CR5 as at 31 December 2024 to management prepared schedules as approved by the General Manager.
MR1	We agree the individual amounts as disclosed in MR1 as at 31 December 2024 to management prepared schedules as approved by the General Manager.	We agreed the individual amounts as disclosed in MR1 as at 31 December 2024 to management prepared schedules as approved by the General Manager.
IRRBB1	We agree the individual amounts as disclosed in IRRBB1 as at 31 December 2024 to management prepared schedules as approved by the General Manager.	We agreed the individual amounts as disclosed in PRRBB as at 31 December 2024 to management prepared schedules as approved by the General Manager.
REM1	We agree the individual amounts as disclosed in REM1 as at 31 December 2024 to management prepared schedules as approved by the General Manager.	We agreed the individual amounts as disclosed in REM1 as at 31 December 2024 to management prepared schedules as approved by the General Manager.

This report relates only to the balances and items specified above and does not extend to the financial statements taken as a whole.

KPMG

KPMG Lower Gulf Limited
Date: 5 March 2026
Dubai United Arab Emirates

Enclosures:
Appendix A: Pillar III Market Disclosures of Agricultural Bank of China – Dubai branch for the year ended 31 December 2024

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AGRICULTURAL BANK OF CHINA
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DUBAI BRANCH

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Together We Achieve

2024

Pillar III Disclosures

Agricultural Bank of China – Dubai Branch
PILLAR III DISCLOSURES
FOR THE YEAR ENDED 31 DECEMBER 2024

Agricultural Bank of China-Dubai Branch
Pillar III Disclosures for the year ended 31 December 2024

Content
Page

1 Overview of Risk Management and RWA ---- 4
1.1 Key Metrics (KM1) ---- 4
1.2 Bank Risk Management Approach (OVA) ---- 6
1.3 Overview of Risk Weighted Assets (OV1) ---- 19
2 Linkages between Financial Statement and Regulatory Exposures ---- 21
2.1 Main Sources of differences between regulatory exposure amounts and carrying values in financial statements (LI2) ---- 21
3 Composition of Capital ---- 22
3.1 Composition of Regulatory Capital (CC1) ---- 23
3.2 Reconciliation of Regulatory Capital to Balance Sheet (CC2) ---- 26
3.3 Main Features of Regulatory Capital Instruments (CCA) ---- 28
4 Macro prudential Supervisory Measures ---- 30
4.1 Geographical distribution of credit exposures used in the countercyclical buffer (CCyB1) ---- 30
5 Leverage Ratio ---- 31
5.1 Leverage Ratio Common Disclosure Template (LR2) ---- 31
6 Liquidity ---- 32
6.1 Liquidity Risk Management (LIQA) ---- 32
6.2 Eligible Liquid Assets Ratio (ELAR) ---- 38
6.3 Advances to Stable Resource Ratio (ASRR) ---- 39
7 Credit Risk ---- 40
7.1 General Qualitative Information about Credit Risk (CRA) ---- 40

7.2 Credit Quality of Assets (CR1) ---------- 44
7.3 Changes in Stock of Defaulted Loans and Debt Securities (CR2) ---------- 45
7.4 Additional Disclosure Related to Credit Quality of Assets (CRB) ---------- 45
7.5 Standardized Approach-Credit Risk Exposure and CRM Effects (CR4) ---------- 51
7.6 Standardized Approach- Exposure by Asset Class and Risk Weights (CR5) ---------- 52

8 Market Risk ---------- 53

8.1 Qualitative Disclosure Requirements Related to Market Risk (MRA) ---------- 53
8.2 Market Risk under the Standardized Approach (MR1) ---------- 56

9 Interest Rate Risk in the Banking Book (IRRBB) ---------- 57

9.1 IRRBB Risk Management Objectives and Policies (IRRBBA) ---------- 57
9.2 Quantitative Information on IRRBB (IRRBB1) ---------- 61

10 Operational Risk ---------- 62

10.1 Qualitative Disclosures on Operational Risk (OR1) ---------- 62

11 Remuneration ---------- 67

11.1 Remuneration Policy (REMA) ---------- 67
11.2 Remuneration Awarded During the Financial Year (REM1) ---------- 68

1 Overview of Risk Management and RWA

1.1 Key Metrics (KM1)

Amounts in AED Thousands

Key Metrics of the Bank (KM1)						
		31-Dec-24	30-Sep-24	30-Jun-24	31-Mar-24	31-Dec-23
Available capital (amounts)						
1	Common Equity Tier 1 (CET1)	405,071	384,550	382,778	383,191	383,434
1a	Fully loaded ECL accounting model	404,976	384,163	382,489	382,875	382,716
2	Tier 1	405,071	384,550	382,778	383,191	383,434
2a	Fully loaded ECL accounting model Tier 1	404,976	384,163	382,489	382,875	382,716
3	Total capital	431,286	409,403	409,134	408,484	408,601
3a	Fully loaded ECL accounting model total capital	431,191	409,016	408,845	408,168	407,883
Risk-weighted assets (amounts)						
4	Total risk-weighted assets (RWA)	2,197,740	2,079,746	2,201,489	2,107,322	2,078,659
Risk-based capital ratios as a percentage of RWA						
5	Common Equity Tier 1 ratio (%)	18.43%	18.49%	17.39%	18.18%	18.45%
5a	Fully loaded ECL accounting model CET1 (%)	18.43%	18.47%	17.37%	18.17%	18.41%
6	Tier 1 ratio (%)	18.43%	18.49%	17.39%	18.18%	18.45%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	18.43%	18.47%	17.37%	18.17%	18.41%
7	Total capital ratio (%)	19.62%	19.69%	18.58%	19.38%	19.66%
7a	Fully loaded ECL accounting model total capital ratio (%)	19.62%	19.67%	18.57%	19.37%	19.62%
Additional CET1 buffer requirements as a percentage of RWA						
8	Capital conservation buffer requirement(2.5% from 2019) (%)	2.50%	2.50%	2.50%	2.50%	2.50%
9	Countercyclical buffer requirement (%)	0.00%	0.00%	0.00%	0.00%	0.00%
10	Bank D-SIB additional requirements (%)	0.00%	0.00%	0.00%	0.00%	0.00%
11	Total of bank CET1 specific buffer requirements (%)	2.50%	2.50%	2.50%	2.50%	2.50%

12	CET1 available after meeting the bank's minimum capital requirements (%)	11.43%	11.49%	10.39%	11.18%	11.45%
Leverage Ratio						
13	Total leverage ratio measure	4,844,193	4,506,627	4,390,093	4,407,140	4,419,297
14	Leverage ratio (%)	8.36%	8.53%	8.72%	8.69%	8.68%
14a	Fully loaded ECL accounting model leverage ratio (%)	8.36%	8.52%	8.71%	8.69%	8.66%
14b	Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	8.36%	8.53%	8.72%	8.69%	8.68%
ELAR						
21	Total HQLA	594,179	552,939	522,244	556,191	528,771
22	Total liabilities	3,515,142	3,452,649	3,275,514	3,414,269	3,309,447
23	Eligible Liquid Assets Ratio (ELAR) (%)	16.90%	16.01%	15.94%	16.29%	15.98%
ASRR						
24	Total available stable funding	1,124,464	1,135,323	1,128,948	1,124,732	1,091,553
25	Total Advances	765,254	823,803	618,706	767,658	663,907
26	Advances to Stable Resources Ratio (%)	68.06%	72.56%	54.80%	68.25%	60.82%

1.2 Bank Risk Management Approach (OVA)

Agricultural Bank of China – Dubai Branch (hereinafter referred to as "ABCDB," the "Bank," or the "Branch") was established in 2016 as a wholly owned branch of Agricultural Bank of China Limited ("ABC Group"). The Branch is licensed and regulated by both the Central Bank of the United Arab Emirates ("CBUAE") and the National Financial Regulatory Administration ("NFRA"). In the same year, ABCDB was appointed as the designated Renminbi (RMB) Clearing Bank in the UAE by the People's Bank of China ("PBOC") in coordination with the CBUAE.

As part of its strategic expansion into the Middle East and North Africa (MENA) region, ABC Group established two wholly owned entities: ABC Dubai International Financial Centre Branch (an offshore branch) and ABC Dubai Branch. ABC Dubai Branch operates primarily as a wholesale bank, engaging in a range of financial activities including deposit-taking, credit provision, investment dealing, arranging credit and investment transactions, as well as offering international settlement and clearing services.

ABCDB's Business Model

To establish a robust corporate governance framework and promote stable, sustainable development, the Bank adheres to internationally recognized standards and regulatory requirements. These include the Basel Committee on Banking Supervision's Principles for Enhancing Corporate Governance, the Agricultural Bank of China Rules on Corporate Governance of Overseas Institutions, and the Corporate Governance Regulations for Banks issued by the Central Bank of the UAE (CBUAE) under Notice No. CBUAE/BSD/2019/3671.

The Bank's corporate governance is guided by the following core principles:

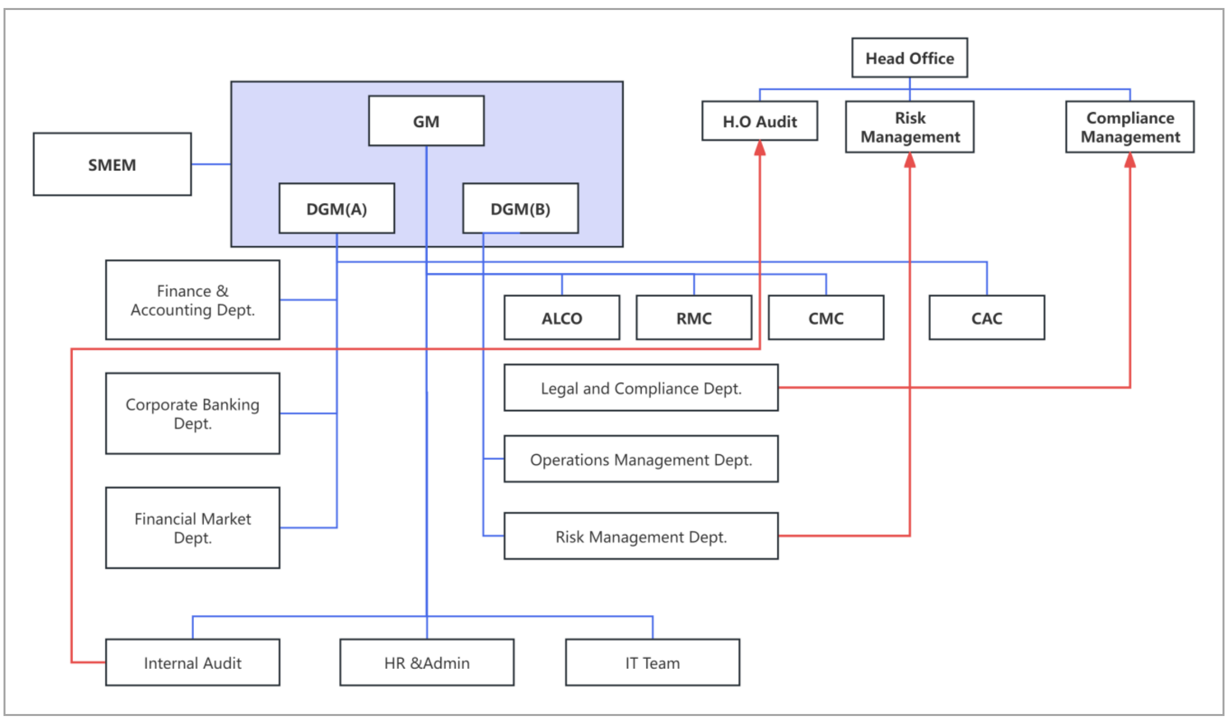
- Legal Compliance: The Bank ensures strict adherence to all applicable legal and regulatory requirements in both the local jurisdiction and the home country.
- Clear Responsibilities: A well-defined organizational structure is maintained, supported by specialized committees and clearly delineated roles and responsibilities. This structure emphasizes functional independence and a balanced distribution of authority, enabling effective, collaborative, and efficient operations, while supporting sound decision-making, execution, and oversight.
- Collective Decision-Making: The Bank integrates head office requirements with local practices to establish a structured collective decision-making process for key matters. These include business strategy and planning, senior human resource

appointments and removals, significant investments and projects, and major expenditures. This ensures that all material decisions follow appropriate and standardized governance procedures.

- Adoption of Best Practices: The Bank is committed to continuously enhancing its corporate governance practices in alignment with evolving local regulatory expectations and international industry best practices.

In compliance with both ABC Head Office policies and CBUAE supervisory guidelines, the Bank has developed an integrated corporate governance structure comprising Senior Management, the Senior Management Executive Meeting (SMEM), four specialized committees, and the Front Office, Middle Office, and Back Office teams. This structure supports effective internal control, smooth coordination, and clear communication and reporting mechanisms, enabling scientific, efficient, and accountable decision-making, execution, and oversight processes.

The Bank's organizational structure and reporting lines are outlined as follows:

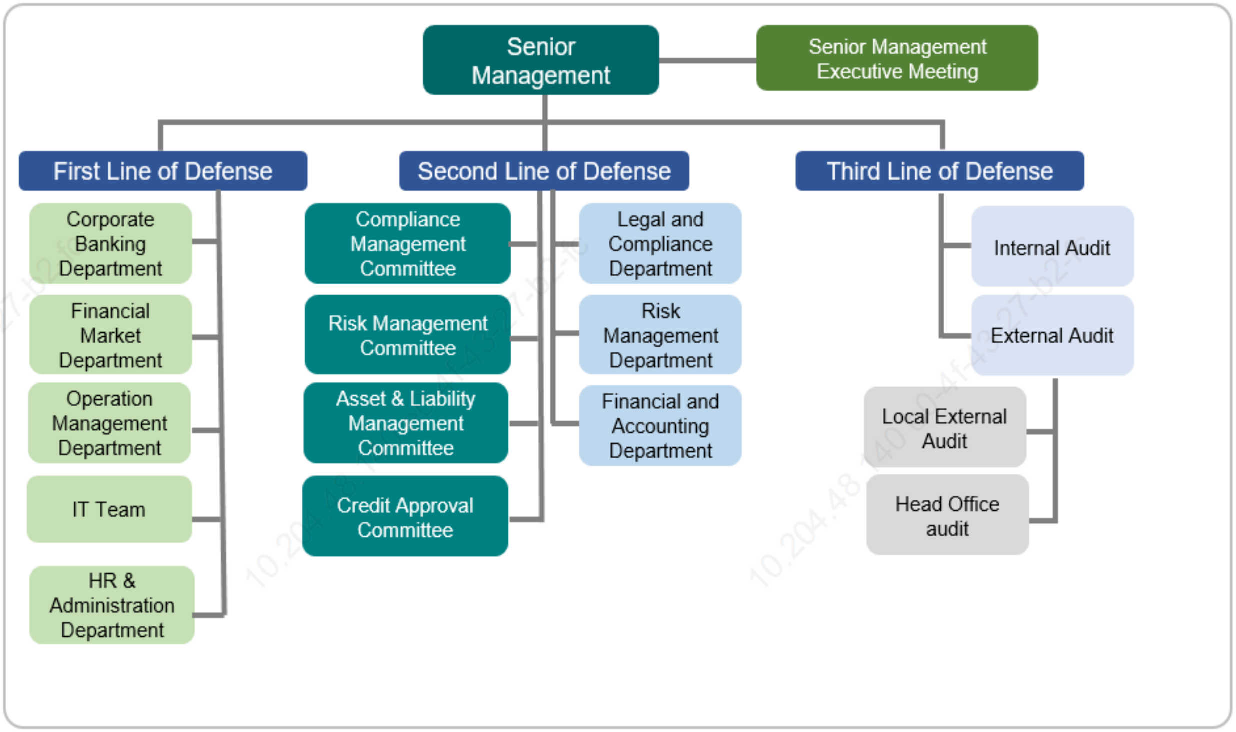


Risk Governance

Since its establishment, the Bank has cultivated a strong risk management culture, supported by well-documented procedures, clearly defined decision-making processes, and a comprehensive governance framework. It has established various committees to ensure appropriate delegation of authority and cross-check mechanisms in all significant policies and operational decisions. The Bank enforces a clear separation of duties across its functions and ensures the delivery of accurate and timely management information to support strategic oversight. The overall risk level of the Branch is considered low and well-controlled. Emphasizing strict compliance with regulatory requirements, the Bank adheres to Anti-Money Laundering (AML) standards in line with the regulations of the Central Bank of the UAE (CBUAE) and applicable international standards.

To reinforce its risk governance, the Bank has adopted a "Three Lines of Defense" model. The first line consists of the Operating Group, responsible for directly bearing and managing risks within business units. The second line includes Compliance, Financial & Accounting, and the Risk Management Group, which provide risk oversight and control functions. The third line comprises the Audit Team, offering independent assurance and evaluating the effectiveness of internal controls and risk management processes. Each major risk category is assigned to a specific department to ensure clear accountability and specialized oversight.

The Bank's risk management structure is integrated across all key functions, comprising Senior Management, the Senior Management Executive Meeting (SMEM), four dedicated Management Committees, the Operating Group, the Risk Management Group, and the Audit Team. This structure ensures a consistent, enterprise-wide approach to risk management, with effective coordination, reporting, and internal control mechanisms. The Bank-wide risk management framework of ABC Dubai Branch is presented in the following diagram.



Three Lines of Defense

The three lines of Defense model of ABC Dubai Branch provides a clear and structured approach to risk management, enabling the bank to identify and mitigate potential risks more effectively.

First Line of Defense

The First Line of Defense in the Bank's risk management framework is the Operating Group, which comprises the Corporate Banking Department, Financial Market Department, Operation Management Department, IT team and HR & Administration Department. These departments are directly responsible for managing the risks arising from their respective business activities. Their primary mandate is to identify and pursue business opportunities that align with the Branch's defined risk appetite and contribute to the achievement of strategic objectives. Each department within the Operating Group must operate within its delegated authority, with specific limits established for the Corporate Banking and Financial Market departments. To ensure compliance, each unit maintains effective processes and internal controls that allow them to function within their authorized limits and responsibilities.

Second Line of Defense

The Second Line of Defense includes four governance committees—Risk Management Committee, Compliance Management Committee, Credit Approval Committee, and Asset and Liability Management Committee—along with three support functions: The Risk Management Department, Legal & Compliance Management Department, and Financial & Accounting Department. This layer provides independent oversight and guidance to the Operating Group, thereby reinforcing the risk management efforts of the First Line of Defense. The Second Line is responsible for formulating sound risk management policies and establishing the necessary infrastructure, processes, and practices to ensure that all significant risks across the Bank are effectively addressed and monitored.

Third Line of Defense

The Third Line of Defense consists of the Audit Group, which includes internal audit, external audit, and Head Office audit functions. This group plays a critical role in supervising and independently assessing the effectiveness and performance of the risk management systems implemented by both the First and Second Lines of Defense.

Committee Structure

The Bank's risk governance framework is supported by a strong committee structure and a comprehensive set of corporate policies. All committees are established under the authority of Senior Management and operate in accordance with their respective Terms of Reference, Head Office guidelines, and the regulatory requirements of the Central Bank of the UAE (CBUAE). These include the Senior Management Executive Meeting (SMEM), Asset and Liability Management Committee (ALCO), Risk Management Committee (RMC), Compliance Management Committee (CMC), and the Credit Approval Committee (CAC), each responsible for overseeing critical aspects of the Bank's operations such as strategy implementation, risk management, compliance, liquidity, and credit approval.

The committees operate independently, with clearly defined responsibilities and no conflicts of interest, ensuring robust oversight and accountability. Meetings are conducted on a monthly or quarterly basis depending on the committee, with ad hoc meetings convened as needed by the Committee Chair or upon the Chair's consent when proposed by a committee member. All departments are required to implement committee resolutions diligently, with the responsible department reporting progress to the committee's Secretariat, which consolidates and forwards the updates for review.

Senior Management Executive Meeting

The Senior Management Executive Meeting (SMEM) is authorized to take all necessary actions to ensure the effective conduct of the Branch's business in line with the approved strategy, policies, operating plans, IT framework, and budget. SMEM also makes collective decisions on major matters not delegated to other committees and is accountable for model risk management, including all key decisions across the model lifecycle.

Risk Management Committee

The Risk Management Committee (RMC) is the deliberative and decision-making body responsible for setting the Branch's risk appetite, formulating risk management policies, and overseeing comprehensive risk management practices.

Compliance Management Committee

The Compliance Management Committee (CMC) oversees compliance risk and the management of anti-money laundering (AML), counter-terrorism financing (CTF), and sanctions-related matters. The CMC is tasked with setting compliance policies and procedures and ensuring effective compliance risk governance.

Asset & Liability Management Committee

The Asset and Liability Management Committee (ALCO) is responsible for developing policies related to asset and liability management and overseeing liquidity risk management to ensure alignment with the Branch's financial and strategic objectives.

Credit Approval Committee

The Credit Approval Committee (CAC), ensures that all credit approvals are consistent with the Branch's risk management strategy and risk-control limits. The CAC upholds the principle of segregation of duties, with credit approval processes remaining independent from credit investigation, disbursement, and post-disbursement management. It serves as the Branch's main deliberative body for credit matters, providing expert guidance and oversight to authorized approvers.

Risk Policies and Procedures

ABC Dubai Branch has established and maintains its risk policies and procedures in accordance with the requirements of the Central Bank of the UAE (CBUAE) and the ABC Group. These policies are designed to effectively manage risks and continuously strengthen the Branch's risk management capabilities. Aligned with the Branch's business strategy, the risk policies are subject to regular reviews to ensure their ongoing adequacy and relevance.

The Risk Management Framework outlines a comprehensive set of guidelines for assessing the Branch's overall risk profile, facilitating the identification of both inherent and residual risks. Complementing this, the Risk Appetite Policy defines the Bank's Risk Appetite Statement across all material risk categories, setting quantitative risk limits and early warning indicators to support effective monitoring and control of risk exposures.

The Branch adopts a prudent and conservative risk management approach, aiming to eliminate unnecessary risks and minimize losses from unavoidable ones. This approach incorporates a cost-benefit analysis and evaluates the Bank's risk strategy through a risk-adjusted profitability lens to ensure sound and sustainable decision-making.

Risk Culture and Appetite

ABC Dubai Branch is firmly committed to maintaining an adequate risk capacity while continuously enhancing its risk management capabilities to support sustainable business development. The Bank maintains a strong aversion to accepting risks that are not fully understood or cannot be effectively managed over time. While the emergence of such risks cannot be entirely ruled out, the Bank expects them to be promptly identified, addressed, and escalated through appropriate governance channels. All material risks are transparently communicated to Senior Management to ensure timely decision-making and oversight.

The Branch upholds a disciplined and structured approach to risk management by setting and maintaining appropriate risk limits and guidelines across all key business areas and processes. Regular monitoring and review of quantitative indicators are conducted to ensure that the overall risk profile remains within acceptable thresholds. In line with this approach, the Bank conducts an annual review of its Risk Appetite Policy and associated Key Risk Appetite Indicators, establishing clear limits for major risk categories including Credit, Market, Operational, Liquidity, Compliance, and Capital Adequacy. These limits are monitored frequently to ensure alignment with the Branch's risk management framework and regulatory requirements.

The Branch offers a range of financial services including trade finance, syndicated and bilateral lending, bond investments, foreign exchange transactions, CNY and AED clearing services, and deposit-taking activities for both existing and prospective clients. In delivering these services, the Bank prioritizes a conservative and prudent risk strategy to ensure high-quality client service in a cost-effective and operationally efficient manner.

Risk tolerance refers to the maximum potential loss the Bank can absorb given its available resources and regulatory obligations as defined by the CBUAE and internal control framework. The Bank classifies its risk appetite into three distinct levels:

- Prudent: Low risk appetite with expectations of lower returns.
- Steady: Moderate risk appetite with expectations of stable, moderate returns.
- Aggressive: Higher risk appetite with expectations of higher returns.

In accordance with these principles, the Bank sets annual quantitative risk indicators and target values based on guidance from the Head Office, regulatory expectations, and operational realities. These indicators include, but are not limited to, Capital Adequacy Ratio, Total Asset Growth Rate, Non-performing Asset Ratio, Concentration Limits, Interest Rate Risk in the Banking Book (IRRBB), Foreign Exchange Risk Limit, Operational Risk Limit, Liquidity Risk Limit, and Compliance Risk Limits related to Anti-Money Laundering (AML) and Sanctions.

To support this framework, the Bank has implemented a comprehensive system of risk identification, measurement, and control mechanisms. This includes rigorous monitoring of Key Risk Indicators (KRIs) and a wide range of risk metrics, ensuring a robust and responsive risk management structure capable of addressing both existing and emerging risks.

Risk Management Framework

ABC Dubai Branch maintains a comprehensive and robust risk management framework designed to facilitate the timely identification, assessment, control, mitigation, and monitoring of both existing and emerging risks across its operations, processes, systems, and personnel. This framework integrates essential elements such as clearly defined risk appetite, governance policies, organizational structure, risk tools and models, data management systems, and a strong risk culture. Together, these components support sound decision-making, effective execution, and rigorous oversight.

The framework extends to capital management and allocation, ensuring that appropriate tools and methodologies are employed to accurately measure risks and maintain capital adequacy in proportion to the nature and severity of those risks. The Branch assesses capital adequacy in accordance with the Basel III framework, as implemented by the Central Bank of the UAE (CBUAE) under Notice No. CBUAE/BSD/2022/5280 (December 2022), structured around the following three pillars:

Pillar 1 – Minimum Capital Requirements:

Pillar 1 addresses the regulatory capital requirements for key risk categories, namely credit, market, and operational risks:

- Credit Risk: Assessed using the Standardized Approach, which assigns risk weights based on external credit ratings. Credit risk is managed through rigorous internal policies, periodic credit assessments of clients, and continuous portfolio monitoring.
- Market Risk: Measured using the Standardized Approach in line with internal market risk management policies. Risk categories include interest rate risk, foreign exchange risk, equity risk, commodity risk, and options-related exposures.
- Operational Risk: Calculated using the Basic Indicator Approach. The Branch manages operational risk through established tools such as Key Risk Indicators (KRIs), Risk and Control Self-Assessments (RCSAs), and systematic tracking of operational loss events.

Pillar 2 – Supervisory Review Process:

Pillar 2 provides a framework for assessing risks not fully captured under Pillar 1, including concentration risk, strategic risk, reputational risk, liquidity risk, model risk, legal risk, and climate-related financial risks. These are evaluated through the Branch's Internal Capital Adequacy Assessment Process (ICAAP), ensuring adequate capital buffers are maintained beyond regulatory minimums.

Pillar 3 – Market Discipline:

Pillar 3 emphasizes transparency and market discipline through detailed public disclosures. The Branch provides qualitative and quantitative information on its capital structure, risk exposures, risk management strategies, capital adequacy, liquidity profile, leverage position, and remuneration policies. These disclosures enable stakeholders to assess the Branch's financial soundness and overall risk profile.

Risk Mitigation Practices: Effective risk mitigation is central to the Branch's risk management strategy. Techniques such as collateralization, netting agreements, hedging, and insurance are applied based on the nature of specific products and activities. The Branch also maintains prudent policies that restrict engagement in high-risk or opaque market segments, thereby ensuring exposure is limited to risks that are clearly understood and appropriately managed.

Risk Measurement Systems and Models

The Branch relies upon both the risk measurement systems and models developed by ABC Head office and the Branch to effectively and expeditiously measure and evaluate each risk type. Depending on the nature of the risk and the business activities, various risk measures are calculated to monitor the risk positions with respect to exposure size, risk level, concentration, asset quality and other pertinent factors, both during normal business and stressed conditions. The risk measurement and reporting systems and models have been designed to ensure that the risks are thoroughly captured with all the relevant attributes required to support well-founded decisions. These attributes are accurately evaluated, and the necessary information is reported in a timely manner, enabling the successful management and mitigation of risks.

Risk Management Reports

Risk management reports are submitted periodically to Senior Management and the Head Office, providing comprehensive analysis and control measures across key risk categories, including credit, liquidity, market, operational, and anti-money laundering (AML) risks. These reports cover a broad spectrum of critical elements such as loan portfolio quality, credit concentration, newly approved and matured credit facilities, market risk exposures, provisioning levels, country-specific exposures, stress testing outcomes, price monitoring, and other pertinent risk indicators. All reports are reviewed by the Risk Management Committee to ensure informed oversight and decision-making.

In addition to regular risk reporting, documents such as the Internal Capital Adequacy Assessment Process (ICAAP) report, Pillar 3 disclosures, and other relevant submissions are presented to both the Risk Committee and Senior Management for review and approval. Furthermore, liquidity and funding positions are reported to the Asset and Liability Committee (ALCO), while the Compliance Management Committee (CMC) is apprised of the Branch's latest compliance status and AML risk profile.

Overall, the risk reporting process is conducted in a thorough and timely manner, ensuring that all relevant stakeholders are kept well-informed of key risk developments and that proactive measures are implemented to mitigate potential exposures.

Stress Testing

Overview

Stress testing is a critical component of the Branch's risk management framework, employed to evaluate the vulnerability of current and projected risk exposures to a range of shocks, both in terms of nature and severity. It plays a key role in assessing capital adequacy and enhancing the Branch's resilience to adverse external events, thereby supporting the identification, assessment, and mitigation of key risks.

The Branch's stress testing activities are governed by the Bank's Stress Testing Policy, which outlines the methodologies, governance structure, and responsibilities related to stress testing. The stress testing framework is continually enhanced to incorporate forward-looking perspectives, ensuring it remains relevant and robust in capturing emerging risks.

Stress test results inform the Branch's risk appetite and help estimate the capital buffer required to absorb potential losses under stress scenarios. The stress testing process involves several stages: identifying the scope, selecting stress indicators, designing scenarios, collecting and analyzing data, executing the tests, preparing reports, and implementing improvement measures. The Bank employs both sensitivity and scenario analyses to ensure comprehensive coverage across risk types.

In 2024, stress testing results for credit, market, and liquidity risks reaffirmed the Bank's strong capital base, indicating that the Branch is well-positioned to withstand extreme but plausible stress conditions. Even under worst-case scenarios, the Capital Adequacy Ratio (CAR) remained well above regulatory minimum thresholds.

Credit Risk Stress Testing

ABC Dubai Branch conducts credit risk stress testing to assess potential vulnerabilities in its credit portfolio. This analysis leverages both asset quality and customer credit rating migration models to simulate the impact of adverse macroeconomic conditions—locally, regionally, and globally—on profitability and on capital adequacy.

Key approaches include:

- Asset Quality Migration Model: Utilizes the standardized approach under Basel regulations to estimate additional provisioning in accordance with CBUAE guidelines.
- Customer Credit Rating Migration Model: Assesses potential deterioration in credit quality and LGD, applying the expected loss methodology aligned with Basel standards.

The results are presented to the Risk Management Committee, supporting a comprehensive evaluation of the Branch's asset quality and credit risk exposures under stress.

Market Risk Stress Testing

Market risk stress testing primarily focuses on interest rate and foreign exchange (FX) risks.

- Interest Rate Risk: The Branch evaluates the impact of parallel interest rate shocks—25 bps (low), 100 bps (medium), and 200 bps (high)—on net interest income and capital adequacy.
- Foreign Exchange Risk: Assesses the impact of adverse currency movements on the Branch's FX-denominated assets and liabilities. The resulting effect on net interest income and capital is examined under various stress scenarios.

Stress testing results are submitted to the Risk Management Committee, enabling Senior Management to understand the Branch's exposure to market volatility and its implications for capital adequacy.

Liquidity Risk Stress Testing

Liquidity stress testing evaluates the Branch's ability to meet its funding obligations under extreme but plausible stress conditions. The analysis covers funding needs, cost implications, and potential market disruptions. Outputs from these exercises guide the establishment of trigger points for activating the Contingency Funding Plan (CFP).

Stress testing outcomes are integral to strengthening the Branch's liquidity risk management framework. The Branch tailors its CFP in line with its size, complexity, risk appetite, and market exposure. The CFP is reviewed and updated periodically to ensure operational readiness and resilience under stressed liquidity conditions.

Internal Controls and Verification for Pillar 3 Disclosures

The following are the primary characteristics of internal controls related to Pillar 3 reporting:

a) Segregation of duties – A robust maker-checker process is implemented and strictly followed throughout the compilation of the Pillar 3 report;
b) Data-sourcing and reconciliation – Data is sourced from various internal systems and is reconciled against the general ledger, sub-ledgers, and audited financial statements to ensure consistency and accuracy;
c) Reviews – The Pillar 3 report undergoes multiple layers of review by both the Financial and accounting, Risk Management and Human Resources functions, as well as oversight by the Senior Management;
d) Internal audit – The Internal Audit function conducts an independent and objective review of the disclosures to provide assurance on their completeness and accuracy and

e) Senior Management Attestation – Senior Management formally attests that the Pillar 3 disclosures have been prepared in accordance with established internal control procedures.

The Pillar 3 disclosures for the year ended 31 December 2024 have been duly reviewed by both Senior Management and Internal Audit, ensuring alignment with the Bank's internal control standards.

1.3 Overview of Risk Weighted Assets (OV1)

ABC Dubai Branch's Pillar 3 disclosures are prepared based on risk exposures that form the basis for calculating regulatory capital requirements under Pillar 1. The computation of risk-weighted assets (RWAs) is carried out in accordance with the Basel III framework issued by the Basel Committee on Banking Supervision (BCBS), as adopted by the Central Bank of the UAE (CBUAE).

The table below presents a consolidated view of the total RWAs, which serve as the denominator for determining risk-based capital requirements. A more detailed breakdown of RWAs is provided in the subsequent sections.

Amounts in AED Thousands

Overview of RWA (OV1)				
		RWA		Minimum capital requirements
		31-Dec-24	30-Sep-24	31-Dec-24
1	Credit risk (excluding counterparty credit risk)	1,926,004	1,861,016	202,230
2	Of which: standardised approach (SA)	1,926,004	1,861,016	202,230
3	Of which: foundation internal ratings-based (F-IRB) approach	-	-	-
4	Of which: supervisory slotting approach	-	-	-
5	Of which: advanced internal ratings-based (A-IRB) approach	-	-	-
6	Counterparty credit risk (CCR)	137,830	117,087	14,472
7	Of which: standardised approach for counterparty credit risk	137,830	117,087	14,472
8	Of which: Internal Model Method (IMM)	-	-	-
9	Of which: other CCR	-	-	-
10	Credit valuation adjustment (CVA)	33,343	10,146	3,501
11	Equity positions under the simple risk weight approach	0	0	0
12	Equity investments in funds - look-through approach	0	0	0

13	Equity investments in funds - mandate-based approach	0	0	0
14	Equity investments in funds - fall-back approach	0	0	0
15	Settlement risk	0	0	0
16	Securitisation exposures in the banking book	0	0	0
17	Of which: securitisation internal ratings-based approach (SEC-IRBA)	-	-	-
18	Of which: securitisation external ratings-based approach (SEC-ERBA)	0	0	0
19	Of which: securitisation standardised approach (SEC-SA)	0	0	0
20	Market risk	30,750	21,685	3,229
21	Of which: standardised approach (SA)	30,750	21,685	3,229
22	Of which: internal models approach (IMA)			
23	Operational risk	69,813	69,813	7,330
24	Amounts below thresholds for deduction (subject to 250% risk weight)	-	-	-
25	Floor adjustment	-	-	-
26	**Total**	**2,197,740**	**2,079,746**	**230,762**

2 Linkages between Financial Statement and Regulatory Exposures

2.1 Main Sources of differences between regulatory exposure amounts and carrying values in financial statements (LI2)

The table below presents the impact of regulatory adjustments required to determine the Bank's Exposure at Default (EAD) for the purposes of calculating its capital requirements. The differences between the carrying values under regulatory scope of consolidation and carrying values in financial statements are detailed below:

Amounts in AED Thousands

Main sources of differences between regulatory exposure amounts and carrying values in financial statements (LI2)					
		Items subject to:			
		Total	Credit risk framework	Counterparty credit risk framework	Market risk framework
1	Asset carrying value amount under scope of regulatory consolidation	4,271,161	4,271,161	0	27,562
2	Liabilities carrying value amount under regulatory scope of consolidation	0	0	0	0
3	Total net amount under regulatory scope of consolidation	4,271,161	4,271,161	0	27,562
4	Off-balance sheet amounts	573,035	255,896	317,139	0
5	Differences in valuations	0	0	0	0
6	Differences due to different netting rules, other than those already included in row 2	384	384	0	0
7	Differences due to consideration of provisions	3,276	3,276	0	0
8	Differences due to prudential filters	0	0	0	0
9	**Exposure amounts considered for regulatory purposes**	**4,844,197**	**4,527,058**	**317,139**	**27,562**

3 Composition of Capital

Capital Management of the Branch

Effective capital management constitutes a core component of the strategic operations of ABC Dubai Branch. To ensure ongoing solvency and profitability while complying with regulatory requirements and achieving corporate objectives, the Branch has established a comprehensive and unified capital management framework. This framework integrates key actions, criteria, policies, functions, metrics, and processes, serving as a strategic tool to facilitate well-informed and effective capital-related decision-making.

Through the implementation of this framework, the Branch is able to optimize resource allocation, accurately assess capital requirements, and proactively manage associated risks. This structured approach enables the Branch to maintain a forward-looking stance on capital management, thereby promoting long-term sustainability and profitability.

In alignment with its business strategy, ABC Dubai Branch upholds a strong capital base to mitigate the inherent risks of its operations. Capital adequacy is continuously monitored and managed in accordance with established standards and ratios outlined under the Basel Accord, as adopted by the Central Bank of the UAE (CBUAE).

The capital management objectives of the Bank are as follows:

- To maintain sufficient capital at all times to meet or exceed regulatory requirements and support growth initiatives;
- To promote financial stability and sustained profitability;
- To allocate capital efficiently using a risk-based approach aimed at maximizing risk-adjusted returns;
- To ensure the long-term sustainability of the Bank’s operations.

The Bank's existing capital base is robust and sufficient to support its strategic direction. Regular assessments are conducted to evaluate future capital requirements, and currently, the Branch maintains a healthy capital buffer above the minimum regulatory thresholds, providing resilience against future uncertainties.

3.1 Composition of Regulatory Capital (CC1)

During the year 2024, the Branch consistently complied with the capital standards and guidelines by the CBUAE. The following table provides a detailed breakdown of the Branch's capital composition, outlining its key components:

Amounts in AED Thousands

Composition of Regulatory Capital (CC1)			
		Amounts	**Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation**
Common Equity Tier 1 capital: instruments and reserves			
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	367,340	Same as (H) from CC2 template
2	Retained earnings	34,731	
3	Accumulated other comprehensive income (and other reserves)	3,003	
4	*Directly issued capital subject to phase-out from CET1 (only applicable to non-joint stock companies)*	0	
5	Common share capital issued by third parties (amount allowed in group CET1)	0	
6	**Common Equity Tier 1 capital before regulatory deductions**	**405,074**	
Common Equity Tier 1 capital regulatory adjustments			
7	Prudent valuation adjustments	0	
8	Goodwill (net of related tax liability)	3	CC2 (A)
9	Other intangibles including mortgage servicing rights (net of related tax liability)	0	
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	
23	CBUAE specific regulatory adjustments	0	
24	Total regulatory adjustments to Common Equity Tier 1	3	
25	**Common Equity Tier 1 capital (CET1)**	**405,071**	
Additional Tier 1 capital: instruments			
26	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	0	
27	OF which: classified as equity under applicable accounting standards	0	
28	Of which: classified as liabilities under applicable accounting standards	0	
29	*Directly issued capital instruments subject to phase-out from additional Tier 1*	0	
30	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in AT1)	0	
31	*Of which: instruments issued by subsidiaries subject to phase-out*	0	
32	Additional Tier 1 capital before regulatory adjustments	0	
Additional Tier 1 capital: regulatory adjustments			
33	Investments in own additional Tier 1 instruments	0	
34	Investments in capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation	0	
35	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation	0	
36	CBUAE specific regulatory adjustments	0	
37	Total regulatory adjustments to additional Tier 1 capital	0	
38	**Additional Tier 1 capital (AT1)**	0	
39	**Tier 1 capital (T1= CET1 + AT1)**	**405,071**	
Tier 2 capital: instruments and provisions			
40	Directly issued qualifying Tier 2 instruments plus related stock	0	

	surplus		
41	*Directly issued capital instruments subject to phase-out from Tier 2*	0	
42	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 30) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	0	
43	*Of which: instruments issued by subsidiaries subject to phase-out*	0	
44	Provisions	26,215	
45	**Tier 2 capital before regulatory adjustments**	**26,215**	
Tier 2 capital: regulatory adjustments			
46	Investments in own Tier 2 instruments	0	
47	Investments in capital, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	0	
48	Significant investments in the capital, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	0	
49	CBUAE specific regulatory adjustments	0	
50	**Total regulatory adjustments to Tier 2 capital**	0	
51	**Tier 2 capital (T2)**	**26,215**	
52	**Total regulatory capital (TC = T1 + T2)**	**431,286**	
53	**Total risk-weighted assets**	**2,197,740**	
Capital ratios and buffers			
54	**Common Equity Tier 1 (as a percentage of risk-weighted assets)**	**18.43%**	
55	**Tier 1 (as a percentage of risk-weighted assets)**	**18.43%**	
56	**Total capital (as a percentage of risk-weighted assets)**	**19.62%**	
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**	**0.00%**	
60	**Of which: higher loss absorbency requirement (e.g. DSIB)**	**0.00%**	
61	**Common Equity Tier 1 (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirement.**	**11.43%**	
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)			
65	Non-significant investments in the capital and other TLAC liabilities of other financial entities	-	
66	Significant investments in common stock of financial entities	0	
67	Mortgage servicing rights (net of related tax liability)	-	
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)	35,197	
70	Cap on inclusion of provisions in Tier 2 under standardised approach	26,215	
71	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	
72	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)			
73	*Current cap on CET1 instruments subject to phase-out arrangements*	0	
74	*Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)*	0	
75	*Current cap on AT1 instruments subject to phase-out arrangements*	0	
76	*Amount excluded from AT1 due to cap (excess after redemptions and maturities)*	0	
77	*Current cap on T2 instruments subject to phase-out arrangements*	0	
78	*Amount excluded from T2 due to cap (excess after redemptions and maturities)*	0	

3.2 Reconciliation of Regulatory Capital to Balance Sheet (CC2)

The following table is intended to clarify the differences between accounting consolidation and regulatory consolidation, and to establish a clear linkage between the Bank's financial position—as presented in its published financial statements—and the figures used in the capital disclosure, as outlined in Template CC1.

Amounts in AED Thousands

Reconciliation of regulatory capital to balance sheet (CC2)

	a	b	c
	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	Q4-2024	Q4-2024	
Assets			
Cash and balances with the UAE Central Bank	28,562	416,363	
Due from other banks	1,142,411	1,143,995	
Due from group entities	671,966	676,981	
Loans and advances	231,461	227,452	
Financial assets measured at FVOCI	1,213,158	825,859	
Financial assets measured at amortized cost	882,930	883,496	
Interest receivable	20,775	20,778	
Property and equipment	166	165	
Intangible assets	3	3	CC1 (A)
Other assets	72,274	72,274	
Right-of-use assets	3,795	3,795	
Total assets	**4,267,501**	**4,271,161**	
Liabilities			
Due to other banks	203,274	203,274	
Due to customers	46,358	46,358	
Due to group entities	3,495,448	3,495,480	
Interest payable	10,167	10,167	
Other liabilities	70,838	71,441	
Provisions	-	3,276	
Lease liabilities	3,917	3,917	
Total liabilities	**3,830,002**	**3,833,913**	
Shareholders' equity			
Allocated capital	367,340	367,340	CC1 (H)
Accumulated earnings/(losses)	32,723	34,636	
Legal Reserve	4,742	2,578	
General impairment reserve	31,135	31,135	
Fair value reserve	1,559	1,559	
Total Head office account and reserves	437,499	437,248	
Total shareholders' equity + Liabilities	**4,267,501**	**4,271,161**	

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

ii. *Under the regulatory scope, investment in CBUAE M-bills is classified under "Cash and balances with the CBUAE" whereas in financial statements, the same is reported under "Investment securities".*

3.3 Main Features of Regulatory Capital Instruments (CCA)

The following table outlines the key features of the regulatory capital instruments. As of the reporting date, the Branch does not hold any regulatory capital instruments subject to disclosure under the Capital Composition Analysis (CCA) requirements.

Amounts in AED Thousands

	Main features of regulatory capital instruments (CCA)	Quantitative / qualitative information
1	Issuer	NA
2	Unique identifier (e.g. 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	Write-down feature	NA
25	If write down, write down trigger(s)	NA
26	If write down, full or partial	NA
27	If write down, permanent or temporary	NA
28	If temporary write-own, description of write-up 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

4 Macro prudential Supervisory Measures

4.1 Geographical distribution of credit exposures used in the countercyclical buffer (CCyB1)

The Bank's countercyclical capital buffer (CCyB) requirement is calculated based on the geographic distribution of its credit exposures, applying the applicable country-specific CCyB rates to the eligible exposures in each relevant jurisdiction. As of the reporting date, the Branch is not subject to any countercyclical capital buffer requirement.

Amounts in AED Thousands

Geographical distribution of credit exposures used in the countercyclical capital buffer (CCYB)					
Geographical breakdown	Countercyclical capital buffer rate	Exposure values and/or risk-weighted assets used in the computation of the countercyclical capital buffer		Bank-specific countercyclical capital buffer rate	Countercyclical buffer amount
		Exposure values	Risk-weighted assets		
Home Country 1	0.00%	0	0		
Country 2	0.00%	0	0		
Country 3	0.00%	0	0		
…..	0.00%	0	0		
Country N	0.00%	0	0		
Sum		0	0		
Total		0	0	0%	0

5 Leverage Ratio

The leverage ratio is a key indicator used to evaluate the relationship between a bank's capital base and its total exposures, including relevant off-balance sheet items.

In accordance with the Central Bank of the UAE (CBUAE) regulations, a minimum leverage ratio of 3% is required. The Branch remains fully committed to maintaining compliance with this requirement. As of 31 December 2024, the Bank reported a leverage ratio of 8.36% significantly exceeding the regulatory minimum.

5.1 Leverage Ratio Common Disclosure Template (LR2)

The table below presents a comprehensive breakdown of the components comprising the denominator under the Leverage Ratio framework, along with relevant information on the actual leverage ratio, applicable minimum regulatory requirements, and any prescribed buffers:

Amounts in AED Thousands

Leverage ratio common disclosure template (LR2)			
		31-Dec-24	**30-Sep-24**
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	4,271,161	4,034,558
2	Gross-up for derivatives collateral provided where deducted from balance sheet assets pursuant to the operative accounting framework	0	0
3	(Deductions of receivable assets for cash variation margin provided in derivatives transactions)	0	0
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	0	0
5	(Specific and general provisions associated with on-balance sheet exposures that are deducted from Tier 1 capital)	0	0
6	(Asset amounts deducted in determining Tier 1 capital)	-3	-5
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**4,271,158**	**4,034,553**
Derivative exposures			
8	Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	100,108	74,708
9	Add-on amounts for PFE associated with all derivatives transactions	217,031	159,433
10	(Exempted CCP leg of client-cleared trade exposures)	0	0
11	Adjusted effective notional amount of written credit derivatives	0	0

12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0	0
13	**Total derivative exposures**	**317,139**	**234,141**
Securities financing transactions			
14	Gross SFT assets (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**	**0**	**0**
Other off-balance sheet exposures			
19	Off-balance sheet exposure at gross notional amount	511,792	475,863
20	(Adjustments for conversion to credit equivalent amounts)	-255,896	-237,932
21	(Specific and general provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital)	0	0
22	**Off-balance sheet items**	**255,896**	**237,931**
Capital and total exposures			
23	**Tier 1 capital**	**405,071**	**384,550**
24	**Total exposures**	**4,844,193**	**4,506,625**
Leverage ratio			
25	**Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)**	**8.36%**	**8.53%**
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	8.36%	8.53%
26	CBUAE minimum leverage ratio requirement	3.00%	3.00%
27	Applicable leverage buffers	0.00%	0.00%

6 Liquidity

6.1 Liquidity Risk Management (LIQA)

Liquidity risk refers to the potential inability of the Bank to meet its financial obligations as they fall due, or to replenish funding following withdrawals. This risk may also arise from holding assets that are not readily marketable, thereby constraining the Bank's ability to liquidate positions promptly to limit potential losses.

The Branch's liquidity management objective is to maintain a sound and comprehensive strategy that ensures the timely fulfillment of all payment obligations under both normal and stressed market conditions. It also seeks to achieve an appropriate balance between liquidity, security, and profitability.

Liquidity Risk Management Governance

The liquidity risk management structure of the Branch is built upon three fundamental components: the decision-making system, the execution system, and the supervisory system. The decision-making system includes Senior Management, the Asset and Liability Management Committee (ALCO), and the Risk Management Committee (RMC). These bodies are responsible for setting the overall liquidity strategy, defining the risk appetite, and overseeing key policy decisions related to liquidity risk. The execution system comprises the Finance & Accounting Department and the Treasury Department. These departments are tasked with implementing the liquidity management strategy, managing daily liquidity positions, and ensuring that the Bank operates within established risk limits. Their role is critical in maintaining adequate liquidity levels to support the Bank's business activities and fulfill its financial obligations. The supervisory system consists of the Risk Management Department and the Internal Audit team. These units provide independent oversight, monitor adherence to policies, assess the effectiveness of the liquidity risk framework, and ensure compliance with regulatory requirements and internal controls.

ABC Dubai Branch is primarily exposed to liquidity risk through the funding of its lending, trading, and investment activities, as well as the day-to-day management of liquidity positions. The Branch's liquidity risk management framework is designed to identify, measure, monitor, and report on liquidity risk in a comprehensive and disciplined manner. The objective of the framework is to ensure that the Bank can meet its payment obligations related to assets, liabilities, and off-balance sheet exposures, under both normal and stressed market conditions, while balancing efficiency and capital preservation. To achieve this objective, the Bank has established a sound and systematic liquidity management mechanism that reflects the scale, complexity, and nature of its operations, as well as its defined risk appetite and tolerance. The framework is structured to provide resilience against liquidity shocks and to support the ongoing stability of the Bank's financial performance.

The Finance & Accounting Department plays a central role in this framework by regularly reporting liquidity risk exposures to the Asset and Liability Management Committee. This reporting includes analysis of internal and external factors influencing liquidity, the calculation of liquidity risk limits, assessment of the current liquidity position, forecasting of future liquidity trends, identification of emerging risks, and the development of forward-looking strategies to manage liquidity effectively.

Liquidity Risk Management Measures

Several measures aimed at mitigating liquidity risk include the following:

High Quality Liquidity Assets

By maintaining sufficient high-quality liquid assets, the Branch ensures its ability to meet liquidity requirements arising from its assets, liabilities, and off-balance sheet exposures in a timely manner, under both normal operating conditions and stress scenarios. This enables the Branch to fulfill external payment obligations promptly and safeguard the Bank's overall liquidity position. Additionally, the ratios of Eligible Liquid Assets (ELAR) and Lending to Stable Resources (LSRR) are maintained in compliance with the requirements of both regulatory authorities and the Head Office. To support these objectives, ABC Dubai Branch invests in high-quality securities, such as sovereign bonds, which are highly liquid and carry lower risk.

Warning Indicators

The Bank continuously monitors potential liquidity risk triggers, taking into consideration the size, nature, complexity, and risk profile of its business activities. It conducts comprehensive assessments of potential liquidity impacts using appropriate indicators designed to provide early warnings of emerging risks on a forward-looking and ongoing basis.

Limit Management

Liquidity risk limits are established based on a thorough evaluation of various factors, including the Bank's size, operational scope, complexity, and defined liquidity risk appetite and tolerance. These limits serve to effectively monitor and control the Bank's exposure to liquidity risk, ensuring it remains within acceptable levels.

Reasonably match the maturity of assets with the maturity of liabilities.

The Branch aligns asset and liability maturities in a scientific and rational manner, ensuring that cash flows are scheduled appropriately. While maintaining liquidity security as a priority, the Branch also seeks to enhance asset profitability by moderately extending the duration of assets when feasible.

Intra-day liquidity risk management

The Branch is committed to strengthening intra-day liquidity risk management to ensure the availability of adequate daytime liquidity and appropriate funding arrangements. This ensures the ability to meet intra-day payment obligations under both normal market conditions and stress scenarios.

Forecasting and Funding Strategy

The Bank aims to establish and continuously enhance funding strategies to improve the diversification and stability of its financing sources. This is achieved through the following measures:

- Analyzing future funding needs and available sources under both normal and stressed scenarios.
- Actively managing the concentration risk across debt instruments, maturities, counterparties, currencies, collateral used for financing, and financing markets.
- Strengthening the management of financing channels by maintaining strong relationships with key funding counterparties, ensuring appropriate levels of market participation, and regularly evaluating market financing capacity and asset liquidation potential.
- Closely monitoring changes in transaction volumes and funding costs in major financial markets, and assessing the impact of market liquidity on the Branch's overall financing capability.
- Enhancing active liability management by diversifying funding sources, increasing the proportion of stable funding, and improving the Bank's capacity for medium-term notes and other active debt-raising instruments.

Stress Testing and Contingency Funding Plan

The Branch has implemented a robust stress testing framework and developed a comprehensive Contingency Funding Plan (CFP), both of which are aligned with the outcomes of the stress tests. This contingency plan is designed to effectively manage liquidity risk during periods of financial stress and to safeguard the Branch's ability to meet its obligations under adverse market conditions. The CFP outlines procedures and funding strategies to be adopted in response to liquidity shortfalls or disruptions in funding markets.

The Bank incorporates a range of scenarios to assess its resilience under adverse conditions. As part of its Liquidity stress testing framework, the Branch assesses its resilience under a range of adverse market conditions.

In a mildly deteriorating scenario, the following assumptions are applied:

- 30% of the unutilized irrecoverable committed loans are drawn by customers due to potential liquidity constraints.
- 30% of customers' outstanding deposits are withdrawn prematurely.
- Money market funding costs remain unchanged.
- High-Quality Liquid Assets (HQLA) can be sold at current market prices without any discount, however any losses recognized in Other Comprehensive Income(OCI) will be immediately realized in the profit and loss statement.

In a moderately deteriorating scenario:

- 25% of term loans, syndicated loans, and trade finance maturing within one month are assumed to default.
- 10% of the Branch's money market placements and bond investments maturing within one month are assumed to default.
- 60% of customers' time deposits are withdrawn prematurely.
- 60% of unutilized irrevocable commitments are drawn down due to increased customer demand.
- The line of credit from Head Office is reduced to 90%.
- Funding cost increases by 1.5% due to elevated credit risk.
- HQLA can only be liquidated at prevailing average market prices, with any OCI losses recognized immediately in profit and loss.

In a severe scenario:

- 50% of term loans, syndicated loans, and trade finance maturing within one month are assumed to default.
- 20% of money market placements and bond investments maturing within one month are assumed to default.

- 100% of unutilized irrevocable committed facilities are drawn down by customers in urgent need of liquidity.
- The Head Office line of credit is reduced to 85%.
- Funding cost increases by 2.5% due to heightened credit risk.
- HQLA can only be sold at a 1% discount to current market value, with losses immediately recognized in the profit and loss account.

The table below presents the gross carrying amounts as reported in the Balance sheet by residual contractual maturity:

Amount in AED Thousands

	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Cash and balances with the UAE Central bank	0	0	0	28,562	28,562
Due from other banks and group entities	1,358,753	386,341	0	70,865	1,815,959
Financial assets measured at FVOCI and amortised cost	887,744	883,700	325,998	0	2,097,442
Loans and Advances	207,947	24,491	0	0	232,438
Interest Receivable	0	0	0	20,775	20,775
Other assets	0	0	0	72,274	72,274
Total financial assets	**2,454,444**	**1,294,532**	**1,294,532**	**192,476**	**4,267,450**

The table below presents the cash flows payable by the Bank under non-derivative financial liabilities by remaining contractual maturity at the balance sheet date. The figures represent contractual undiscounted cash flows:

Amounts in AED Thousands

	Up to 3 months	3 - 12 months	1-5 years	Over 5 years	Total
Liabilities					
At 31 December 2024					
Due to customers	46,358	0	0	0	46,358

Due to other bank and group entities	2,940,367	650,768	0	107,587	3,698,722
Interest payable	0	0	0	10,167	10,167
Other liabilities	0	0	0	66,087	66,087
Total financial liabilities	**2,986,725**	**650,768**	**0**	**183,841**	**3,821,334**

Amounts in AED Thousands

Off-balance sheet items	No later than 1 year	1-5 years	Over 5 years	Total
At 31 December 2024				
Guarantees and acceptances	92,540	419,252	0	511,792
Undrawn credit commitments-Irrevocable	0	0	0	0
Total	**92,540**	**419,252**	**0**	**511,792**

6.2 Eligible Liquid Assets Ratio (ELAR)

ABC Dubai Branch maintains strict adherence to the regulatory frameworks outlined under the Eligible Liquid Assets Ratio (ELAR) and Advances to Stable Resources Ratio (ASRR) as prescribed by the Central Bank of the UAE (CBUAE). This compliance is ensured through the management of a strong portfolio of high-quality liquid assets (HQLA) and the maintenance of a stable, well-diversified funding base. These practices reflect the Branch's ongoing commitment to prudent liquidity management and financial soundness.

The table below provides a detailed breakdown of the Branch's available HQLA, measured and classified in accordance with the CBUAE Liquidity Regulations:

Amounts in AED Thousands

Eligible Liquid Assets Ratio (ELAR)			
1	**High Quality Liquid Assets**	**Nominal amount**	**Eligible Liquid Asset**
1.1	Physical cash in hand at the bank + balances with the CBUAE	486,073	
1.2	UAE Federal Government Bonds and Sukuks	0	
	Sub Total (1.1 to 1.2)	486,073	486,073

1.3	UAE local governments publicly traded debt securities	108,106	
1.4	UAE Public sector publicly traded debt securities	0	
	Sub total (1.3 to 1.4)	108,106	108,106
1.5	Foreign Sovereign debt instruments or instruments issued by their respective central banks	0	0
1.6	**Total**	**594,179**	**594,179**
2	Total liabilities		3,515,142
3	**Eligible Liquid Assets Ratio (ELAR)**		**16.90%**

6.3 Advances to Stable Resource Ratio (ASRR)

The below table shows the breakdown of ABC Dubai Branch's advances to stable resource ratio as per Liquidity regulations.

Amounts in AED Thousands

Advances to Stables Resource Ratio (ASRR)			
		Items	**Amount**
1		**Computation of Advances**	
	1.1	Net Lending (gross loans - specific and collective provisions + interest in suspense)	227,452
	1.2	Lending to non-banking financial institutions	0
	1.3	Net Financial Guarantees & Stand-by LC (issued - received)	381,052
	1.4	Interbank Placements	918,854
	1.5	**Total Advances**	**765,254**
2		**Calculation of Net Stable Ressources**	
	2.1	Total capital + general provisions	438,224
		Deduct:	
	2.1.1	Goodwill and other intangible assets	3
	2.1.2	Fixed Assets	3,960
	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**	**3,963**
	2.2	**Net Free Capital Funds**	**434,261**
	2.3	**Other stable resources:**	
	2.3.1	Funds from the head office	650,799
	2.3.2	Interbank deposits with remaining life of more than 6 months	0

	2.3.3	Refinancing of Housing Loans	0
	2.3.4	Borrowing from non-Banking Financial Institutions	0
	2.3.5	Customer Deposits	39,404
	2.3.6	Capital market funding/ term borrowings maturing after 6 months from reporting date	0
	2.3.7	**Total other stable resources**	**690,203**
	2.4	**Total Stable Resources (2.2+2.3.7)**	**1,124,464**
3		**Advances TO STABLE RESOURCES RATIO**	**68.06**

7 Credit Risk

7.1 General Qualitative Information about Credit Risk (CRA)

Overview

Credit risk refers to the potential economic loss arising from a counterparty's failure to meet its contractual payment obligations. This risk materializes when a customer, counterparty, or issuer of a financial instrument defaults on its obligations, potentially resulting in a loss to the Bank through reduced cash flows or diminished market value. ABC Dubai Branch is primarily exposed to credit risk through its loan portfolio, investment holdings, guarantee exposures, and other on- and off-balance sheet credit-related exposures.

Credit Risk Governance

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.

The Branch has meticulously developed its Credit Risk Policy in strict alignment with the regulatory framework set forth by the Central Bank of the UAE (CBUAE) and in accordance with the mandates issued by the Head Office. As part of a comprehensive risk management framework, the Risk Management Committee holds the critical responsibility for formulating, endorsing, and overseeing the Branch's risk management strategy, including its objectives, risk appetite, limits, policies, and manuals. In parallel, the Credit Approval Committee functions as the principal collective authority for the evaluation and deliberation of credit risk exposures. All risk-bearing departments are accountable for mitigating credit risk within their respective domains, while the Risk Management Department is tasked with the overarching responsibility for managing the Branch's credit risk profile. Additionally, the Internal Audit function provides independent assurance on the adequacy and effectiveness of the Branch's risk management framework.

Credit Risk Management Framework

Credit Risk Management Measures

ABC Dubai Branch employs a comprehensive set of measures to mitigate credit exposure. These include, but are not limited to, the use of guarantees on counterparty obligations, the imposition of restrictive covenants on borrowers, and thorough evaluations of borrower creditworthiness. This rigorous assessment framework ensures that credit decisions are well-informed, enabling effective management of potential losses.

Credit Assessment and Internal Risk Rating

Prior to the approval of a credit proposal, a thorough evaluation of the associated credit risk is undertaken, encompassing an extensive analysis of the obligor's financial condition, market position, prevailing business environment and quality of management prowess. This process entails the creation of an internal credit risk rating that factors in the credit approval verdict and the transactional terms and conditions, concluding in a cautious decision-making process. Where appropriate, the Bank seeks to minimize its credit exposures using a variety of techniques including but not limited to:

- Guarantees on the counterparty's obligations
- Imposing restrictions and covenants on borrowers
- Thorough assessment of credit worthiness of the borrower i.e. Internally assessed rating

Internal rating represents a fundamental tool of credit risk measurement and an integral part of the risk management culture of the Bank. The internal credit rating of the obligors is based on the principles of uniqueness, independence, prudence and sensitiveness. The Bank employs an internal credit rating system for each obligor prior to, or at the time of, approving a credit limit. This internal rating process assesses the default risk of a specific obligor using reliable information and standardized models, methodologies, and procedures developed by the Bank. The internal credit rating serves as a fundamental tool for measuring credit risk and forms an integral component of the Bank's risk management framework.

All credit ratings are subject to annual review to ensure continued accuracy and relevance. The rating process is guided by the principles of uniqueness, independence, prudence, and sensitivity. Furthermore, the Bank's internal rating policy aligns with the guidelines issued by the ABC Head Office.

Credit Limit Framework and Exposure Monitoring

ABC Dubai Branch adopts a structured and disciplined approach to monitoring and managing credit risk exposures across its portfolio. In alignment with Group policies and procedures, the Branch ensures that credit limits are appropriately set and approved based on a thorough assessment of each counterparty's financial capacity, asset size, and genuine capital requirements. Credit ratings and limits are typically assigned prior to the extension of any credit facility, allowing the Branch to engage only with counterparties demonstrating sound creditworthiness, while avoiding exposures to weaker or high-risk entities.

A strong emphasis is placed on the ongoing monitoring of key credit risk parameters, ensuring timely identification and mitigation of emerging risks. These parameters include, but are not limited to:

- Credit risk profiling of the overall portfolio
- Trend analysis of individual portfolios
- Analysis of derivative exposures
- Monitoring of capital adequacy ratios
- Portfolio currency distribution analysis
- Oversight of large exposure limits

- Country risk and industry concentration monitoring
- Provisioning analysis
- Regular credit risk stress testing

This rigorous monitoring process supports proactive credit risk management and reinforces the Branch's adherence to its defined Risk Appetite Framework. By ensuring that credit exposures remain within approved limits and risk thresholds, ABC Dubai Branch maintains a prudent credit risk posture aligned with regulatory expectations and internal risk governance standards.

Collateral Policy and Risk Mitigation

Collateralization is an important tool of credit risk mitigation. ABC Dubai Branch collateral policy is designed to reduce residual risk by providing control and maximizing recoveries in the event of obligor default. To safeguard against contingencies that may impede obligors from fulfilling their repayment obligations, security is procured and /or protective covenants incorporated into facility documentation, in accordance with the risk analysis and relevant credit standard. Requirements are defined on a case-by-case basis, in alignment with the minimum standards established by the Group.

Ongoing Credit Risk Oversight

ABC Dubai Branch endeavors to ensure diligent oversight of critical credit risk parameters, in a timely manner. These parameters encompass a broad range of factors, including but not limited to, profiling the overall portfolio for credit risk, conducting trend analysis of individual portfolios, assessing the risk associated with derivative portfolios, monitoring capital adequacy ratios, scrutinizing portfolio currency distribution, monitoring large exposure limits, profiling country risk, assessing industry concentration, conducting provisioning analysis, and subjecting the portfolio to credit risk stress testing. Risk Appetite for Credit Risk has been established including above metrics based upon the Group guidelines with the exposure limits in credit business. The aggregate limit of approved facilities remains within this appetite, at any point in time.

Capital Adequacy and Regulatory Compliance

The ABC Dubai Branch has adopted the Standardized approach for the purposes of Capital Adequacy, which relies on the use of ratings provided by External Credit Assessment Institutions (ECAIs). This approach entails assigning credit risk weightings to various types of assets based on their corresponding ECAI ratings. By utilizing ECAI ratings, the ABC Dubai Branch can ensure that its capital adequacy is appropriately aligned with its risk profile, while also complying with regulatory requirements.

Credit Risk Reporting

As part of the credit risk monitoring and control framework, the Bank conducts regular reporting on key metrics such as credit quality, provisioning levels, and exposure limits. These reports reflect the Branch's adherence to the established credit risk appetite, which is defined in line with Group guidelines. The Risk Management Department reports changes in the overall credit portfolio to the Risk Management Committee in a timely manner. The Risk Management Department is responsible for reporting material changes in the overall credit portfolio to the Risk Management Committee and Senior Management on a timely basis.

7.2 Credit Quality of Assets (CR1)

ABC Dubai Branch maintains a prudential Credit Risk appetite, emphasizing a robust strategy to minimize credit risk exposure while accepting relatively low profit margins. The table below presents a detailed overview of the credit quality of ABC Dubai Branch's assets as of 31 December 2024:

Amounts in AED Thousands

Credit quality of assets (CR1)							
		Gross carrying values of		Allowances/ Impairments	Of which ECL accounting provisions for credit losses on SA exposures		Net values
		Defaulted exposures	Non-defaulted exposures		Allocated in regulatory category of Specific	Allocated in regulatory category of General	
1	Loans	-	232,438	977	-	977	231,461
2	Debt securities	-	2,096,655	1,353	-	1,353	2,095,302
3	Off-balance sheet exposures	-	828,931	150	-	150	828,781
4	**Total**	**-**	**3,158,024**	**2,480**	**-**	**2,480**	**3,155,544**

7.3 Changes in Stock of Defaulted Loans and Debt Securities (CR2)

The following table shows the changes in the group's defaulted exposures as of 31 Dec 2024-

Amounts in AED Thousands

Changes in stock of defaulted loans and debt securities (CR2)		
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**	0

7.4 Additional Disclosure Related to Credit Quality of Assets (CRB)

Past due and Credit-Impaired exposures

The Branch adheres to the CBUAE Credit Risk Regulation and standards issued under Notice No: CBUAE/BIS/2024/5131 and aligns its practices with Head Office policies. A structured credit classification framework is employed to differentiate exposures based on their risk profile and to systematically identify early credit deterioration.

An exposure is classified as "Past due" when any contractual payment of principal or interest remains unpaid for more than 30 days.

An exposure is deemed as "Default" when any of the following conditions apply:

a) Payments are overdue for more than 90 days overdue;

b) The borrower is unable to fulfill credit obligations without reliance on measures such as collateral realization;

c) There are indications of borrower insolvency or potential for financial restructuring;

d) The asset is no longer considered marketable due to the borrower's financial distress;
e) In certain cases, default may be recognized even before 90 days of delay based on the borrower's overall creditworthiness.

An exposure is impaired when there is objective evidence of the borrower's inability to meet contractual obligations, due to factors like default or severe financial stress.

To manage early signs of deterioration, the Branch monitors Significant increase in credit risk(SICR) using indications such as:

- Overdue payments exceeding 30 days;
- Three or more payment deferrals within 24 months;
- Declining financial performance or rating downgrades;
- Governance issues or adverse macroeconomic / operational developments.

The Branch applies both time-based and qualitative assessments in evaluating credit risk, ensuring sound identification of past due, default, SICR and impaired exposures. Comprehensive procedures are in place for recovery, liquidation, and write-offs of credit-impaired assets.

Rescheduled / Restructured Exposures

Rescheduling and restructuring involve modifying the terms of a facility after loans have been extended, including advances in letters of credit, acceptances, guarantees, and payments for services.

Rescheduled exposures(non-distressed) are those where the renegotiated terms do not lead to a loss in present value. It involves changes like extending loan tenor or adjusting payments.

Restructured exposures(distressed) involve modifications such as reduced principal / interest, collateral adjustments or debt transfers that result in a loss in present value.

The bank has implemented a comprehensive set of measures to manage the risks associated with loan rescheduling and restructuring. These measures align with the requirements set by the Central Bank of the United Arab Emirates (CBUAE) and the policies established by the Head Office. Loan rescheduling and restructuring activities are carried out through negotiations with borrowers who demonstrate the ability and willingness to repay their loans, either partially or fully.

A thorough investigation of the borrower, guarantor, and collateral is conducted to inform the development of an appropriate rescheduling or restructuring plan. This plan outlines mutually agreed-upon terms and conditions, and incorporates any necessary restrictive measures to ensure the proper management of the restructured exposure.

Credit Provisioning

ABC Dubai Branch adopts a prudent approach in its credit provisioning process, ensuring thorough due diligence in every aspect of the assessment. The branch calculates total provisions for impairment in accordance with regulatory guidelines, specifically the CBUAE Circular 3/2024, which requires both specific provisions for impaired loans and general provisions equivalent to 1.50% of credit risk-weighted assets (CRWA). The Risk Management Department oversees all aspects of provisioning, and, upon approval from the Head Office, determines and regularly updates the level of annual general provisions.

In addition, the Branch conducts individual impairment assessments in line with the IFRS9 methodology, as directed by the Head Office. To determine accounting provisions for credit losses, the branch considers a wide range of reasonable and well-founded information that reflects changes in credit risk, including forward-looking information. Factors taken into account include regulatory and business conditions, internal and external credit ratings, solvency, operational capacity, guarantee information, loan contract terms, and repayment behaviors.

The measurement of credit loss allowances follows a three-stage approach based on the degree of credit deterioration from the time of origination:

- Stage 1: For assets with no significant increase in credit risk since initial recognition of the credit asset, the branch holds a 12-month Expected Credit Loss(ECL).
- Stage 2: When a significant increase in credit risk is observed, lifetime ECL, while monitoring the asset’s status.
- Stage 3: For credit-impaired assets, classified as sub-standard, doubtful, or loss, Lifetime ECL is recognized and charged directly to the Profit and Loss account as specific provisions.

This structured methodology enables the Branch to maintain robust loss absorption capacity and effectively respond to its shifts in borrower credit quality and macroeconomic conditions.

Breakdown of Exposures by Portfolio

As of 31 December 2024, the total net credit risk exposure amounted to AED 3.91 billion the details of net credit exposure as presented in the table below:

Exposures by portfolio

Amount in AED Thousands

Portfolios	On-Balance	Off-Balance	Total Net Exposure (after CCF)
Sovereigns and Central Bank	524,202	-	524,202
Banks	3,422,492	573,035	3,995,528
GREs	123,670	-	123,670
Corporates	103,782	-	103,782
Others	97,015	-	97,015
Total	**4,271,161**	**573,035**	**4,844,197**

*** Off-Balance sheet Exposure is considered post CCF Application (i.e. Credit Equivalent Factor).*

Gross exposures by Geographical areas

The geographic breakdown of gross exposures of the Branch has been analyzed below. These countries are high rated jurisdictions and with low geographic risk.

Exposures by country

Amount in AED Thousands

Country	On Balance sheet	Off-Balance Sheet	Total Exposure
China	2,100,414	454,546	2,554,961
Belgium	124	-	124
France	52,544	20,173	72,717
Hong Kong	349,529	-	349,529
Japan	80,795	-	80,795
Kuwait	110,175	-	110,175
Luxembourg	1,775	-	1,775
Saudi Arabia	73,450	-	73,450
United Arab Emirates	1,437,395	98,316	1,535,711
United Kingdom	-	-	-

United States	64,960	-	64,960
Total	**4,271,161**	**573,035**	**4,844,197**

*** Off-Balance sheet Exposure is considered post CCF Application (i.e. Credit Equivalent)*

Gross exposures by industry

The Bank undertake measures to diversify its portfolio and exposures, in order to mitigate the adverse consequences of a potential failure in any particular sector, and safeguard its overall portfolio. The Economic sector breakdown of credit risk exposures as presented in the table below.

Exposures by economic sector

Amount in AED Thousands

Sector	On Balance sheet	Off-Balance Sheet**	Total Exposure
Petroleum and Gas Exploitation Industry	55,088	-	55,088
Commercial Bank	3,150,633	573,035	3,723,669
Policy Bank	271,858	-	271,858
Food Manufacturing	15,055	-	15,055
Non-Ferrous Metal Smelte & Roll Process Industry	-	-	-
Nonmetallic Mineral Products Industry	-	-	-
Commercial Service Industry	38,144	-	38,144
Chemical Material & Chemical Product Manufac	30,439	-	30,439
Rubber Products Industry	10,037	-	10,037
Electric Equipment and Machinery	-	-	-
Furniture Manufacturing	-	-	-
Wholesale Business	59,218	-	59,218
Textile industry	-	-	-
Leasing industry	-	-	-
Building & Civil Engineering Construction	-	-	-
Water Transportation	19,472	-	19,472
Sovereign	524,202	-	524,202
Others	97,015	-	97,015
Total Exposure	**4,271,161**	**573,035**	**4,844,197**

** Other include: Interest Receivables, Fixed Assets and Accounts Receivable*

*** Off-Balance sheet Exposure is considered post CCF Application (i.e. Credit Equivalent)*

Gross exposures by residual maturity

Below are the gross exposures by residual maturity:

Amount in AED thousands

Residual contractual maturity	On-Balance	Off-Balance	Total Net Exposure (after CCF)
Less than 3 months	2,532,534	42,216	2,574,750
3 months to one year	1,308,675	320,824	1,629,499
One to Five years	330,525	209,996	540,521
Over Five Years	99,427	-	99,427
Total	**4,271,161**	**573,036**	**4,844,197**

Currently, the Bank does not have any past-due, impaired or restructured exposures.

7.5 Standardized Approach-Credit Risk Exposure and CRM Effects (CR4)

ABC Dubai Branch employs the standardized approach to calculate the capital requirements for credit risk. Under this method, the bank assigns risk weights to both on-balance sheet and off-balance sheet exposures, using External Credit Assessment Institution (ECAI) risk assessments as part of the process to determine these risk weights.

The following table illustrates the impact of Credit Conversion Factors (CCF) and Credit Risk Mitigation (CRM) on the calculation of capital requirements. In this context, the Risk-Weighted Asset (RWA) density serves as a composite measure of the level of risk inherent in each portfolio.

Amounts in AED Thousands

Standardised approach - credit risk exposure and Credit Risk Mitigation (CRM) effects (CR4)							
		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	524,202	0	524,202	0	0	0%
2	Public Sector Entities	123,670	0	123,670	0	93,155	75%
3	Multilateral development banks	0	0	0	0	0	0%
4	Banks	3,422,492	828,932	3,422,492	573,035	1,893,317	47%
5	Securities firms	0	0	0	0	0	0%
6	Corporates	103,782	0	103,782	0	51,891	50%
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	97,015	0	97,015	0	25,472	26%
14	**Total**	**4,271,161**	**828,932**	**4,271,161**	**573,035**	**2,063,835**	**42.60%**

7.6 Standardized Approach- Exposure by Asset Class and Risk Weights (CR5)

Amounts in AED Thousands

Standardised approach - exposures by asset classes and risk weights (CR5)										
	Asset classes / Risk weight	0%	20%	35%	50%	75%	100%	150%	Others	Total credit exposures amount (post CCF and post-CRM)
1	Sovereigns and their central banks	524,202	0	0	0	0	0	0	0	524,202
2	Public Sector Entities	0	38,144	0	0	0	85,526	0	0	123,670
3	Multilateral development banks	0	0	0	0	0	0	0	0	0
4	Banks	0	682,509	0	3,112,408	0	200,611	0	0	3,995,528
5	Securities firms	0	0	0	0	0	0	0	0	0
6	Corporates	0	0	0	103,782	0	0	0	0	103,782
7	Regulatory retail portfolios	0	0	0	0	0	0	0	0	0
8	Secured by residential property	0	0	0	0	0	0	0	0	0
9	Secured by commercial real estate	0	0	0	0	0	0	0	0	0
10	Equity Investment in Funds (EIF)	0	0	0	0	0	0	0	0	0
11	Past-due loans	0	0	0	0	0	0	0	0	0
12	Higher-risk categories	0	0	0	0	0	0	0	0	0
13	Other assets	71,543	0	0	0	0	25,472	0	0	97,015
14	Total	595,745	720,653	0	3,216,190	0	311,609	0	0	4,844,197

8 Market Risk

8.1 Qualitative Disclosure Requirements Related to Market Risk (MRA)

Market risk refers to the potential for financial losses arising from adverse movements in market prices impacting the Bank's on- and off-balance sheet activities. It encompasses several risk categories, including interest rate risk, foreign exchange risk, equity risk, commodity price risk, and option risk. For the Branch specifically, the primary market risks are interest rate risk and foreign exchange risk.

Interest rate risk represents the risk of reductions in earnings or market value of a portfolio caused by fluctuations in future interest rates.

Foreign exchange risk refers to the risk of loss resulting from exposure to changes in foreign currency exchange rates, which may negatively affect the Bank's financial position.

Market Risk Governance

The market risk governance framework is structured around the three lines of defense, with clearly defined roles and responsibilities for Senior Management, the Risk Management Committee, and relevant departments. This structure is outlined in the Market Risk Policy, which establishes protocols and procedures for effective market risk management within the organization.

- First Line of Defense: This line is responsible for identifying and managing the market risks associated with their business activities. Each department within the organization takes ownership of risks within its scope, ensuring that risks are actively monitored and mitigated.
- Second Line of Defense: The second line provides oversight, technical guidance, and establishes guidelines for managing market risks. This line supports the first line by ensuring that risk management processes and practices are aligned with organizational objectives and regulatory standards.
- Third Line of Defense: The third line offers independent assurance regarding the adequacy and effectiveness of the market risk management framework. It is

typically composed of internal audit functions that review and assess the effectiveness of risk controls and management processes.

This three-line model ensures that market risks are managed in a coordinated, integrated manner, with well-defined communication and reporting channels. Senior Management and the Risk Management Committee are tasked with reviewing market risk policies, assessing audit findings, and determining appropriate market risk controls. They ensure that the organization's market risk profile remains within acceptable limits, safeguarding the bank's overall risk posture. The market risk governance framework is designed to promote transparency, accountability, and alignment with industry best practices, ensuring that market risks are effectively managed across the bank.

Market Risk Management Measures

To ensure the effective mitigation of market risk, ABC Dubai Branch manages market risk with due diligence and oversight, in accordance with its established market risk management policies and procedures, which are reviewed regularly. The Branch refrains from engaging in any speculative or proprietary trading activities.

The Bank's overall approach to managing market risk is outlined as follows:

Classification of the Balance Sheet Items

ABC Dubai Branch adopts a meticulous approach to classifying all on-balance sheet and off-balance sheet assets and liabilities, consistent with its internal policies. These are categorized into the trading book and the banking book. The classification of assets into the trading book is based on the intended purpose of the transaction, i.e., whether it is intended for trading or deemed necessary to mitigate risks related to other positions. Currently, the Bank does not have any trading book exposure in bond investments, equity positions, commodity positions, or options. The interest rate risk within the banking book arises primarily from mismatches in the maturity and repricing schedules of interest-bearing assets and liabilities, as well as non-uniform changes in the yield curve and shifts in benchmark interest rates. To manage this, the Branch proactively optimizes the pricing and maturity structure of interest-bearing assets and liabilities, informed by its assessment of anticipated interest rate movements, to enhance net interest income.

Exposure Limits

The Bank has established specific limits for net foreign currency assets to mitigate risks associated with fluctuations in foreign exchange rates. The Bank imposes limits on transactions and cumulative interest rate gaps, as well as sensitivity limits for interest rates and foreign exchange rates. Country and counterparty limits are also in place to manage the risks associated with various types of transactions and maintain an acceptable level of exposure. Adherence to these exposure limits is continuously monitored to ensure that the Branch's currency exposures remain within the prescribed parameters.

Stress Testing

ABC Dubai Branch has developed a robust framework for assessing exposure to market risks, particularly interest rate risk and foreign exchange risk. To support this, the Branch regularly conducts stress tests using various scenarios to evaluate the potential impact of adverse market events on its positions and portfolios. These tests are reviewed and updated periodically to ensure their relevance and accuracy, providing timely insights into potential vulnerabilities in the Branch's financial position.

Daily Mark-to-Market Valuation of Derivative Portfolio

The Branch manages a diverse derivative portfolio, including Foreign Exchange (FX) Swaps, FX Forwards, and Interest Rate Swaps (IRS). As part of sound market risk management, the Branch conducts a daily mark-to-market valuation of these exposures to ensure that their financial impact is accurately reflected in the Branch's risk profile.

Strictly Manage the Risk Level in Trading Book

Market risk within the trading book is managed in strict accordance with the annual authorization and market risk management policies and limits established by the Head Office. The Branch only engages in FX spot, forward, and swap transactions as an agent on behalf of clients, for market-making and liquidity management purposes. It does not engage in speculative trading. All FX spot, forward, and swap transactions conducted on behalf of clients or for market-making are fully hedged on the same day, ensuring that no open positions remain.

Market Risk Reporting

Market risk reports are regularly submitted to Senior Management and relevant stakeholders. In the event of any deviation from internally established thresholds, these instances are promptly escalated to Senior Management for timely and effective corrective action.

8.2 Market Risk under the Standardized Approach (MR1)

ABC Dubai Branch employs the Standardized Approach to calculate the regulatory capital requirements for market risk. The resulting market risk measure is then multiplied by the reciprocal of the theoretical 10.5% minimum capital ratio, thereby determining the market risk-weighted exposure in a manner consistent with credit risk-weighted exposure. This methodology ensures a uniform and standardized treatment of market risk-weighted exposure, in full compliance with regulatory requirements.

The following table provides the components of the capital requirement under the standardized approach for market risk:

Amounts in AED Thousands

Market risk under the standardised approach (MR1)		
		RWA
1	General Interest rate risk (General and Specific)	15,930
2	Equity risk (General and Specific)	0
3	Foreign exchange risk	14,820
4	Commodity risk	0
5	Options	0
6	Simplified approach	0
7	Delta-plus method	-
8	Scenario approach	0
9	Securitisation	0
9	**Total**	**30,750**

9 Interest Rate Risk in the Banking Book (IRRBB)

9.1 IRRBB Risk Management Objectives and Policies (IRRBBA)

Interest Rate Risk in the Banking Book (IRRBB) refers to the potential risk to the Bank's capital and earnings arising from adverse movements in interest rates that affect positions held in the banking book. Fluctuations in interest rates can have detrimental effects on the Bank's economic value, as they may lead to a decrease in the present value of net assets (both on and off balance sheet). Additionally, such unfavorable interest rate shifts can impact the Bank's earnings, potentially threatening its capital base. As a result, the Bank actively manages interest rate risk to mitigate any negative effects and safeguard its financial stability and long-term sustainability.

Interest Rate Risk in Banking Risk Governance

The Branch has established a robust governance framework for managing IRRBB, which includes a comprehensive risk management strategy. This framework involves the development of a clear risk strategy, the definition of a well-established risk appetite, and the implementation of an efficient limits system. The Branch has created a detailed and carefully formulated IRRBB appetite statement, which considers the potential impact of interest rate risk on the Bank's economic value and overall income. This statement is regularly reviewed and updated to ensure its ongoing relevance and effectiveness in guiding the Branch's risk management efforts. The Risk Management Department is responsible for the continuous monitoring and analysis of the IRRBB profile within the Branch. The committee ensures that all risk management activities are in compliance with the Bank's policies and provides recommendations to senior management regarding adjustments to the risk framework as needed.

Interest Rate Risk in Banking Book-Risk Management Measures

The management of Interest Rate Risk in the Banking Book (IRRBB) at ABC Dubai Branch involves a comprehensive approach that includes identification, measurement, monitoring, reporting, and control. This process aims to optimize the risk-adjusted rate of return while remaining within the defined risk preferences.

Risk identification and Measurement

Risk identification involves recognizing the root causes of IRRBB and assessing their potential adverse impacts based on risk characteristics. IRRBB measurement is conducted using various interest rate shock scenarios and model assumptions to evaluate the risk inherent in assets, liabilities, and related off-balance sheet items with interest rate sensitivity. This includes evaluating re-pricing risk, yield curve risk, basis risk, and option risk, as well as any combination of these factors based on the structure of assets and liabilities in the banking book.

Methods of IRRBB risk measurement

The Bank employs several risk measurement methods, including, but not limited to, Gap analysis, Duration analysis, Scenario analysis, Earnings at Risk (EaR), Value at Risk (VaR), and Stress Testing. Sensitivity analysis is conducted to assess the impact of changes in a single risk factor on the Bank's earnings or economic value, assuming that all other conditions remain constant.

- Gap Analysis: The IRRBB sensitivity gap, or interest rate re-pricing gap, is used as the foundation for sensitivity analysis. It classifies IRRBB-sensitive assets, liabilities, and off-balance-sheet items into distinct maturity classes based on their residual repricing maturities. Gap analysis quantifies the sensitivity of banking-book earnings to future interest rate fluctuations, evaluating the potential impact on net interest income.
- Duration Analysis: Duration analysis is used to assess the sensitivity of the banking book's economic value to interest rate changes. This evaluation is based on interest rate sensitivity gap data and is calibrated by specifying interest rate change scenarios.
- Scenario Analysis: This method examines the collective impact of various factors on the Bank's earnings or economic value, within predefined risk scenarios. The scenarios are constructed based on historical events, subjective assumptions, or simulations to assess the potential effects of multiple variables on performance.

ABC Dubai Branch has robust systems in place to collect and aggregate data, which allows for accurate measurement of IRRBB. The information system employs static simulation, dynamic models, and other methods to evaluate economic value and income changes under various interest rate shock and stress scenarios, effectively identifying and measuring IRRBB.

The Branch follows the standardized model in line with the Basel Accord and CBUAE guidelines to measure IRRBB, ensuring accurate identification and management of risk exposure.

Interest Rate Risk in Banking Book Mitigation

To mitigate interest rate risk in the banking book, ABC Dubai Branch adjusts the interest rate re-pricing term structure and promptly adjusts pricing methods. The Branch also employs interest rate derivatives as part of its strategy to manage IRRBB, tailored to its specific risk profile.

The methods of risk control and mitigation are as below:

Structure Adjustment

Structural adjustments involve modifying the balance of assets, liabilities, business scale, term structure, and interest rate structure to ensure that IRRBB remains within acceptable limits. This includes adjusting asset structures by selling or altering the balance, tenor, duration, and re-pricing terms of existing loans, investments, and interbank deposits. Liabilities are optimized by adjusting the term structure, such as issuing bonds or modifying customer deposit sizes and durations.

Exposure Hedging

Hedging strategies involve using derivatives to create positions that offset existing risk exposures, either partially or fully. Common hedging instruments include interest rate swaps, interest rate caps and floors, and forward rate agreements.

Scenario Analysis

Scenario analysis is conducted for IRRBB based on the Branch’s risk profile, the nature of its business, and its structural complexity. The Branch measures the following six scenarios when evaluating the impact on ΔEVE (Economic Value of Equity) and ΔNII (Net Interest Income):

i. Parallel shock up

ii. Parallel shock down

iii. Steeper shock (short-term rates down and long-term rates up)

iv. Flattener shock (short-term rates up and long-term rates down)

v. Short-term rates shock up

vi. Short-term rates shock down

When assessing interest rate shock and stress scenarios, the Branch combines the current interest rate environment with the maturity structure, historical fluctuations, and implied future rate changes to determine the potential impact on earnings and capital, allowing the Bank to take appropriate risk management actions.

Interest Rate Risk Limits

The Bank has established clear limits on its interest rate risk exposures and continually monitors its positions against these limits. The risk limits for IRRBB are aligned with CBUAE regulations and Head Office requirements, ensuring effective risk management strategies and maintaining the risk within acceptable levels.

Interest Rate Risk in Banking Risk Stress testing

The Bank conducts rigorous stress testing of Interest Rate Risk in the Banking Book (IRRBB) to assess the potential impact of adverse interest rate movements on its Net Interest Income (NII) and Economic Value of Equity (EVE). In line with the latest Basel III standards and updated guidance issued by the Central Bank of the UAE (CBUAE), the Bank evaluates IRRBB using a set of prescribed supervisory scenarios, which include six interest rate shock scenarios: parallel upward and downward shifts, steepening and flattening of the yield curve, and increases and decreases in short-term interest rates.

In addition to the regulatory scenarios, the Bank applies internally developed stress scenarios tailored to its specific balance sheet structure, exposure profiles, and macroeconomic outlook. The recalibrated interest rate shocks, expressed in basis points (bps), are applied to key currencies such as USD and CNY to capture the risk sensitivity of both local and foreign currency exposures.

IRRBB stress testing results are regularly reported to senior management and the Board Risk Committee, ensuring ongoing oversight and timely decision-making. The Bank employs a range of risk mitigation strategies—including duration matching, hedging, and liquidity buffers—to manage exposure and preserve capital in the face of interest rate volatility.

By aligning with global regulatory standards and enhancing scenario design, the Bank reinforces its commitment to robust risk management and long-term financial resilience.

Interest Rate Risk in Banking Risk Monitoring and Reporting

The monitoring and reporting of Interest Rate Risk in the Banking Book (IRRBB) are conducted regularly to evaluate key indicators, limits, and any potential changes to the branch's interest rate risk profile. A thorough and transparent process is followed to document the procedures and resources used in aggregating the necessary data and generating both supervisory and internal IRRBB management reports. These reports are structured in accordance with established standards, cut-off times, and schedules, facilitating easy review, examination, and audit.

The documentation clearly outlines the specific procedures followed in report generation, as well as the stakeholders involved, thus enhancing accountability and transparency throughout the process.

IRRBB monitoring is carried out through both regular and ad-hoc assessments of the IRRBB measurement indicators, analysis of risk limit adherence, and examination of changes in key indicators. This enables the Bank to maintain a comprehensive understanding of its interest rate risk level and trends. Maturity and re-pricing schedules, including indicators of interest rate risk sensitivity for both earnings and economic value, are prepared on a contractual and behavioral basis and reported to Senior Management on a timely basis.

9.2 Quantitative Information on IRRBB (IRRBB1)

The following table shows the banks changes in Economic value of Equity and Net interest income.

Amounts in AED Thousands

Quantitative information on IRRBB (IRRBB1)				
In reporting currency (AED)	**ΔEVE**		**ΔNII**	
Period	**2024**	**2023**	**2024**	**2023**
Parallel up	24,861	30,270	-3,231	-23,829
Parallel down	-20,950	-32,257	3,231	23,829
Steepener	-10,740	-6,694		
Flattener	15,627	12,653		
Short rate up	23,413	22,469		

Short rate down	-19,708	-23,990		
Maximum	24,861	30,270		
Period				
Tier 1 capital	**405,071**		**383,434**	

10 Operational Risk

10.1 Qualitative Disclosures on Operational Risk (OR1)

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people, systems, or from external events. This includes legal risk but excludes strategic and reputational risk. Each risk-bearing unit is accountable for the day-to-day management of operational risk within its respective business activities.

ABC Dubai Branch is dedicated to fostering a strong risk culture by establishing effective risk tolerance thresholds, enhancing operational risk controls, streamlining business processes, and strengthening business continuity management. These elements form the foundation of the Branch's comprehensive operational risk management framework.

The Branch has adopted a robust framework that aligns with both regulatory requirements and Group-wide standards. This framework encompasses the formulation of detailed operational risk policies, procedures, and guidelines, along with a structured approach to risk identification, assessment, mitigation, monitoring, and reporting.

Operational Risk Governance

ABC Dubai Branch has established an effective and integrated Operational Risk Management Framework with clearly defined roles, responsibilities, and appropriate tools to support the identification, assessment, control, and reporting of key operational risks. In alignment with industry best practices recommended by the Basel Committee, the Branch has adopted the 'Three Lines of Defense' model to govern operational risk management.

- First Line of Defense: Business and support units are responsible for managing operational risks within their respective areas. This includes the identification, monitoring, control, and implementation of mitigating actions.
- Second Line of Defense: The Risk Management Department provides technical guidance and oversight on operational risk at the organizational level. It supports

the implementation of risk policies and ensures that operational risk is managed in accordance with the Bank's framework and risk appetite.

- Third Line of Defense: Internal Audit offers independent assurance on the adequacy and effectiveness of the operational risk management framework and controls across the Branch.

The Branch has reinforced its control environment through detailed policies and procedures, regular staff training, clear role definitions, segregation of duties, and robust financial management and reporting mechanisms. To ensure operational resilience, the Branch has also implemented a comprehensive business continuity planning and disaster recovery framework.

Senior Management plays a critical role in overseeing the effectiveness of operational risk management, while the Risk Management Committee (RMC) is tasked with setting the operational risk appetite and monitoring both actual and potential losses. The RMC tracks these against predefined thresholds and evaluates outcomes to provide informed recommendations to Senior Management, ensuring that operational risk remains within acceptable levels in alignment with the Bank's overall risk strategy.

Operational Risk Management Measures

ABC Dubai Branch has established a structured and proactive approach to managing operational risk. The framework includes a comprehensive system for identifying, assessing, mitigating, and monitoring operational risks across all functions and business lines. The measures detailed below outline the Branch's key initiatives and tools to effectively manage operational risk exposures.

Operational risk identification and assessment

Risk and Control Self-Assessment (RCSA)

The Branch employs Risk and Control Self-Assessment (RCSA) as a core tool to identify operational risks. This exercise involves a thorough evaluation of risks and vulnerabilities within each business and support unit, enabling proactive identification and mitigation of threats that may impact operational resilience.

Information Technology (IT) Risk Assessment

A dedicated IT risk management framework is in place, covering critical areas such as governance, infrastructure, project development, operations, information security, business continuity, outsourcing, risk monitoring, and data protection. This process assesses the potential impact of IT risks on the confidentiality, integrity, and availability of systems and information.

Key Risk Indicators (KRIs)

The Branch identifies both key and emerging operational risks across business lines and develops corresponding KRIs. These serve as quantifiable metrics to monitor and assess changes in the risk profile and control effectiveness, providing timely insights for risk mitigation.

Risk Matrix and Risk Rating

Operational risks are assessed using a Risk Matrix, which combines five likelihood and five impact scales. This approach considers both financial and non-financial impacts such as regulatory compliance, reputation, customer satisfaction, and employee welfare. Risks rated as ‘High’ or ‘Critical’ are immediately escalated to Senior Management for appropriate action.

Regulatory Capital Calculation (Basic Indicator Approach)

In line with Basel Standards, the Branch calculates its regulatory capital for operational risk using the Basic Indicator Approach (BIA). A standard alpha coefficient of 15% is applied to the average positive gross income over the past three years to determine the minimum capital requirement for covering potential operational losses.

Operational risk mitigation strategies

The Branch has instituted a range of measures to mitigate operational risks, ensuring sound internal controls and enhancing operational resilience:

a) Loss Prevention and Efficiency Optimization:

Efforts are focused on minimizing the frequency and severity of operational losses while maintaining a balance between risk mitigation, cost efficiency, and process effectiveness. Special emphasis is placed on avoiding high-severity, low-frequency risk events.

b) Legal Risk Controls:

A zero-tolerance policy is enforced for legal risks that could result in administrative, civil, or criminal liabilities. The Branch implements stringent controls to ensure full compliance with regulatory requirements and safeguard contractual validity and enforceability.

c) Information Technology Risk Management:

The Branch prioritizes the secure and uninterrupted operation of IT systems. It ensures the integrity and confidentiality of data through constant coordination with Head Office, adoption of preventive measures, and real-time monitoring of system vulnerabilities.

d) Business Continuity and Disaster Recovery:

To ensure operational continuity during significant events, the Branch has adopted a comprehensive Disaster Recovery Plan (DRP), Business Continuity Plan (BCP), and Crisis Management Guidelines. These provide a structured approach to managing disruptions and minimizing financial and reputational impact.

e) Risk Transfer Mechanisms:

Where appropriate, the Branch employs risk transfer strategies such as insurance coverage and outsourcing agreements to mitigate the financial consequences of operational risk events.

f) Internal Controls and Awareness:

Clear segregation of duties is established across departments to prevent conflicts of interest. Additionally, the Branch conducts ongoing training programs to raise awareness and reinforce a strong operational risk culture among employees.

Through these robust measures, ABC Dubai Branch ensures that operational risks are effectively managed, aligning with regulatory expectations and the Bank's internal risk appetite.

Operational Risk Management Reporting

ABC Dubai Branch utilizes a centralized, bank-wide operational risk management system to record, manage, and report operational risk events, incidents, and loss data. The system supports detailed analysis of operational risk exposures and facilitates timely and effective reporting.

Operational risk reports are regularly prepared and presented to Senior Management and the Risk Management Committee. These reports provide insights into the Branch's risk profile, including current exposures, emerging risk factors, and recommended mitigation strategies. The reporting framework encompasses the following key areas:

a) **Documentation and Communication of Significant Operational Risk Events**: All material operational risk incidents are documented and communicated promptly to the appropriate stakeholders.

b) **Monitoring of Key Risk Indicators (KRIs):** Regular tracking of operational risk limits and KRIs is conducted to identify potential issues early and support preventive action.

c) **Review of Operational Risk Policies:** Updates or revisions to operational risk management policies are closely reviewed to ensure continued relevance and compliance.

In addition to regular reporting, all operational risk incidents are documented and escalated in accordance with established internal protocols. These are promptly reported to Senior Management, the Risk Management Committee, and the Head Office. Where required, such incidents are also disclosed to the Central Bank of the UAE (CBUAE) in compliance with regulatory expectations.

This comprehensive reporting structure ensures transparency, strengthens operational oversight, and supports informed decision-making across all levels of the organization.

11 Remuneration

11.1 Remuneration Policy (REMA)

This section covers the Branch's remuneration policy as well as key features of the remuneration system.

Remuneration overview

The Branch's remuneration policy is formulated in strict compliance with the Labor law and its implementation regulations of the UAE, the "Corporate Governance Regulations for Banks" and the "Corporate Governance Standards for Banks" issued by the CBUAE, and the relevant remuneration policies and guidance issued by the Head Office of Agricultural Bank of China Limited.

The remuneration policy is applied to all contracted employees of the Branch. The remuneration structure, which are aligned with the UAE Labor law, primarily comprises the basic salary, various allowances plus the variable bonus. The implementing of the remuneration policy is under the Head Office guidance and subject to of the Branch's Senior Management approval.

Remuneration Principles

Upholding the ABC Group's core value of "Underlying integrity and sound operation", the Branch's remuneration system has been established with orientation to maintain the Branch's long-term stability and synergized with the Group strategy. The remuneration level and allocation is attributed to the position value and the employee's yearly performance appraisal result. The Senior Management member's performance appraisal is organized by the Head Office and the results are correlated with the Branch's yearly comprehensive performance. The Branch has set up an appraisal methodology including Key Performance Indicators and Key Conduct Indicators for all employees, among which the risk management indicators, the compliance management indicators and the business development indicators are set with differentiated weigh for different business functions and job positions. Specifically, the appraisals for the risk management, compliance management, and internal audit positions are independent from the Branch's financial performance.

Senior Management Remuneration

The level of the Senior Management's remuneration is approved by the Head Office and the variable remuneration (performance bonus) allocation is based upon the result of the performance appraisal which is conducted by the Head Office in line with the Group wide appraisal methodology, where the risk and compliance management indicators account for a considerable portion. In order to maintain the institution's long term stability, compulsory deferral is applicable to the Senior Management variable remuneration.

Remuneration Policy Review

The Branch's remuneration policy shall be compliant with the Regulation and Standard of CBUAE, the UAE Labor law and its implementation regulations, and other relevant legislation in force of the State. The policy's annual review and the senior management committee's approval had been performed accordingly.

11.2 Remuneration Awarded During the Financial Year (REM1)

The below table shows the Remuneration awarded during the Financial year (REM1):

Amounts in AED Thousands

Remuneration awarded during 2023 (REM1)				
			Senior Management	Other Material Risk-takers
1	Fixed Remuneration	Number of employees	3	
2		Total fixed remuneration	906.31	
3		Of which: cash-based	906.31	
4		Of which: deferred	0.00	
5		Of which: shares or other share-linked instruments	0.00	
6		Of which: deferred	0.00	
7		Of which: other forms	0.00	
8		Of which: deferred	0.00	
9	Variable Remuneration	Number of employees	0	
10		Total variable remuneration	897.37	
11		Of which: cash-based	897.37	
12		Of which: deferred	244.87	

13		Of which: shares or other share-linked instruments	0.00	
14		Of which: deferred	0.00	
15		Of which: other forms	0.00	
16		Of which: deferred	0.00	
17	**Total Remuneration**		**1,803.68**	