Credit Agricole CIB – UAE

Pillar 3 Market Disclosures
December-2021

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1 Introduction

The Basel 3 agreements are structured around three pillars:

- **Pillar 1** determines the minimum capital adequacy requirements and ratio levels in accordance with current regulatory framework:
- **Pillar 2** supplements the regulatory approach with the quantification of a capital requirement covering the major risks to which the Bank is exposed, based on the methodologies specific to it;
- **Pillar 3** introduces new standards for financial disclosures to the market. These must detail the components of regulatory capital, the assessments of risks both with regard to the regulations applied and the activity during the period.

Credit Agricole CIB publishes the qualitative and quantitative information required for a large listed institution, included in the consolidation scope of the Credit Agricole S.A Group.

Solvency Management is primarily aimed at assessing the capital and ensuring it is sufficient to cover the risks to which Credit Agricole CIB is or may be exposed in light of its activities,to that end, Credit Agricole CIB group measures regulatory capital requirements (Pillar 1) and manages regulatory capital by relying on short and medium term forward looking measures, consistent with budget projections, based on a central economic scenario.

Credit Agricole S.A's subsidiaries under exclusive control and subject to compliance with capital requirements, including the Credit Agricole CIB Group are allocated capital at a consistent level, taking into account local regulatory requirements, the capital requirements needed to finance their development and a management buffer tailored to the volatility of their CET1 ratio.

In addition, the group has a comprehensive Internal Capital Adequacy Assessment Process (ICAAP) developed in accordance with the interpretation of the regulatory texts below. The ICAAP includes in particular:

- governance of capital management
- measurement of economic capital requirements based on risk identification process and a quantification of capital requirements using an internal approach (Pillar 2)
- performance of ICAAP stress tests aimed at stimulating capital destruction after 3 years of an adverse economic scenario
- a qualitative ICAAP that formalizes the major areas of risk assessment.

The Pillar 3 disclosures, based on a common framework, are an effective means of informing the market about the risks faced by a bank, which will allow market participants to assess key information on the scope of application, capital, risk exposure, risk assessment process and hence the capital adequacy of the bank.

Verification:

The Pillar 3 Disclosures have been prepared in accordance with the latest Capital Adequacy Standards issued by UAE Central bank. This report has been jointly compiled by Risk, Finance and Human Resource departments. Pillar 3 disclosures have been independently reviewed by the internal audit department and approved by Bank's Senior Management.

2 Overview of Risk management, Key Prudential Metrics and RWA

2.1 Key metrics (KM1)

Key prudential regulatory metrics related to regulatory capital, leverage ratio and liquidity standards have been included in the following table:

		Dec-21
	Available capital (amounts)	**(AED 000)**
1	Common Equity Tier 1 (CET1)	371,787
1a	Fully loaded ECL accounting model	371,787
2	Tier 1	371,787
2a	Fully loaded ECL accounting model Tier 1	371,787
3	Total capital	371,787
3a	Fully loaded ECL accounting model total capital	371,787
	Risk-weighted assets (amounts)	
4	Total risk-weighted assets (RWA)	660,771
	Risk-based capital ratios as a percentage of RWA	
5	Common Equity Tier 1 ratio (%)	56.27%
5a	Fully loaded ECL accounting model CET1 (%)	56.27%
6	Tier 1 ratio (%)	56.27%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	56.27%
7	Total capital ratio (%)	56.27%
7a	Fully loaded ECL accounting model total capital ratio (%)	56.27%
	Additional CET1 buffer requirements as a percentage of RWA	
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.50%
9	Countercyclical buffer requirement (%)	0.00%
10	Bank D-SIB additional requirements (%)	0.00%
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9+ row 10)	2.50%
12	CET1 available after meeting the bank's minimum capital requirements (%)	45.77%
	Leverage Ratio	
13	Total leverage ratio measure	1,571,452
14	Leverage ratio (%) (row 2/row 13)	23.66%
14a	Fully loaded ECL accounting model leverage ratio (%) (row 2A/row 13)	23.66%
14b	Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	23.66%
21	Total HQLA	437,457
22	Total liabilities	240,579
23	Eligible Liquid Assets Ratio (ELAR) (%)	182%
	ASRR	
24	Total available stable funding	427,471
25	Total Advances	106,586
26	Advances to Stable Resources Ratio (%)	24.93%

The Capital Adequacy Ratio (CAR) of CA CIB UAE Branches as at 31 Dec 2021 stands at 56.27% computed under Basel III regulations, which is well above the minimum regulatory requirement of 13% (including capital conservation buffer).

Under regulatory constraints of the Large Exposure Limit ratios the CAR for the CA CIB UAE branches have been consistently maintained within the range of 50% to 70% over 3 years.

2.2 Overview of Risk Management and RWA (OVA)

The Bank's Risk Management framework is based on the following high level principles:

- Risk strategy consistent with the nature and volume of the bank's activities are in place, implementation is monitored and reviewed as and when required;
- The management determines and maintains an acceptable level of risk that may be faced by the bank and ensures that an internal process is in place to ensure that the bank does not go beyond such level;
- The bank's risk management systems are supervised and the effectiveness of the systems and mechanisms for determining and monitoring the risks are assessed;
- The bank's ability to take risks and be exposed to such risks is assessed on a regular basis.

In line with its business model, the bank is mainly exposed to Credit Risk, Market Risk, Operational Risk and Liquidity Risk. The bank has a framework that provides an approach to assess, monitor, control and report the risks. It also ensures that the bank is able to withstand the impact of reasonably foreseen risks.

Risk management is the responsibility of each employee, and is implemented through a three lines of defense framework. The First Line of Defence ("FLoD") comprises of business lines and support functions who perform day-to-day operational and/or support activities. Risk & Permanent Control (RPC) and Compliance, which are control functions independent of the FLoD, operate as the Second Line of Defense ("SLoD"). The SLoD is responsible for either setting the corporate risk appetite or recommending the compliance risk tolerance limits, developing policies and procedures to evaluate whether risks are contained within the appropriate limits. Audit operates as the independent Third Line of Defense ("TLoD"), does periodic controls and provides reports to the management.
The various risk committees involved in the risk assessment are:

- Credit Committee: To recommend/approve credit limits for Corporates and Banks. The same is approved by the management with appropriate delegation.
- Permanent Control Committees and Internal Control Committees (ICC): For management of Operational Risk
- Market Risk Committee: For all Market Risk related matters.
- Asset Liability Committee - To monitor Asset and Liability management.
- Compliance Management Committee – For all Compliance related matters.
- New Activities & Products (NAP) Committee.

These committees are held on a periodic basis as per the governance texts or on a need basis and involves all relevant stakeholders including the management
The bank has adequate governance texts, which capture all the relevant risk elements and provide guidance to deal with the same. The governance texts and amendments are communicated and is accessible to all employees of the bank. In addition, policies and procedures are formulated for day to day functioning. The risk issues and/or incidents are discussed in relevant committees (credit committees, Internal control committees, asset liability committee etc) and remedial action implemented if required.

The Bank has significant Risk measurement systems that are designed to identify, quantify and capture relevant risks. A Risk & Control Self-Assessment (RCSA) exercise is carried out on an annual basis, using Operational Risk Management systems. This exercise is done by the heads of individual business lines in co-ordination with the Local Head of Operational Risk Management. A Risk Aversion Matrix that is uniform across CA-CIB helps to assess the seriousness of the expected and unexpected losses. Operational losses are recorded in Olimpia systems based on a threshold defined and validated yearly via ICC.

Limits, utilization and breaches are monitored through the banks tools and systems, reported to the management and remedial action taken as appropriate. In addition, the bank has systems in place to measure that the exposures adhere to the regulatory capital requirement guidelines. Risk mitigants including collaterals are adequately captured in the bank's centrally developed systems.

The Bank has a number of Key Risk Indicators that are monitored and reported to the management. These include but are not limited to:

- Credit Limits and utilization (which are reported on a monthly basis)
- Sectoral exposures
- Market risk limits and utilization.
- Incidents, losses
- In addition, other parameters like review status, documentation status, breaches, anomalies etc are also monitored and reported.

The portfolio is subject to stress testing at least annually based on a variety of scenarios. The scenarios are finalized based on macroeconomic conditions and factors that could impact sectors. These could range from stress (i) on country rating (ii) particular segments (iii) entire portfolio and (iv) a combination of factors mentioned earlier. The tests are used to understand the vulnerability of the portfolio to various parameters and estimate the impact on Expected Credit Loss (ECL), Risk Weighted Assets (RWA) and provisions on Non Performing Loan (NPL).

The bank utilizes a number of strategies to manage, hedge and mitigate risks that arise in the normal course of business. These include, but are not limited to:

- Limits for the country are set/amended annually or as per the need business line wise based on the outlook.
- All Corporate and Bank/FI limits are reviewed at least annually and appropriate action (which could be renewal, reduction in limits, reduction in tenor, request additional collateral etc.) is recommended based on the Risk perception.
- Wherever required, Collateral in the form of Guarantees, Shares, Cash is obtained and reviewed periodically.
- Covenants are prescribed for facilities and the same is monitored at the time of reviews and through compliance certificates.
- The Bank ensures appropriate documentation (facility agreements, ISDAs) to protect its interests.
- Operational Risk Management (ORM) is particularly responsible for the continuous Risk & Control Self-Assessment (RCSA) exercise which enables to provide every year an updated mapping of operational and financial risks, which contributes to the analysis of the Bank's operational resilience. ORM also provides the definition, updates and implements of supervisory controls; escalates and analyzes operational incidents and monitors defined action plans to remedy them; informing the Bank's management of the evaluation of operational risk management.

2.3 Overview of Risk Management, Key Prudential Metrics and RWA (OV1)

The overall solvency ratio, as presented in the prudential ratio table is equal to the ratio of the total capital to the sum of the credit, market and operational risk-weighted exposures.

The following table provides an overview of total Risk Weighted Assets:

		a	c
		RWA	Minimum capital requirements
		DEC-21 AED 000	DEC-21 AED 000
1	Credit risk (excluding counterparty credit risk)	629,964	66,146
2	Of which: standardised approach (SA)	629,964	66,146
3	[redacted]		
4			
5			
6	Counterparty credit risk (CCR)	22	2
7	Of which: standardised approach for counterparty credit risk	22	2
8	[redacted]		
9			
10			
11			
12	Equity investments in funds - look-through approach	-	-
13	Equity investments in funds - mandate-based approach	-	-
14	Equity investments in funds - fall-back approach	-	-
15	Settlement risk	-	-
16	Securitisation exposures in the banking book	-	-
17	[redacted]		
18	Of which: securitisation external ratings-based approach (SEC-ERBA)	-	-
19	Of which: securitisation standardised approach (SEC-SA)	-	-
20	Market risk	630	66
21	Of which: standardised approach (SA)	630	66
22	[redacted]		
23	Operational risk	30,155	3166
24	[redacted]		
25			
26	**Total (1+6+10+11+12+13+14+15+16+20+23)**	**660,771**	**69,381**

3 Linkages between financial statements and regulatory exposures (LI2) (AED 000)

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

		a	b	c	d	e
			Items subject to:			
		Total	Credit risk framework	Securitisation framework	Counterparty credit risk framework	Market risk framework
1	**Asset carrying value amount under scope of regulatory consolidation (as per template LI1)**	615,822	107,380	-	-	630
2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	-	-	-	-	-
3	Total net amount under regulatory scope of consolidation	615,822	107,380	-	-	630
4	Off-balance sheet amounts	2,272,101	522,606	-	22	-
5	*Differences in valuations*	-	-	-	-	-
6	*Differences due to different netting rules, other than those already included in row 2*	-	-	-	-	-
7	*Differences due to consideration of provisions*	-	-	-	-	-
8	*Differences due to prudential filters*	-	-	-	-	-
9	**Exposure amounts considered for regulatory purposes**	2,887,923	629,964	-	22	630

4 Composition of capital (CC1)

		Amounts AED 000
	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	316,403
2	Retained earnings	8,663
3	Accumulated other comprehensive income (and other reserves)	46,721
4	*Directly issued capital subject to phase-out from CET1 (only applicable to non-joint stock companies)*	-
5	Common share capital issued by third parties (amount allowed in group CET1)	-
6	**Common Equity Tier 1 capital before regulatory deductions**	**371,787**
	Common Equity Tier 1 capital regulatory adjustments	
7	Prudent valuation adjustments	-
8	Goodwill (net of related tax liability)	-
9	Other intangibles including mortgage servicing rights (net of related tax liability)	-
10	Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of related tax liability)	-
11	Cash flow hedge reserve	-
12	Securitisation gain on sale	-
13	Gains and losses due to changes in own credit risk on fair valued liabilities	-
14	Defined benefit pension fund net assets	-
15	Investments in own shares (if not already subtracted from paid-in capital on reported balance sheet)	-
16	Reciprocal cross-holdings in CET1, AT1, Tier 2	-
17	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-
18	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-
19	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-
20	Amount exceeding 15% threshold	-
21	Of which: significant investments in the common stock of financials	-
22	Of which: deferred tax assets arising from temporary differences	-
23	CBUAE specific regulatory adjustments	-
24	**Total regulatory adjustments to Common Equity Tier 1**	-
25	**Common Equity Tier 1 capital (CET1)**	**371,787**

		Amounts AED 000
	Additional Tier 1 capital: instruments	
26	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	-
27	OF which: classified as equity under applicable accounting standards	-
28	Of which: classified as liabilities under applicable accounting standards	-
29	*Directly issued capital instruments subject to phase-out from additional Tier 1*	-
30	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in AT1)	-
31	*Of which: instruments issued by subsidiaries subject to phase-out*	-
32	Additional Tier 1 capital before regulatory adjustments	-
	Additional Tier 1 capital: regulatory adjustments	
33	Investments in own additional Tier 1 instruments	-
34	Investments in capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-
35	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-
36	CBUAE specific regulatory adjustments	-
37	Total regulatory adjustments to additional Tier 1 capital	-
38	**Additional Tier 1 capital (AT1)**	-
39	**Tier 1 capital (T1= CET1 + AT1)**	**371,787**
	Tier 2 capital: instruments and provisions	
40	Directly issued qualifying Tier 2 instruments plus related stock surplus	-
41	*Directly issued capital instruments subject to phase-out from Tier 2*	-
42	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 30) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	-
43	*Of which: instruments issued by subsidiaries subject to phase-out*	-
44	Provisions	-
45	**Tier 2 capital before regulatory adjustments**	-
	Tier 2 capital: regulatory adjustments	
46	Investments in own Tier 2 instruments	-
47	Investments in capital, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-
48	Significant investments in the capital, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-
49	CBUAE specific regulatory adjustments	-
50	**Total regulatory adjustments to Tier 2 capital**	-
51	**Tier 2 capital (T2)**	-
52	**Total regulatory capital (TC = T1 + T2)**	371,787
53	**Total risk-weighted assets**	660,771

		Amounts AED 000
	Capital ratios and buffers	
54	**Common Equity Tier 1 (as a percentage of risk-weighted assets)**	56.27%
55	**Tier 1 (as a percentage of risk-weighted assets)**	56.27%
56	**Total capital (as a percentage of risk-weighted assets)**	56.27%
57	**Institution specific buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus higher loss absorbency requirement, expressed as a percentage of risk-weighted assets)**	2.50%
58	**Of which: capital conservation buffer requirement**	2.50%
59	**Of which: bank-specific countercyclical buffer requirement**	-
60	**Of which: higher loss absorbency requirement (e.g. DSIB)**	-
61	**Common Equity Tier 1 (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirement.**	45.77%
	The CBUAE Minimum Capital Requirement	
62	Common Equity Tier 1 minimum ratio	7.00%
63	Tier 1 minimum ratio	8.50%
64	Total capital minimum ratio	10.50%
	Amounts below the thresholds for deduction (before risk weighting)	
[redacted]	[redacted]	
66	Significant investments in common stock of financial entities	-
[redacted]	[redacted]	
68	Deferred tax assets arising from temporary differences (net of related tax liability)	-
	Applicable caps on the inclusion of provisions in Tier 2	
69	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	-
70	Cap on inclusion of provisions in Tier 2 under standardised approach	-
[redacted]	[redacted]	
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)	
73	*Current cap on CET1 instruments subject to phase-out arrangements*	-
74	*Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)*	-
75	*Current cap on AT1 instruments subject to phase-out arrangements*	-
76	*Amount excluded from AT1 due to cap (excess after redemptions and maturities)*	-
77	*Current cap on T2 instruments subject to phase-out arrangements*	-
78	*Amount excluded from T2 due to cap (excess after redemptions and maturities)*	-

4.1 Composition of regulatory capital (CC2)

Reconciliation of regulatory capital to balance sheet

	a	b	c
	Balance sheet as in published financial statements (AED 000)	Under regulatory scope of consolidation (AED 000)	Reference
	As at period-end DEC-21	As at period-end DEC-21	
Assets			
Cash and balances at central banks	437,374	437,457	Note A
Due from Head office and Branches	8,146	5,179	Note A & B
Due from Other Banks	47,346	47,358	Note A
Loans and advances	73,402	110,715	Note A & C
Other Assets	10,866	47,905	Note B & D
Property, plant and equipment	1,279	1,279	
Total assets	578,413	649,893	
Liabilities			
Due to Head office and Branches	110,109	110,109	
Due to Other Banks	15,602	15,602	
Due to Customers	66,736	66,736	
Other liabilities	14,386	85,866	Note A & D
Total liabilities	206,833	278,313	
Shareholders' equity			
Paid-in share capital	316,403	316,403	
Regulatory credit risk reserve	15,597	15,597	
Retained earnings	8,456	8,456	
Statutory Reserves	31,124	31,124	
Total shareholders' equity	371,580	371,580	

Note A: ECL Allowances reclassified from Other liabilities
Note B: Other Recharges reclassified from Other Assets
Note C: Specific Provision on bad and doubtful debts
Note D: Acceptances shown under off balance sheet

5 Leverage ratio

Summary comparison of accounting assets vs leverage ratio exposure (LR2)

		DEC-21 AED 000
On-balance sheet exposures		
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	615,822
2	Gross-up for derivatives collateral provided where deducted from balance sheet assets pursuant to the operative accounting framework	-
3	(Deductions of receivable assets for cash variation margin provided in derivatives transactions)	-
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	-
5	(Specific and general provisions associated with on-balance sheet exposures that are deducted from Tier 1 capital)	-
6	(Asset amounts deducted in determining Tier 1 capital)	-
7	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)**	615,822
Derivative exposures		
8	Replacement cost associated with *all* derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	-
9	Add-on amounts for PFE associated with *all* derivatives transactions	22
10	(Exempted CCP leg of client-cleared trade exposures)	-
11	Adjusted effective notional amount of written credit derivatives	-
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-
13	**Total derivative exposures (sum of rows 8 to 12)**	22.4
Securities financing transactions		
14	Gross SFT *assets* (with no recognition of netting), after adjusting for sale accounting transactions	-
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-
16	CCR exposure for SFT assets	-
17	Agent transaction exposures	-
18	**Total securities financing transaction exposures (sum of rows 14 to 17)**	-
Other off-balance sheet exposures		
19	Off-balance sheet exposure at gross notional amount	2,272,101
20	(Adjustments for conversion to credit equivalent amounts)	-1,316,494
21	(Specific and general provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital)	-
22	**Off-balance sheet items (sum of rows 19 to 21)**	955,607
Capital and total exposures		
23	**Tier 1 capital**	371,787
24	**Total exposures (sum of rows 7, 13, 18 and 22)**	1,571,452
Leverage ratio		
25	**Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)**	23.66%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	-
26	CBUAE minimum leverage ratio requirement	3%
27	**Applicable leverage buffers**	-

6 Liquidity

Liquidity risk management(LIQA)

The Credit Agricole CIB Group is, like all credit institutions exposed to the risk that it will not have sufficient funds to honour its commitments.

The management of the liquidity risk within the CA-CIB Group is under the responsibility of the HO ALM team. The latter delegates the coordination and control of short term liquidity to Treasury and reports to the ALM Committee.

Local ALM monitors and presents to the local ALCO the entity's liquidity gaps. For liquid currencies, the local funding plan identifies the need for Medium and Long Term resources required from HO ALM. In case of non-transferable currency, the local funding plan identifies potential local issuances.

In compliance with the CA-CIB Group's liquidity policy, the local ALM Committee ensures compliance with group policies and local regulatory requirements (particularly liquidity reserve requirements) and the permanence (sustainability) of funding sources.

Under the CA-CIB Group's ALM principles entities hold a local ALM Committee quarterly. The local ALCO meets on a quarterly basis to oversee the functions of the Bank. Short term liquidity is managed by local Treasury which has easy access to Head Office Treasury for major currencies if needed.

6.1 Organization of the management of Short Term liquidity

The Head of the Treasury Product Line (the Group Treasurer), permanent member of ALM committee, takes responsibility for the operational management of short term liquidity worldwide. The Treasurer ensures compliance with short term liquidity limits:

- LCR (Global & ELAR for local purposes)
- Stress Limits
- Intra-group refinancing limits (onshore / offshore refinancing limit)

For each of these limits, the Head of Treasury proposes calibrations that are then validated by the ALCO. All these short term limits are monitored by the department of Market Risks and reported to the Liquid Risk Committee.

The Treasurer of each entity is locally in charge of the management of refinancing and the coordination of short-term funding spreads. Local Treasurer reports to CA-CIB's Treasurer.

Moreover, the local treasurers are in charge of ensuring compliance with the local regulatory requirements applicable with respect to short term liquidity. The Treasury business line is structured around 3 liquidity hubs (Paris, New York, Hong Kong), 11 local Treasury departments and a central hub for Private Banking, allowing the bank to continuously optimize its short-term funding requirements and recycle surplus liquidity, primarily by placing it with central banks. Its geographic structure provides access to wide-ranging and diversified short-term financing complementing to the long-term refinancing provided by ALM.

Each treasury is the Group reference dealer in the Market of its local currency.

Local ALM quarterly review MLT funding needs to manage 1-year transformation gaps targets. This review includes medium long term funding needs related to local regulatory requirements based on a relevant mapping and management target.

Contingency Funding Plans describe how a funding emergency, whether localized or global, would be communicated and addressed.

CA-CIB UAE triggers a Contingency Funding Plan in the following cases:

- On request from CASA;
- If CA-CIB HO triggers a Contingency Funding Plan. At this stage, the application of conventional measures of liquidity management applicable to CA-CIB HO and recourse to liquidity provided by the Group will have been considered.
- CA-CIB UAE on its own initiative, pursuant to qualitative analyses supported by indicators monitored by CA-CIB UAE which would highlight a pronounced liquidity stress requiring immediate coordination.

In accordance with the group and CA CIB's standards, the Contingency Funding Plan of CA-CIB has three levels triggered depending on the severity of the liquidity situation:

- Green Level: Usual level. Stable market.
- Yellow Level: Preventive measures
- Orange Level: the situation requires the implementation of unusual ways to cope with the crisis
- Red Level: the situation requires the implementation of exceptional measures to deal with the crisis

At each level, the analysis of the persistence or aggravation of the situation must lead senior management to prepare for the next level.

The UAE Onshore branches balance sheet has a very lean structure with very limited Assets (due to the Large Exposure Limit constraints) and a Capital Base which remains majorly underutilized. In addition to this, the branches have a very stable HQLA portfolio (in the form of M-bills from UAE Central Bank).

In the current business model of the UAE Onshore branches, passing of liquidity to the network is restricted keeping in mind the local regulatory constraints of Large Exposure Limit ratio. All surplus liquidity is invested in M-bills.
During a stress situation, any shortfall in funds after the liquidation of the Central Bank M-bills could easily be bridged by obtaining funds from HO/network.

6.2 Organization of the management of Medium/Long term liquidity

The HO ALM team is directly in charge of the measurement as well as of the management of CA-CIB's Medium/Long term liquidity risk.

The HO ALM team coordinates this management in the international network with the local ALM Committees. It coordinates the implementation of the policies enunciated by the Group ALM Committee and approves the local ALM Committees' proposals.

It acts in liaison with the Treasury Department to manage access to the market in the best possible way on a global basis and to remain abreast of the several different financing options, not only on the short term market but also on the medium/long term market.

Its objective is to coordinate the entire CA-CIB Group's MLT funding ensuring the consistency of the price of CA-CIB's signature based on its rating and funding requirements and determining the remuneration levels for CA-CIB's funding, both by maturity and market, depending on the types of structure.

HO ALM provides medium term deposits to hedge the local MLT gap in excess of the authorized limit of EUR 500 Mios.

6.3 Basel III Liquidity Regulation:

The branches also manage their liquidity in accordance with liquidity regulation guidelines by CBUAE (circular 33/2015 dated Dec 2015). The objective of these regulations is to ensure that liquidity risk is well managed at banks operating in UAE and are in line with the Basel Committee for Banking and supervision and best international practices.

There are four ratios under quantitative requirements two of which are provided by the Basel Committee of Banking Supervision (LCR & NSFR).

- **ELAR (Eligible Liquid Asset Ratio):**

This ratio is measure to ensure bank hold minimum buffers of liquid assets. The ratio requires bank to hold an amount equivalent to 10% of its total balance sheet liabilities (excluding regulatory capital) in high quality liquid assets. The ratio is reported to CBUAE on a monthly basis. ELAR was applicable from 1 July 2015.

- **ASRR (Advances to Stable Resources Ratio)**

ASRR is a measure that recognizes both the actual uses as well as the likely uses of the funds in terms of the contractual maturity. The ratio required to maintain is equal or less than 100%. The bank maintains a very stable ratio, much above the minimum required ratio. As at end of December 2021, the ASRR ratio for CA-CIB UAE stood at 25%.

- **LCR (Liquidity Coverage Ratio):**

It represents 30 days' stress scenario with combined assumptions covering both bank specific market wide stresses that the bank should be able to survive using a stock of high quality liquid assets. All banks approved to move to the LCR are expected to implement the LCR from 1 January 2019. Currently this is applicable only to banks for whom this has been approved by UAE Central Bank (Not applicable to CA CIB).

- **NSFR (Net Stable Funding Ratio):**

The is a structural ratio that aims to ensure that the banks have sufficient long term funding beyond the LCRs 30-day time horizon to meet both the funding of its long term assets and the funding of a portion of contingent liability drawdowns under a period of market wide stress. Banks approved to move to LCR, are required to comply with NSFR by 1 January 2018. (Not applicable to CA CIB).

Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled:

As at 31 December 2021 (AED 000)

Assets	Within 12 months	After 12 months	Total
Cash and balances with the UAE Central Bank	437,457	-	437,457
Due from Banks	47,358	-	47,358
Loans and advances	110,715	-	110,715
Other assets	2,861	8,005	10,866
Total	598,391	8,005	606,396

Liabilities	Within 12 months	After 12 months	Total
Due to banks	15,602	-	15,602
Due to customers	66,736	-	66,736
Current tax liabilities	910	-	910
Other liabilities	13,476	-	13,476
Total	96,724	-	96,724

Maturity analysis of Off Balance sheet exposure

As at 31 December 2021 (AED 000)

	Within 12 months	After 12 months	Total
Unutilised commitments (Unconditionally cancellable)	518,214	-	518,214
Guarantees, acceptances and other financial facilities	1,251,604	502,283	1,753,887
Total	1,769,818	502,283	2,272,101

6.4 Eligible Liquid Assets Ratio (ELAR) (AED 000)

1	**High Quality Liquid Assets**	**Nominal amount**	**Eligible Liquid Asset**
1.1	Physical cash in hand at the bank + balances with the CBUAE	449,639	
1.2	UAE Federal Government Bonds and Sukuks	-	
	Sub Total (1.1 to 1.2)	449,639	449,639
1.3	UAE local governments publicly traded debt securities	-	
1.4	UAE Public sector publicly traded debt securities	-	
	Sub total (1.3 to 1.4)	0	0
1.5	Foreign Sovereign debt instruments or instruments issued by their respective central banks	-	0
1.6	**Total**	**449,639**	**449,639**
2	Total liabilities		225,954
3	**Eligible Liquid Assets Ratio (ELAR)**		**1.99**

6.5 Advances to Stables Resource Ratio (ASRR) (AED 000)

		Items	Amount
1		**Computation of Advances**	
	1.1	Net Lending (gross loans - specific and collective provisions + interest in suspense)	73,425
	1.2	Lending to non-banking financial institutions	-
	1.3	Net Financial Guarantees & Stand-by LC (issued - received)	21,276
	1.4	Interbank Placements	11,885
	1.5	**Total Advances**	106,586
2		**Calculation of Net Stable Ressources**	
	2.1	Total capital + general provisions	372,024
		Deduct:	
	2.1.1	Goodwill and other intangible assets	-
	2.1.2	Fixed Assets	1,279
	2.1.3	Funds allocated to branches abroad	-
	2.1.5	Unquoted Investments	-
	2.1.6	Investment in subsidiaries, associates and affiliates	-
	2.1.7	**Total deduction**	1,279
	2.2	**Net Free Capital Funds**	370,745
	2.3	**Other stable resources:**	
	2.3.1	Funds from the head office	-
	2.3.2	Interbank deposits with remaining life of more than 6 months	-
	2.3.3	Refinancing of Housing Loans	-
	2.3.4	Borrowing from non-Banking Financial Institutions	-
	2.3.5	Customer Deposits	56,726
	2.3.6	Capital market funding/ term borrowings maturing after 6 months from reporting date	-
	2.3.7	**Total other stable resources**	56,726
	2.4	**Total Stable Resources (2.2+2.3.7)**	427,471
3		**Advances TO STABLE RESOURCES RATIO (1.6/ 2.4*100)**	24.93

7 General Qualitative Information About Credit Risk (CRA)

This section describes the main elements of credit risk management (business model, risk profile, functions involved in credit risk management, role of other support functions like audit and compliance and risk monitoring)

General Qualitative information about Credit Risk (CRA)
In line with the business strategy, the Bank focusses on segments/sectors. Country limits are approved in line with the strategy to facilitate the business.

Credit risk for the bank arises mainly from offering loans & advances and non-funded lines such as letter of Credit, Guarantees, financial guarantees etc to clients, The Credit Risk management and controls are managed by the Risk & Permanent Control (RPC) function. Credit Risk, both On and Off Sheet is actively managed and monitored in accordance with defined credit procedures. Established limits and actual levels of exposure are regularly monitored and periodically reviewed.

The Credit files for Corporates/Banks & Financial Institutions are processed and approved locally or at Head Office. On boarding and review of existing clients is as per the laid down criteria of the bank including the following:

- Turnover threshold
- Sector of exposure
- Tenor of exposure
- Rating of the counterparties

Risk analysis is carried out by a team of experienced credit analysts. Credit proposals are presented to the Credit Committee for approval or recommendation. The requests are presented by Coverage and RPC provides its opinion on such files incorporating the financial analysis, risks, mitigants and risk recommendation. The creditworthiness of each counterparty is evaluated and appropriate credit limits approved by the relevant committees based on credit delegation, which is also a function of the internal rating and tenor of the proposed facilities. Compliance personnel attend credit committees and provide their opinion on the requests, Internal Audit periodically conducts missions to review the entire gamut including approvals, documentation, collaterals etc. An Early Warning Committee is also in place at Head Office level to review and identify potential problematic exposures.

The Bank measures credit risk of exposures to customers and to financial institutions at a counterparty level by using an internally developed rating system, that takes into account various quantitative and qualitative factors. The ratings range from a scale of A+ to F. This credit risk rating is embedded in the Bank's risk management process. The rating tools are managed centrally; are reviewed and upgraded by the Head Office as and when necessary. Risk Control carried out by Credit Monitoring and Reporting (CMR) is an integral part of Credit Risk Management and plays a key role post approval of the facilities. In addition to ensuring availability of documentation, CMR also checks for collateral (if required), monitors limits, utilization, breaches (if any) and highlights the same to the management.
The scope of credit risk reporting to management includes the following:

- Sector wise exposures
- Group exposures
- Compliance with risk strategies
- Country limits utilization
- Utilisation of approved limits counterpartywise
- Overdue monitoring report detailing the reasons for the same and the remedial action being taken
- Foreberance report

Also, a review exercise covering the regional corporate portfolio (including the portfolio in UAE) is carried out on an annual basis to ascertain the portfolio quality, strength, trends etc.

7.1 Credit quality of assets (CR1) (AED 000)

		a	b	C	d	e	f
		Gross carrying values of		Allowances/Impairments	Of which ECL accounting provisions for credit losses on SA exposures		Net values (a+b-c)
		Defaulted exposures	Non-defaulted exposures		Allocated in regulatory category of Specific	Allocated in regulatory category of General	
1	Loans	36,538	73,425	37,409	-	119	528,859
2	Debt securities	-	-	-	-	-	-
3	Off-balance sheet exposures	-	2,272,101	325	-	325	2,271,776
4	**Total**	**36,538**	**2,345,526**	**37,734**	**-**	**444**	**2,344,330**

Definition of default

According to the Basel definition, the bank considers that default has occurred for an obligor when one or more of the following events have happened:

- The Bank concludes that the obligor is unlikely to repay its obligation in full.
- The Bank makes a specific provision resulting from deterioration in the credit quality of the counterparty.
- The Bank disposes off the credit obligation to a third party at an economic loss.
- The Bank agrees to a distressed restructuring of the credit obligation resulting in reduction of the obligation due to significant markdown or postponement of principal, interest and/or other fees.
- A material debt/receivable is overdue for more than 90 days.
- A Default event in the legal meaning (specified in credit agreement and decided by creditors)

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

		Amounts AED 000
1	**Defaulted loans and debt securities at the end of the previous reporting period**	34,394
2	Loans and debt securities that have defaulted since the last reporting period	-
3	Returned to non-default status	-
4	Amounts written off	-
5	Other changes	2,896
6	**Defaulted loans and debt securities at the end of the reporting period (1+2-3-4±5)**	**37,290**

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

Definition of Past Due:
Past due amounts refer to loans and advances in which payment of principal and / or interest is in arrears. (as per procedure on Monitoring of Past dues).

Definition of Impairment:
Impaired loans are credits with strong quality deterioration where the full recovery is questionable and the probability of credit loss is high.

Description of methods used for determining accounting provisions for credit losses:

The bank recognizes expected credit losses (ECL) for loans and advances and due from other banks. The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL). If there has been no significant increase in credit risk since origination, then the allowance is based on the 12 months' expected credit loss (12mECL).
The loans are scored further on parameters based on:

- Exposure level
- The counterparty level and
- The Sector/Country level.

Based on the scores, the loans are classified into stage 1 or 2, while Stage 3 loans are the impaired loans.

Restructuring:

Restructuring includes extended payment arrangements and/or modification and deferral of payments. The majority of restructuring activity is under taken to align the repayment with the perceived improvement in cash flow.
A forbearance measure is a concession granted to a borrower experiencing difficulties in meeting its contractual obligations and a forborne exposure is a debt contract in respect of which a forbearance measure has been granted. A debt contract is therefore classified as forborne only if two conditions are met:

- The debtor is facing or about to face financial difficulties, preventing it from complying with its financial commitments, in respect of the relevant debt contract, and
- The bank extends a concession. If the forborne exposure changes the payment schedule of a loan, the relative change in Net Present Value of the expected cash flows must be calculated using the original Effective Interest Rate of the loan. If it results in a loss of 1% or more, the forbearance measure can be qualified as a “distress restructuring”

7.4 Geographical risk concentration(CRB)

The following geographical risk concentration table breaks down the Branches' credit exposure at their carrying amounts, as categorised by geographical region as of 31 December 2021.

For this table, the Branches have allocated exposures to regions based on the country of domicile of its counterparties:

On balance sheet items

	UAE	**GCC**	**OECD**	**Others**	**Total**
	AED'000	AED'000	AED'000	AED'000	AED'000
31 December 2021					
Due from other banks	24,492	4,124	7,947	10,795	47,358
Due from Head Office and branches abroad	-	-	8,147	-	8,147
Loans and advances	73,425	37,290	-	-	110,715
Other assets					
Total	97,917	41,414	16,094	10,795	166,220

Off balance sheet items

	UAE	**GCC**	**OECD**	**Others**	**Total**
	AED'000	AED'000	AED'000	AED'000	AED'000
31 December 2021					
Unutilised commitments (Unconditionally cancellable)	419,693	77,133	7,795	13,593	518,214
Guarantees, acceptances and other financial facilities	43,219	7,587	1,320,071	383,010	1,753,887
Total	462,912	84,720	1,327,866	396,603	2,272,101

7.5 Concentration of credit risk by industry(CRB)

The following table breaks down the Branches' main credit exposures categorised by the industry sectors of the counterparties.

On balance sheet items

	Financial institutions AED'000	**Trading** AED '000	**Construction** AED '000	**Total** AED '000
31 December 2021				
Due from other banks	47,358	-	-	47,358
Due from Head Office and branches abroad	8,147	-	-	8,147
Loans and advances	-	92,336	18,379	110,715
Total	55,505	92,336	18,379	166,220

Off balance sheet items

	Financial institutions AED'000	**Trading** AED '000	**Construction** AED '000	**Other industries** AED '000	**Total** AED '000
31 December 2021					
Unutilised commitment (Unconditionally cancellable)	-	196,073	64,612	257,529	518,214
Guarantees, acceptances and other financial facilities	1,621,276	14,725	107,051	10,835	1,753,887
Total	1,621,276	210,798	171,663	268,364	2,272,101

7.7 Gross credit exposures by residual contractual maturities(CRB)

	On balance sheet items			Off balance sheet items	
	Loans and advances	**Due from Banks and due from Head Office and other branches abroad**	**Total funded**	**Total unfunded**	**Total**
	AED'000	AED'000	AED'000	AED'000	AED'000
31 December 2021					
Less than 3 months	110,715	43,620	154,335	1,330,527	1,484,862
3 months to 1 year	-	11,885	11,885	439,291	451,176
1 to 5 years	-	-	-	259,625	259,625
Over 5 years	-	-	-	242,658	242,658
Grand Total	110,715	55,505	166,220	2,272,101	2,438,321

7.8 Individually impaired loans by industry(CRB)

The breakdown of the gross amount of individually impaired loans and advances by industry is as follows:

	Overdue			
	Less than 90 days	**above 90 days**	**Total**	**Specific provision**
	AED'000	AED'000	AED'000	AED'000
31 December 2021				
Trading	752	36,538	37,290	37,290

Individually impaired loans by geographic distribution

The breakdown of the gross amount of individually impaired loans and advances by geographical distribution are as follows:

	Overdue			Total	
	Less than 90 days	**above 90 days**	**Total**	**Provision**	**Impaired assets**
	AED'000	AED'000	AED'000	AED'000	AED'000
31 December 2021					
Saudi Arabia	752	36,538	37,290	37,290	37,290

7.9 Standardised approach - credit risk exposure and Credit Risk Mitigation (CRM) effects (CR4) (AED 000)

		a	b	c	d	e	f
		Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	Asset classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Sovereigns and their central banks	437,457	-	437,457	-	-	-
2	Public Sector Entities	-	-	-	-	-	-
3	Multilateral development banks	-	-	-	-	-	-
4	Banks	57,256	1,621,276	57,256	836,437	488,974	-
5	Securities firms	-	-	-	-	-	-
6	Corporates	73,425	650,825	73,425	68,724	141,012	-
7	Regulatory retail portfolios	-	-	-	-	-	-
8	Secured by residential property	-	-	-	-	-	-
9	Secured by commercial real estate	-	-	-	-	-	-
10	Equity Investment in Funds (EIF)	-	-	-	-	-	-
11	Past-due loans	37,290	-	-	-	-	-
12	Higher-risk categories	-	-	-	-	-	-
13	Other assets	10,394		10,394	-	-	-
14	**Total**	**615,822**	**2,272,101**	**578,532**	**905,161**	**629,986**	**-**

7.10 Standardised approach - exposures by asset classes and risk weights (CR5) (AED 000)

		a	b	c	d	e	f	g	h	i
	Asset classes	**0%**	**20%**	**35%**	**50%**	**75%**	**100%**	**150%**	**Others**	**Total credit exposures amount (post CCF and post-CRM)**
1	Sovereigns and their central banks	437,457	-	-	-	-	-	-	-	437,457
2	Public Sector Entities	-	-	-	-	-	-	-	-	-
3	Multilateral development banks	-	-	-	-	-	-	-	-	-
4	Banks	-	87	-	808,822	-	84,546	-	-	893,455
5	Securities firms	-	-	-	-	-	-	-	-	-
6	Corporates	-	-	-	-	-	141,012	-	-	141,012
7	Regulatory retail portfolios	-	-	-	-	-	-	-	-	-
8	Secured by residential property	-	-	-	-	-	-	-	-	-
9	Secured by commercial real estate	-	-	-	-	-	-	-	-	-
10	Equity Investment in Funds (EIF)	-	-	-	-	-	-	-	-	-
11	Past-due loans	-	-	-	-	-	-	-	-	-
12	Higher-risk categories	-	-	-	-	-	-	-	-	-
13	Other assets	10,394	-	-	-	-	-	-	-	10,394
14	**Total**	**447,851**	**87**	**-**	**808,822**	**-**	**225,558**	**-**	**-**	**1,482,318**

8 Market risk (MRA)

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

The market risks Missions are:

- identify the risk factors specific to each product/ portfolio;
- translating the risk acceptance level so determined into operating guidelines (nature, volumes, size of acceptable exposures, conditions relative to the measurement, limitation and selection of business…);
- contribute to the NAP process;
- determining requirements in terms of data and information systems for efficient risk monitoring;
- set market risk limits and risk indicators, one off approval, review of market risk limits once a year or when needed;
- produce and analyse these indicators quite independently from the FO;
- circulate daily risk report which summarize risk exposure vis-à-vis the limits set for business lines;
- providing figures and analyses (exposures, …) both internally (Audit Committee/Board, Executive Management…) and to outside parties (statutory auditors, regulator...).

Market risks will consequently cap and monitor market risks via limits consistent with the nature of the activity, mandate and ensures that these risks are taken in compliance with applicable regulations.
Set of limits are qualitative (type of authorized assets, authorized currencies, maturity), expressed in Var or stress, operational limits (based on identified risk factors in the portfolio which capture the variation the Bank is willing to accept).

The Market Risk Management (MRM) is responsible for market risk for local trading. MRM prepares and submits files on market risks to the Board of Directors or to the Risk Committee. MRM organizes Market Risk Committee. MRM is organized into two distinct parts: Risk Management (RM) & Market Activity Monitoring (MAM). MRM prepares and submits files on market risks to the Risk Committee (local market risk committee at a quarterly frequency, board is an attendee as well).
RM organizes Market Risk Committee and manages process, methodology, data, set of limits building, one off approval…. MAM produces the daily reportings (P&L and market risks), and controls.
Any identified and validated breach of limits are raised and discussed with MAM, RM and treasurers or FO: action plan. Requests of Treasurers or FO for one approval or extended limits are raised to RM and discussed (based on justifications and needs) with FO treasurers, and the Head of CA CIB RM of the dedicated activity. Validation of limit changes, of new limits, new product..., are reported in the CA CIB Market risk committee (which covers all CA CIB sites, frequency twice a month) and within the local market risk committee. The communication is between the MAM/RM with the FO/treasurers for different topic (market data source, questions about deals…) and ALM, the Chief risk officer, audit, compliance, conformity, board, the head of Treasury risk, the Head of FX market risk in the CA CIB. Treasury daily reports are sent to local treasurers, Dubai CRO, ALM, compliance, CA CIB treasury, BO, Head of CA CIB treasury RM, CA CIB Treasury MAM, board.

The Bank for the market risk monitoring uses **systems** where are:

- Booking of deals by the treasurers or FO in the system KONDOR + (CA CIB KONDOR).
- Calculation by KONDOR+ of P&L, sensitivities, FX position, bond position reports and other reports used for the monitoring of risk indicators face to the limits.
- Sensitivities per product, currency, underlying curves and FX position are sent to GVR (Global view system) (the consolidated market risk system of CAC CIB):

GVR calculates the VaR and is used for monitoring the limits (sensitivity limits for example). The Var is an historical Var s one-day VaR at a 99% confidence.

- Liquid: a liquidity system: K+ sent information to liquid which recreates the balance sheet of the treasury and is used for liquidity stress (communicated to the ALCO; ALM)
- CADRE: The P&L and VaR, P&L explanation are sent to CADRE (consolidated system of CA CIB in order to be consolidated by the MCR CONSO Dpt. with others product lines)

Controls are in place for guaranteeing the quality of the calculations and data delivered in reporting. (back testing of VaR, P&L explanation, monthly reconciliation of P&L with the accounting Dpt.). The exhaustivity of the deals representative of the activity is confirmed by BO reconciliation and the FO communicates if a missing deal in K+ or late amendments which couldn't be included in the daily batch delivered by k+.

In Dubai on-shore portfolios under market risk monitoring are:

- Banking activities (managed by the treasurers): A treasury portfolio and an HTCS portfolio (bonds or t bills AED).
- FX portfolio: A pure back to back activity with a residual FX position (due to commercial margins)/ FO belongs the FX line and the RM is the FX market risk 's Head of CA CIB.

8.1 Market risk under the standardised approach (SA) (MR1)

		a RWA AED 000
1	General Interest rate risk (General and Specific)	-
2	Equity risk (General and Specific)	-
3	Foreign exchange risk	630
4	Commodity risk	-
	Options	
5	Simplified approach	-
6	Delta-plus method	-
7	[redacted]	
8	Securitisation	-
9	**Total**	**630**

9 Interest rate risk in the banking book(IRRBBA)

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The branches take on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise.

ALM manages the interest rate risk under the limits set out by Group Risk committee and reviewed annually. Limits are monitored daily by Treasury.

ALM monitors interest rate risk through the interest rate risk reporting "RRT" (Reporting de Risque de Taux). The same rules apply to measurement of interest rate risk in HO and local entities, with exceptions to the conventional maturity of the working capital.

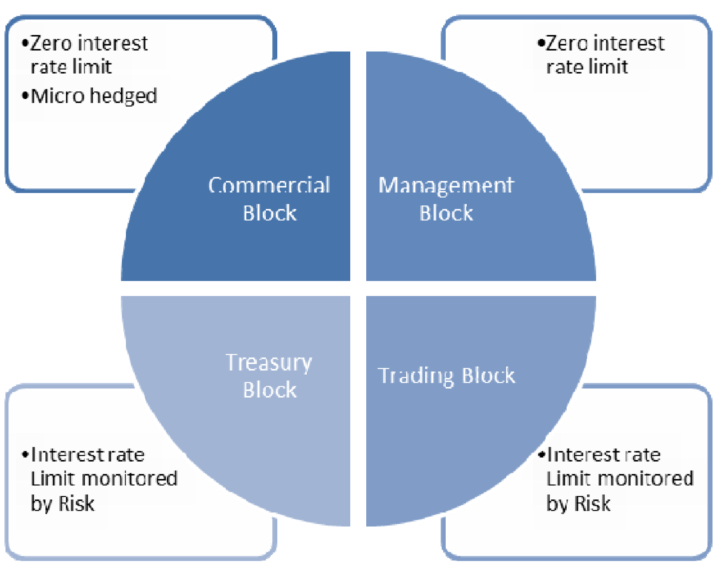
The measurement, analysis and control of the Overall Interest Rate involve breaking down each entity's B/S into four reporting blocks:

➢ **Commercial Block:**
- Including commercial activities (Structured Finance, Distressed Assets, Corporate Coverage Group, Financial Institutions Group…)
- It is subject to the principle of micro-hedging. These activities must not generate an interest rate risk (zero interest rate limit).
- This block comes under the Banking Book.

➢ **Management Centre Block:**
- Includes ALM and the other components of financial management.
- It is managed by the ALM Committees.
- Its interest rate limit is monitored by the ALM team. The RRT of the management centre for the entities must be zero.
- Under the Basel II regulations, this block comes under the Banking Book.

➢ **Treasury Block:**
- Includes the Treasury department's activities on an accrued basis.
- Its interest rate limit is monitored by Risk Department using the Value at Risk (VaR) method and interest rate sensitivities.
- For the purposes of the Basel II Regulation, the ALM team reports the interest rate gap of this block, which comes under the Banking Book.

➢ **Trading Block:**
- Covers the capital markets MtM trading activities.
- For the purposes of the Basel II Regulation, it comes under the **Trading Book**.
- The trading is currently limited to FX on a back to back basis, which is monitored.



The ALM team is in charge of monitoring the interest rate limit of the « Commercial » and « Management Centre » blocks. The consolidated interest rate risk of these two blocks is subject to an overall interest rate cap set by Credit Agricole S.A. The strict management and monitoring of the interest rate risk in turn shields CA-CIB against the risk of a potential capital tie-up by the regulator under BIS II pillar II, interest rate risk.

The local ALM Committees are responsible for reviewing the measurement and control of the entity's Overall Interest Rate Risk via the use of a reporting template provided by HO. Local ALM checks that the Commercial Block and Management Block come to zero, thus validating that respectively the micro hedging principle and the rules for the placement of the Working Capital and liabilities side provisions are properly implemented.

9.1 Quantitative information on IRRBB (IRRBB1) (AED 000)

Changes in economic value of equity and net interest income under the prescribed interest rate shock scenarios (200 bps)

In reporting currency (AED)	**ΔEVE**	**ΔNII**
Period	**DEC-21 AED 000**	**DEC-21 AED 000**
Parallel up	-3,091	
Parallel down	3,091	
Steepener		
Flattener		
Short rate up		
Short rate down		
Maximum		
Period	**DEC-21 AED 000**	
Tier 1 capital	371,787	

10 Operational Risk:

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

Qualtative information based on operational risk framework (OR1)
Framework

In compliance with Basel III requirement of UAE Central Bank, the Bank has decided to adopt Basic Indicator Approach for Operational Risk. Operational Risk is the risk of losses resulting from inadequate or failed processes, people and systems or from external events and includes Legal Risk and non-compliance Risk. The management of operational risk is governed by the CACIB group policies and related group guidelines under governance texts issued by the bank. Operational Risk in CA-CIB is managed by the Operational Risk Management (ORM) under Risk and Permanent Control (RPC). Local ORM unit is represented by two persons, one assistant ORM reporting to the Head of ORM, who reports to Chief Risk Officer (CRO).
Legal Risk is managed by the Head of Legal and Governance.
A Risk Self-Assessment (RSA) exercise is carried out on an annual basis, using ORM system OLIMPIA. This exercise is done by the heads of individual business lines in co-ordination with the Local Head of ORM. A Risk Aversion Matrix that is uniform across CA-CIB helps to assess the seriousness of the expected and unexpected losses. For example, the matrix would indicate whether the impact of a loss is low / moderate / significant or major.

All applicable risk events for the processes covering all business lines and support functions are then assessed and updated. Any process which has risk events of a significant or major category are considered as sensitive or critical processes respectively. The assessment process also incorporates the required action plans, in particular for sensitive and critical processes. Action plans are followed-up periodically. The results of risk mapping and related action plans are circulated to the concerned business lines / support functions. Bank-wide risk assessments carried out yearly are subsequently validated by executive management during the Bank's Internal Control Committee and submitted to the Head Office too.

All operational loss incidents are reported to the Local ORM by the individual business lines. Operational incident reports contain a description of the incident, its treatment and the corrective action plan for the future. All these loss incidents are recorded in the Bank's internal loss database OLIMPIA. Head Office consolidates the operational risk of the Bank for their assessments and reporting purposes. In addition, all major incidents (incidents having a financial impact of EUR 150,000 or more) or of regulatory / reputational / compliance / fraud nature irrespective of the loss amount are reported through OLIMPIA to ORM Head Office as well as the Heads of Business and Support functions in the branch so as to accord special attention.

Via ICC committee procedure updates, action plans on risk deficiencies identified including IGE recommendations issued if any, action plans related to any incident, scope control and spot checks to measure operational risk are as well presented to the committee members and management.

Finally, once a year ORM contributes to CACIB Internal Control Annual Report capturing all ORM elements. This report is signed by MEA SRO.

11 Remuneration Policy (REMA)

Credit Agricole CIB has established a responsible compensation policy that aims to reflect its values while respecting the interests of all the stakeholders including employees, clients and shareholders. In light of the specific characteristics of its business lines, its legal entities, national and international legislation, Credit Agricole CIB has developed a remuneration policy which is internally consistent, gender neutral and externally competitive on its reference markets, to ensure the Bank can attract and retain the talent it needs. Benchmarking with other financial institutions is regularly carried out for this purpose.

The compensation policy of Credit Agricole CIB is elaborated within a highly regulated framework specific to the banking sector. As a fundamental principle, Credit Agricole CIB ensures compliance of its compensation policy with the current legal and regulatory environment at national, European and international levels.

The compensation policy was approved by the Credit Agricole CIB Board of Directors' meeting of February 8th 2022.

Total Compensation
The total compensation of Credit Agricole CIB Group's employees is made up of the following components (where applicable):

- Fixed compensation;
- Annual individual variable compensation;
- Long-term variable compensation;
- Supplementary pension and health insurance plans;
- Benefits in kind

An employee may be eligible to all or some of these elements, depending on their responsibilities, skills, performance and location. Attribution of compensation elements is based on internal equity and on external market references, and also takes into account collective and individual qualitative and quantitative performance.

Fixed Compensation
Fixed Compensation rewards employees for the responsibilities entrusted to them, as well as for the competencies used to exercise these responsibilities, in a manner that is consistent with the specificities of each business line in their local market.

Fixed compensation is reviewed in line with the market as well as on line with the evolution of the employees' responsibilities and with the development of skills required for the role, appreciated within the framework of the annual performance appraisal based on objectives achievement and fulfilment of permanent responsibilities of a positions.

Annual Individual Variable Compensation
Variable Compensation is directly linked to individual and collective annual performance and to the Banks' performance as a whole. Individual performance is assessed based on the achievement of qualitative and quantitative objectives defined at the beginning of each performance year, and includes an assessment of whether the employee acted in the clients' best interests.

Long Term Variable Compensation
The variable compensation component federates, motivates and increases loyalty. It complements the annual variable compensation mechanism by rewarding the long-term collective performance of the group.

Pension and Health Insurance Plans
Depending on the country and the relevant market practices, Credit Agricole CIB undertakes to provide its employees with social security coverage that is designed to:

- Assist with setting up retirement income or savings (such as DEWS, GPSSA, etc.)
- Provide a reasonable level of medical insurance coverage for employees and their families

These benefits are a routine part of the remuneration packages put in place for all employees of Credit Agricole CIB including its international entities.

Benefits in Kind
In certain cases, the total compensation also includes benefits in kind. This includes notably:

- Providing a company car/transport allowance depending on the employee's level of responsibility;
- Benefits designed to cover the difference in the cost of living for expatriate populations

Depending on country, these benefits may be complemented by other arrangements designed to provide a simulating working environment and ensure healthy work-life balance.

The bank has objective setting campaign every year where the qualitative and quantities objectives of the staff are specified clearly and agreed with the head of business lines. Then at the end of the year, the achievement of these objectives are assessed through a formal assessment method and then remuneration is then discussed and defined.

Bank has a formal appraisal process every year that specify the objectives which include risk elements for these roles and based on the assessment at the end of the year of whether these objectives have been met or no, remuneration can then be looked at. Additionally, we have 'Risky Behaviour' process through which we identify during the year risky behaviour as per the group criteria and mitigate accordingly.

11.1 Remuneration awarded during the year (REM1) (AED 000)

	Remuneration Amount		**Senior Management**	**Other Material Risk-takers**
1	Fixed Remuneration	Number of employees	4	-
2		Total fixed remuneration (3 + 5 + 7)	4,279	-
3		Of which: cash-based	4,279	-
4		Of which: deferred	-	-
5		Of which: shares or other share-linked instruments	-	-
6		Of which: deferred	-	-
7		Of which: other forms	-	-
8		Of which: deferred	-	-
9	Variable Remuneration	Number of employees	2	-
10		Total variable remuneration (11 + 13 + 15)	2,279	-
11		Of which: cash-based	1,683	-
12		Of which: deferred	-	-
13		Of which: shares or other share-linked instruments	596	-
14		Of which: deferred	-	-
15		Of which: other forms	-	-
16		Of which: deferred	-	-
17	**Total Remuneration (2+10)**		6,558	-