ABU DHABI COMMERCIAL BANK PJSC
2023 ANNUAL REPORT

DRIVEN BY PEOPLE.
DESIGNED FOR THE FUTURE.

بنك أبوظبي التجاري
ADCB

Cover: Aysha Al Hallami, Board Member and Chair of the Board Audit Committee

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Scope of reporting

The data presented in this report covers Abu Dhabi Commercial Bank PJSC (referred to as 'ADCB Group'), all its subsidiaries and branches within and outside of the UAE, unless stated otherwise.

The entities covered include the following:

- Abu Dhabi Commercial Bank, UAE (ADCB UAE)
- Al Hilal Bank PJSC, UAE (AHB UAE)
- Al Hilal Bank, Kazakhstan (AHB Kazakhstan)
- Abu Dhabi Commercial Bank – Egypt SAE (ADCB Egypt)
- ADCB Securities LLC (ADCB Securities)
- ADCB Asset Management Limited (ADCB Asset Management)
- ITMAM Services LLC and ITMAM Services FZ LLC (ITMAM)
- Abu Dhabi Commercial Properties LLC (ADCP)
- Abu Dhabi Commercial Engineering Services LLC (ADCE)

HIS HIGHNESS SHEIKH MOHAMED BIN ZAYED AL NAHYAN

PRESIDENT OF THE UNITED ARAB EMIRATES AND RULER OF ABU DHABI
SUPREME COMMANDER OF THE UAE ARMED FORCES

HIS HIGHNESS SHEIKH MANSOUR BIN ZAYED AL NAHYAN

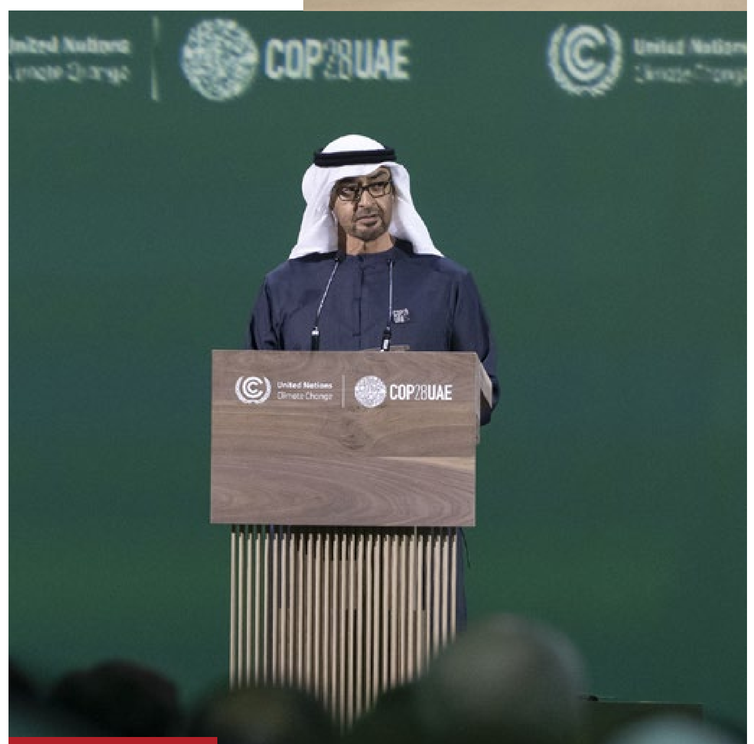
UAE VICE PRESIDENT
DEPUTY PRIME MINISTER AND CHAIRMAN OF THE PRESIDENTIAL COURT

HIS HIGHNESS SHEIKH KHALED BIN MOHAMED BIN ZAYED AL NAHYAN

CROWN PRINCE OF ABU DHABI
CHAIRMAN OF THE ABU DHABI EXECUTIVE COUNCIL

The UAE's vibrant socio-economic landscape

The UAE is driving rapid transformation, focused on diversification and the transition to an inclusive, net zero economy. The country's leadership is guiding a number of strategic initiatives to develop a world-class business, investment and lifestyle destination, creating a vibrant socio-economic landscape that provides significant opportunity.



Shaping a global financial centre

ABU DHABI FINANCE WEEK

Abu Dhabi Finance Week has become a key event as Abu Dhabi continues to grow as a major global finance and business hub. In 2023, H.H. Sheikh Khaled Bin Mohamed Bin Zayed Al Nahyan, Crown Prince of Abu Dhabi, inaugurated the event, which was focused on sustainable investment.

Leadership on climate

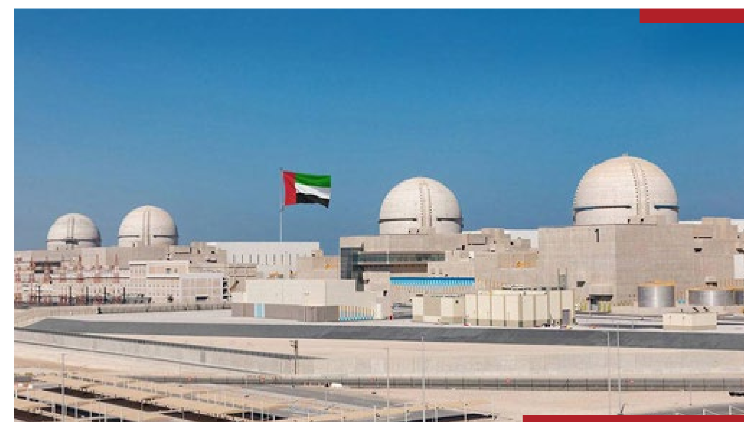
THE COP28 GLOBAL CLIMATE SUMMIT

In November 2023, the UAE hosted the global climate summit, COP28, reflecting the nation's growing commitment to collaborative climate action. The conference was attended by H.H. Sheikh Mohamed Bin Zayed Al Nahyan, President of the UAE and Ruler of Abu Dhabi, H.H. Sheikh Mohammed Bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai, H.H. Sheikh Mansour Bin Zayed Al Nahyan, Vice President and Deputy Prime Minister of the UAE, and H.H. Sheikh Khaled Bin Mohamed Bin Zayed Al Nahyan, Crown Prince of Abu Dhabi.

Promoting sustainability

ABU DHABI SUSTAINABILITY WEEK

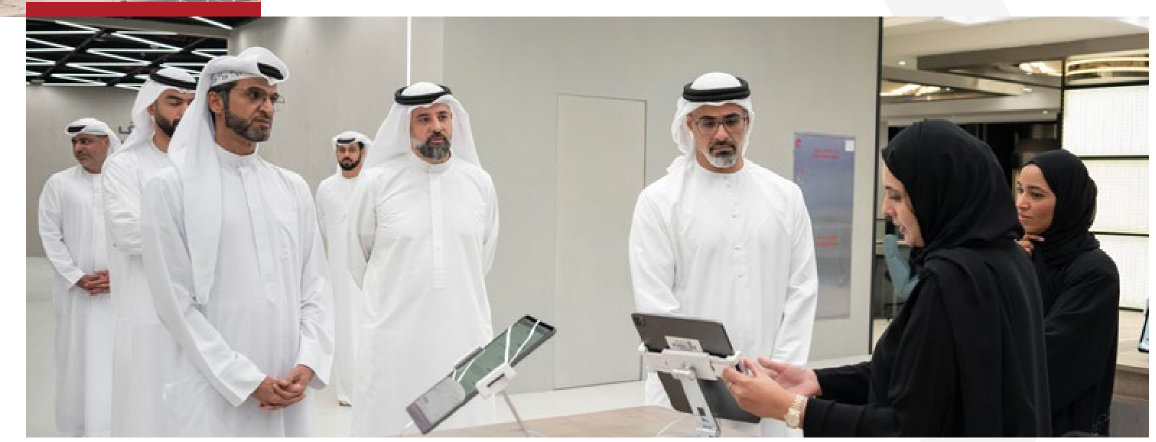
Abu Dhabi Sustainability Week, a UAE-led global initiative, promotes sustainable development and environmental action. Launched by H.H. Sheikh Mohamed Bin Zayed Al Nahyan, President of the UAE and Ruler of Abu Dhabi, the event was presided over by H.H. Sheikh Khaled Bin Mohamed Bin Zayed Al Nahyan, Crown Prince of Abu Dhabi and H.E. Dr. Sultan Al Jaber, the COP28 President.



Advancing the energy transition

BARAKAH NUCLEAR ENERGY PROJECT

The Emirates Nuclear Energy Corporation's flagship Barakah Nuclear Energy Plant, located in the Emirate of Abu Dhabi, is scheduled for full four-unit operations in 2024. The plant will generate 25% of the UAE's electricity needs for the next 60 years, while preventing the equivalent of 22.4 million tons of carbon emissions annually.



Nurturing Emirati talent

LAUNCH OF MAWAHEB TALENT HUB

H.H. Sheikh Khaled Bin Mohamed Bin Zayed Al Nahyan, Crown Prince of Abu Dhabi, launched the Mawaheb Talent Hub, aiming to equip Emiratis with capabilities and experiences tailored to the evolving requirements of the high skilled job market.

Leading on innovation and exploration

H.E. DR. SULTAN AL NEYADI COMPLETES SPACE MISSION

Emirati astronaut H.E. Dr. Sultan Al Neyadi returned from the longest Arab space mission on the International Space Station in 2023 — a significant milestone in the UAE's National Space Strategy. H.E. Dr. Sultan Al Neyadi was congratulated upon his return by H.H. Sheikh Mohamed Bin Zayed Al Nahyan, President of the UAE and Ruler of Abu Dhabi, and H.H. Sheikh Mohammed Bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai.

Building world-class infrastructure

ETIHAD RAIL LAUNCH

Etihad Rail network was officially inaugurated in 2023 by H.H. Sheikh Mohammed Bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai. The network of 900 km of track across the Emirates supports the country's sustainable development goals through the targeted reduction of carbon emissions in the road transport sector by 21% by 2050.

Promoting Emiratisation in the private sector

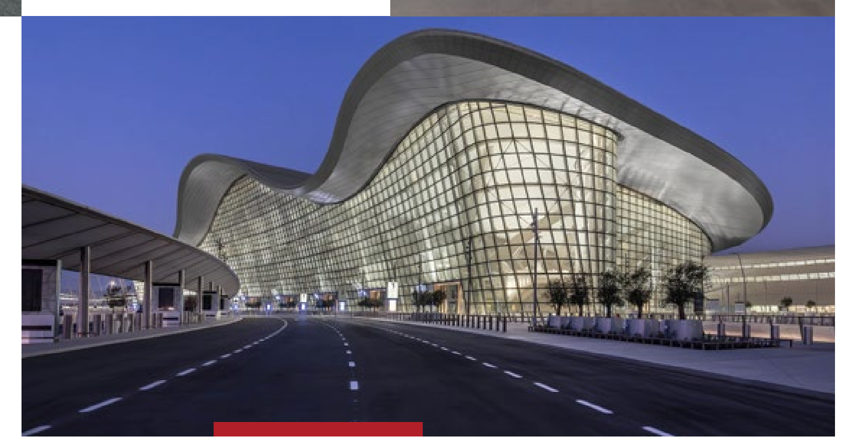
THE NAFIS INITIATIVE

The UAE adopted a new law in 2023 requiring private companies with 20-49 employees to hire at least one Emirati national by 2024 and at least two by 2025, with larger companies required to achieve 2% annual Emiratisation growth. The Emirati Talent Competitiveness Council (NAFIS) is a Federal programme launched to support this initiative. The NAFIS Award Ceremony was attended by H.H. Sheikh Mohamed Bin Zayed Al Nahyan, President of the UAE and Ruler of Abu Dhabi, and H.H. Sheikh Mohammed Bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai.

Creating a lifestyle destination

ABU DHABI GRAND PRIX

Abu Dhabi hosted the final race of the Formula One season in November, marking the 15th anniversary of the Etihad Airways Abu Dhabi Formula One Grand Prix. The event was presided over by H.H. Sheikh Khaled Bin Mohamed Bin Zayed Al Nahyan, Crown Prince of Abu Dhabi, and H.H. Sheikh Hamdan Bin Mohammed Bin Rashid Al Maktoum, Crown Prince of Dubai. H.E. Khaldoon Khalifa Al Mubarak, Managing Director and Group CEO of Mubadala Investment Company was also in attendance.



An international aviation hub

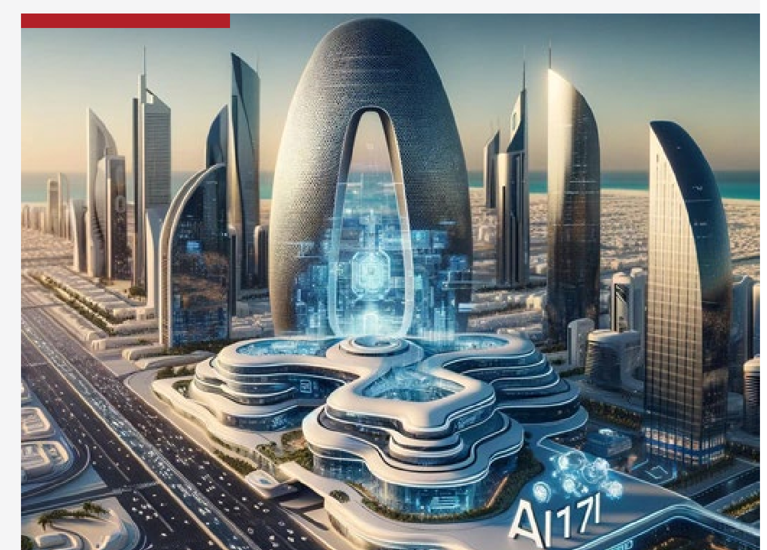
OPENING OF THE ZAYED INTERNATIONAL AIRPORT, ABU DHABI

Zayed International Airport in Abu Dhabi was opened in November 2023 to support the Emirate's growing stature as a major aviation hub. The terminal is the first in the world to include all nine biometric touchpoints, making the passenger experience seamless and convenient.

Investing in technology

LAUNCH OF AI71

H.H. Sheikh Khaled Bin Mohamed Bin Zayed Al Nahyan, Crown Prince of Abu Dhabi, launched AI71, an AI company that is leveraging proprietary generative AI models developed by the Technology Innovation Institute, a global centre that is part of Abu Dhabi's Advanced Technology Research Council. The initiative supports Abu Dhabi's strategy to become a global hub for AI.



ADCB OVERVIEW

ADCB Head Office, Abu Dhabi

ADCB AT A GLANCE

A leading UAE bank with a growing market share

ADCB is a major UAE financial institution, playing a central role in supporting the country's progressive agenda for sustainable economic growth. The Bank provides a diverse range of products and services to corporate and individual customers, delivering service excellence and a seamless digital experience.

Diverse workforce with Emiratisation as a key strategic priority

2,096
Emiratis employed

80+
Nationalities

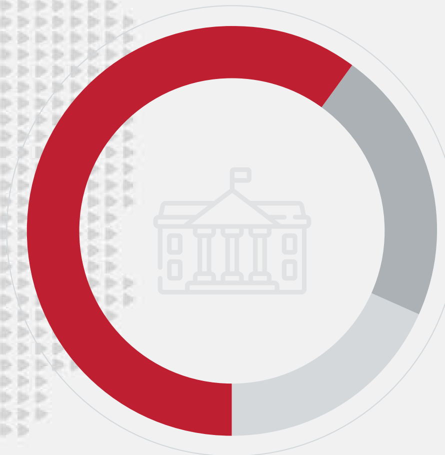
AED **567 bn**
Third largest bank by total assets in the UAE

16.2%
Market share – loans[2]

14.4%
Market share – deposits[2]

96%
Operating income derived from the UAE

Ownership structure



- Mubadala Investment Company: **60.20%**
- Free float domestic investors: **21.64%**
- Free float foreign investors: **18.16%**

Service excellence driving customer growth

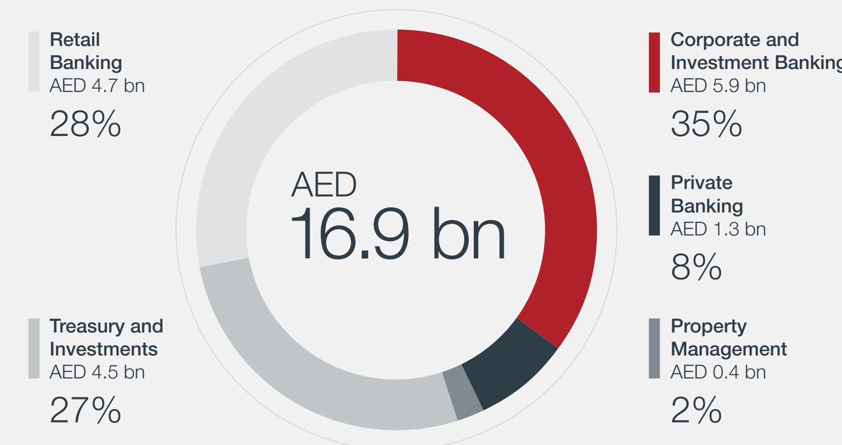
1.9 mn+

ADCB retail customers[1]
(# mn)

73
Bankwide net promoter score[1]

89%
Customers registered on Internet & Mobile Banking[1]

Contribution to operating income by business segments



Geographic footprint

48
ADCB branches in the UAE

8
Al Hilal branches in the UAE

3
Al Hilal branches in Kazakhstan

50
ADCB Egypt branches

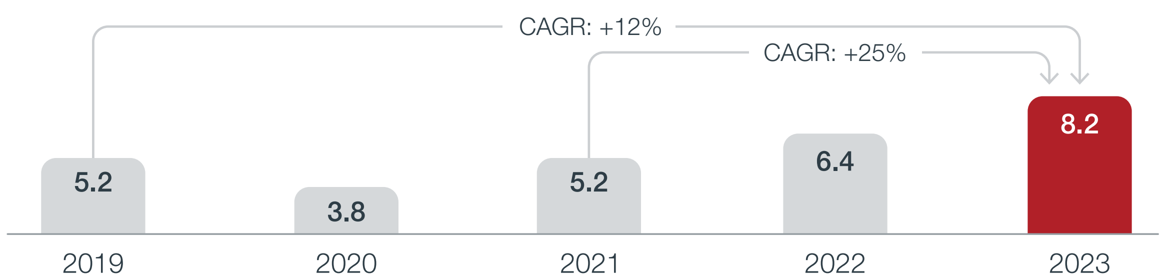
(1) ADCB UAE only
(2) Based on ADCB's year-end financials and the latest data available from the UAE Central Bank as at 30 November 2023

ADCB AT A GLANCE

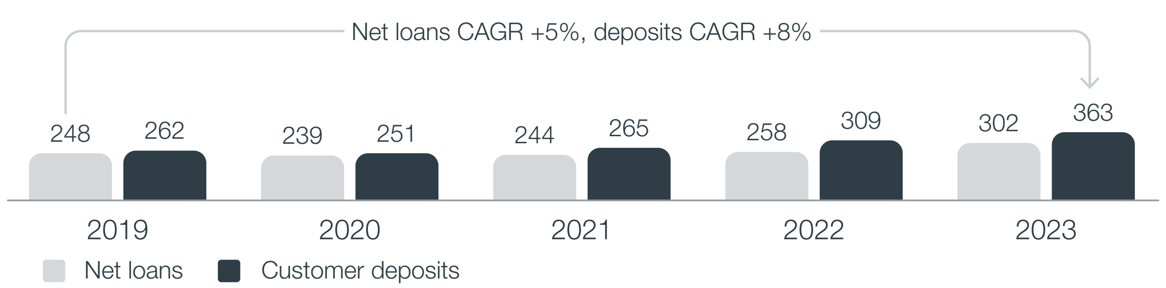
Driving significant growth and creating long-term value for shareholders

Growing franchise strength

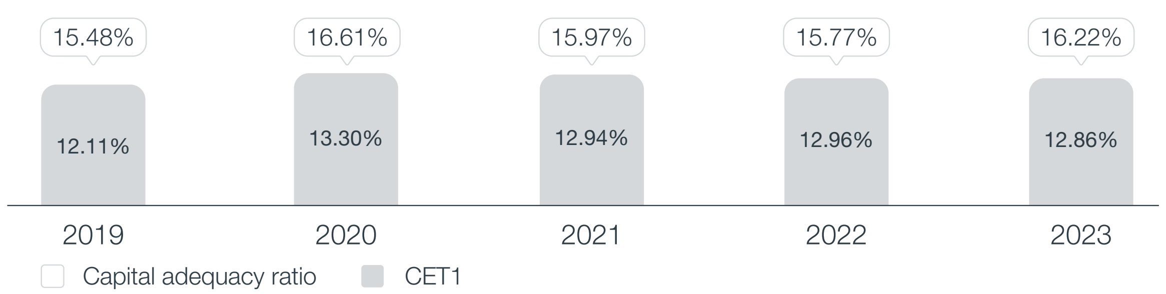
Net profit (AED bn)



Net loans and advances and customer deposits (AED bn)



CET1 and capital adequacy ratio (%)



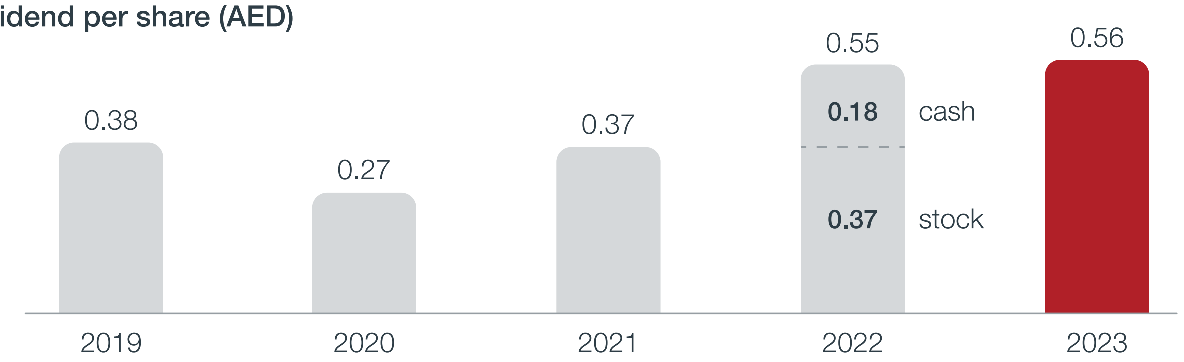
Credit ratings

S&P Global Ratings A/A-1/Stable

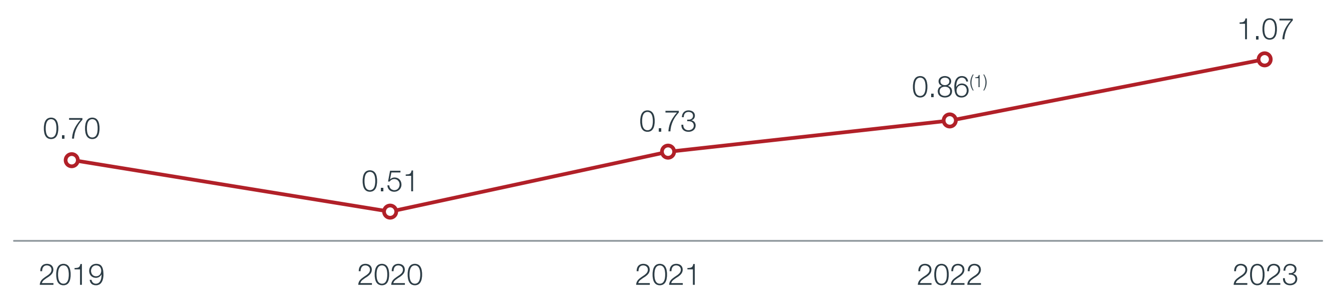
Fitch Ratings A+/F1/Stable

Long-term shareholder value creation

Dividend per share (AED)



Basic earnings per share (AED)



Total shareholder return (%)

9%	70%	40%
1-year TSR	3-year TSR	5-year TSR

ESG ratings

MSCI A

MORNINGSTAR SUSTAINALYTICS 12.5 low risk(2)

(1) Restated for stock dividend issued in 2023
(2) As at 13 January 2024

ADCB AT A GLANCE

A responsible bank driving strong progress on sustainability

Climate

Joined UN NZBA

Became third bank in MENA to join UN Net Zero Banking Alliance (NZBA)

AED
125 bn
target

Tripled sustainable finance target to AED 125 bn by 2030

USD
650 mn
Green Bond

Successful issuance of second green bond, 2.9x oversubscribed

Customers and Communities

280,000+

Accounts to unbanked or underbanked customers[1]

1.3 mn+

Number of participants in financial literacy initiatives[1]

110,000+

Active SME and microbusiness clients[1]

Employees

45%

Female employees[1]

40%

Emirati representation in ADCB Group[2]

300,000+

Employee learning hours in 2023[3]

Governance

18%

Female representation at the Board level[4]

94%

Employees formally trained on information security, data privacy and protection

100%

Compliance with the UAE Information Assurance Standard, which comprises 698 information security related controls

(1) ADCB UAE only
(2) As per UAE CB definition, the Emiratisation ratio excludes non-financial entities, such as ITMAM, ADCP, ADCE and outsourced employees
(3) UAE operations only
(4) ADCB ranked highest among major GCC banks for female board representation based on S&P Global Market Intelligence, September 2022

Creating stakeholder value

Our value creation is underpinned by a strong foundation of robust corporate governance, strategic risk management and a commitment to customers and communities we serve.

Our strengths

Leadership
ADCB benefits from an experienced Board of Directors supported by a highly skilled Executive Management team, who actively promote a healthy organisational culture and ensure robust operational efficiencies.

Talent
The Bank employs a diverse workforce from over 80 nations, including 2,096 UAE nationals, united by shared values and an inclusive, high-performance culture.

Innovation and partnerships
ADCB continuously enhances its digital capabilities and partnerships, while using advanced data analytics to make banking more accessible and secure.

Service excellence
ADCB is dedicated to understanding customer needs and leverages data-driven insights and innovation to provide an exceptional customer experience.

Governance
The Bank has a strong and effective governance framework, based on the highest standards of international best practice. It provides the foundation for long-term success and demonstrates the integrity and transparency our stakeholders expect.

Resilience
We are a domestic, systemically important bank with more than AED 567 billion in total assets, robust liquidity, and strong credit ratings.

A responsible bank
Sustainability is a key focus of the Bank's strategic agenda. We are committed to maximising ADCB's contribution to the UAE's ambition for an inclusive, net zero economy through a range of ESG initiatives.

Brand
ADCB maintains substantial brand value and attracts a growing base of more than 1.9 million customers.

Diverse ownership
ADCB is 60.20% owned by Mubadala Investment Company (through its wholly owned subsidiary, One Hundred and Fourteenth Investment Company – Sole Proprietorship LLC). The Bank has a growing share of foreign institutional ownership at 18.16%.

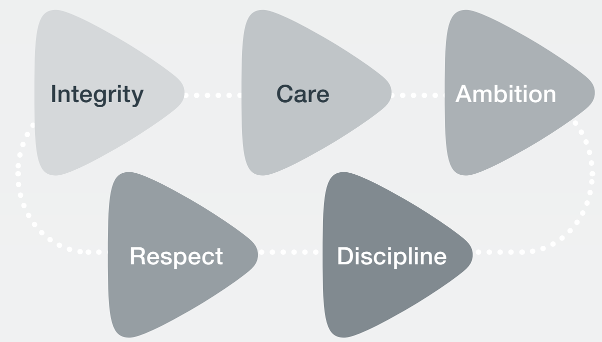
About ADCB

Our vision
To be the number one bank of choice in the UAE.

Our mission
To build partnerships with customers that last a lifetime by acknowledging every customer as an individual, offering innovative products and unparalleled service, and understanding that customers have a choice.

Our strategic goals
To deliver sustained, profitable growth to create long-term benefits to stakeholders.

Our values



Our business segments

- Retail Banking Group
- Private Banking
- Corporate and Investment Banking Group
- Treasury & Investments Group
- Property Management

Our key subsidiaries

Delivering stakeholder value

Employees
Fulfilling careers, competitive benefits and rewards with professional development.

Customers
Protecting and growing the wealth of more than a million customers, from individuals, SMEs and large corporates to government entities.

Community
Playing a role in the socio-economic development of the country. Guided by the vision of the UAE leadership, the Bank is fully committed to initiatives that create a diversified and sustainable economy.

Regulators/Government
Engaging with relevant authorities to support a responsible regulatory framework.

Investors
Delivering robust returns and long-term sustainable value to shareholders.

Partners
Working with numerous suppliers, providing them with new business opportunities and timely payments.

Awards and recognition

ADCB FY 2023 awards and recognition

Euromoney Cash Management Survey 2023

Best Service in Cash Management in the UAE

Asian Banking & Finance

UAE Domestic SME Partnership Initiative of the Year

SME Bank of the year in UAE

New SME Lending Product of the year UAE

UAE Domestic Customer Service Initiative of the Year – ProCash Mobile App

Business Continuity Awards 2023

Global Award Category

Recognition by the UAE Federal Government through the Majra (National CSR Fund)

Impact Seal – Platinum Tier

The Digital Banker – Digital CX Awards 2023

Outstanding Digital CX – Cash Management Platform

Outstanding Digital CX – Trade Finance Initiative

The Digital Banker Award – Middle East & Africa Innovation Awards 2023

Best Bank for Cash Management

Best Mobile App for Corporates

Outstanding Client Onboarding & Account Opening

International Financial – International Finance Awards 2023

Best Corporate Customer Service Bank – UAE 2023

The Asian Banker Excellence in Retail Financial Services Awards 2023

Best Retail Bank in Middle East

Best Retail Bank in UAE

The International ARC Awards – Annual Report 2022

Interior Design, Cover Page, Written Content, Print Production – Gold

Best Annual Report – Silver

ADCB Egypt FY 2023 awards and recognition

World Business Outlook

Best New Bank Egypt 2023

Fastest Growing Retail Bank Egypt 2023

Fastest Growing Corporate Bank Egypt 2023

Fastest Growing Bank Egypt 2023

Best Digital Banking Services Provider Egypt 2023

International Business Magazine

Best New Bank Egypt 2023

Most Innovative Digital Bank 2023

Best Internet Banking Egypt 2023

International Finance Magazine

Most Innovative New Digital Bank – Egypt 2023

Best Financial Inclusion Package Towards People with Disabilities – Erada – Egypt 2023

The Digital Banker

Best New Wealth Management Product of the Year

Credit Card of The Year – Egypt

Excellence in Digital innovation – Highly Acclaimed

Best Financial Inclusion Initiative

Success is always by **design**

Excellence lies in meticulous planning, attention to detail and pride in our work. Every individual at ADCB drives our success.

AED **8.206 bn**

2023 net profit

25%

Three-year net profit CAGR

DRIVEN BY PEOPLE

Passion

Our people are motivated by a desire to make a full contribution to the socio-economic fabric of the UAE. Through ADCB, they can channel their talents to build a strong institution that serves the interests of customers, shareholders and communities.

Abdulaziz Almoosa
Group Human Resources

DESIGNED FOR THE FUTURE

Growth

ADCB is successfully executing its strategy to gain market share, and forging progress on all fronts ahead of schedule. We are investing in accelerated growth of our core businesses and harnessing technology to provide service excellence to our customers and support the UAE's dynamic economy.

70%
Three-year total shareholder return (TSR)

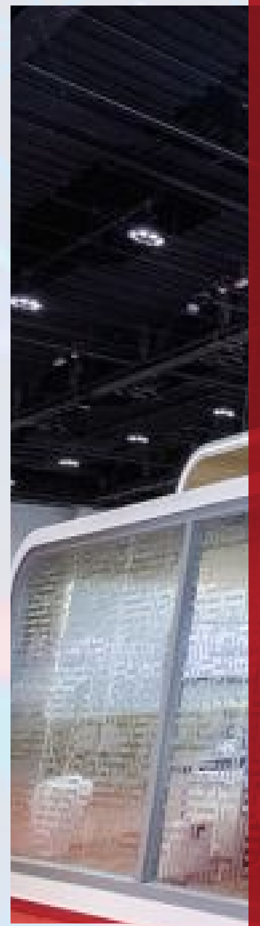
40%
Emirati representation in employee base

80+
Nationalities

Strength in diversity

With over 80 nationalities and a strong focus on Emiratisation, diversity is fundamental to our business.

2,096
UAE nationals employed



ADCB participates in career fairs to present opportunities to young and experienced Emiratis in the banking and financial sector

DRIVEN BY PEOPLE

Innovation

ADCB aims to be a leader in innovation, and we provide a culture and the opportunity to ensure the Bank remains a magnet for top digital talent. We are an agile, fast-moving organisation, with 200 digital projects implemented in 2023.

Golsa Monazahian
Credit Risk

Semeer Kuvvakkattayil
Financial Crime Compliance

Alia Al Mansoori
Retail Banking Group

DESIGNED
FOR THE FUTURE

Digital transformation

ADCB's digital platforms are driving substantial growth in customer acquisition and engagement. The Bank's digital strategy is introducing new technology and artificial intelligence (AI), while enhancing digital resilience.

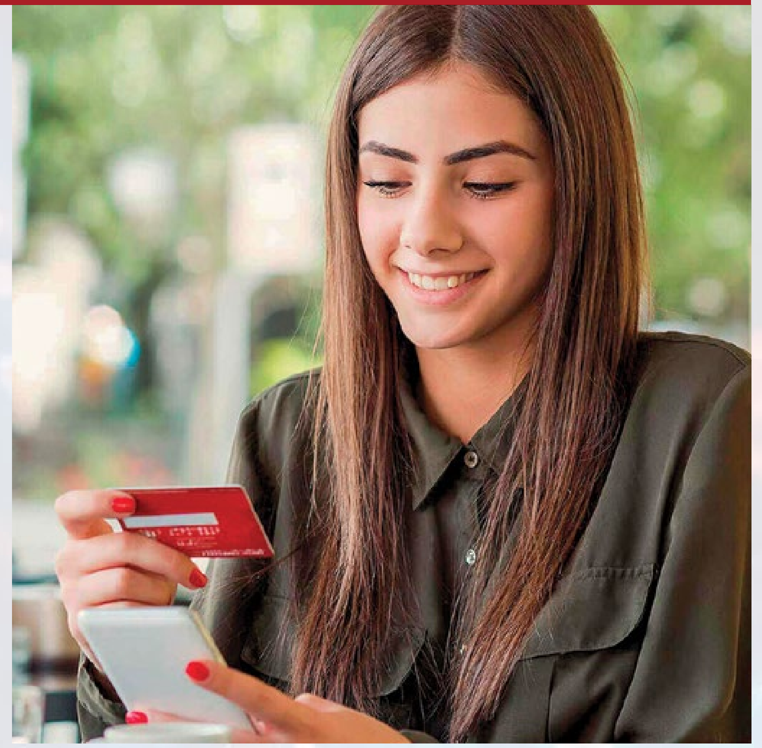
83%
Of new accounts opened digitally
(ADCB UAE and Al Hilal Bank)

89%
Of customers registered on internet & mobile banking
(ADCB UAE only)

Onboarding app driving growth

The Hayyak app is driving growth through a seamless onboarding process to provide rapid access to ADCB's products and services.

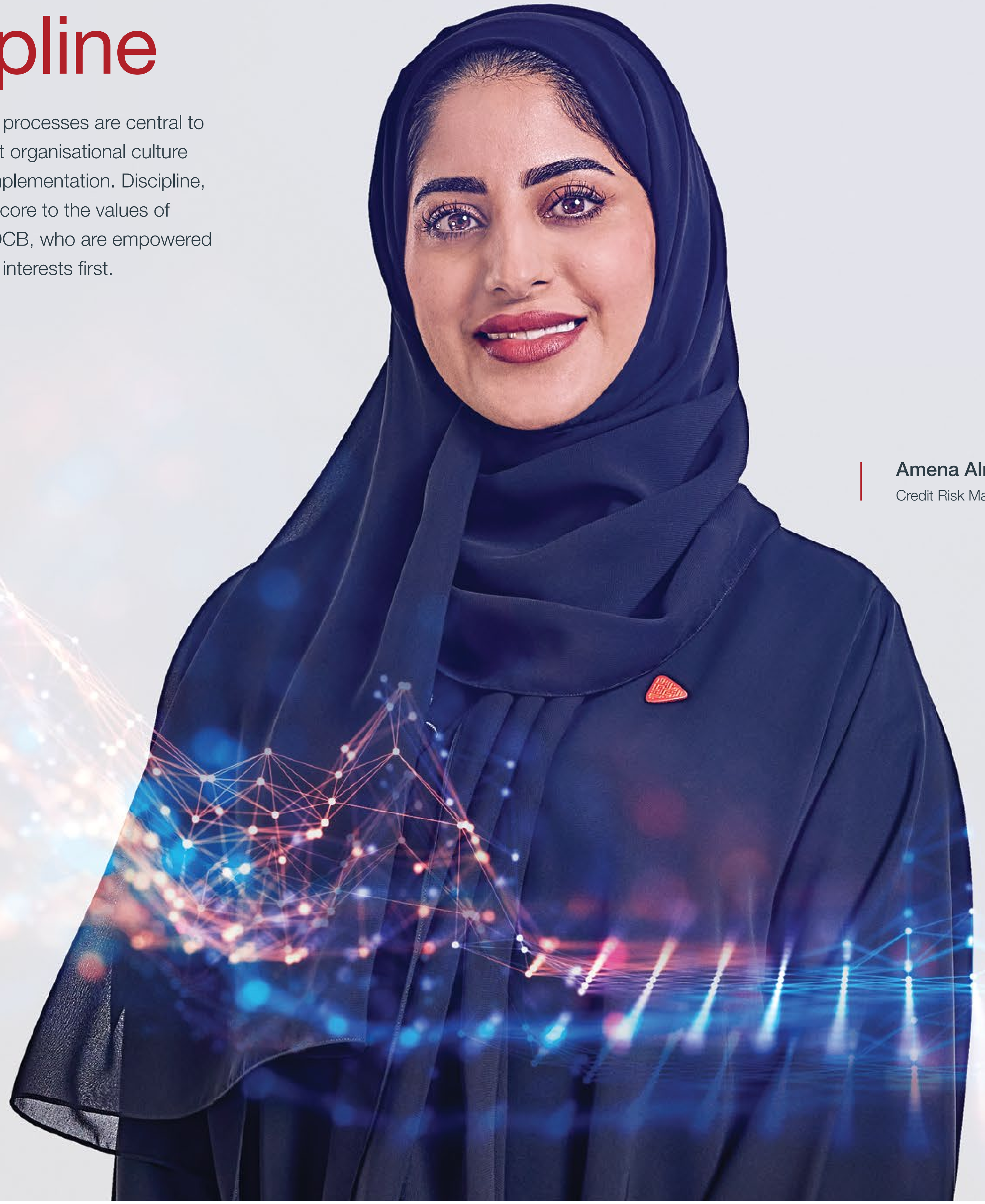
1 mn+
Customers onboarded through Hayyak since 2019



DRIVEN BY PEOPLE

Discipline

The right policies and processes are central to good governance, but organisational culture is critical to real-life implementation. Discipline, integrity and care are core to the values of every employee at ADCB, who are empowered to put the customer's interests first.



Amena Almoosa
Credit Risk Management

DESIGNED
FOR THE FUTURE

Governance

For sustainable growth and resilience, our focus on financial performance is accompanied by best-practice governance. In an evolving regulatory environment, ADCB aims to be a leader in compliance and risk management, and a key industry interlocutor for the regulator.

3,300+
Hours of compliance training delivered in 2023

94%
Employees formally trained on information security, data privacy and protection

21
Focused sessions on data privacy

Enhancing capabilities

ADCB is investing significantly in AI technology, machine learning and talent to continuously enhance the capabilities of its risk management and compliance functions.

DRIVEN BY PEOPLE

Partnerships

Through a growing ecosystem of partnerships, we are unleashing the power of finance in new ways to serve a rapidly increasing customer base. These relationships bring diverse benefits, from the introduction of new services to the promotion of financial inclusion and sustainability.

Ayman Alsebeyi
Digital Partnerships

Beril Albayrak
Corporate Banking Division

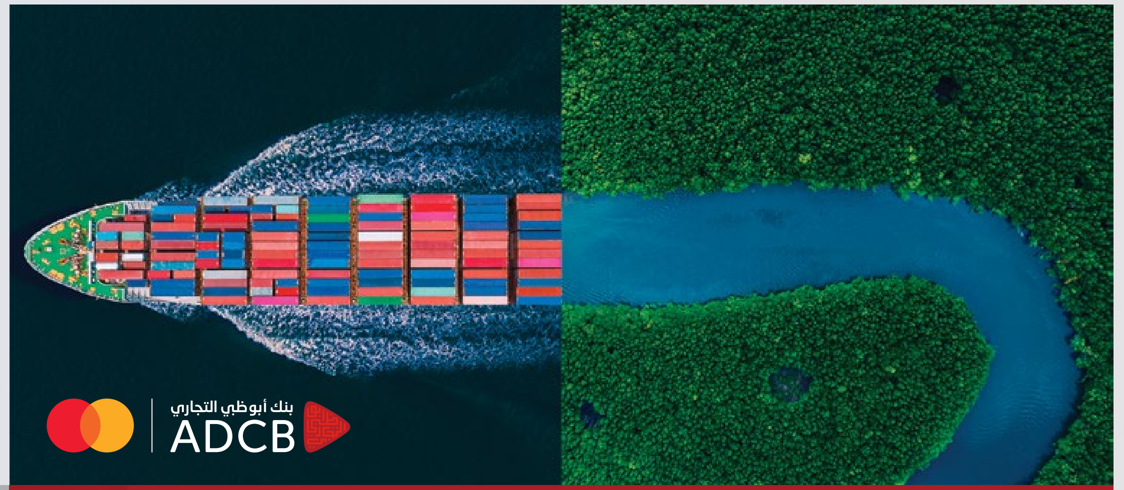
Frederico Coelho
Transaction Banking
Product Management

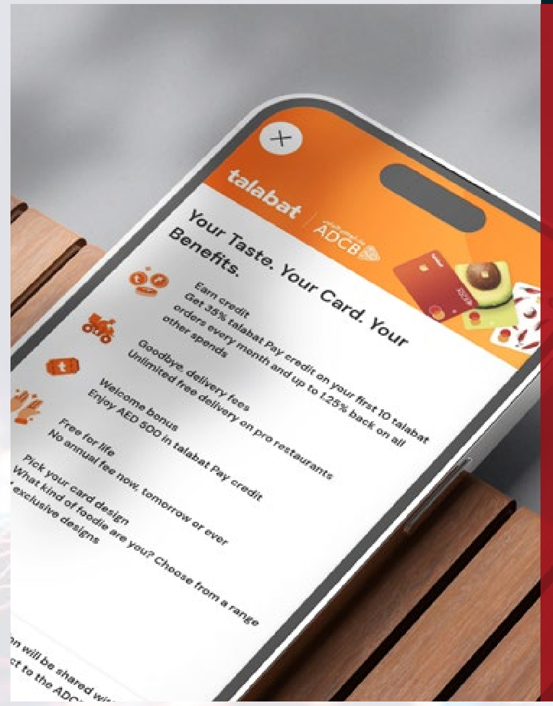
DESIGNED
FOR THE FUTURE

Service excellence

We are driven by the goal of providing the best customer experience, and the Bank is geared to maintaining the highest standards. This singular focus is driven by regular forums chaired by the Group CEO that ensures continuous progress through effective decision-making that makes a real difference to our customers.

Introduced the region's first Mastercard Carbon Calculator to support sustainability ambitions of business clients



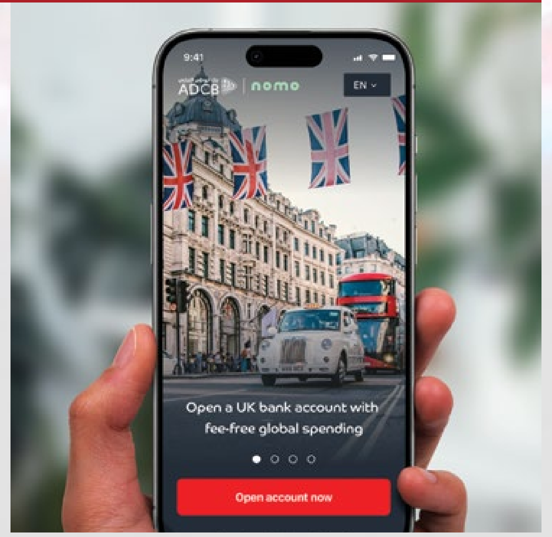


A customer-first ethos

A customer-first ethos is embedded across the organisation and provides the lens for all strategic decisions. Customer service KPIs form part of every employee's appraisal.

73
Bank-wide net promoter score

93%
Of customer feedback actioned within three days in line with ADCB Service Promise



DRIVEN BY PEOPLE

Commitment

We are committed to supporting our customers on their transition to a net zero economy. As part of this promise, the Bank is providing a range of green products and services to corporate and individual customers, and it has tripled its sustainable finance commitment.

Ali Alkhajeh
Investor Relations

Khalifa AlKhoori
ESG Risk, Credit Risk

Wedad Almarzooqi
Group Sustainability

Zaina Alabed
Group Sustainability

Richard Hirst
Group Sustainability

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Our planet

We have adopted an enhanced climate strategy and joined the UN-convened Net Zero Banking Alliance (NZBA). That means aligning our lending and investment portfolios with the goals of the Paris Agreement and the imperative of limiting global warming to 1.5°C.

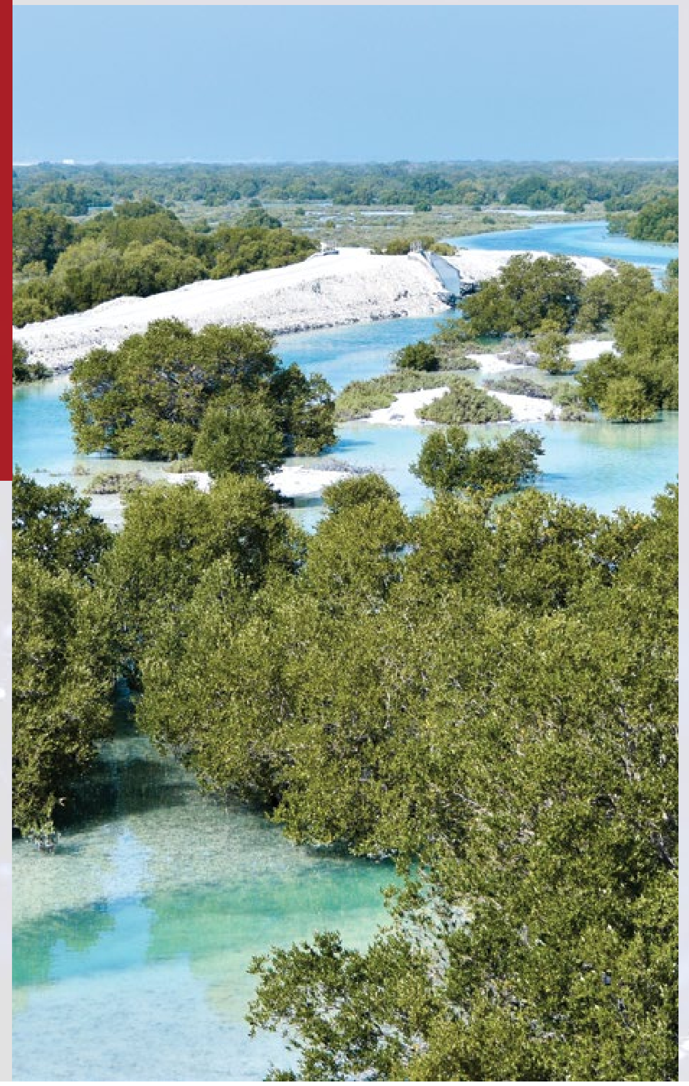
Green bonds an integral part of the funding mix

In 2023, ADCB issued its second green bond, a USD 650 million issuance, to channel global capital into green projects in the UAE.

2.9x
Oversubscribed

AED
125 bn
Commitment to sustainable finance by 2030

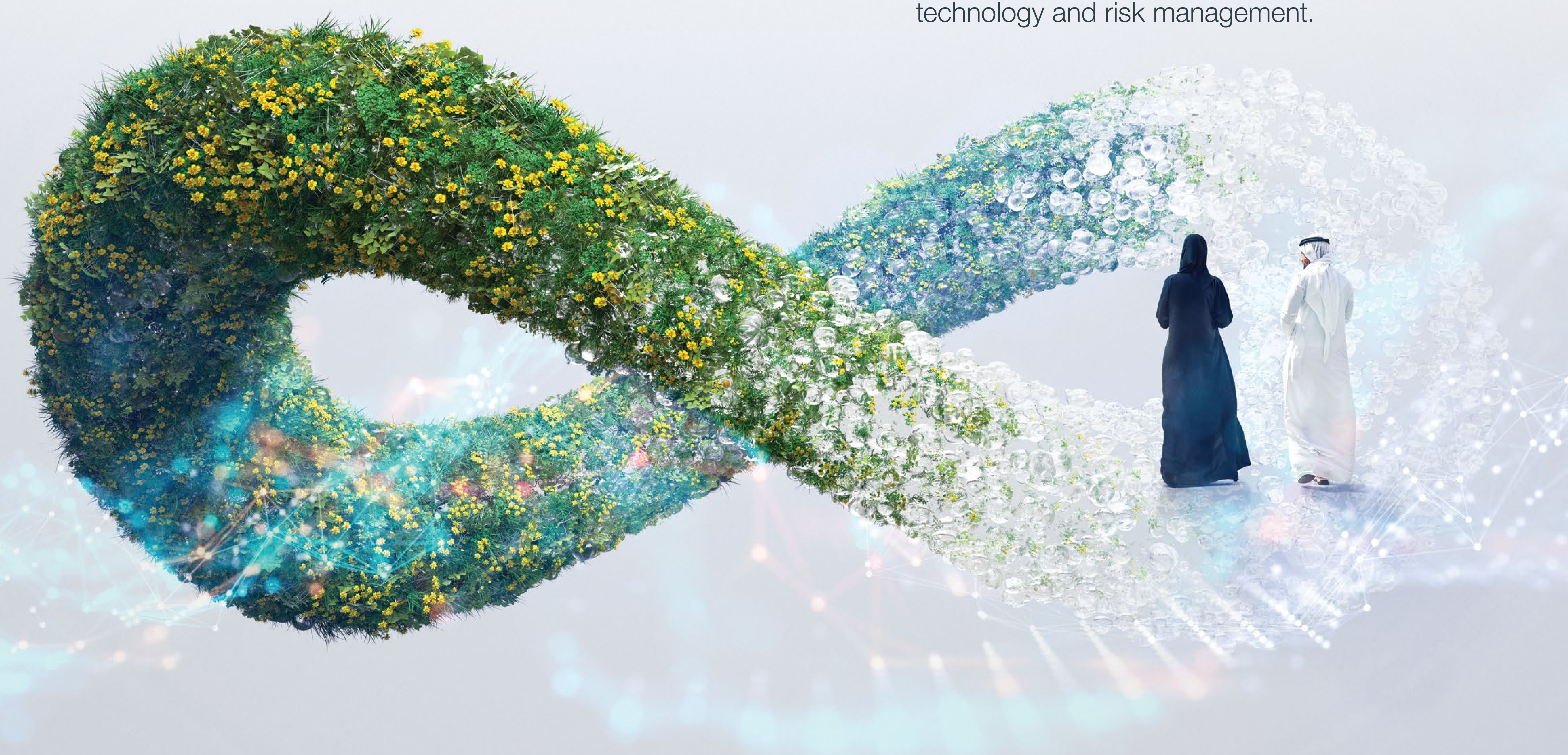
AED
1.65 bn
Eligible green loan portfolio[1]



(1) As at 30 June 2023 (ADCB Green Bond Report 2023)

Designed for the **future**

Success is defined by a culture that embraces agility and grasps new opportunities for growth alongside investment in people, technology and risk management.



STRATEGIC REVIEW

Zayed International Airport, Abu Dhabi

Chairman's message

"In 2023, ADCB successfully navigated a dynamic global economic landscape to deliver strong growth, further solidifying its position as a leading financial institution and a vital catalyst for the UAE's economic ambitions."

Khaldoon Khalifa Al Mubarak
Chairman

The Bank continued successfully executing its ambitious growth strategy against a positive economic backdrop in the UAE, marked by robust consumer and business confidence. Expanding our market share through digital innovation and customer experience transformation was a significant priority.

In this context, the UAE's rapidly advancing economic diversification strategy and Net Zero by 2050 strategic initiative represent significant opportunities for major financial institutions such as ADCB.

ADCB has joined the UN-convened global Net Zero Banking Alliance (NZBA) to support customers in their energy transition efforts while demonstrating regional leadership on climate. We have also committed to providing AED 125 billion in sustainable financing by 2030 and have concretely defined the classification, governance, and reporting of this commitment through adopting our 'Sustainable Finance Framework'.

These initiatives demonstrate how ADCB can leverage our expertise, business networks, and access to global capital markets to mobilise investment in the new green economy. Furthermore, ESG considerations are now embedded into corporate strategy with full Board oversight, with environmental and social risk assessments now integrated into the credit decision-making process.

Institutional resilience remains a central priority for ADCB. As a systemically important bank (D-SIB) in the UAE, ADCB is taking a prudent approach, ensuring that the delivery of our growth agenda is accompanied by maintaining a robust balance sheet and a commitment to upholding corporate governance best practices.

ADCB is already recognised by rating agencies for its leadership in product governance, data privacy and security, and business ethics. Further investment in technology is now equipping the risk management and compliance functions to navigate a rapidly changing market and regulatory environment.

As ADCB further elevates its strategic aspirations for the coming years, I am confident that we have the right strategy to continue generating substantial value for our diverse stakeholders.

On behalf of the Board, I would like to express our sincere appreciation to His Highness Sheikh Mohamed Bin Zayed Al Nahyan, the UAE President and Ruler of Abu Dhabi, His Highness Sheikh Mansour Bin Zayed Al Nahyan, the UAE Vice President, Deputy Prime Minister, and Chairman of the Presidential Court, and Chairman of the UAE Central Bank, and His Highness Sheikh Khaled Bin Mohamed Bin Zayed Al Nahyan, Crown Prince of Abu Dhabi and Chairman of the Abu Dhabi Executive Council, for their continued guidance and support.

AED **0.56**
Recommended dividend per share

STRATEGIC REVIEW

Economic overview

The UAE economy remained resilient in the face of global uncertainty in 2023, driven by robust non-oil sector growth and continued investment in strategic infrastructure and economic diversification programmes. The banking sector benefited from ample liquidity in the context of solid consumer and business confidence.

AED

150-200 bn

Targeted UAE investment in clean and renewable energy by 2030

UAE SOLIDIFIES REPUTATION AS A 'SAFE HAVEN' ECONOMY

The UAE economy displayed considerable resilience in 2023 in the face of heightened global economic uncertainty, supported by continued government investment in strategic infrastructure and economic diversification programmes as well as robust business and consumer confidence.

Real GDP growth was forecasted by ADCB at 3.6% for 2023, building on a strong rebound from the global pandemic that produced 6.0% expansion in 2022.

This solid performance contrasted with the experience of most major economies in 2023 as central banks globally continued to tighten monetary policy to address high inflation, and geopolitical risks continued to weigh on sentiment. Nevertheless, the United States, the Eurozone and the United Kingdom were showing signs in the second half of the year that they would avoid a 'hard landing' recession.

Meanwhile, the Indian economy maintained a relatively fast pace of growth, while China's full reopening after two years of COVID restrictions resulted in softer growth than many economists had expected.

Against this context, the UAE has consolidated its reputation as a beacon of stability by achieving broad-based growth. Non-oil sectors continued to experience strong fundamentals, supported by government policies to promote the country as a business and lifestyle destination, while steady oil production and prices contributed to a healthy fiscal position.

The removal of remaining COVID restrictions in Asia had a positive impact on the tourism and aviation sectors, while businesses in sectors such as transportation and accommodation also benefited from returning visitor numbers and population growth as more people moved to the UAE, including professionals and high-net-worth individuals. Total visitor numbers to Dubai in 2023 were up 2.5% from the 2019 pre-COVID baseline, while passenger numbers at Dubai International Airport were 0.7% higher than in 2019. Strong levels of confidence and relatively high GDP per capita in the UAE allowed consumers to absorb the higher interest rate environment and maintain robust household spending levels.

Meanwhile, the Brent crude oil price averaged USD 82.2 per barrel over the course of 2023, supported by additional voluntary production cuts by key OPEC+ members, including the UAE, from May onwards. Nevertheless, the UAE's average oil output was broadly flat on a yearly basis, and with the oil price remaining well above the UAE's budget breakeven oil price, the country continued to benefit from healthy fiscal and current account surpluses. This provided the backdrop for continued capital investment.

Project awards have continued to strengthen since mid-2022, with a policy focus on progressing with key development plans. The value of total UAE project awards more than doubled on an annual basis and were relatively broad-based — with the potential to boost investment activity in 2024 and onwards.

Much of the focus in the coming years will be on renewable and clean energy as the UAE seeks to reduce carbon emissions in line with its net zero objectives, with the country targeting between AED 150 billion and AED 200 billion of investment in this area by 2030. At the same time, the UAE is also investing to raise its hydrocarbon production capacity at a time when the global economy still requires it.

ADNOC increased planned capital expenditure to USD 150 billion for the 2023–2027 period to meet its expansion plans for oil and natural gas. The crude oil output capacity target has been raised to 5.0 million barrels per day by 2027, while natural gas expansion plans are aimed at the UAE reaching self-sufficiency and becoming a net exporter of natural gas by 2030.

Construction awards were also higher in 2023 fuelled by strong population growth over the last few years, which has led to increased demand for real estate. Development sales were strong during the year, with Dubai in particular continuing to see strong sale and rental price increases, with Abu Dhabi seeing more modest growth in sales, driven largely by demand for villas.

With the economy in solid shape, the banking system retained strong levels of liquidity. System-wide deposits grew by 10.0% over the first 11 months of 2023 while credit growth was at 6.1%.

Looking ahead, ADCB expects real GDP growth to continue in 2024, with the increase in the UAE's OPEC production baseline driving expansion of the oil sector. Real estate investment momentum, linked to shortages in supply and medium-term development plans, are likely to underpin growth in non-oil sector activity, alongside strong consumer sentiment and population growth.

The government's policy reform programme continues to strengthen the economic environment and enhance the attractiveness of the UAE as a commercial and investment hub. Reforms are facilitating the growth of new industries and supporting the emergence of a strong knowledge-based economy, while enhancing the global competitiveness of the UAE. Broad-based reforms to resident and tourist visas continued to directly support key non-oil sectors, as well as boosting demand for wider goods and services as the population grows. The introduction of corporate income tax and creation of a new Ministry of Investment will strengthen the UAE's competitiveness and underline its commitment to developing a resilient, investment-friendly and globally compliant economy.

Group CEO's message

> In 2023, ADCB accelerated implementation of its five-year strategy, generating strong growth in core earnings and making progress on all fronts ahead of schedule."

Ala'a Eraiqat
Group Chief Executive Officer

Driven by people. Designed for the future.

The transformation of the Bank over the last three years has been remarkable in terms of the scale and strength of the business. Over this short timeframe, net profit has increased at a compounded annual growth rate (CAGR) of 25% to AED 8.206 billion in 2023, with return on average tangible equity increasing to 15.1%, from 11.4% in 2021. This has been accompanied by significant efficiency gains as the cost to income improved by 240 basis points over the three year period.

The balance sheet has expanded rapidly, with net loans increasing by 24% to cross the AED 300 billion milestone and deposits growing by 37% since 2021. Asset quality has also trended in a positive direction, with the NPL ratio improving to 3.73% from 5.41% in 2021.

The relentless drive of our people is creating a fitter and leaner organisation designed to succeed in a rapidly changing economic and technological landscape. A bank differentiated by innovation, bespoke product offerings and backed by disciplined risk management. A respected brand that represents service excellence and engagement with its communities.

In 2023, the Retail Banking and Corporate and Investment Banking businesses continued to excel, leveraging digital platforms to expand the customer base. A prime example was the cards business, which had its best year ever, as ADCB became the number one issuer of credit cards in the fourth quarter, with a 21% market share in the UAE. The Bank welcomed approximately 220,000 credit card customers, 82% higher than the previous year, driven by digital onboarding and new partnerships — including with food delivery company talabat — that resonated with customers.

ADCB is setting its ambition higher still, adopting new five-year targets to increase market share further. As a primarily UAE-centric bank with a regional corporate and investment banking offering, we take confidence from the clear strategic direction set by the government, which is implementing policies to drive investment and encourage entrepreneurship. This strategy, bolstered by a solid fiscal position, underpins the country's ongoing economic resilience. We expect substantial public investment in the coming years particularly in economic diversification programmes, infrastructure and the transition to clean and renewable energy.

At the same time, we also see opportunity in supporting corporate and institutional clients operating in economic corridors across key regional markets. Having received approval in mid-January 2024 from Saudi Arabia's Council of Ministers, ADCB is proud to be establishing a strategic presence in the Kingdom.

To design a future-ready bank, we continue to invest significantly in our long-standing digital transformation programme, with over 200 technology projects carried out across the Group in 2023. This is driving scalable growth, higher productivity and enhanced customer engagement.

Over one million customers have joined the Bank through our onboarding app since its launch in 2019. Our core banking app, which is among the highest ranked in the UAE on the Google and Apple stores, has contributed to the Bank's capacity to more than double the number of retail customer transactions over the last three years, with self-service transactions representing 97% of the total in 2023. Innovation is also contributing to effective governance, as the adoption of AI and machine learning technologies enhances risk management and compliance, supporting growth in a fast-changing market and regulatory environment.

AED
8.206 bn
2023 net profit

The values to deliver growth

While the face of banking is changing rapidly, I am proud that ADCB retains long-standing values — placing customers at the forefront of the business, and recognising the importance of employee culture to long-term success.

Firstly, the Bank will always be defined and differentiated by delivery of service excellence, and everything we do is geared towards this objective. I chair regular service excellence forums to drive continuous improvement, and we are proud that our net promoter score, measuring the willingness of customers to recommend ADCB's brand, products and services to others, increased by a further four points to 73 in 2023.

As the UAE moves to an inclusive, net zero economy, ADCB has ensured that support for our customers' transition lies at the centre of its enhanced climate strategy. The Bank has shown regional leadership by joining the UN-convened global Net Zero Banking Alliance (NZBA) in 2023 and has tripled its sustainable finance commitment to AED 125 billion by 2030. This follows the integration of sustainability into our five-year corporate strategy, with full Board oversight.

Secondly, we recognise the talent and work ethic of our people is driving the Bank's high-paced growth. In this high-performance workplace, we embrace diversity to ensure different perspectives are brought to the table, and prioritise 'respect' as a core value. Over 80 nationalities are represented in our employee base, with a healthy gender balance evident at every level across the Group.

ADCB is dedicated to making a significant contribution to the UAE's progressive Emiratisation agenda. We welcomed more than 300 UAE nationals in 2023, taking Emirati employees to over 2,000 — 40% of the Group's employee base, which is among the highest rates in the financial sector. Importantly, our rigorous training and a redesigned career development path is offering further opportunities and producing strong results. During the year, over 1,000 UAE nationals were promoted, including into a number of key senior positions in our core businesses, digital partnerships, finance, compliance, sustainability, credit risk and liquidity management.

70%

3-year total shareholder return

300+

UAE nationals joined ADCB in 2023

The combination of diversity, empowerment and a strong sense of responsibility makes for a high-performance and motivated workplace. In 2023, an Organisational Health Index (OHI) survey placed ADCB in the top quartile of the global banking industry, with high scores for strategic direction, leadership and innovation/learning.

Prioritisation of sustainability and implementation of best practice in this area is enhancing long-term resilience of the Group. This has been recognised by independent ESG ratings agency Sustainalytics, which upgraded ADCB in January 2024 to 'low risk' as the highest ranked bank in the MENA region and in the leading 6% of all companies covered globally.

As we look to the future, ADCB benefits from a robust financial position and also displays considerable organisational strengths, giving us the confidence to press ahead with renewed and elevated ambition to create significant shareholder value.

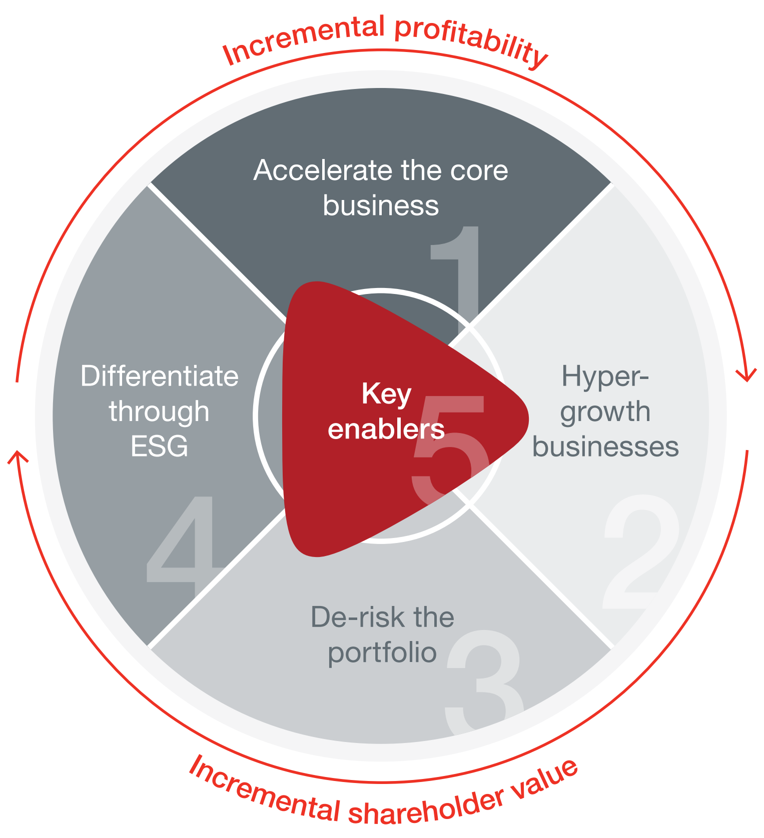
I would like to express my respect and gratitude to H.E. Khaldoon Al Mubarak, Chairman, and members of the ADCB Board for their guidance and support.

I would also like to thank all our stakeholders who are part of our journey — our customers, shareholders, business partners and colleagues. We look forward to continued success in the coming years.

STRATEGIC REVIEW

Group strategy

To successfully navigate the evolving economic environment and the latest banking sector dynamics, the Bank is focusing on five major objectives:



1 **Continue accelerating the core business** by focusing on growth in market share, increasing 'share of wallet', and providing best-in-class customer experience, while delivering significant efficiency gains

2 **Building businesses with hyper-growth potential** in areas such as payments, digital banking, wealth and asset management

3 **De-risking the portfolio** to reduce potential volatility in profitability stemming from areas such as underperforming assets

4 **Differentiate through ESG** by maintaining an ESG lens in all value-creation activities

5 **Focusing on key business enablers** such as our digital capabilities, key talent, best-in-class governance, and risk management practices

Retail Banking Group

The Retail Banking Group is focusing on growth in market share, particularly through personal loans, mortgages, and credit cards by delivering a client-centric proposition at scale.

Corporate & Investment Banking Group

The Corporate & Investment Banking Group is delivering a wide range of fee-generating services, reaching new clients in a broader range of segments across the region.

Private Banking & Wealth Management Group

Private Banking is focused on growing its market share through its bespoke relationship management model, enabled by expanding digital and product capabilities, while delivering a leading customer experience.

Treasury & Investments Group

Treasury is further broadening the investment portfolio, encompassing a healthy accrual income and periodic capital gains. It is also increasing secondary market trading along with DCM origination, and enlarging its product offering to improve cost of funds.

Key subsidiaries

ADCB Egypt continues to accelerate growth, focused on the affluent and corporate segments. Al Hilal Bank is enhancing its digital Islamic banking platform by introducing an increasing range of engaging, family-centric, and intuitive retail banking products and services.

Digital as an enabler

A comprehensive digital approach underpins our strategy and supports our ambition to provide an engaging, market-leading banking experience. We are driving revenue growth through cross-selling and increased customer acquisition, while offering customers a complete and seamless digital journey — from product sales and automated self-service to a broad ecosystem of digital partnerships and innovative products.

Our digital strategy focuses on investment and initiatives based on the following four areas:

Technology
Building a modern cost-effective technology landscape

Digital & analytics
End-to-end digitisation to deliver a best-in-class customer experience

Organisational capabilities
Building cutting-edge expertise to strengthen technical capabilities

Compliance & cybersecurity
Embedding a strong risk management culture and implementing robust cybersecurity

ADCB Group has a clear and detailed road map for each business segment and its subsidiaries, which is closely monitored by a dedicated steering committee to ensure smooth and successful strategy execution.

Group CFO's message

"ADCB delivered strong earnings growth in 2023 through successful implementation of our strategy to accelerate expansion of core businesses, powered by digitisation, sustainability, prudent risk management and best-practice compliance."

Deepak Khullar
Group Chief Financial Officer

A record performance

Full year net profit in 2023 increased 28% to AED 8.206 billion, setting a new record for the Bank, with return on average tangible equity rising to 15.1%, from 13.3% in 2022. This notable financial performance was marked by strong top line growth, disciplined cost management and a robust balance sheet.

Diversified income streams continued to define the Bank's growth trajectory. Net interest income increased 21% to AED 12.374 billion, while non-interest income of AED 4.493 billion was 8% higher than 2022. ADCB's operating profit before impairment charge was AED 11.414 billion, an increase of 21% year-on-year.

The Bank reported strong loan growth across its retail and corporate businesses. With AED 74 billion of new corporate credit extended to customers during the year, ADCB's net loans increased 17% to reach AED 302 billion, outperforming medium-term guidance of 10-12% growth. This was a record year for auto loans, which increased 32%, as well as for mortgages, rising 26%, and personal loans, up 13% over 2022.

28%

YoY increase in 2023 net profit

Non-interest income was supported by a 16% increase in net fees and commission income. Notably, gross card related fees rose 24% as the cards business had its best year ever, expanding progressively to become the number one issuer of credit cards in the fourth quarter, with a 21% market share in the UAE. Meanwhile, gross loan processing fees were up 7% and trade finance commissions rose 11%.

The Bank also reported a net one-off gain of AED 490 million from the divestment of an 80% stake in Abu Dhabi Commercial Properties (ADCP) during the fourth quarter. The transaction was pursued in line with our strategy to focus on core banking services, while still leaving the Bank with a 20% stake in a growing business.

Increased productivity has been a significant driver of financial and operating performance in recent years. We have maintained a high level of service excellence for a significantly larger customer base, and invested in technology and our people, while maintaining rigorous cost discipline. As a result, ADCB's full-year cost to income ratio improved by 180 basis points to 32.3% — in line with medium-term guidance.

Balance sheet strength

We are also pleased with the Bank's asset quality, which has been maintained as the balance sheet has expanded. Cost of risk was 79 basis points in 2023, in line with medium-term guidance of 80 basis points, while the NPL ratio of 3.73% declined to its lowest level since 2020.

ADCB's balance sheet remains a source of strength, with significant deposit growth complementing the expansion of the Bank's loan book. Leveraging its strong franchise, ADCB attracted AED 54 billion in total customer deposits in 2023 — a 17% increase during the year. It is worth highlighting that despite elevated interest rates and a highly competitive landscape, the Bank still attracted AED 14 billion of CASA deposits during the year to reach AED 167 billion — representing 46% of total deposits.

The Bank remains well capitalised, with capital adequacy (Basel III) and the CET1 ratio standing at 16.22% and 12.86% respectively at the end of 2023. ADCB also benefits from a healthy liquidity position, with a liquidity coverage ratio of 158.1%, a liquidity ratio of 32.6%, and a loan to deposit ratio of 83.2%.

Enhanced climate strategy

Building on strong progress on ESG, the Bank focused on enhancing its climate strategy in 2023 to drive emission reductions across its financing, operations and supply chain.

In November 2023, ADCB joined the UN-convened industry-led Net Zero Banking Alliance (NZBA), committing to align lending and investment portfolios with the goals of the Paris Agreement.

17%

YoY increase in customer deposits

17%

YoY increase in net loans

To support customers in their transition, ADCB more than tripled its sustainable finance target to AED 125 billion by 2030, and set a shorter-term target of AED 50 billion by 2025.

This has been complemented by more product offerings, including a Sustainable Call Account for corporates and a Mastercard Carbon Calculator to allow companies to measure the emissions impact of their spending. For retail customers, the Bank is providing preferential loans for electric vehicles and green mortgages.

ADCB is now the highest ranked bank by Sustainalytics in the MENA region and in the top 6% of all companies covered by the rating agency globally, while the Bank also commands an ESG rating of 'A' from MSCI. This reflects key strengths in many areas, from data privacy and security to business ethics, which are important for the sustained growth and resilience of our organisation.

Having delivered an outstanding operational and financial performance in 2023, we see strong momentum building across our businesses, with market-leading digital platforms continuing to be instrumental in customer acquisition and achieving growth in market share. Operating on a significantly elevated scale, ADCB is in a strong position to pursue further scalable growth and capitalise on significant opportunity in a vibrant UAE economy.

STRATEGIC REVIEW

Financial review

Selected financial metrics for FY'23

AED
8.206 bn
Net profit

15.1%
Return on tangible equity

2.83%
Net interest margin

12.86%
CET1 ratio

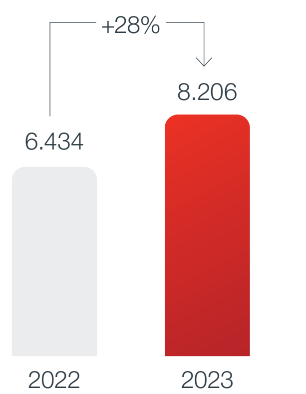
158.1%
Liquidity coverage ratio

79 bps
Cost of risk

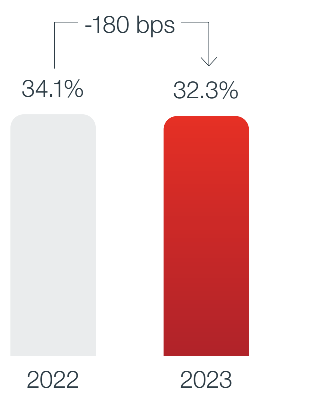
Strong growth in diverse income streams amid positive UAE consumer and business sentiment

KEY HIGHLIGHTS – 2023 VS. 2022

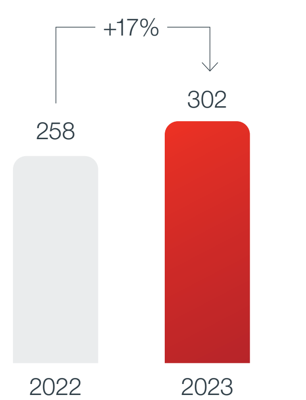
- Net profit of AED 8.206 bn increased 28%
- Net interest income of AED 12.374 bn increased 21%
- Non-interest income of AED 4.493 bn increased 8%
- Operating income of AED 16.866 bn increased 18%
- Cost to income ratio of 32.3% improved by 180 bps
- Operating profit before impairment charge of AED 11.414 bn increased 21%



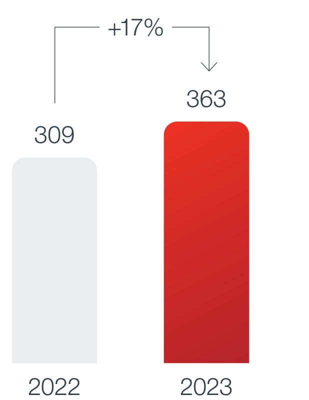
Net profit (AED bn)



Cost to income ratio (%)



Net loans (AED bn)



Deposits (AED bn)

Franchise strength driving significant growth in net loans and deposits of 17% YoY

- Total assets of AED 567 bn increased 14% YoY and 6% QoQ.
- Net loans of AED 302 bn, up 17% YoY and 6% QoQ. New credit extended totalled AED 74 bn in FY'23, while AED 37 bn in repayments were received.
- Total average interest earning assets increased 8% YoY to AED 438 bn.
- Total customer deposits of AED 363 bn were 17% higher YoY and up 10% QoQ. CASA (current and savings account) deposits were AED 167 bn at December-end, and comprised 46% of total customer deposits.
- Capital adequacy and CET1 ratios were 16.22% and 12.86% respectively.
- Liquidity coverage ratio (LCR) stood at 158.1%.
- Cost of risk was 79 bps for FY'23. The NPL ratio improved significantly to 3.73%, its lowest level since 2020, from 5.25% a year earlier. Including POCI, the NPL ratio was 4.20% compared to 6.07% as at December 2022.
- Provision coverage ratio was 102.5% and, when including collateral, was 168%.

KEY RECENT BUSINESS AND OPERATIONAL HIGHLIGHTS

- ADCB joined the UN-convened global Net Zero Banking Alliance (NZBA) in November 2023 and tripled its sustainable finance commitment to AED 125 billion by 2030. The Bank actively participated in the COP28 climate conference hosted by the UAE to support the nation's net zero climate agenda.
- ADCB divested an 80% stake in Abu Dhabi Commercial Properties (ADCP) in December 2023 to Nine Yards Plus Holdings, a subsidiary of Ethmar International Holding. The Bank recorded a net gain of AED 490 million on this transaction including fair value gain on 20% retained interest. The transaction unlocked value for ADCB shareholders, while improving the market positioning of ADCP through a partnership with a company growing rapidly in the real estate sector.
- The Bank successfully issued USD 750 million in Additional Tier 1 (AT1) bonds in November 2023. After receiving over USD 4 billion of orders from a diverse group of global investors, the issuance was priced at 8.0% following tightening of 62.5 bps from initial pricing guidance.
- The cards business had its best year ever. In Q4'23, ADCB was the number one issuer of credit cards in the UAE with over 58,000 new cards issued. This represented 44% of new cards issued by the UAE's three largest banks, and 21% share of the total UAE market in the quarter.
- In January 2024, ADCB obtained approval from Saudi Arabia's Council of Ministers to establish a presence in the Kingdom. The Bank intends to fulfil all technical and regulatory requirements stipulated by the Saudi Central Bank (SAMA) before commencing operations from a new branch in Riyadh. ADCB will provide a comprehensive range of services for corporate and institutional clients, including financing and working capital solutions, mandated by a Foreign Banking Branch licence.
- In January 2024, ADCB received a significant ESG rating upgrade by Sustainalytics to 'low risk' with a score of 12.5. This placed ADCB as the highest ranked bank in the MENA region and in the top 6% of over 15,000 companies globally covered by the rating agency.

Q4/FY 2023 financial highlights

Income statement highlights (AED mn)	FY'23	FY'22	Δ YoY%	Q4'23	Q3'23	Q4'22	ΔQoQ%	ΔYoY%
Total net interest and Islamic financing income	12,374	10,194	21	3,413	3,179	2,918	7	17
Non-interest income	4,493	4,151	8	1,249	1,054	1,486	19	(16)
Operating income	16,866	14,344	18	4,662	4,233	4,403	10	6
Operating expenses	(5,453)	(4,888)	12	(1,491)	(1,412)	(1,302)	6	14
Operating profit before impairment charge	11,414	9,456	21	3,171	2,822	3,101	12	2
Impairment charge	(3,477)	(2,779)	25	(1,162)	(819)	(1,193)	42	(3)
Net gain on disposal of stake in subsidiary[1]	490	–	NA	490	–	–	NA	NA
Net profit for the period[2]	8,206	6,434	28	2,454	1,942	1,784	26	38

Balance sheet highlights (AED mn)	Dec'23	Dec'22	Δ YoY%	Dec'23	Sep'23	Dec'22	ΔQoQ%	ΔYoY%
Total assets	567,194	497,842	14	567,194	536,889	497,842	6	14
Net loans and advances	301,995	258,493	17	301,995	284,257	258,493	6	17
Deposits from customers	362,905	308,931	17	362,905	329,276	308,931	10	17

Key metrics (%)	FY'23	FY'22	ΔYoY bps	Q4'23	Q3'23	Q4'22	ΔQoQ bps	ΔYoY bps
CAR (Capital adequacy ratio — Basel III)	16.22	15.77	45	16.22	16.16	15.77	6	45
CET1 (Common equity tier 1) ratio	12.86	12.96	(10)	12.86	13.46	12.96	(60)	(10)
Liquidity coverage ratio (LCR)	158.1	138.9	1,920	158.1	130.4	138.9	2,770	1,920
Loan to deposit ratio	83.2	83.7	(50)	83.2	86.3	83.7	(310)	(50)
CASA/total customer deposits	46	50	(400)	46	48	50	(200)	(400)
Non-performing loan (NPL) ratio	3.73	5.25	(152)	3.73	4.82	5.25	(109)	(152)
Provision coverage ratio[3]	102.5	93.0	950	102.5	91.4	93.0	1,110	950
NPL ratio including POCI[4]	4.20	6.07	(187)	4.20	5.36	6.07	(116)	(187)
Cost of risk (COR)[5]	0.79	0.76	3	1.02	0.73	1.21	29	(19)
Cost to income ratio	32.3	34.1	(180)	32.0	33.3	29.6	(130)	240
Net interest margin (NIM)[6]	2.83	2.51	32	2.93	2.87	2.72	6	21
Risk adjusted NIM[6]	2.06	1.81	25	1.95	2.17	1.61	(22)	34
Return on average tangible equity (ROATE)	15.1	13.3	180	18.1	13.3	15.1	480	300

Note: Figures may not add up due to rounding differences

(1) Net gain on disposal of stake in subsidiary and fair value gain on retained interest

(2) After share in profit of associates, overseas income tax charge, and profit/loss from discontinued operations

(3) Provisions on loans and advances, including fair value adjustments

(4) POCI: Purchased or originated credit-impaired financial assets

(5) COR: Net impairment charge on loans & advances and investments divided by net average loans & advances and investments

(6) Q3'23, Q4'23 and FY'23 NIM, risk adjusted NIM and yield exclude 'Financial assets at fair value through profit or loss' and 'Loans and advances to customers at fair value through profit or loss' from interest earning assets

Record earnings driven by strong credit expansion in a higher interest rate environment and growth across diverse income streams

- Net interest income[7] increased 21% to AED 12.374 billion in FY'23 primarily driven by net loan growth of 17% in a higher interest rate environment. Net interest margin (NIM) in FY'23 improved by 32 bps YoY to 2.83% and risk adjusted NIM improved by 25 bps to 2.06%. Q4'23 net interest income of AED 3.413 billion was up 17% YoY and 7% QoQ. NIM widened to 2.93% in Q4'23 from 2.72% a year earlier and 2.87% in the previous quarter.
- Cost of funds in FY'23 increased by 217 bps YoY to 3.85% in FY'23 due to the higher interest rate environment. This compared favourably to YoY increases of 290 bps in three-month average EIBOR and 304 bps in three-month average LIBOR/SOFR[8] in FY'23, reflecting effective management of the Bank's funding mix. Cost of funds of 4.22% in Q4'23 was 129 bps higher YoY and up 21 bps sequentially.
- The Bank continues to benefit from growth in diversified income streams, with non-interest income increasing 8% to AED 4.493 billion in FY'23. Net fees and commission income increased 16% YoY to AED 2.444 billion. Gross card-related fees increased 24% as the cards business had its strongest year ever, with c. 220,000 new credit cards issued, up 82% YoY. Gross loan processing fees were up 7% and trade finance commissions rose 11%. FY'23 net trading income rose 74% to AED 1.593 billion mainly on account of net gains from financial assets at fair value through profit or loss (FVTPL), as well as higher gains on derivatives and foreign exchange.
- Non-interest income of AED 1.249 billion in Q4'23, was 19% higher QoQ, and 16% lower YoY primarily due to gains recorded a year earlier on the sale of NPLs and lower fee and commission income.
- Cost to income ratio improved by 180 bps YoY to 32.3% in FY'23, as the Bank achieved 18% growth in operating income while maintaining disciplined cost management and enhancing productivity. Full-year operating expenses were 12% higher on account of broad-based investment in the growth of the business, including digital technology, compliance, regulatory requirements and people. In Q4'23, the cost to income ratio was 32.0% as operating income increased 6% YoY and 10% QoQ.
- Net impairment charge rose 25% YoY to AED 3.477 billion in FY'23. Q4'23 net impairment charge of AED 1.162 billion was 3% lower than a year earlier, and higher sequentially primarily due to provisioning on a few corporate accounts.
- In Q4'23, ADCB sold an 80% stake in Abu Dhabi Commercial Properties (ADCP) recording a net gain of AED 490 million including fair value gain on 20% retained interest.
- The Bank reported record quarterly and full-year earnings, with net profit up 28% to AED 8.206 billion in FY'23 and up 38% YoY to AED 2.454 billion in Q4'23. Return on average tangible equity was 15.1% for FY'23 and 18.1% for Q4'23.

Update on guidance

	FY'23 guidance	FY'23 actual	FY'24 guidance
Loan growth	10-12%	17%	8-10%
ROATE	14-15%	15.1%	14-15%
NIM	c. 2.80%	2.83%	c. 2.60%
Cost of risk	≈80 bps	79 bps	<80 bps
CET1 ratio	>12%	12.86%	>12%
Dividend payout ratio (cash)	50% of net profit	50% of net profit	

(7) Including Islamic financing

(8) Includes credit adjustment spread (CAS), which is the adjustment between LIBOR and the risk free rate to reduce/eliminate the economic value transfer between the lender and the borrower when the index changes from LIBOR to the replacement risk free rate

Strong standing in the market driving 17% YoY growth in net loans and customer deposits

- Robust balance sheet, with total assets increasing 14% YoY to AED 567 billion at the end of 2023.
- Net loans and advances to customers increased 17% YoY to AED 302 billion as at December-end, with the Bank extending AED 74 billion in new corporate credit during the year and receiving AED 37 billion in repayments. 2023 was a record year for personal loans, auto loans and mortgages, while the Bank increased lending to a wide range of corporate and institutional clients, including government-related entities (GREs), trading, transport, manufacturing and financial institutions.
- The Bank continued to de-risk its balance sheet, with exposure to the real estate sector further declining to 17% in December'23 from 22% a year earlier, while lending to GREs increased to 25% from 23%. Loans outside the UAE comprised 19% of the portfolio as at December-end, mainly driven by growth in lending to corporates in the energy and trading sectors as well as financial institutions.
- Investment securities stood at AED 128 billion as at 31 December 2023, up 15% YoY, with 68% accounted for at amortised cost and 32% at fair value through other comprehensive income (FVTOCI) and marked to market on a daily basis. In the interbank markets, ADCB was a net lender of AED 21.9 billion as at the end of 2023.
- Total customer deposits were up 17% to reach AED 363 billion, with time deposits increasing 25% to AED 196 billion. Despite the higher interest rate environment, the Bank leveraged its strong franchise to attract AED 14 billion of CASA deposits during the year, bringing total CASA deposits to AED 167 billion as at December-end, representing 46% of total customer deposits.
- Total shareholders' equity stood at AED 71 billion as at 31 December 2023, compared to AED 61 billion a year earlier.
- The Bank remains well-capitalised with capital adequacy (Basel III) and CET1 ratios of 16.22% and 12.86% respectively as at 31 December 2023, versus 15.77% and 12.96% at the end of 2022. ADCB successfully issued USD 750 million in Additional Tier 1 (AT1) bonds in November 2023.
- ADCB maintains a robust liquidity position, with a liquidity coverage ratio of 158.1%, a liquidity ratio of 32.6% and a loan to deposit ratio of 83.2% as at 31 December 2023.

Retail Banking Group[1]	% increase in acquisitions (Q4'23 vs. Q4'22)	% increase in portfolio balance (Dec'23 vs. Dec'22)
Personal loans	33%[2]	13%
Mortgage loans	67%[2]	26%
Auto loans	16%[2]	32%
Credit cards	72%[3]	14%

(1) ADCB Group's UAE operations, including Al Hilal Bank
(2) Personal, mortgage and auto loans refer to disbursals
(3) Credit cards reflect the volume of cards issued

FY'23 cost of risk at 79 bps remaining within medium-term guidance

- Cost of risk for FY'23 was 79 bps, remaining within medium-term guidance of 80 bps, and compared to 76 bps the previous year. Cost of risk was 102 bps in Q4'23, versus 121 bps a year earlier and 73 bps in the previous quarter, with the sequential increase due to provisioning for a few corporate accounts.
- The NPL ratio was at its lowest level since 2020, improving to 3.73% at the end of December'23 from 5.25% a year earlier and 4.82% in September'23. Including POCI (purchased or originated credit- impaired) assets, the NPL ratio was 4.20%, compared to 6.07% at the end of 2022.
- The provision coverage ratio was 102.5%, compared to 93.0% at the end of 2022, and including collateral held, the ratio was 168% compared to 144% a year earlier.

Digital onboarding and innovative partnerships capturing market share, with a record 630,000+[4] new accounts opened in 2023

- ADCB Group's UAE operations, including Al Hilal Bank, opened a record 633,000 customer accounts in 2023, with 83% onboarded digitally.
- ADCB's onboarding app, Hayyak, has welcomed 1 million customers since its launch in 2019, and registered the highest number of customers onboarded in a quarter with over 109,000 customers in Q4'23, bringing the total to more than 401,000 new customers in FY'23.
- Digital engagement continued to accelerate, with ADCB's mobile banking subscribers growing by approximately 120,000 customers in the quarter[5]. As at December-end, digital banking subscribers (internet and mobile banking) were up 34% YoY, with active users up 39% YoY. 89% of customers are now registered for internet and mobile banking[5].
- Self-service transactions[6] continued to increase, with over 188 million retail transactions conducted electronically in FY'23, up 37% YoY, while mobile fund transfer transactions were up 63% YoY. Self-service retail transactions represented nearly 97% of all customer transactions in 2023.
- ADCB's Dream Home, UAE's first digital home ecosystem platform in partnership with Bayut crossed AED 3.9 billion instant pre-approvals and AED 1.35 billion of new mortgages in 2023, contributing to 23% of total mortgage disbursals.
- Transactions on the ProCash and ProTrade corporate banking digital platforms accounted for 97% of all cash management transactions and 65% of trade finance transactions in 2023, respectively.
- ADCB implemented 53 digital releases in FY'23. For CIBG clients, the Bank introduced a simplified solution for generating digital tokens, as well as a liquidity management solution for corporate treasurers. In addition, the Bank launched ProCash 2.0 — a refreshed platform designed for an enhanced customer experience and convenience.

(4) ADCB UAE's operations, including Al Hilal Bank
(5) ADCB UAE only, excluding Al Hilal Bank
(6) Self-service transactions refer to transactions made on electronic channels including ATMs, excluding PoS

Enhanced climate strategy with ADCB joining Net Zero Banking Alliance and more than tripling sustainable finance targets

- ADCB has enhanced its climate strategy to drive emission reductions across its financing, operations and supply chain, joining the global Net Zero Banking Alliance (NZBA) in November 2023. Convened by the UN Environment Programme Finance Initiative (UNEP FI), NZBA is an industry-led initiative to align lending and investment portfolios with the imperative of limiting global warming to 1.5ºC in line with the Paris Agreement.
- In Q4'23, the Bank more than tripled its sustainable finance commitment to AED 125 billion (USD 34 billion) by 2030, while setting a shorter-term target of AED 50 billion (USD 14 billion) by 2025.
- ADCB continues to expand its range of sustainable products, launching a Sustainable Call Account for corporate customers in Q4'23 and introducing the region's first Mastercard Carbon Calculator to measure the carbon footprint of corporate clients. This builds on a retail offering, which includes preferential loans for electric vehicles and green mortgages.
- As part of its climate agenda, ADCB is creating diverse partnerships to support the transition to net zero. In Q4'23, the Bank was an active participant at the COP28 global climate conference hosted by the UAE. The Bank joined the UAE Carbon Alliance, which has been convened by the UAE Independent Climate Change Accelerators (UICCA) to promote cooperation in decarbonisation by developing standards and frameworks for constructive carbon financing. ADCB is also supporting research conducted by the Harvard Kennedy School seeking to support the introduction of an effective global carbon market in line with Article 6 of the Paris Agreement.
- ADCB achieved a significant upgrade in its ESG rating from Sustainalytics to 'low risk' with a score of 12.5. The upgrade recognises improvement across all ESG material issues, with notable gains in the areas of data privacy and security, business ethics and product governance. ADCB is now the highest ranked bank by Sustainalytics in the MENA region, in the top 7% of banks globally and top 6% of over 15,000 companies under coverage.
- A comprehensive ESG e-learning module was launched for all employees in November 2023, while role-specific 'net zero' and in-depth ESG training courses are being prepared for roll-out in 2024.
- During 2023, the Bank made strong progress in a number of areas, including incorporation of environmental and social considerations into lending decisions, completion of a baseline assessment of scope 3 financed emissions in accordance with Partnership for Carbon Accounting Financials (PCAF) standards, issuance of a second green bond and publication of a detailed Impact and Allocation Report.

Resilient performance of ADCB Egypt with digital innovation enhancing customer experience

- ADCB Egypt delivered a strong financial performance despite a backdrop of macroeconomic challenges.

Net profit[1] in FY'23 increased 126% YoY to EGP 1.8 billion, representing a return on equity of 23.8%.

Net profit[1] in Q4'23 increased 108% YoY to EGP 625 million, representing a return on equity of 30.2%.

Net loans increased 21% during FY'23 to EGP 35.9 billion as at 31 December 2023.

Total deposits increased 15% to EGP 86.4 billion as at 31 December 2023.

- The Bank continued to accelerate its digital transformation with the launch of a flagship e-branch.
- Subscribers to digital banking platforms were 51% higher YoY, with digital transactions up 420% in FY'23.
- The Bank continued to make progress on its ESG agenda, announcing a target for sustainable finance to reach 15% of the total loan portfolio by end of 2030. ADCB Egypt also launched a Sustainable Call Account for corporate clients as well as preferential loans to individuals for the purchase of electric vehicles.
- ADCB Egypt launched a loyalty programme designed to reward customers across credit and debit cards, as well as digital channels.

Al Hilal Bank's super app attracted 130,000 new banking customers in FY'23, supported by enhanced marketplace ecosystem

- Al Hilal Bank's cloud-based super app is making strong progress, acquiring approximately 654,000 registered users since its launch in early 2022, with more than 64,000 joining the platform in Q4'23 and 294,000 in FY'23.
- Over 39,000 new banking customers were onboarded by the app during the quarter and 130,000 in FY'23, bringing the total to c. 262,000 since the app's launch.
- In Q4'23, Al Hilal bank added an incremental 940+ family accounts bringing the total number of family accounts to over 16,490 accounts.
- In Q4'23, an average of c.24,600 daily transactions were conducted on the app, with an average engagement time of approximately 20 minutes.
- Al Hilal Bank also launched its first straight through processing for credit card and personal finance cash out for its existing customers. This feature includes automated credit decision making and product disbursement.
- Through the app, Al Hilal Bank is extending its reach beyond its core Abu Dhabi market. Abu Dhabi residents account for 43% of banking customers, while Dubai and Northern Emirates represent 32% and 25%, respectively.

(1) Based on IFRS

SUSTAINABILITY

Jubial Mangrove Park, Abu Dhabi

SUSTAINABILITY

Introduction

Alignment with the UAE's ambitions

As a major UAE financial institution, ADCB has a responsibility and an opportunity to play an important role in supporting the country's ambitions for an inclusive, net zero economy.

The Bank has fully integrated management of environmental, social and governance (ESG) risks and opportunities into its corporate strategy, with the aim of being a regional leader in sustainability. In November 2023, the Bank joined the UN-convened industry-led Net Zero Banking Alliance with the imperative of limiting global warming to 1.5°C in line with the Paris Agreement and tripled its sustainable financing commitment to AED 125 billion by 2030.

The Bank's strategy enables it to play a leading role in contributing to the UAE's national vision and the country's strategic commitments to the UN Sustainable Development Goals (SDGs). This comprehensive approach is a key differentiator, with ESG contributing significantly to institutional resilience for the benefit of all stakeholders.

Shereen Alnachas, Procurement

The UAE context

In 2023, which was declared by the UAE as 'the Year of Sustainability', ADCB made strong progress on its broad ESG agenda, with a particular focus on climate in support of the UAE's Net Zero by 2050 Strategic Initiative.

Building a more sustainable, climate-friendly and inclusive economy is a priority for the UAE. The country was the first in the GCC to commit to net zero, and formally set out its decarbonisation strategy in the 'Net Zero by 2050 Pathway' in late 2022.

Reflecting the country's preparedness to take a leadership position, the UAE hosted COP28, the UN global climate conference, in November-December 2023 to review global progress towards the targets of the landmark 2015 Paris Agreement. The country also published its own medium-term target of achieving a 19% reduction in greenhouse gas emissions by 2030, compared to the 2019 baseline, along with sector-specific decarbonisation targets.

UAE Government's climate commitments(1)

Absolute GHG emissions reduction by 2030	Triple renewable energy by 2030	Investment by 2030 to meet energy demand	Hydrogen production by 2030
19%	3x	USD 50 bn	1.3 mn t

(1) Source: Third Update of Second Nationally Determined Contribution

The UAE Consensus: the landmark agreement at COP28

The UAE led 198 countries at COP28 to a historic agreement that sets out ambitious actions on climate to keep the 1.5°C target of the Paris Agreement within reach. The UAE Consensus calls on parties to transition away from fossil fuels to reach net zero, encourages them to submit economy-wide Nationally Determined Contributions, includes a new specific target to triple renewables and double energy efficiency by 2030, and builds momentum towards a new architecture for climate finance.

In the context of this clear policy direction, ADCB adopted an enhanced climate strategy in 2023. The Bank is providing substantial financing for initiatives to promote sustainability, while supporting clients in their transition to a net zero economy, including through the provision of a suite of green products and services.

The approach reflects the belief that investment in the UAE's transition to net zero represents significant economic opportunity, and that major financial institutions have a critical role in financing and supporting customers on their paths to a successful transition.

OUR CLIMATE FRAMEWORK

ADCB is a signatory to the 'UAE Climate-Responsible Companies Pledge' with the Ministry of Climate Change and Environment (MOCCAE), reaffirming its commitment to the UAE's Net Zero by 2050 Strategic Initiative and with the Paris Agreement to limit global warming to well below 2°C.

The Bank further demonstrated its support for climate action, with a strategic decision to join the global Net Zero Banking Alliance (NZBA) in November (see case study).

To drive action towards net zero the Bank adopted a new climate framework in 2023, designed to drive emission reductions across its financing, operations and supply chain.

Aligning portfolios and reducing financed emissions

The development of ADCB's climate framework followed a rigorous assessment of the implications of decarbonisation for the business and its customers. It involved a baseline assessment of scope 3 financed emissions in accordance with Partnership for Carbon Accounting Financials (PCAF) standards. This concluded that more than 80% of the Bank's financed emissions were related to the real estate, oil and gas, and aviation sectors. Going forward, these findings will help to develop a robust framework for further progress and set the groundwork for establishing sector-based targets.

Environmental and Social Risk Management (ESRM)

ADCB's Group Environmental and Social Risk Management (ESRM) Policy incorporates environmental and social considerations into our existing risk management framework and lending policies.

During 2023, the Bank carried out its first climate stress test and scenario analysis, and incorporated climate-related qualitative responses within its Internal Capital Adequacy Assessment Process (ICAAP) submission to the Central Bank of the UAE.

ADCB's Climate Framework

1	2	3	4
Aligning portfolios and reducing financed emissions	**Environmental and social risk management (ESRM)**	**Sustainable finance**	**Operations and supply chain**
Commitment: Measure our clients' financed emissions and align sector portfolios with a 1.5°C scenario	Commitment: Integrate climate within risk management framework to assess material risks and opportunities within our portfolio	Commitment: Provide customers with green products and services to help them reduce emissions	Commitment: Reduce emissions in our operations and supply chain

Climate stress tests in 2023

ADCB carried out the following sets of climate stress tests:

Portfolio level top-down approach (internal assessment): Leveraged climate risk scenarios designed by Network for Greening the Financial System (NGFS) to assess impacts of both transition and physical risks related to ADCB's corporate portfolio.

Bottom-up approach (as mandated by the Central Bank of UAE): Assessed the impacts of scenarios prescribed by the Central Bank of UAE (CBUAE), on customers operating in climate-sensitive economic sectors. These scenarios are based on NGFS scenarios and tailored to the UAE economy.

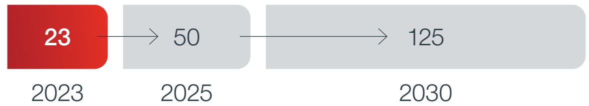
The stress test exercises support the promotion of climate analytics awareness and capability assessment in data gathering, modelling and measuring climate-related financial risks across the Bank. The observations and lessons learned from these exercises will shape the Bank's approach to climate risk stress tests and scenario analysis in the future.

Sustainable finance

As part of its new climate framework, ADCB has more than tripled its sustainable finance commitment to AED 125 billion (USD 34 billion) by 2030, while setting a shorter-term target of AED 50 billion (USD 14 billion) by 2025.

Since 2021, the Bank has raised and facilitated over AED 23 billion (USD 6.4 billion) in sustainable finance through green bonds, sustainability-linked loans, renewable energy project financing and green loans.

ADCB's sustainable finance commitment (AED bn)



Further information on ADCB's approach to sustainable finance can be found here:
https://www.adcb.com/en/multimedia/pdfs/2023/November/adcb-group-sustainable-finance-framework-en.pdf

ADCB is continuing to expand its range of green products and services. For corporate clients, the Bank is providing renewable energy project finance, sustainability-linked loans, green bond advisory and a sustainable call account for deposits. Retail banking products include preferential auto loans for electric and hybrid cars and green mortgages to incentivise energy efficient homes.

The Bank is drawing on its experience in implementing best practice in ESG, strong relationships and international networks, along with its successful track record of issuing its own green bonds and rapidly expanding its green loan portfolio.

Operations and supply chain

At the same time, ADCB is working to reduce the carbon footprint across its operations and supporting suppliers to build a sustainable supply chain. This involves integrating environmental and social criteria into procurement policies and processes to identify and manage the associated risks. ADCB partnered with leading UAE-based energy service company RESET in an initiative to achieve energy savings of 25% annually across the Bank's office buildings in Abu Dhabi.

Over the contracted period of 10 years, the partnership with RESET is expected to result in AED 12 million in utility cost savings across multiple ADCB-owned office buildings, reducing CO_2 emissions by 16,500 tonnes — the equivalent of electricity used by over 2,080 households in a year.

SPOTLIGHT

MEANINGFUL COLLABORATIONS TO PROMOTE CARBON MARKETS

To promote greater investment flows into initiatives to combat climate change, ADCB is supporting research conducted by the Harvard Kennedy School that aims to lay the foundations for a new approach to activate global carbon markets.

ADCB has also joined the UAE Carbon Alliance, which has been convened by the UAE Independent Climate Change Accelerators (UICCA) to foster collaboration to develop and scale up a carbon market ecosystem in the UAE.

Looking ahead, the Bank will be advancing engagement with customers, regulators, industry bodies and regional organisations to address key climate topics for a credible transition plan including data quality, public policy and industry standards.

HARVARD Kennedy School

UICCA
المسرعات المستقلة لدولة الامارات العربية المتحدة للتغير المناخي
UAE INDEPENDENT CLIMATE CHANGE ACCELERATORS

“ADCB’s climate strategy is underpinned by a core belief that the transition to a low carbon economy is a historic opportunity for the UAE.

If left unchecked, climate change will adversely affect infrastructure, human health and natural habitat. By joining the NZBA, ADCB is deepening its support for the UAE’s ambition to create an inclusive, net zero economy.”

Ala’a Eraiqat,
Group CEO

NZBA CASE STUDY

ADCB JOINS UN NET ZERO BANKING ALLIANCE

To support customers on their path to success in a net zero economy, ADCB has joined the Net Zero Banking Alliance (NZBA).

Convened by the UN Environment Programme Finance Initiative (UNEP FI), the NZBA brings together more than 130 global banks with over USD 74 trillion in total assets that have committed to financing ambitious climate action to transition the real economy in line with the goals of the Paris Agreement.

In joining the NZBA, ADCB has pledged to align its lending and investment portfolios with the imperative of limiting global warming to 1.5°C, in line with the Paris Agreement. ADCB’s commitment to NZBA forms an integral part of the Bank’s enhanced climate strategy. At the core of this approach is supporting customers in their transition to an inclusive, sustainable economy.

UN environment programme | finance initiative

net-zero banking alliance

As a member of the alliance, ADCB is committed to the following actions on climate:

- Transition the operational and attributable GHG emissions from lending and investment portfolios to align with pathways to net zero by 2050 or sooner
- Within 18 months of joining, set targets for 2030 or sooner and a 2050 target, with intermediary targets to be set every five years from 2030 onwards
- The Bank’s first 2030 targets will focus on priority sectors where it can have the most significant impact, i.e. the most GHG-intensive sectors, with further sector targets to be set within 36 months
- Annually publish absolute emissions and emissions intensity in line with best practice. Within a year of setting targets, disclose progress against a Board-level reviewed transition strategy setting out proposed actions and climate-related sectoral policies
- Take a robust approach to the role of offsets in transition plans

USD
74 tn
Total assets of 130+ global banks under NZBA membership

OUR CLIMATE JOURNEY

Taking action for a net zero future

JANUARY 2022

Board-approved climate strategy & green finance target set

FEBRUARY 2022

Governance framework established & Group CFO-led Sustainability Committee

MARCH 2022

Climate-related risk appetite statements adopted

APRIL 2022

Group Sustainability Policy with climate commitments published

JUNE 2022

Inaugural ESG Report issued with third party assurance of GHG emissions by Deloitte

JULY 2022

Bank-wide ESG training launched

AUGUST 2022

Environmental criteria embedded in lending decisions

ADCB Green Bond Framework with innovative green building methodology published

SEPTEMBER 2022

Inaugural green bond issued (USD 500 mn)

Inclusion in Bloomberg MSCI Green Bond Index

OCTOBER 2022

Highest ESG-ranked diversified bank in GCC and top-quartile globally by Sustainalytics

NOVEMBER 2022

ADCB Egypt issued first carbon footprint report with third party assurance

JANUARY 2023

UAE Climate-Responsible Companies Pledge signed, supporting country's Net Zero by 2050 Strategic Initiative

FEBRUARY 2023

'Scope 3' financed emissions measured in accordance with Partnership for Carbon Accounting Financials (PCAF)

Launched Green Car and Home Loans to make low carbon lifestyles more financially accessible

MARCH 2023

Climate-related risks included as part of ADCB's capital assessment

MAY 2023

First disclosures on TCFD, outlining how ADCB manages climate-related risks

Fossil fuel lending exposure published in 2022 ESG Report

Energy savings contract signed to drive GHG reductions across ADCB's corporate offices

JUNE 2023

'Impact Seal – Platinum Tier' award received from the UAE government recognising leadership in sustainability & social impact

AUGUST 2023

Green Bond Report published, detailing carbon impacts and allocation with third-party assurance

SEPTEMBER 2023

Second green bond issued (USD 650 mn)

OCTOBER 2023

First climate stress test executed assessing physical and transition risks

Sustainable Call Account launched

NOVEMBER 2023

Enhanced climate strategy and joined UN-convened Net Zero Banking Alliance (NZBA)

Sustainable Finance Framework with risk policy and sector position statements published

2030 Sustainable Finance Target more than tripled to USD 34 bn by 2030

Joined UAE Carbon Alliance and provided support to Harvard Kennedy School to fund research seeking to advance global carbon markets

COP28 UAE

STRATEGY, GOVERNANCE AND OTHER ENABLERS

Our integrated approach to ESG management

ADCB's strategy is based on topics identified in a comprehensive materiality assessment conducted at the end of 2021, in close collaboration with internal and external stakeholders. The strategy consists of four pillars, and each pillar contains four workstreams that define the initiatives the organisation is pursuing.

The four pillars are:

- Climate
- Customers and communities
- Employees
- Governance

The sustainability strategy is an integral part of the Group corporate strategy, demonstrating the level of ambition set by the Board and the Management Executive Committee to operationalise ESG initiatives across the Bank.

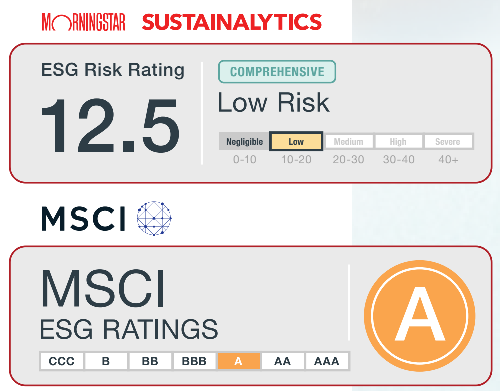
In addition, the Bank has adopted an enhanced climate strategy developed in line with industry best practice, underpinned by key initiatives to ensure a credible framework. Project working groups have been established to set the ambition level, define strategic activities, and identify partnerships and commitments.

External recognition of our approach

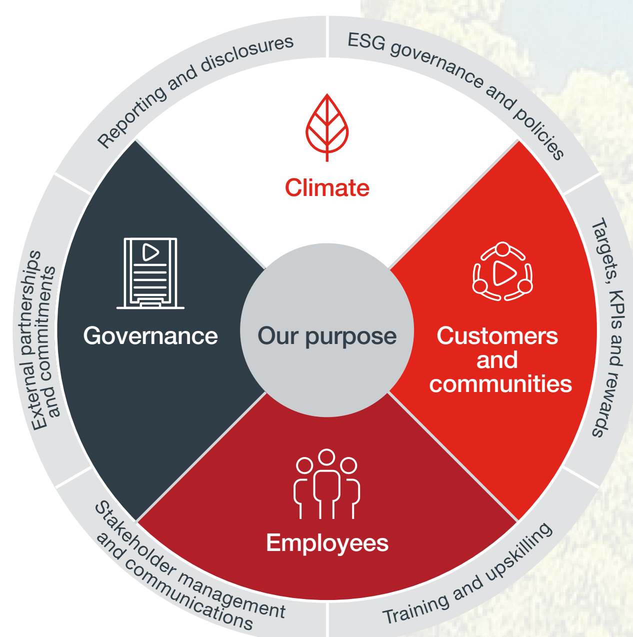
The Bank's strong track record in sustainability was recognised by the UAE government, with ADCB receiving the Impact Seal 'Platinum Tier' from Majra, the National CSR Fund.

ADCB was named as one of the leaders in ESG disclosures across MENA banks by Citi Research in its report, 'MENA ESG: Identifying the Leaders, Laggards and Improving Challengers', published in September 2023.

ADCB maintained its leading regional position on ESG ratings(1)

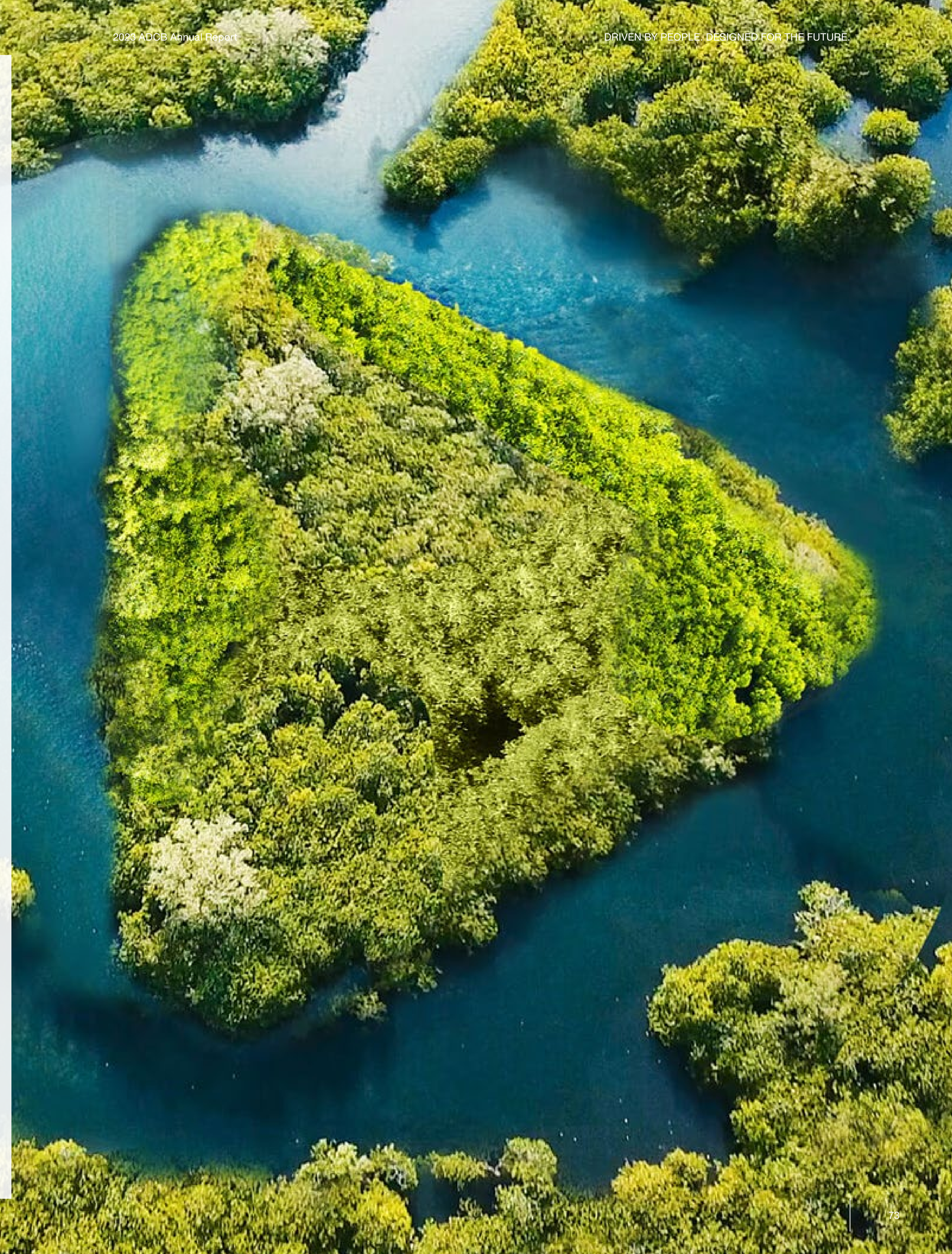


THE BANK RECEIVED A SIGNIFICANT UPGRADE IN ITS ESG RATING FROM SUSTAINALYTICS TO 'LOW RISK', PLACING ADCB IN THE TOP 6% OF OVER 15,000 COMPANIES GLOBALLY AND THE HIGHEST RANKED AMONG DIVERSIFIED AND REGIONAL BANKS IN THE MENA REGION.



Our sustainability strategy is based on our GRI-compliant materiality assessment and guided by the UN SDGs

(1) ADCB is the highest ranked among diversified and regional banks in the MENA region by Sustainalytics as at 13 January 2024 Source: Sustainalytics Ratings Portal
MSCI ESG rating as at 16 January 2024 Source: MSCI Ratings Portal



ADCB's sustainability strategy

Purpose

Support the transition to an inclusive, net zero economy

Strategic priorities

	Climate	Customers and communities	Employees	Governance
Ambition	Support the transition to a net zero economy and manage climate change risks	Provide inclusive and innovative financial services to drive sustainable economic growth	Create a thriving workplace that attracts and retains the most talented and committed people	Operate a responsible business with the highest ethical standards to preserve integrity and trust
Workstreams	**1.1** Aligning portfolios and reducing financed emissions **1.2** Environmental and social risk management (ESRM) **1.3** Sustainable finance **1.4** Operations and supply chain	**2.1** Customer satisfaction **2.2** Financial inclusion **2.3** Digital and innovative propositions **2.4** Community investment	**3.1** Employee engagement and well-being **3.2** Emiratisation **3.3** Learning and development **3.4** Equality, diversity and inclusion	**4.1** Corporate governance, compliance and code of conduct **4.2** Risk management and cybersecurity **4.3** Financial crime, anti-bribery and corruption **4.4** Tax transparency
Commitments	• **Commit to lend, invest and facilitate AED 125 billion (USD 34 billion) by 2030** to sustainable activities • **Launch new products and services** to support customers in their transition • Commit to **net zero in own operations, and to reducing financed emissions** in line with UAE government net zero ambition	• **Enhance experience** and **create value for money** for customers, whilst improving access to financial products • **Digital initiatives** to drive mobile banking penetration among new and existing customers	• Continue to improve **diversity and inclusion metrics**, and maintain best-in-class employee satisfaction • **Enhance employee learning** through **high quality content** and **dedicated training**	• **Drive best-in-class governance** in the region, and continue to enhance ethical banking practices • Maintain **industry leading data privacy** and information security
Sustainable Development Goals	7, 12, 13, 15	8, 9, 11, 17	3, 4, 5, 10	16

Enablers

ESG governance and policies · Targets, KPIs and rewards · Training and upskilling · Stakeholder management and communications · External partnerships and commitments · Reporting and disclosures

BEST PRACTICE ESG GOVERNANCE

To drive accelerated progress on ESG and in recognition of its importance to the Bank's strategy and operations, ADCB employs a best practice governance framework, with full Board oversight and executive accountability, including remuneration linked to ESG KPIs.

The Board Executive Committee (BEC), which reports to the Board, received the following key updates on sustainability in 2023:

- Progress update on sustainability initiatives linked to the corporate strategy (every quarter)
- An annual update on progress on ESG workstreams
- Approved the three-fold increase in the Bank's sustainable finance commitment and the Sustainable Finance Framework

All sustainability initiatives are monitored by the Group Sustainability Committee (GSC), which is chaired by the Group Chief Financial Officer. The GSC provides updates to the Management Executive Committee (MEC) and to the Corporate Strategy Steering Committee.

The MEC continued to drive rapid progress, particularly on the Bank's climate agenda, and received regular updates on key initiatives such as ADCB's role at COP28, new sustainability-related products and services, sustainable finance targets, the new climate strategy and joining the Net Zero Banking Alliance.

AED

125 bn

Sustainable finance commitment by 2030

Sustainability governance in action

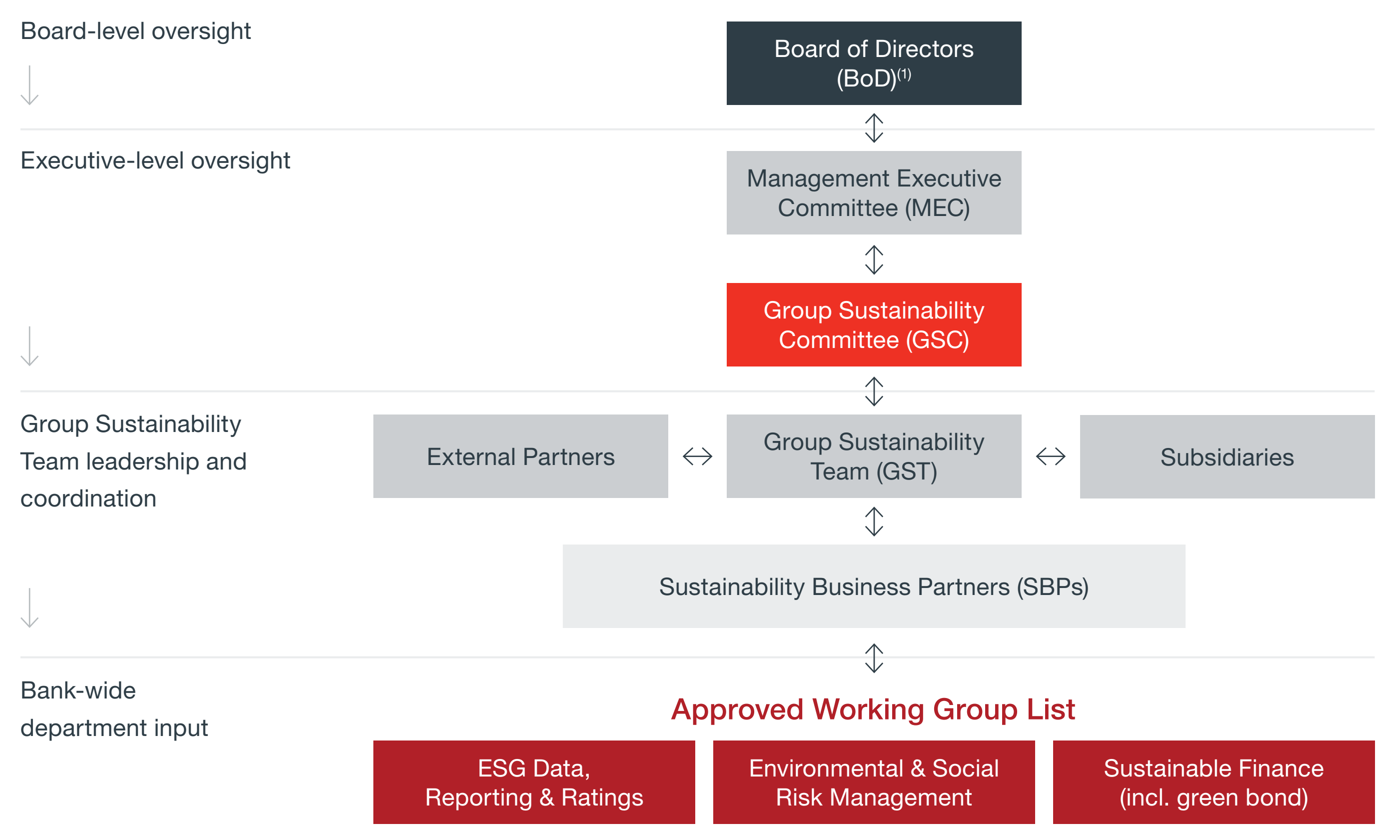
The Group Sustainability Committee held 5 meetings in 2023.

Key topics discussed included:

- ADCB climate strategy/net zero plan
- Role of ADCB at COP28
- ADCB ESG disclosure plan (including publication of the 2022 ESG Report)
- Eligible Green Finance Portfolio
- ADCB Group 2023 Green Bond Impact and Allocation Report
- Climate stress test results
- Results of financed emissions baseline
- Sustainable finance targets
- Sustainable finance framework

ADCB GROUP SUSTAINABILITY GOVERNANCE FRAMEWORK

Well established robust governance framework ensuring comprehensive coverage across the Group.



Group Sustainability Committee members:

- Group Chief Financial Officer (Chair)
- Group Chief Risk Officer
- Group Chief Compliance Officer
- Group General Counsel
- Group Chief Credit Officer
- Group Chief Operations Officer
- Group Head, Human Resources
- Group Head, Corporate and Investment Banking
- Group Head, Private Banking and Wealth Management
- Group Head, Retail Banking
- Group Treasurer
- Head, Sustainability (Secretary)

Permanent invitees:

- Group Chief of Staff
- Group Company Secretary
- Head, Financial & Strategic Engagement
- Head, Credit Risk Management

(1) Via the Board Executive Committee

Driving delivery of ADCB's sustainability strategy

To provide greater focus, three working groups have been established to drive specific workstreams. These are the Environmental and Social Risk Management Working Group; the ESG Data, Reporting and Ratings Working Group; and the Sustainable Finance Working Group.

The Environmental and Social Risk Management (ESRM) Working Group provides oversight on the environment and social risk management framework and its implementation across the business.

The Group monitors regulation, best practice and industry expectations to propose any modifications required to the ESRM framework.

The ESG Data, Reporting, and Ratings Working Group is responsible for assessing the disclosure requirements to stakeholders such as regulators, the government, rating agencies and investors.

It also manages end-to-end data capture, consolidation, and third-party assurance, as well as identifying and proposing performance improvements.

The Sustainable Finance Working Group is tasked with reviewing and updating the ADCB Green Bond and Sustainable Finance Frameworks, obtaining a second party opinion (SPO), approving the eligible green loan and sustainable finance portfolios, monitoring progress against ADCB's sustainable finance target and producing the allocation of green bond net proceeds and ensuring ongoing compliance.

The Group also oversees impact reporting with third-party assurance, as well as development of green bond documentation.

Governance over subsidiaries

The Group Sustainability Team also works closely with ADCB Egypt. In 2023, it reviewed the annual KPIs for ADCB Egypt's sustainability team to ensure alignment with strategic priorities of the Group, conducted fortnightly calls to discuss progress on key initiatives and ESRM implementation, reviewed and approved the annual ESG report and provided guidance and feedback on ADCB Egypt's Sustainable Finance Framework.

OTHER ESG STRATEGIC ENABLERS

ESG policies

The Bank has issued a Group Sustainability Policy covering general principles and commitments linked to ADCB's sustainability strategy. This is being supplemented with topic-specific and sectoral policies, operating procedures, and guidelines to support effective implementation across the organisation, including our subsidiaries.

In 2023, we published our Sustainable Finance Framework, which provides the eligibility criteria and the definitions on lending, investments and facilitation of sustainable activities. The Framework also forms the basis to track progress against our sustainable finance target.

For more information on our ESG-related policies, please visit adcb.com/esg

Reporting and disclosures

ADCB is committed to transparent disclosure of ESG performance in line with global standards and evolving regulatory requirements, including the new IFRS S1 and S2 requirements announced by the International Sustainability Standards Board (ISSB) in June 2023. IFRS S1 provides a set of disclosure requirements related to sustainability-related risks and opportunities over the short, medium and long term, while IFRS S2 sets out specific climate-related disclosures.

ADCB's disclosures are aligned to the following reporting standards and guidelines:

- **Global Reporting Initiative (GRI)** Standards
- **Sustainability Accounting Standards Board (SASB)** 'Industry Standards'
- **Taskforce on Climate-related Financial Disclosures (TCFD)** recommendations
- **UAE Securities and Commodities Authority (SCA)** sustainability disclosure requirements, based on the **Abu Dhabi Securities Exchange (ADX)** ESG Disclosure Guidance for Listed Companies
- **International Capital Market Association (ICMA) Green Bond Principles:** the ADCB Green Bond Report is aligned with the ICMA requirements and provides details on the Eligible Green Loan Portfolio, allocation of proceeds and estimated environmental impacts

External partnerships and commitments

ADCB collaborates with strategic partners to advance its strategy. It regularly monitors and evaluates the market to expand its network of external partnerships on ESG topics to match its strategic priorities.

Current partnerships and commitments include:

- Member of the global **Net Zero Banking Alliance (NZBA),** a United Nations-convened group of global banks committed to financing ambitious climate action to achieve net zero greenhouse gas emissions by 2050
- Member of the **UAE Carbon Alliance**, launched by the UAE Independent Climate Change Accelerators (UICCA) to advance the carbon market ecosystem
- Signatory to the **UAE Climate Responsible Companies Pledge** — highlighting ADCB's commitment to the UAE's Net Zero by 2050 Strategic Initiative
- Collaboration with the **UAE Ministry of Climate Change and Environment (MOCCAE)** and engagement through sector consultations including the National Dialogues for Climate Action (NDCA)
- Participant of the **UAE Sustainable Finance Declaration Working Group** convened by Abu Dhabi Global Markets (ADGM). This includes updates and engagement on the three Working Groups disclosures, taxonomy and governance
- Invited by the **UAE Banking Federation (UBF)** to be a member of a new ESG Islamic Banking Steering Committee. Supporting the development of Islamic finance sustainability initiatives and providing feedback via industry consultations
- Member of the **Abu Dhabi Sustainability Group (ADSG)**, a forum convened by the 'Environment Agency — Abu Dhabi' (EAD) to promote sustainability learning and knowledge-sharing opportunities for government, private companies and not-for-profit organisations in Abu Dhabi
- Partnering with **Harvard University** on academic research aimed at facilitating a new approach to carbon credit markets

OTHER ESG STRATEGIC ENABLERS (continued)

Training and upskilling

Regular training and development is recognised as an essential element in the successful execution of the Bank's ESG strategy. During 2023, the Bank enhanced its in-house learning programme:

Update on ESG training

	ESG learning initiatives	Learning activities rolled out in 2023
Foundational basic awareness	Introductory training at all levels, including ESG content within the Bank's induction programme for all new joiners, and mandatory ESG eLearning for all existing employees	• Corporate induction for all new joiners • ESG awareness sessions to introduce sustainability and ADCB's approach • Mandatory ESG eLearning module for all staff • eLearning module to increase understanding of UN Sustainable Development Goals (UN SDGs) • 'Climate Fresk' interactive experience to raise awareness of key climate topics
Role-specific tailored content	Role-specific training across all departments and Executive Management/Board-level ESG deep dives on specific topics such as climate change	• 'Sustainability Unlocked' training for 200 selected senior stakeholders across ADCB • ESRM briefing sessions to support the implementation of ADCB's ESRM policy • Face-to-face training on priority topics such as net zero, ESG reporting and sustainable procurement with further role-specific training sessions planned in 2024
Advanced, specialist certificates	To further enhance our training offerings, we have carefully selected specialised international certificates to support colleagues with deeper understanding of specific topics such as ESG investing, sustainable finance and climate risk	• Sustainable Finance course by Cambridge Institute for Sustainability Leadership (CISL), Certificate in ESG investing by Chartered Financial Analyst (CFA) Institute and Sustainability and Climate Risk Certificate by Global Association of Risk Professionals (GARP)

Executive Management remuneration, incentives and KPIs

Sustainability is embedded in the heart of ADCB's performance management framework, with the Group CEO and Group CFO's remuneration linked to ESG KPIs.

These include:

- Sustainability strategy milestones
- Compliance and risk metrics
- Emiratisation targets
- Digital index
- Customer Net Promoter Score (NPS)
- Organisational Health Index (OHI)

5.6k+

Learning hours delivered on ESG topics for employees in 2023

BUSINESS REVIEW

Etihad Arena, Abu Dhabi

BUSINESS REVIEW

Retail Banking Group

The Retail Banking Group (RBG) supports retail and micro-business customers in managing their finances, through expert advice and the provision of a full suite of specialist products and services in conventional and Shari'ah-compliant banking. The business is committed to driving digital innovation to deliver excellence in customer service.

Contribution to operating income

28%

AED 4.736 bn

KEY HIGHLIGHTS

- Record customer growth driven by enhanced digital channels
- Personal and auto loan disbursements at highest level ever
- Game-changing partnerships supporting high growth in cards and mortgages

A buoyant economy and supportive business environment contributed to a stand-out performance for the Retail Banking Group in 2023. The Group achieved net profit growth of 19% to AED 1.096 billion, driven by continued investment in digitisation and a relentless focus on customer service and cost efficiencies. Combined with disciplined risk management, this helped to deliver strong growth across all key areas of the business, including personal and auto loans, mortgages, credit cards, payments and Islamic banking.

Retail Banking Group net loans increased 18% from the previous year to AED 57 billion, supported by robust consumer confidence in the UAE, with the pace of growth accelerating through the year. Total personal loans increased by 13% to reach a record high, while auto loans surged by 32%.

The Bank delivered significant growth in mortgages, with the property market experiencing strong demand as the UAE continued to enhance its reputation as a premier business and lifestyle destination. Mortgage loans increased by 26% in 2023 across a well-diversified customer base.

The Islamic banking offering, which provides a comprehensive range of Shari'ah-compliant products and services, also achieved solid growth. In 2023, Islamic asset disbursals in the UAE (excluding Al Hilal Bank) crossed the AED 10 billion mark – the highest level achieved by the Bank in a year. In addition, ADCB's Wakala and Mudaraba deposits surpassed AED 4 billion. Over 100,000 flagship Millionaire Destiny Savings Accounts and Emirati Millionaire Savings Accounts were opened in 2023, with 82% through digital channels. As at the end of December, the Islamic Banking business represented 34% of total retail customer deposits and 35% of total retail customer loans.

AED
57 bn
Net loans

AED
82 bn
Customer deposits

ADCB's strong standing in the market also supported growth in retail customer deposits, which increased by AED 11 billion during the year to AED 82 billion[1]. Of particular note, RBG CASA deposits[1] rose by AED 3.5 billion to AED 62 billion, despite the rising interest rate environment, and comprised 37% of the Group's total CASA (Current and Savings account) deposits as at December-end.

Deposit growth was accompanied by an increase in investment assets under management and fee income from retail banking customers.

2023 was also a banner year for the cards business, driven by streamlined digital onboarding and an expanding portfolio of customer-focused products.

The number of new cards issued by ADCB increased 82% from the previous year, supported by the launch of several new products, including the ADCB talabat credit card and the 365 Cashback credit card. The 365 Cashback card was one of the Bank's most successful launches ever, with its extensive cashback benefits for everyday expenses — such as utilities, telecoms, fuel, and groceries — proving exceptionally well attuned to the market.

Sustainability is a growing consideration for many customers, particularly the younger generation. RBG is making strides in this area, with the business already offering preferential loans for the purchase of electric and hybrid vehicles and mortgages for energy-efficient homes. In line with the Bank's membership of the Net Zero Banking Alliance (NZBA), ADCB will be providing more sustainable products and services to make low-carbon lifestyles financially accessible to more people in the UAE.

(1) Includes Property Management

SPOTLIGHT

RECORD GROWTH IN CARD BUSINESS

ADCB's cards business achieved record growth, as UAE consumer confidence remained buoyant. The Bank welcomed 220,000 credit card customers in 2023, up 82% from the previous year. New card issuance increased progressively during the year to reach more than 58,000 in the fourth quarter. This represented 44% of cards issued by the three largest UAE banks, and a 21% share of the total market in the quarter. Digital onboarding supported this growth, with the ADCB mobile app providing self-service applications, with straight-through processing enabling customers to receive operational digital credit cards within 15 minutes. Total credit card spending in 2023 grew by 18%, while debit card spending was up 39%.

c.220,000

Credit cards issued in 2023
+82% YoY

Digital driving customer growth

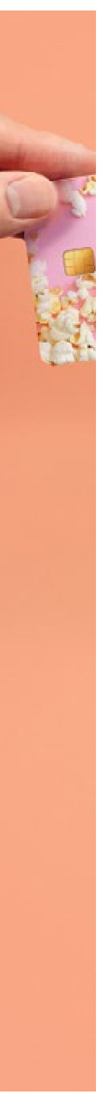
One of the primary catalysts for the Bank's growth is its fundamental commitment to digitalisation. In 2023, ADCB welcomed over 500,000 new-to-bank individual customers, 78% of whom were onboarded digitally, with the process taking between five to seven minutes on average. The Hayyak app has onboarded over 1 million customers since its launch in 2019 and has progressively enhanced its functionality and features. Privilege, Emirati, Excellency and Emirati Excellency segments, as well as the entire range of conventional credit cards, have been integrated onto the app.

RBG'S PRIMARY DIGITAL CHANNELS — ADCB MOBILE BANKING AND HAYYAK — ARE AMONG THE HIGHEST RATED UAE BANKING APPS ON THE APP STORE AND GOOGLE PLAY.

The Group's digital offerings are continuously being enhanced to streamline processes, strengthen security and deliver an exceptional customer experience. ADCB FacePass, the Bank's facial recognition feature piloted in 2022, was fully implemented into its digital banking platforms in 2023. The technology, facilitated by the Ministry of Interior, verifies and instantly authenticates a customer's identity with a single scan, providing complete assurance for digital banking transactions. Using ADCB FacePass avoids the need for one-time passwords for select digital banking transactions, further reducing the risk of fraud. Over 860,000 customers have enrolled in FacePass, with 10.7 million transactions facilitated by this technology in 2023.

The ADCB Mobile Banking app introduced 'Aani', a new instant payments feature endorsed by the Central Bank that enables seamless and secure real-time account-to-account payments within the UAE. This complements the Bank's existing instant payment option, allowing customers to send or request payment using mobile numbers, email addresses or QR codes. The service is being continuously enhanced, with an option to 'split a bill' with others launched in the last quarter of 2023 and several new features planned in 2024.

Note: Digital figures refer to ADCB UAE only



RBG'S NET PROMOTER SCORE (NPS) INCREASED TO 70 IN 2023 FROM 63 THE PRIOR YEAR, REFLECTING THE CUSTOMER-FIRST PHILOSOPHY OF THE BUSINESS AND ITS CONTINUED INVESTMENT IN DIGITAL TECHNOLOGY TO ENHANCE THE CUSTOMER EXPERIENCE.

In the context of increased digital onboarding and service enhancements, engagement on ADCB's digital platforms has continued to increase. The number of digital banking subscribers (internet and mobile banking) was up 34% year-on-year, with active users up 39%. Mobile banking subscribers increased by a record 430,000. Approximately 89% of customers in the UAE were registered for digital banking at the end of 2023.

Taking services to the customer through game-changing partnerships

The Bank continued to focus on expanding its third-party partnerships to meet customers' diverse financial and lifestyle needs, as an integral element of its growth strategy.

The stand-out example of this ecosystem-powered growth was the successful launch in August 2023 of the ADCB talabat credit card. Customers of talabat, a leading online food delivery platform, can apply directly for the credit card on the talabat mobile app, gaining a range of benefits including AED 500 of credit and a 35% reduction on the first 10 orders each month. By the end of the year, over 12,000 ADCB talabat credit cards had been issued.

79,000

Micro-business clients
+24% YoY

ADCB also launched a partnership with London-based Nomo Bank, part of Bank of London and the Middle East (BLME), to bring digital UK banking to UAE nationals and residents. Customers of ADCB and Al Hilal Bank can now open UK-based multi-currency current and savings accounts and apply for UK home financing from their smartphone, using the ADCB-Nomo or Al Hilal-Nomo banking apps.

The ADCB Dream Home Platform, launched in partnership with Bayut in 2020, has grown from strength to strength, and accounted for over AED 1.35 billion of new mortgages in 2023 — 23% of total mortgage disbursals. The platform has issued over AED 3.9 billion in instant mortgage pre-approvals in 2023.

TouchPoints — expanding loyalty into new areas

The ADCB TouchPoints loyalty programme is an increasingly powerful tool in the retention of customers and building partnerships, with the number of TouchPoints sold to partners growing by 34% in 2023.

Over 660 merchant partners now accept TouchPoints as a payment method digitally. Direct instant usage of TouchPoints is being facilitated by enabling redemptions through partner platforms, payment gateways and point of sale (POS) terminals. More than 70 partners are part of the new 'TouchPoints Max' programme, which allows third parties to issue their own bonus TouchPoints on customer card spends. Meanwhile, in 2023, over 2,100 new POS terminals were enabled with TouchPoints, bringing the total to 9,745 terminals across the UAE.

In 2023, the TouchPoints e-commerce ecosystem was enhanced further via integration with key brands such as Vox Cinemas, Reel Cinemas, Noon food delivery, and SeaWorld Abu Dhabi, which now accept TouchPoints on their mobile apps and websites. TouchPoints also expanded its inter-operability network by collaborating with talabat, allowing customers to convert TouchPoints to credit via the ADCB personal internet banking platform and contact centre.

Strengthening financial inclusion through a growing offer for micro-businesses

ADCB remains fully committed to financial inclusion and to supporting the UAE's dynamic base of micro-businesses, defined as companies with an annual turnover of up to AED 5 million.

The number of micro-businesses served by the Bank increased by 24% to 79,000 in 2023. During the year, the Bank welcomed 26,000 new customers via the 'Business Choice Account', which caters to entrepreneurs and small businesses looking for day-to-day business banking services through three packages — Gold, Silver and Platinum.

Empowering local businesses is a priority for the Bank, and through our highly acclaimed merchant services, RBG supports a strong portfolio of quality retailers across the country. Over 3,600 merchants were onboarded in 2023, with the number of total active merchants reaching 13,600, and acquiring volumes exceeding AED 26 billion in 2023.

Pace Pay, ADCB's game-changing initiative to help micro-businesses adjust to a cashless economy, continued to go from strength to strength in 2023. The app has proven popular among merchants, who use their smartphones and tablets to scan credit and debit cards, replacing more costly point-of-sale (POS) terminals. The number of Pace Pay transactions increased by 48% during the year, while the number of businesses using the service grew by 35%.

BUSINESS REVIEW

Corporate & Investment Banking Group

The Corporate & Investment Banking Group (CIBG) provides a portfolio of corporate banking services, including investment & transaction banking as well as financial market solutions. This sophisticated product suite is powered by efficient digital platforms and distribution channels. It serves a broad range of clients both domestically and across the MENA region, including government entities, financial institutions, large to mid-size corporates, and commercial clients (SMEs), and maintains strategic relationships with leading banks globally.

Contribution to operating income

35%

AED 5.907 bn

KEY HIGHLIGHTS

- Strong loan growth in diverse economic sectors
- Largest ever AED loan syndication
- A regional leader in ECM and DCM

AED
192 bn
Net loans

The Corporate & Investment Banking Group (CIBG) produced a strong performance in 2023, with its broad offering of financing, investment banking and core banking services delivering robust loan growth and increased fee income.

As part of its ongoing commitment to serve the UAE's dynamic mid-sized corporates and SME sector, CIBG onboarded an average of over 500 new entities per month. These businesses were provided with access to a proven and trusted banking platform, along with a diverse and sophisticated product suite. Similarly, leveraging ADCB's strong reputation and track record as well as its regional reach, the business continued to expand its 'large corporate' client base — reinforcing ADCB's position as a key partner for this segment both domestically and across the MENA region. In 2023, CIBG achieved a Net Promoter Score (NPS) of 78, an improvement from 68 the previous year.

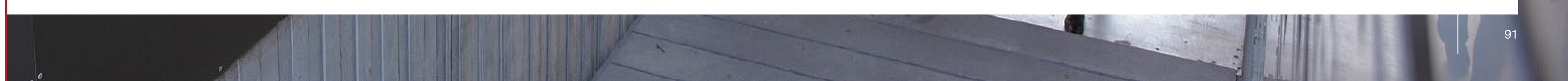
CIBG reported a net profit of AED 2.478 billion, an increase of 23% on the previous year. In the context of a robust UAE and regional economy, CIBG net loans increased by 22% to AED 192 billion, accompanied by further diversification of the loan portfolio. AED 74 billion of new corporate credit was extended during the course of the year to a number of sectors, including government-related entities (GREs), trading, transport, manufacturing and financial institutions.

AS A RESULT, THE LOAN BOOK CONTINUED TO DE-RISK, WITH GRES ACCOUNTING FOR 25% OF THE BANK'S GROSS LOANS AS AT THE END OF DECEMBER, UP FROM 23% A YEAR EARLIER, WHILE EXPOSURE TO REAL ESTATE INVESTMENT DECREASED TO 17% FROM 22%.

CIBG's non-interest income increased by 24% in 2023, with the Bank delivering a market-leading fee-to-income ratio, reflecting the increasingly diversified nature of the business.

ADCB's strong franchise continued to attract customer deposits, with total CIBG deposits increasing by AED 23 billion during 2023 to AED 164 billion at the end of December. Despite an environment of rising interest rates, CIBG CASA (Current and savings account) deposits increased by AED 12 billion to account for 53% of the Group's total CASA deposits.

AED
164 bn
Customer deposits



"We are happy with the support received from Abu Dhabi Commercial Bank for this substantial syndicated loan. This has enabled us to refinance our existing debt scattered across various lenders and regions and equipped us with a focused approach to the upcoming IPO."

Saifee Rupawala
CEO of Lulu Group International

CASE STUDY

Record AED loan syndication

ADCB played a prominent role in the refinancing of Abu Dhabi-headquartered Lulu Group, which operates one of the Middle East's largest hypermarket chains. At AED 10 billion, this was the largest ever dirham-denominated loan syndication the Bank had underwritten.

Alongside its core retail trade business, Lulu Group is also involved in wholesale trading, managing and operating shopping malls, and commercial and residential properties. With a UAE market share of more than 20%, Lulu has over 50,000 employees and operates more than 230 stores in nine countries.

The Group was looking to consolidate and simplify its debt structure with a loan refinancing and working capital debt arrangement via a single syndicated facility, to prepare for its next phase of growth.

ADCB acted as coordinator, joint underwriter, initial mandated lead arranger, bookrunner and global agent. Thereafter, three other large local UAE banks joined the landmark financing as joint underwriters and the financing was concluded as a combination of Islamic and conventional tranches. This was one of the largest syndicated deals in the history of UAE for a private company.

AED
10 bn
Loan syndication

Rebrand to reflect a sophisticated offering and growing regional presence

A rebranding of the business to ‘Corporate & Investment Banking’ from ‘Wholesale Banking’, gave further impetus to the Group’s growing profile and reputation. The new identity reflects the division’s full product and solutions offering, from sophisticated transaction banking and lending services, to capital markets advisory and specialist financing, such as green bonds and loans. The brand embodies ADCB’s growing regional reach, particularly in advisory on cross border transactions, as well as a capacity to support clients as they operate regionally.

Notably, the Bank is establishing a strategic presence in Saudi Arabia to support a growing client base and contribute to the deepening of regional economic relationships. In January 2023, ADCB obtained the approval of the Saudi Council of Ministers for a license to operate a banking business in the Kingdom. Through a branch in Riyadh, ADCB will provide a comprehensive range of services for corporate and institutional clients, including financing and working capital solutions, mandated by a Foreign Banking Branch licence. This aligns with the Bank’s strategy to support clients active in key economic ‘corridors’ across select regional markets, leveraging a footprint across the UAE, Egypt, Kazakhstan and Saudi Arabia.

CIBG now offers its clients financing facilities in a wide variety of currencies under its newly launched structured rate loans solution. On the funding side, the business has introduced a structured deposits product, allowing ADCB to access longer-term funding in a variety of currencies, along with providing yield enhancement for its clients. The Group also successfully completed a transition from LIBOR to SOFR with no adverse implications for its clients for the entire derivatives portfolio, including high-profile clients and trades.

ADCB’s enhanced capabilities in equity capital markets (ECM) as well as continued leadership position in debt capital markets (DCM) and loan syndication supported the increase in CIBG fee income.

CASE STUDY

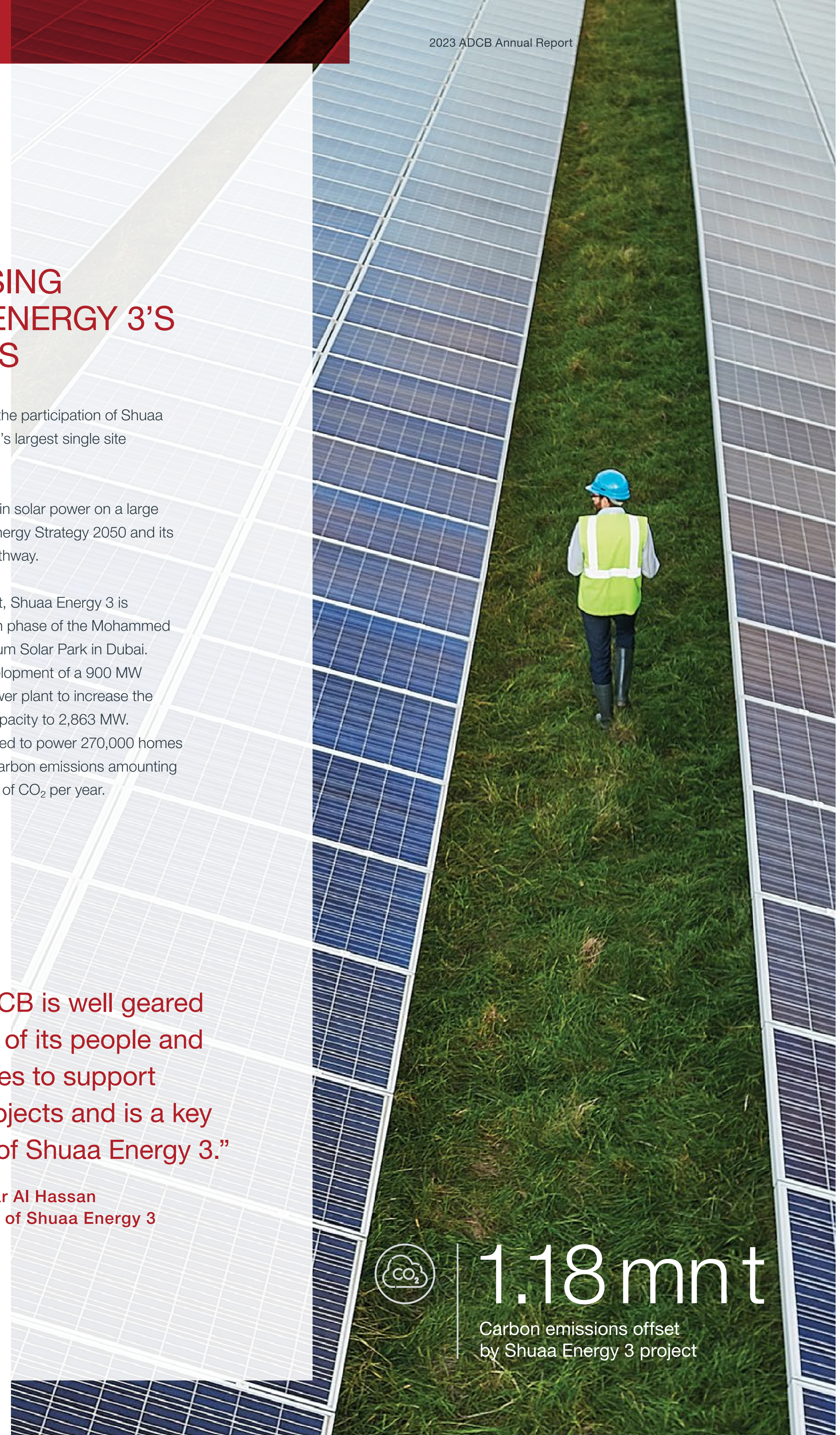
ENERGISING SHUAA ENERGY 3’S SUCCESS

ADCB is supporting the participation of Shuaa Energy 3 in the world’s largest single site solar park.

The UAE is investing in solar power on a large scale as part of its Energy Strategy 2050 and its Net Zero by 2050 Pathway.

With ADCB’s support, Shuaa Energy 3 is implementing the fifth phase of the Mohammed Bin Rashid Al Maktoum Solar Park in Dubai. This will see the development of a 900 MW photovoltaic (PV) power plant to increase the overall production capacity to 2,863 MW. The project is expected to power 270,000 homes in Dubai and offset carbon emissions amounting to 1.18 million tonnes of CO_2 per year.

> “ADCB is well geared in terms of its people and processes to support large projects and is a key partner of Shuaa Energy 3.”
>
> **Omar Al Hassan**
> **CEO of Shuaa Energy 3**



During the course of the year, the Bank supported several major transactions, including three IPOs, 25 bond and sukuk issuances and 19 loan syndications from the local, regional and international markets, where ADCB acted as a bookrunner/coordinator. This strong performance saw ADCB ranked among the top 10 underwriters in Bloomberg’s MENA G3 bonds and sukuk league table to October 2023, and full-year 2022. Additionally, the Bank’s ECM team secured a top three position in the UAE and top five regionally in terms of the number of deals completed.

ADCB was also appointed as the ESG Global Coordinator for Mubadala Investment Company and entered a successful partnership with the sovereign investor to complete its Green Finance Framework. This product sophistication has contributed to positioning ADCB firmly among market leaders in the region.

Digital platforms at the core of client engagement

The Bank’s commitment to investing in digital platforms continued to reap rewards in 2023, delivering high service levels and enhanced ease of transactions.

New innovations included the launch of an automated trade licence renewal process using blockchain technology, and the introduction of a new supply chain and virtual accounts solution for corporate customers.

The Bank’s two main digital corporate banking platforms continued to support strong engagement levels; ProCash is a cash management platform that provides reliable and secure online banking solutions, while ProTrade streamlines trade cycles and automates supply chains, making international trade financing swift and secure. In 2023, ProCash accounted for 97% of all cash management transactions, while ProTrade represented 65% of trade finance transactions, with client registrations on the platforms growing by 19% and 14% respectively.

Similarly, ADCB’s IPO portal continued to provide customers with convenient access to new investment opportunities, accounting for 92% and 97% of total subscriptions received by the Bank for the ADNOC Gas and Al Ansari IPOs respectively.

The Bank also launched a new virtual corporate credit card, a digital payment solution that provides greater efficiency, security and convenience for corporate and investment banking clients.

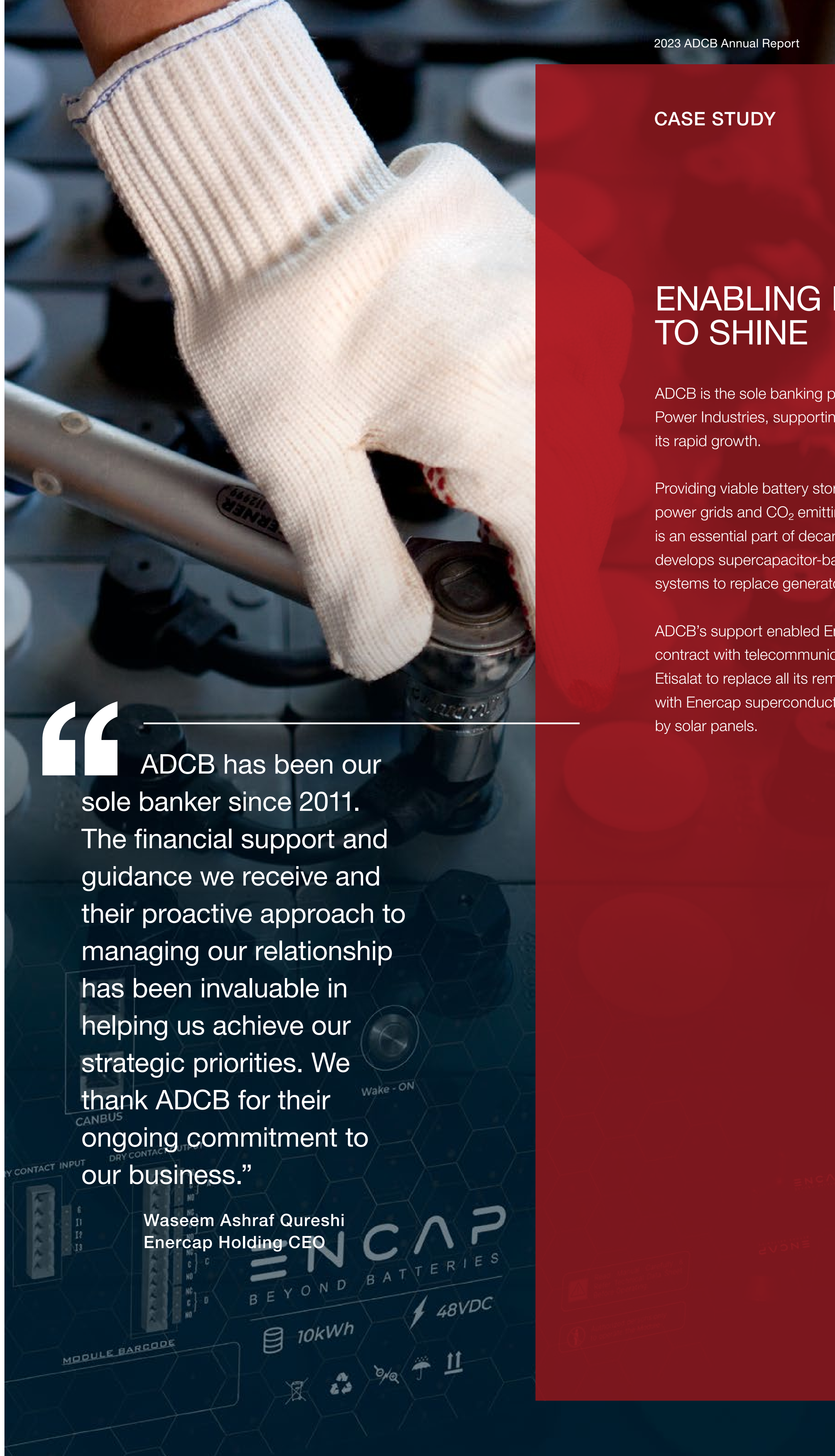
Supporting the sustainability goals of corporate clients

In line with ADCB's enhanced climate strategy, CIBG expanded its sustainable initiatives and offering to clients to support their transition to a net zero economy.

With the Bank successfully issuing a second green bond in September, ADCB is stepping up financing of sustainable projects and businesses in line with its Green Bond Framework and the eligible green loan portfolio (EGLP). The Bank has increased its 2030 sustainable finance commitment to AED 125 billion, more than triple its previous target of AED 35 billion. For more information, please see the Sustainability section of this report.

In addition, ADCB introduced the region's first Mastercard Carbon Calculator, an innovative tool that supports the sustainability ambitions of businesses by providing data on the carbon footprint of their corporate expenditure. Developed by Mastercard together with Swedish fintech company Doconomy, the Carbon Calculator encourages proactive decision-making to promote sustainable business practices and support sustainability reporting. The tool estimates the environmental impact of each purchase using a weighted calculation, powered by the independently verified Doconomy Åland Index.

The Bank also launched a Sustainable Call Account to provide a new avenue for corporate banking customers in the UAE to manage funds while contributing to their social and environmental goals. Funds deposited by corporates and institutions in the account are directly allocated to sustainable and green bonds within the Bank's Treasury investment book, in accordance with principles set by the International Capital Market Association (ICMA). The service provides clients with a convenient channel to increase exposure to sustainable assets, with account holders receiving an annual report on the impact of deposited funds, consolidated at a portfolio level. Access to funds and management of the account is available in real time through the ProCash digital platform.



"ADCB has been our sole banker since 2011. The financial support and guidance we receive and their proactive approach to managing our relationship has been invaluable in helping us achieve our strategic priorities. We thank ADCB for their ongoing commitment to our business."

Waseem Ashraf Qureshi
Enercap Holding CEO

CASE STUDY

ENABLING ENERCAP TO SHINE

ADCB is the sole banking partner to Enercap Power Industries, supporting the business through its rapid growth.

Providing viable battery storage alternatives to power grids and CO_2 emitting diesel generators is an essential part of decarbonisation. Enercap develops supercapacitor-based energy storage systems to replace generators.

ADCB's support enabled Enercap to win a major contract with telecommunications company Etisalat to replace all its remote location generators with Enercap superconductor batteries, powered by solar panels.

Supporting small businesses

Small and medium-sized enterprises (SMEs) are rapidly becoming the backbone of the UAE, with over half a million operating in the country, contributing as much as 63.5% of non-oil GDP.[1]

In recognition of the central role these businesses play in the increasingly diversified UAE economy, ADCB has developed a market-leading proposition. The Bank currently serves over 110,000 SME and micro-business clients, leveraging in-depth knowledge of the market within both the Corporate and Investment Banking Group (CIBG) and the Retail Banking Group (RBG) and, as well as a focus on service excellence and effective risk management.

In addition to lending, ADCB offers SMEs a range of transaction services, trade finance and foreign exchange facilities through digital platforms, such as ProTrade and ProCash. Trade transactions grew by 15% year on year, while overall transactions through non-branch channels reached 97%. Similarly, foreign exchange transactional volumes were up 26% year on year.

There was a strong demand for 'BusinessFirst' accounts, which target more mature businesses with packages suited to their specific needs. More than 4,400 new BusinessFirst accounts were opened during the year.

In 2023, ADCB partnered with Mastercard to launch a co-branded corporate debit card that provides enhanced payment and transaction management for businesses of all sizes, from SMEs to large corporates. The Bank also launched its innovative GlobalLinker online B2B networking platform, which helps SMEs connect with each other and access new markets.

The Bank aims to build on this strong performance in 2024 to further extend its reach among the UAE's growing base of SMEs.

110k+
SME and micro-business clients

(1) https://u.ae/en/information-and-services/business/small-and-medium-enterprises/small-and-medium-enterprises

BUSINESS REVIEW

Private Banking & Wealth Management Group

Private Banking provides high-net-worth clients with an end-to-end banking service to help manage their full banking and investment needs effectively. Our dedicated bankers provide a wide variety of solutions to meet clients' investment and borrowing requirements, including complex and bespoke loan structuring. Wealth preservation requirements are addressed through a comprehensive wealth planning solution, tailored to individual needs.

Contribution to operating income

8%

AED 1.318 bn

KEY HIGHLIGHTS

- Strong profitability following full strategy refresh
- Increased deposits based on robust organic growth
- Digital wealth dashboard to enhance customer experience

The Private Banking & Wealth Management Group has rapidly become one of the largest private banking businesses in the UAE in terms of onshore assets under management. This is in line with the country's growing reputation as a global business, investment and lifestyle destination.

After a comprehensive restructuring and strategy refresh in 2022, ADCB Private experienced significant growth in 2023. The customer base increased by 34%. Deposits rose by 23% year on year, while wealth assets under management increased by 43%.

Clients are typically high-net-worth individuals with investible assets of over USD 1 million, who are looking for solutions to manage their full banking needs effectively, including investment and borrowing. Options are tailored to the client's personal profile and wealth management priorities by a dedicated private banker. The client base is currently split equally between Abu Dhabi and Dubai, with new offices scheduled to open in 2024.

Personalised approach

Private Banking offers a full suite of global investment solutions, wealth management advice and tailored lending, plus access to a broad range of banking services across the wider ADCB Group, all managed and arranged through a dedicated private banker.

This is complemented by continued investment in technology to provide innovative digital banking solutions. These include a digital investments dashboard and analytics, accessible through ADCB's mobile and internet banking platforms, making it quicker and easier for clients to make informed decisions about their portfolios based on real-time data.

AED

53 bn

Net loans

This personalised, holistic approach helps develop trusted relationships with clients. This was evidenced in a very positive net promoter score (NPS) score in 2023, reflecting high levels of service satisfaction among ADCB Private clients and a strong willingness to recommend the business.

Expanding services and investment opportunities

As well as the Digital Wealth platform, ADCB Private continues to invest in innovation and technology to enhance customer experience, while introducing easily accessible services. The business has launched an inquiry platform on the investment dashboard with plans to make the customer journey fully digital.

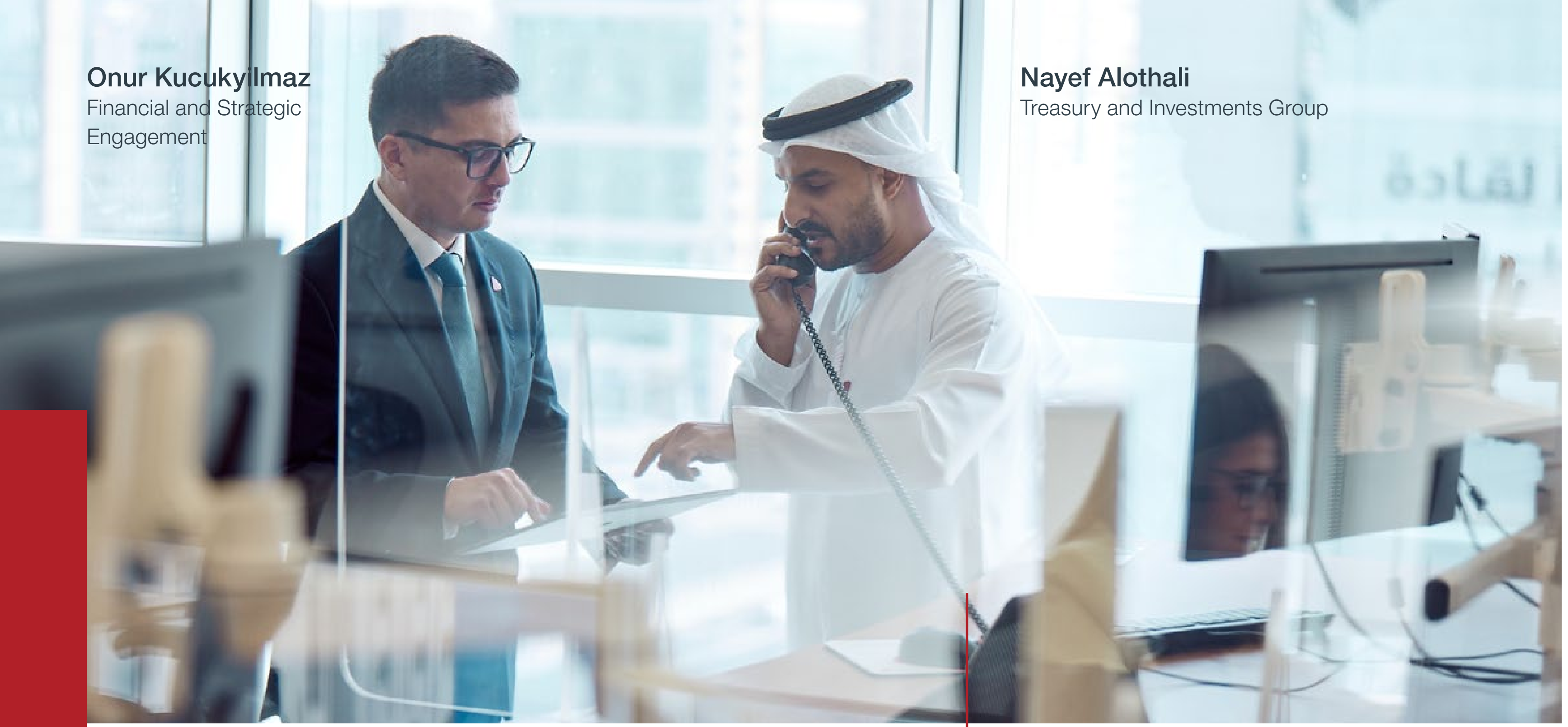
AED
53 bn
Customer deposits

ADCB Private rolled out several new investment opportunities as part of its strategy to introduce thematic capital allocation strategies to clients and enhance the range of alternative investment opportunities it provides, particularly in private markets, private debt and real estate. The objective is to offer clients access to a wide range of choices, including funds managed by ADCB Asset Management, particularly in assets with interesting characteristics, such as assets that display low correlation to public markets and relatively low volatility.

ADCB Private has developed an in-house Private Banking Academy, in collaboration with internal and external partners. This provides a comprehensive curriculum of training and development opportunities alongside access to international best practice to enhance the skills and capabilities of the Private Banking team.

ADCB Private has also launched an ESG investment platform in line with both the Bank's broader strategy and the UAE's Net Zero by 2050 Strategic Initiative. This platform delivers an investment tool for ADCB Private staff, laying the foundation for advising clients on ESG-focused investments. In addition, an enhanced product development policy will lead to the provision of a wider offering of sustainability-related products and services. As 2024 progresses, sustainability will be front and centre of how ADCB Private engages with clients for their investment needs.

Alexandre Cerez
Private Banking and Wealth Management



Onur Kucukylmaz
Financial and Strategic Engagement

Nayef Alothali
Treasury and Investments Group

BUSINESS REVIEW

Treasury & Investments Group

Treasury offers a diverse range of conventional and Islamic banking solutions and is responsible for the Group's funding, investments, and centralised risk management activities. It manages the Bank's borrowings, issuance of debt securities, and use of derivatives to mitigate financial risk, while investing in a range of instruments, including green bonds, short-term placements, and corporate and sovereign debt securities.

KEY HIGHLIGHTS

- Well balanced funding mix
- Second green bond issuance
- Inaugural public AT1 bond issuance

Contribution to operating income

27%

AED 4.532 bn

Building on its strong performance in 2022, the Treasury & Investments Group had another standout year in 2023, achieving a 40% increase in net profit, and contributing 27% to ADCB's total operating income. Trading income increased 74%, with strong performances in foreign exchange currencies, and derivatives income, producing AED 698 million and AED 222 million respectively.

The Treasury Group has leveraged its deep market insights and broad networks in the region and internationally to navigate challenges in the operating environment. In 2023, the Group successfully anticipated and proactively mitigated the impact of rising interest rates, global macro-economic and market uncertainty, as well as heightened geopolitical risk.

Collaborating closely with the Corporate & Investment Banking Group to meet institutional and corporate customers' investment and risk coverage needs, the Treasury Group enhanced its trading capabilities and activities, for example in areas such as emerging markets and credit trading, to deliver additional value.

Optimal cost of funds

In terms of balance sheet management, the Bank's holdings of investment securities increased 15% in 2023 to reach AED 128 billion at the end of December. Bonds accounted for 99% of the total portfolio — of which 68% were held at amortised cost, with the balance of 32% accounted for at fair value through other comprehensive income and marked to market on a daily basis.

Through active asset and liability management, the Treasury Group succeeded in optimising the Bank's cost of funds during the year in the context of a rising interest rate environment, while continuing to pursue its long-term strategy of maintaining a diversified funding mix.

Despite the pace of benchmark interest rate rises, ADCB managed to maintain stability in its liability composition, with the Bank attracting AED 54 billion of customer deposits.

This achievement supported a healthy cost of funds of 3.85% for 2023, which represented a rise of only 217 basis points from the previous year, versus increases of 290 basis points and 304 basis points respectively in three-month average EIBOR and LIBOR/SOFR.

Second green bond and AT1 bond

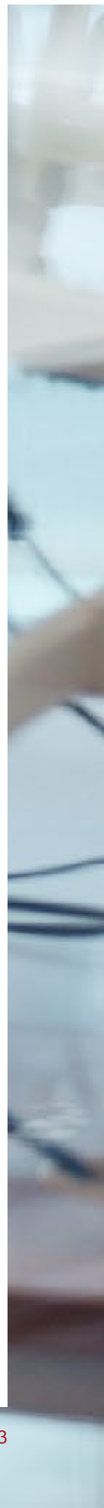
Green bonds have become an integral part of the funding strategy as ADCB increases its commitment to sustainable financing. In September 2023, the Bank issued a second USD 650 million green bond, following a successful inaugural USD 500 million issuance a year earlier.

The second bond was 2.9 times oversubscribed, attracting interest from a range of local, regional and international investors that placed total orders of over USD 1.9 billion. This strong demand demonstrated the market's confidence in ADCB's financial strength and the appeal of the Bank's sustainability initiatives. The proceeds will be used to finance eligible green projects in accordance with ADCB's Green Bond Framework. For further details, please see the Sustainability section.

THE ATTRACTIVE PRICING FOR ADCB'S GREEN BOND WAS UNDERPINNED BY THE BANK'S ROBUST CREDIT RATINGS OF A/STABLE/A-1 FROM S&P AND A+/STABLE/F1 FROM FITCH, AS WELL AS STRONG ESG RATINGS.

In November, ADCB issued Additional Tier 1 (AT1) bonds with a principal amount of USD 750 million to fund further growth and maintain the Bank's healthy capital ratios. With the Bank experiencing net loan growth of 17% in 2023, the issuance was initiated to support the robust new credit pipeline going into 2024.

After receiving total orders of over USD 4 billion from a diverse group of global investors, the AT1 bond was priced at 8.0% following tightening of 62.5 basis points from initial pricing guidance.



BUSINESS REVIEW

Property Management

Through our subsidiaries, Abu Dhabi Commercial Properties (ADCP) and Abu Dhabi Commercial Engineering (ADCE), we provide a full range of property services in the UAE.

Contribution to operating income

2%

AED 374 mn

ADCP KEY HIGHLIGHTS

- Sale of majority stake in line with ADCB strategy
- Transaction positions ADCP well for future growth
- Digital platforms continue to gain momentum

ADCE KEY HIGHLIGHTS

- Strong relationship with Department of Finance
- Digital investment driving new opportunities
- Increasing focus on ESG-related services

Abu Dhabi Commercial Properties (ADCP)

Under the stewardship of ADCB, ADCP has grown into one of the leading property management companies in the UAE. ADCP now employs 250+ staff across nine offices in the UAE and manages over 1,900 buildings, comprising more than 51,000 residential and commercial units.

With a client base ranging from government entities to private individuals, property owners and renters, ADCP provides a range of high-quality property management services, including commercial and residential property management, facilities management, sales and leasing, and managing owners' associations in residential communities.

In 2023, ADCB took the strategic decision to divest an 80% stake in ADCP to Nine Yards Plus Holding, a subsidiary of EIH Ethmar International Holding PJSC, a rapidly expanding investment holding company headquartered in Abu Dhabi. The transaction represented a gain of approximately AED 490 million for ADCB, with the Bank retaining a 20% stake in the company.

While the divestment was driven by ADCB's strategy to focus on growth of its core businesses, majority ownership by Nine Yards Plus Holding positions ADCP on a path for continued expansion. ADCP will retain its separate corporate legal status and brand, ensuring continuity of its processes, operations and services, to best serve its clients. It will continue to leverage ADCB's strong franchise, financial expertise and relationships in the property management sector, while benefitting from the real estate expertise and growth trajectory of Nine Yards Plus Holding.

Meanwhile, ADCP has continued to digitise its services by further enhancing its flagship app, MyADCP, which gives tenants 24/7 access to leasing and facilities requests through a user-friendly interface. In 2023, MyADCP successfully processed over 100,000 service requests and the app continues to achieve high app store ratings. Another digital innovation, the ADCP Virtual Branch, offers services digitally that were previously provided in a physical branch environment, such as lease renewals. The Virtual Branch also gained momentum in 2023, handling more than 22,000 tenant requests.

100 k+

Service requests processed through MyADCP tenant mobile app

Abu Dhabi Commercial Engineering Services (ADCE)

ADCE is one of the leading commercial buildings' development managers in Abu Dhabi. It provides a wide range of services for building projects, from feasibility studies and valuation to design and project management.

As well as providing technical services to ADCB's retail and commercial mortgage business, the company's client base also includes key government entities, such as the Abu Dhabi Municipality.

ADCE's close working relationship with the Department of Finance (DOF) gained further strength in 2023, providing project management and supervision services to approximately 145 projects across Abu Dhabi and Al Ain. This included new instructions for a series of projects in Al Riyad City.

One of its priority initiatives during the year was continued investment in digitalisation projects to optimise its operations and enhance its capabilities in planning and customer experience, mainly in the areas of valuations, reporting and certification. ADCE is leveraging technology to expand its service offerings and enhance the differentiation of its proposition.

ADCE is also working closely with ADCB's Sustainability and Corporate and Investment Banking teams to identify and assess sustainable property and construction projects. It also continues to advise ADCB on financing mandates for construction projects and building retrofits.

Reflecting the strategic priorities of the ADCB Group, ESG is a key focus for ADCE and one of the areas in which it feels it can make the largest impact. It is currently designing new ESG-focused service offerings that will be ready for delivery in 2025. These include innovations in energy services, an area that is primed for growth as the UAE advances its strategy to achieve net zero emissions by 2050.

SUBSIDIARIES

Al Hilal Bank

ALHILAL

Al Hilal Bank provides digital-first Shari'ah-compliant banking services across the UAE. The Bank launched a disruptive 'super app' last year that provides a blend of financial and lifestyle products and services. The platform continued to gain traction throughout 2023, consolidating the Bank's growing presence in the market.

Abdul Shakeel Aidaroos
Chief Executive Officer — Al Hilal Bank

KEY HIGHLIGHTS

- End-to-end automation introduced for key products
- Enhanced security for super app
- Expanding ESG proposition

Al Hilal Bank continued to drive progress in its strategy to build a premium digital Islamic bank, having disrupted the UAE banking landscape with the launch of its cloud-based super app in February 2022. The app, which can be utilised by both non-customers and customers, is a portal to a wide range of banking and non-financial services.

In 2023, the Bank continued to advance its digital banking platform with a new range of products, features, and strategic partners that have been integrated in the ecosystem of the super app.

Having achieved its aim in 2022 of establishing a fresh brand as a digital-first Islamic retail bank, in 2023 Al Hilal focused on optimising its customer acquisition strategy and refining the digital platform — achieving notable success on both fronts.

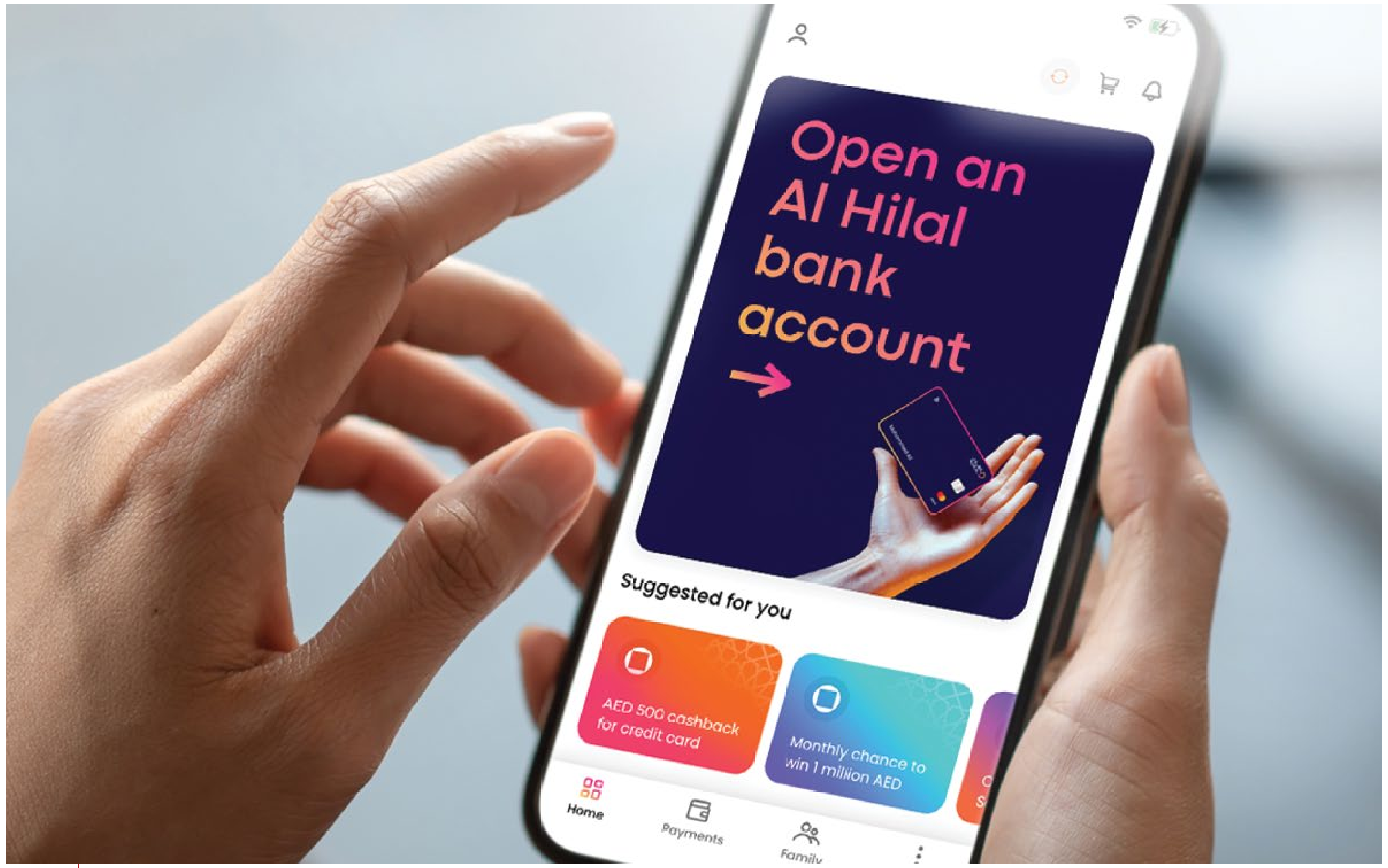
130 k
New banking customers in 2023

The Al Hilal super app made strong progress, acquiring approximately 654,000 registered users since its launch in early 2022, with more than 294,000 joining the platform in 2023. Over 130,000 new banking customers were onboarded by the app during the year, bringing the total to approximately 262,000 since its launch.

With the growth of digital banking in the region, Al Hilal Bank has its sights set on further expansion. A partnership with Nomo Bank, part of Bank of London and The Middle East plc, is extending the Al Hilal offering to include UK-based banking and products.

+109%

YoY increase in digitally active customers



Investing in the customer experience

The success of the super app is allied to its ability to deliver a strong customer experience. This is reflected in the 4.5+ average ratings the app receives across the main download platforms.

With Al Hilal Bank operating relatively few brick-and-mortar branches, the super app has rapidly become the primary channel for attracting and retaining customers, with users spending an average of 14 minutes on the app daily. One of the ways it engages users is by offering targeted incentives and promotions as part of its overall ecosystem strategy. These include discounts and cashbacks that are only available once a user opens an account. This helps to ensure that a high proportion of users are converted into customers, supporting an increase in CASA (Current and Savings account) deposits.

There was a significant focus in 2023 on refining the customer experience and digitalisation for key products. End-to-end digitalisation for deposits has enabled customers to open accounts and complete transactions automatically while also benefitting from self-service access to loans and credit cards.

The introduction of enhanced back-end personalisation capabilities has enabled the Bank to create bespoke offers for customers based on their specific needs and preferences. In addition, the 'help' function was upgraded to make it easier and quicker for customers to access support when required. New features included the ability to make bookings at 200,000+ hotels using Al Hilal Touchpoints, as well as the introduction of face recognition authentication when adding beneficiaries to accounts, and ongoing security upgrades to reduce fraud risks.

ABU DHABI RESIDENTS ACCOUNT FOR 43% OF AL HILAL BANK'S CUSTOMERS, WITH DUBAI AND THE NORTHERN EMIRATES REPRESENTING 32% AND 25%, RESPECTIVELY.

Strengthening the ESG proposition

Another priority for Al Hilal Bank is its ESG proposition. In addition to launching new sustainability-related products, the Bank aims to move towards net-zero operations by further automating processes to make the most of digital technology.

To reduce its environmental impact, the Bank only provides physical cards on request and uses recycled materials. Meanwhile, a partnership with Mastercard is funding the planting of 5,880 mangroves, sequestering 1,890 tonnes of CO_2 and supporting vital coastal ecosystems. From January 2024, all Mastercard plastic cards will be made from more sustainable materials such as recycled cards and bioplastics, a reflection of Al Hilal's commitment to working with partners who support its strong ESG principles. The Bank's headquarters at Al Bahr Towers are also a beacon of sustainability. The building is recognised for its innovative architecture that reduces energy consumption and promotes eco-conscious design.

Recognising the central role of Emiratisation in the UAE's future development and sustainability, Al Hilal Bank consistently exceeds the Emiratisation targets set by the Central Bank of the UAE. The Bank is one of the leading organisations in the financial sector, with UAE nationals accounting for more than 50% of the workforce. Al Hilal Bank has implemented a comprehensive career development framework for UAE nationals focusing on personal growth and training.

c.654 k

Registered users on Al Hilal super app since launch in 2022

SUBSIDIARIES

ADCB Egypt

ADCB Egypt offers a wide portfolio of financial products and services to diverse retail, SME and large corporate customers, combined with a range of market-leading online services. Reflecting the overarching priorities of the ADCB Group, the Bank's strategy is defined by its focus on customer excellence, digital innovation and sustainability.

Ihab ElSewerky
Managing Director & Chief Executive Officer
ADCB Egypt

KEY HIGHLIGHTS

- Resilient performance in challenging context
- Continued momentum in digital transformation
- Strong progress on ESG strategy

ADCB Egypt demonstrated significant resilience and a capacity to adapt in the face of a challenging macro-economic environment, delivering solid net profit growth in 2023. The Bank focused on maintaining asset quality, while continuing to make progress on the strategic priorities of digital transformation and sustainability.

Net profit(1) increased 126% year-on-year to EGP 1.8 billion, with a return on equity of 23.8%. Net loans increased 21% to EGP 35.9 billion and total deposits increased 15% to EGP 86.4 billion. The Bank protected its interests by employing a highly conservative approach to extension of new credit, amid sharp increases in inflation and benchmark interest rates.

ADCB Egypt is leveraging its strong reputation in the market and a dedication to service excellence to attract individual customers in the affluent segment. Meanwhile, the Bank continues to serve blue-chip corporate and public sector clients, supported by the ADCB Corporate and Investment Banking Group (CIBG) network of regional relationships, and selective participation in project financing opportunities.

EGP
1.8 bn
2023 net profit(1)

(1) Based on IFRS

Resilience built on strong foundations

In the Retail Banking business, the focus has been on maintaining the quality of the client base through market-leading services and digital innovation, with the customer base expanding by 16% in 2023.

The Bank enhanced its network to reach 50 branches, through the addition of a new location and a number of refurbishments, while ATMs increased to 193 by year end. ATMs were also upgraded with cash deposit functionality and a new state-of-the-art customer experience software interface, with enhanced services and features.

ADCB Egypt revamped its 'Excellency' package, aimed at high-net-worth individuals, to add more benefits for affluent customers. The credit card portfolio also achieved significant growth, representing an increase of 106% on 2022.

The Corporate and Investment Banking business, meanwhile, continued to expand its client base and diversify its coverage across a variety of sectors, including infrastructure, construction, manufacturing, energy and technology, with a focus on regional and 'corridor clients' operating between Egypt, the UAE and other key regional markets.

EGP
35.9 bn
Net loans

Prioritising digital

Over the last three years, the Bank has implemented an accelerated digital transformation strategy. This has served the business well, helping to build a loyal customer base by facilitating a responsive and efficient customer experience, while helping to establish a growing reputation as a digital innovator in the market.

The Bank launched its first fully digital branch, bringing a new level of automation directly to customers. This reflects ADCB's broader ambition to leverage technology and enhance the banking experience, while ensuring the highest level of security and customer satisfaction.

The introduction of InstaPay, which allows customers to instantly send and receive local transfers 24/7, helped to deliver an increase of 51% year-on-year in the number of total digital subscribers, while the number of digital transactions was up 420% from 2022.

In addition, the Bank launched an automated digital account opening process in 2023, which enables the customer onboarding journey to be completed online via the mobile app. More than 5,000 accounts were opened in the introductory phase.

The ADCB Egypt mobile app uses biometric recognition to maintain the highest levels of security. It forms part of a secure customer-focused internet and mobile banking proposition to meet diverse banking needs. It includes more than 50 digital services available in just a few clicks to allow customers to manage their finances from one place. Services include transfers, standing orders, requesting credit cards and supplementary information, as well as transaction disputes.

CASE STUDY

EMPOWERING ENTREPRENEURS TO TACKLE ENVIRONMENTAL CHALLENGES

ADCB Egypt sponsors ClimAccelerator, the first clean technology business accelerator in Egypt. It was launched by YouThinkGreen Egypt — EIT Climate-KIC, a European knowledge and innovation community co-founded by the European Union, with technical support from Schneider Electric.

ClimAccelerator aims to turn clean technology start-ups into successful businesses to create rapid impacts and help unlock a resilient, zero-emission future. It empowers entrepreneurs with diverse opportunities to develop innovative solutions to address environmental challenges and promote sustainable practices.

Thirteen start-ups were selected for the programme, which includes training, mentoring, knowledge exchange and networking. Programme participants attended weekly training camps led by experts from around the world to exchange ideas, learn, and gain valuable insights into running a successful clean tech business. ADCB Egypt's own specialists led training sessions on digital banking, marketing and finance to help start-ups develop their business plans, as well as guidance on securing grants and investments to implement green innovation projects. Eight start-ups successfully completed the programme.

Supporting the community

Reflecting the core pillars of ADCB's vision, ADCB Egypt is adapting the Group's sustainability strategy to the local operating environment. The Bank established a separate Sustainable Finance function in 2023, in addition to the ESG department responsible for sustainability integration across all lines of business.

BY YEAR-END, 10% OF THE LOAN PORTFOLIO WAS CLASSED AS SUSTAINABLE LOANS, WITH THE BANK SETTING A TARGET OF 15% BY 2030.

ADCB Egypt has also established a sustainability committee chaired by the CEO, in addition to two sub-committees for sustainable finance and reducing waste and emissions from the Bank's own operations. In line with Central Bank of Egypt regulations, the business has already published its sustainability and environmental and social risk management (ESRM) policies, along with its second ESG and carbon footprint report.

In an effort to raise internal awareness and understanding of the ESG agenda, the Bank launched a training initiative in partnership with AXA Climate for all employees, as well as advanced training and certification for key functions. In addition, ADCB Egypt sponsored the first 'ClimAccelerator' in the country, in collaboration with 'YouThinkGreen', to support clean technology start-ups.

ADCB Egypt's vision of 'inclusion via empowerment' continued to progress, with a focus on empowering people of determination. The Bank allocates nearly half of its corporate social responsibility (CSR) budget to support people of determination through community initiatives and financial literacy programmes, enabling them to become economically and financially engaged. It also provides a dedicated banking package that includes a free account, medical discount card and a loan with a favourable interest rate.

BUSINESS REVIEW

Other subsidiaries

ADCB Group's subsidiaries complement its core banking business through their strong brands and value-added business activities, ranging from property management and project management to securities trading and operational support. The subsidiaries continue to create value for the Bank as well as its customers, partners and the wider economy.

ADCP

Mohamed Binbrek
General Manager

Abu Dhabi Commercial Properties (ADCP) operates the largest mixed-use leasehold assets portfolio in the region. It provides tailored property management services, representing government, private and corporate real estate owners across the UAE. Nine Yards Plus Holding, a subsidiary of EIH Ethmar International Holding PJSC, acquired an 80% stake in ADCP in December 2023.

41,000+
Leases issued

6,617
Landlord requests administered

22,255
Tenancy agreements renewed remotely

648
Units added to ADCP managed portfolio

ADCE

Hazem Jaber
General Manager

Created in 2007 as the engineering arm of ADCB, Abu Dhabi Commercial Engineering Services (ADCE) is a one-stop shop for all engineering related project management services, from design conception to completion. Its modern, innovative designs, situated throughout the city, are built to last — and its business is founded on strong client relationships.

3,214
Technical memos issued

1,774
Landlords

680
Vendors registered

1,873
Collaborations with consultants, contractors, sub-contractors

ADCB Securities

Hasan Salem Al Hosani
General Manager

ADCB Securities is a brokerage house that offers its customers access to trade on the UAE stock exchanges. A wholly-owned subsidiary of ADCB, it is regulated by the SCA (Securities & Commodities Authority) to provide trading services on ADX (Abu Dhabi Securities Exchange), DFM (Dubai Financial Market), and NASDAQ Dubai.

AED 26.8 bn
Total assets under custody

AED 580 mn
Total lending through margin accounts

AED 4.6 bn
Total trading value through online trading channels

24,067
Total account base

ITMAM

PK Raman
General Manager

ITMAM, meaning 'we get things done' in Arabic, was established to provide operational support to ADCB Group, including customer onboarding, cash management, trade operations, credit underwriting and contact centre services, among others. ITMAM's service-focused Net Promoter Score (NPS) framework enables the Bank to pursue a more customer-oriented business model.

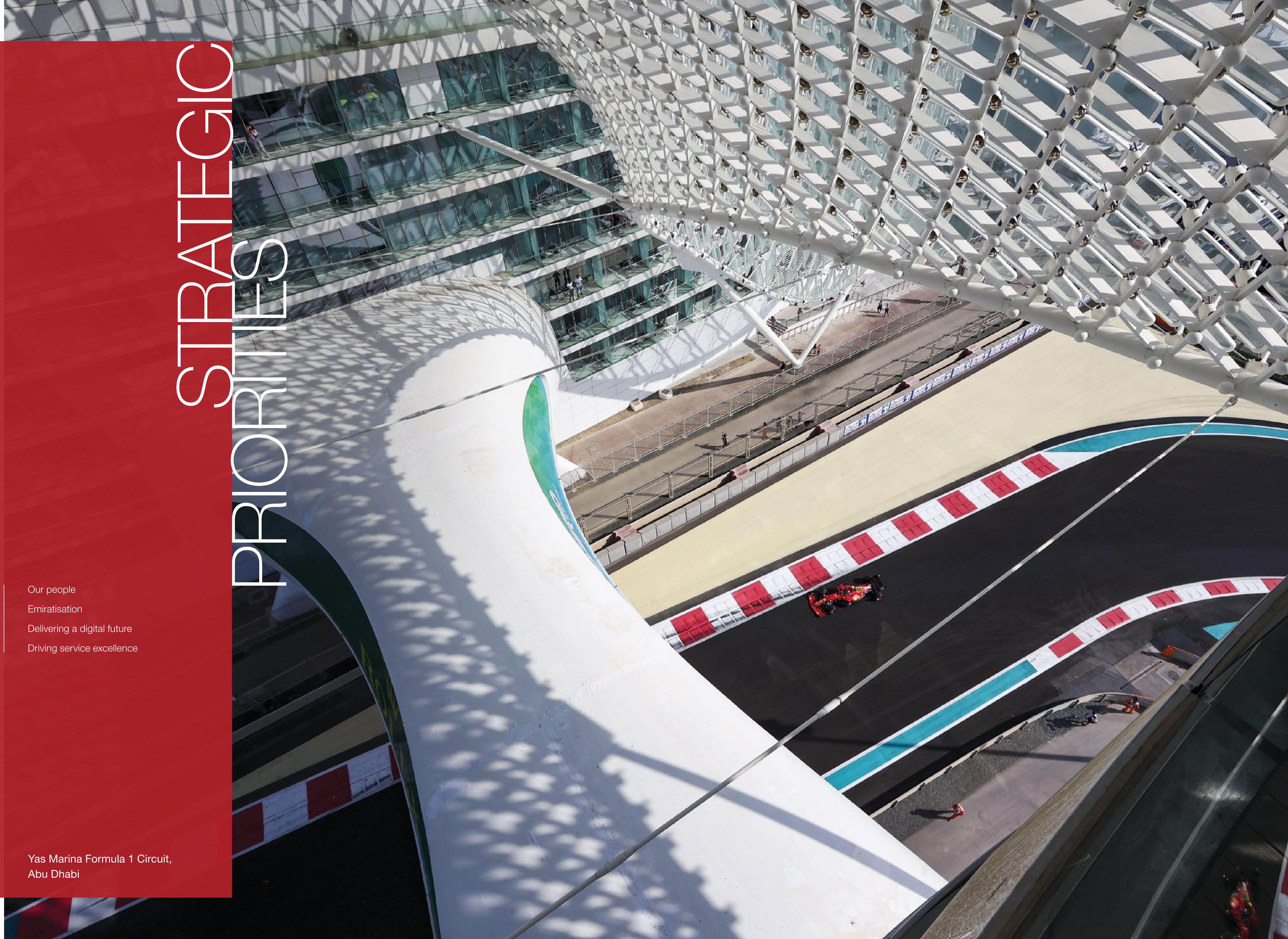
99%
Overall service level targets achieved

36%
Increase in total volumes processed

400,000+
Digital accounts opened through ADCB's onboarding app 'Hayyak'

26%
New service requests digitised

STRATEGIC PRIORITIES



Yas Marina Formula 1 Circuit, Abu Dhabi

STRATEGIC PRIORITIES

Our people

ADCB's people represent the Bank's primary competitive advantage in the marketplace. Empowering employees to reach their full potential in a high performance culture is therefore a strategic priority. The Human Resources department plays a key role in driving success, coordinating closely with all business functions to build capacity and enable accelerated implementation of strategy.

Attracting and retaining top talent, particularly UAE nationals, continuous development of skills and the provision of rewarding career paths are at the centre of the Bank's approach to pursuing sustainable growth.

Top quartile

Globally and in the Middle East in the Organisational Health Index(1)

(1) The Organisational Health Index is a survey conducted by a leading global management consultancy firm to assess and determine an organisation's ability to achieve sustained improvements in performance.

KEY HIGHLIGHTS

- Continued investment in Emirati talent and capabilities
- Comprehensive learning and career development
- ESG fully integrated into learning pathways

Transforming ADCB's vision for the future of banking into reality requires employees to live and represent its core values of integrity, care, ambition, respect, and discipline. In 2023, the Human Resources department continued to drive progress across the organisation, with a particular focus on delivering excellence in three key areas: career development, learning and skills; embedding a workplace culture of empowerment; and the further development of Emirati talent.

Empowered careers

In line with the Bank's approach to empower employees to pursue successful careers in banking, ADCB carried out a major initiative in 2023 to redesign its grading structure. The objective was to more accurately reflect experience, expertise and professional development, while providing further opportunities for career progression.

The Human Resources team succeeded in completing the complex exercise efficiently over a six-week period. The process involved conducting a thorough and transparent assessment of roles, responsibilities, experience and expertise. This was followed by implementation of the new grading system through proactive engagement with employees across ADCB and Al Hilal Bank. In the process, the Group also introduced a number of promotions to recognise high performance.

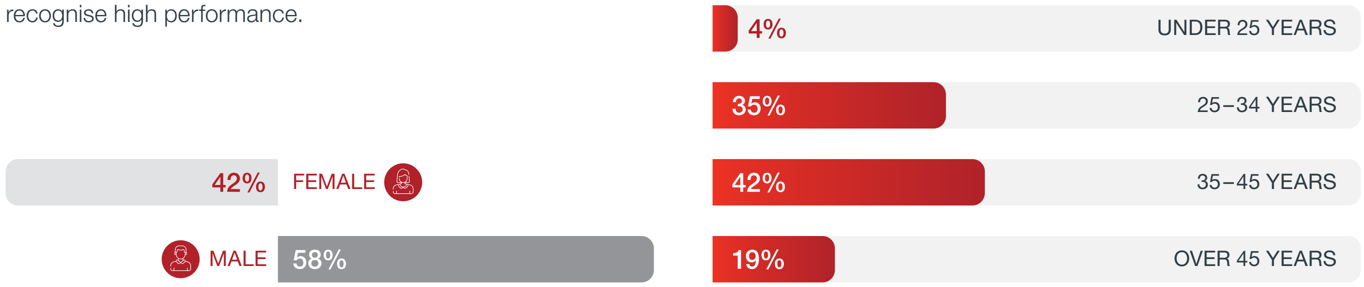
To further support employee empowerment, the Bank is investing in a new cloud-based Human Resources platform to replace the current system. The new digital platform is based on international best practice and seamless execution. It provides a richer, faster, more intuitive user experience with additional features and mobile functionality.

World-class training

In parallel, the Bank continued to invest significantly in professional training to support employees in their performance and career progression. Learning is generally delivered in a blended approach via a combination of in-person and online modules covering a variety of technical and behavioural topics, in partnership with leading international providers.

In 2023, the Human Resources team delivered an expanded programme of over 300,000 learning hours, with the training well received by employees across all levels.

ESG remained a core focus for the Bank in 2023, with over 4,000 employees benefiting from focused training to deepen their understanding of sustainability and the Bank's strategy. Programmes included awareness sessions, customised eLearning, and targeted training for specific teams to enhance their roles and relationships within the ESG framework.



ADCB Group employee profile by age and gender

Fatima Almousawi
Private Banking & Wealth Management

Nadine Adel Aghabi
Private Banking & Wealth Management

Marwa Wafi
Private Banking & Wealth Management

UPSKILLING EMPLOYEES IN PARTNERSHIP WITH EMIRATES INSTITUTE OF FINANCE (EIF)

ADCB has partnered with the Emirates Institute of Finance (EIF) to deliver an exclusive training programme. All employees benefit from access to EIF courses, ensuring a continuous journey of learning and development. Each year around 145 UAE nationals attend EIF courses running between six to nine months. Participants receive a sector-focused programme across a range of finance-related topics relevant to their roles.

A LEADER IN WORKPLACE CULTURE

ADCB provides a diverse and inclusive workplace, with over 80 nationalities represented in the employee base. Every year, the Bank carries out an Organisational Health Index (OHI) survey to track its performance on culture and employee experience. The OHI survey assesses performance in a number of areas, including innovation and learning, motivation, work environment, and leadership and management capabilities, plus a wide range of other organisational areas. In 2023, the response rate of 96% demonstrated a high level of engagement across the Group, while the overall OHI rating placed ADCB firmly in the top quartile of banks globally.

STRATEGIC PRIORITIES

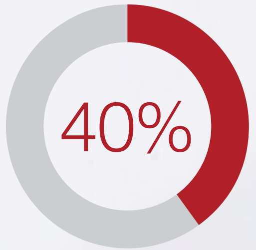
Emiratisation

ADCB is proud to contribute to the UAE's progressive Emiratisation agenda as part of the country's vision for the development of a sustainable, diversified economy. The Bank has a long-standing strategy to create highly skilled career opportunities and provide first-class professional development programmes that are closely aligned with the implementation of its growth strategy.

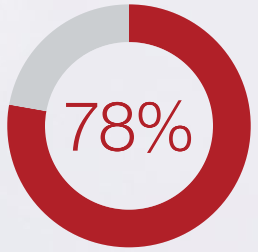
FROM LEFT TO RIGHT: Abdulla Alnuaimi, Emiratisation, Recruitment & Manpower Planning | **Ahoud Aljneibi,** Marketing Services | **Hamad Budebs,** Corporate and Investment Banking Group | **Saif Al Mazrouei,** Treasury | **Latifa Alshamsi,** Taxation

Nurturing the next generation of leaders

ADCB regularly attends local career fairs aimed at attracting new Emirati talent. It has also established a dedicated committee tasked with identifying particularly promising candidates and fast-tracking them through the application process.



Emirati representation in ADCB Group



Female representation among Emirati employee base

FROM LEFT TO RIGHT: **Eida Almansoori,** Learning and Organisational Development | **Mohamed Alnuaimi,** Fraud Risk Management | **Hasan Salem Al Hossani,** ADCB Securities | **Mouza Alsheryyani,** Financial Markets Solution | **Abdulla Salem Alobeidli,** Abu Dhabi Commercial Engineering Services | **Afra Alblooshi,** Legal | **Sumaia Mohammed Al Ali,** Retail Banking | **Adel Galadari,** Financial Crime Compliance

EMIRATISATION

1,000+
Emirati employees promoted in 2023

316
UAE nationals recruited in 2023

Mohammed Alblooshi
Taxation

Khalifa Almarzooqi
Risk Management

Mouza Al Ahbabi
Corporate Communications

Amani Aljneibi
Consumer Banking Enablement

483
Emiratis in middle and senior management

Ahead of targets

ADCB is tracking ahead of UAE Central Bank Emiratisation targets. The Bank recruited over 300 UAE nationals in 2023, including experienced Emirati employees as well as new graduates. This ongoing recruitment programme has raised the number of Emirati employees across ADCB Group to 2,096, representing 40% of the workforce. This is among the highest Emiratisation rates in the country's financial and banking sector. Notably, UAE nationals account for 67% of employees under the age of 30. Similarly, at Al Hilal Bank, UAE nationals represent more than 50% of the total employee base, with the Bank also implementing a comprehensive career development framework for Emiratis to hone personal growth and skill acquisition.

Khalifa Almahri
Corporate and Investment Banking

Khamees Almansoori
Financial and Strategic Engagement

THE NUMBER OF PARTICIPANTS IN THE TAMOOHA TRAINING PROGRAMME INCREASED TO 195. THE TAMOOHA INITIATIVE SUPPORTS EMIRATI WOMEN BY GIVING THEM ACCESS TO CAREER OPPORTUNITIES IN BANKING, WITHOUT COMPROMISING SOCIAL VALUES.

Emiratis already hold more than 20% of middle and senior leadership positions across the ADCB Group, achieving accelerated career progression through outstanding performance. Over 1,000 Emirati employees were promoted in 2023, particularly into positions of significant responsibility, including Head of Islamic Banking, Head of UAE Branches, Head of Enablement, and other senior roles. The Group also welcomed a number of Emirati professionals with significant banking experience to key areas such as risk management, digital transformation, sustainability, liquidity management and investment. ADCB will continue to attract and develop national talent, in line with the UAE Central Bank's Emiratisation targets.

The Bank has initiated a number of programmes to equip Emirati employees with the skills and capabilities to not only excel in their current roles, but also to enable them to advance their careers with the Bank. These programmes include a 'UAE national career development' component for high performing Emirati employees.

63%
Female representation among Emiratis in management positions

Ahmed Alnajjar
Corporate and Investment Banking

Ahmed Saif
Money Markets

Abdulla Aljahoori
Retail Banking

Noof Alhammadi
Taxation

Shareena Eisa
Corporate Credit

This initiative is part of the Bank's vision to develop UAE nationals, by identifying their strengths and investing in their development through tailored learning pathways. Participants are assessed across key metrics, such as cognitive ability, personality type and behaviour, to determine areas for further focus. The programme includes personalised feedback with certified coaches and access to targeted learning sessions. Over 360 people have participated in the programme so far.

The Bank provides the necessary resources and support to enable UAE nationals to progress their careers and contribute to the success of ADCB. In 2024, the Bank plans to add an additional 'career pathways' level to the programme, linking employee development and career ambitions to internal vacancies and performance requirements. The initiative aims to identify and nurture the next generation of Emirati leaders within the organisation.

87

Average number of training hours provided to each Emirati employee in 2023

CASE STUDY

DEVELOPING LEGAL TALENT

ADCB has developed a unique specialist training programme to attract, recruit and retain qualified Emirati talent into the Bank's Legal function.

Led by the Group General Counsel, the legal team comprises 23 lawyers, eight of whom are Emirati nationals. Due to accelerated growth of the Bank, more demands are being placed on the Legal function to provide appropriate and timely support to a diverse range of stakeholders. To help maintain a robust pipeline of experienced lawyers to meet these evolving requirements, the Bank has set up an in-house 'legal academy' to provide financial services-specific training to UAE nationals already qualified in law.

Each candidate follows a bespoke training programme and gains experience across a range of areas. This enables lawyers to strengthen their skillsets and gain valuable insights, while contributing to the smooth functioning of the Bank.

The first four candidates have been selected for the programme, which is being rolled out in 2024, and the new team is set to begin this enriching career development pathway.

Ahmed Salah Alfalahi
Private Banking & Wealth Management

Mohammed Alhemeiri
Private Banking & Wealth Management

Nura Alsuwaidi
Private Banking & Wealth Management

Aamna Almheiri
Private Banking & Wealth Management

Humaid Alblooshi
Legal

Mohammed Alzaabi
Legal

STRATEGIC PRIORITIES

Delivering a digital future

ADCB is moving to a digital first strategy to enhance its offering of superior products and services via a seamless banking experience. The strategy focuses on driving customer acquisition and engagement, particularly through ecosystems created with external non-banking partners to provide new opportunities for our customers.

Amongst the highest ranked

digital banking apps in the UAE

GET IT ON Google Play

DOWNLOAD ON THE App Store

KEY HIGHLIGHTS

- Digital proposition strengthening customer acquisition
- Revised digital strategy providing focus for future growth
- Self-service capabilities enhancing customer journey

ADCB's customer-centric approach to digital innovation is a core strength and a critical component of the Bank's success and strategy for future growth. Significant investment in technology, combined with pragmatic steps to enhance the customer experience, have supported rapid growth in customer numbers and engagement levels.

Acceleration of digital transformation is at the heart of ADCB's corporate strategy. In 2023, teams across the Bank worked on over 200 digital projects and implemented 53 digital enhancements.

From onboarding to seamless access to products

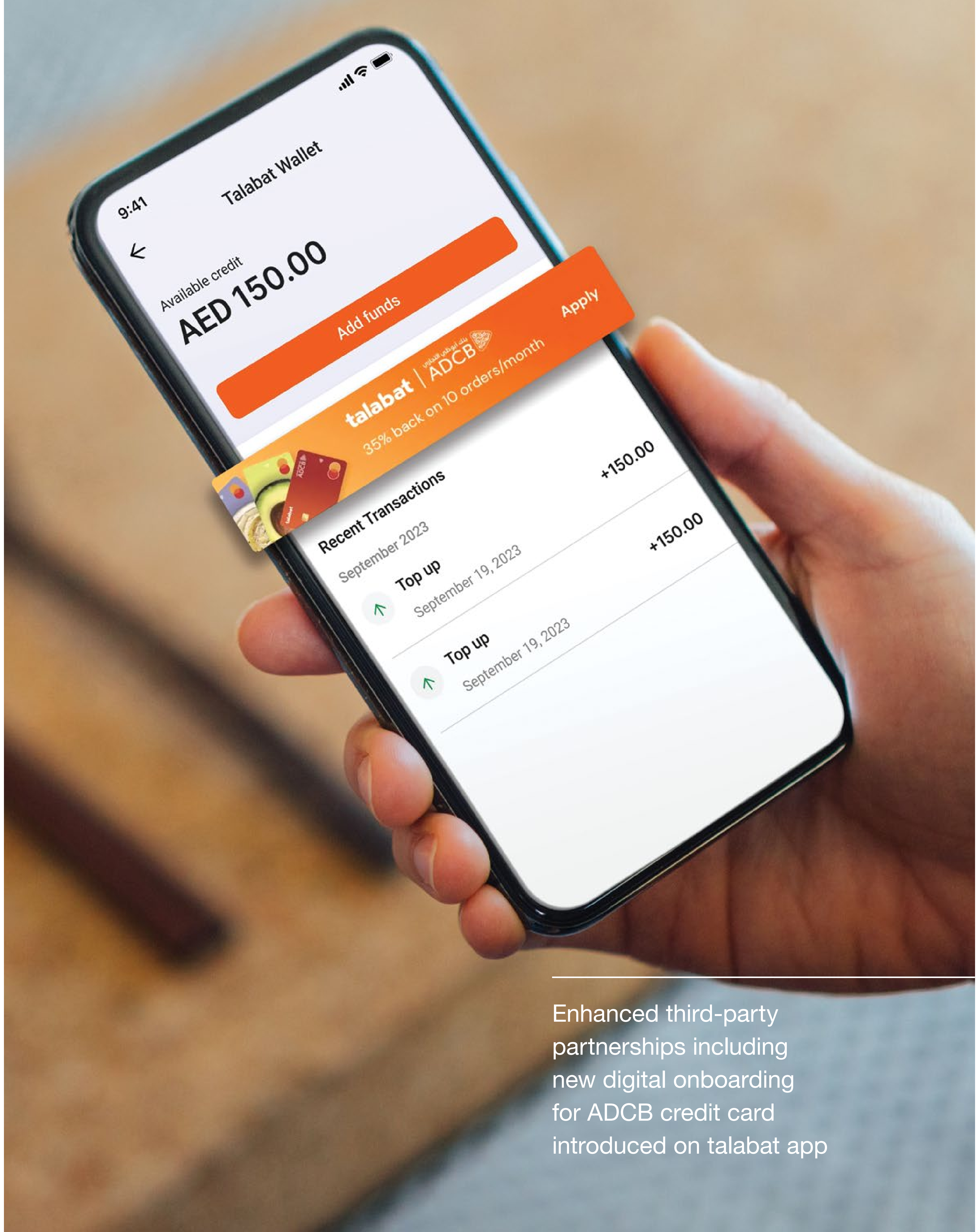
ADCB's priority is to open up a full range of banking services to new customers digitally, through the most convenient channels — either via ADCB or third-party platforms. Over 1 million customers have joined the Bank through our 'Hayyak' onboarding app since its launch in 2019, and momentum has increased with over 400,000 customers welcomed through this channel in 2023.

A project is currently underway to integrate the Hayyak process into the ADCB Mobile Banking app, which will provide a seamless journey from onboarding straight through to accessing a full range of products and services on a single platform. End-to-end automation is enabling customers to register easily for current and savings accounts, credit cards and personal loans. For example, it now takes only eight minutes for an existing customer to apply for a credit card and receive a digital card for immediate use.

89%
Customers registered on Internet & Mobile Banking[1]

79%
Retail customers onboarded digitally through Hayyak[1]

(1) ADCB UAE only



Enhanced third-party partnerships including new digital onboarding for ADCB credit card introduced on talabat app

97%

Digital retail customer transactions[1]

Ease of use of digital platforms and security enhancements, including the introduction of 'UAE Facepass' facial recognition technology to verify transactions, have supported increased engagement and security in digital channels.

The number of digital banking customers and retail customer transactions have more than doubled since 2019. In 2023, digital retail transactions increased by 37% year on year to more than 188 million.

The Bank also introduced the new Central Bank-endorsed 'Aani' instant payment system on the mobile app to complement its instant payment feature. The new functionality offers the ability to use phone numbers, email addresses and QR codes to transfer funds to any other UAE-based bank account in real time and is expected to facilitate an exponential growth in digital payments.

The introduction of ADCB DigiSign, whereby customers can digitally sign relevant documentation without needing to visit a branch, and the use of AI to extract data from document images, are also expected to facilitate access to products and services, while supporting a robust and responsive decision-making process.

188 mn

Digital retail transactions in 2023, up 37% YoY[1]

(1) ADCB UAE only

Crossing the boundaries of traditional banking

ADCB recognises that making processes more convenient for customers means stepping outside the boundaries of traditional banking. The Bank aims to serve customers in diverse contexts, by moving the banking experience into other digital ecosystems, to reach new demographics.

Innovations include WhatsApp banking, whereby customers can engage with an AI-driven conversational interface in WhatsApp to access banking services and account information. Core services available include account opening, loan application status and a product calculator. Since its launch in 2021, over 400,000 customers have subscribed to ADCB's WhatsApp channel. Additional services, such as transfers between accounts and payment of credit cards are due to be added soon, along with more sophisticated generative AI capabilities to further improve the customer experience.

Another successful partnership taking ADCB into new customer ecosystems is the link-up with 'talabat', the region's leading online food delivery platform, to launch the ADCB talabat credit card. Customers of talabat can apply for a co-branded credit card via the talabat mobile app, and receive their digital card for immediate use within minutes.

34%

YoY growth in digital banking (internet and mobile banking) subscribers in 2023[1]

Leveraging the potential of AI

Across the Bank, advanced analytics and AI are enabling better and more responsible credit decisions, while helping to drive compliance and optimise efficiencies.

AI capabilities were integrated in the new cloud-based contact centre, built on the industry-leading Genesys platform. It includes voice recognition and a 'next best action' engine to suggest conversation prompts based on the customer's behaviour. This empowers contact centre staff to develop stronger relationships with customers and respond to queries more effectively.

Continued investment in ADCB's mobile banking app has achieved faster time to market and greater resilience through modernisation of the technology platform. The Bank deployed generative AI into its software engineering capabilities to automate the writing of software application code and test automation scripts, leading to significant productivity improvements. Meanwhile, the offers and discounts feature, which is integrated into the app, uses machine learning technology to provide personalised offers to customers based on their spending patterns.

Driving efficiencies for all customers

ADCB's Private Banking and Wealth Management digital proposition is reimagining how the business serves its clients. The Bank launched a digital wealth self-service portal and integrated mobile app in 2023, bringing private banking services to customers via a more convenient, personalised and responsive channel.

In the Corporate and Investment Banking Group, investment in digital platforms continued to deliver high service levels and enhance customer convenience. The two digital corporate banking platforms ProCash and ProTrade — benefitted from improved efficiency and security measures. New alerts were introduced to allow users to effectively monitor transactions in real time on the ProCash platform, while machine learning and AI technology were implemented to apply trade based anti-money laundering rules to trade finance products.

Additional upgrades included a streamlined onboarding process for SMEs and the integration of facial recognition on the ProCash mobile app. The improvements help clients to track their money in real time and provide a seamless proposition that continues to make banking more efficient.

In addition, the Bank introduced a new supply chain and virtual accounts solution, along with a blockchain-enabled automated trade licence renewal process for Dubai-registered companies. This facility will be extended to other Emirates as the capability becomes available. Meanwhile, the IPO portal continued to offer convenient access to new investment opportunities.

(1) ADCB UAE only

Refreshed digital strategy

Given the rapid advances in technology and the highly competitive environment, the Bank is continuously reinvigorating its digital approach, to ensure it provides a suitable platform for innovation, combined with a focus on tangible customer benefits and speed to market.

ADCB commands a strong market position in the UAE, particularly in terms of digital usage and account openings. The Bank revised its digital strategy in 2023 to reflect its 'digital first' approach, further cementing its position as a digital leader.

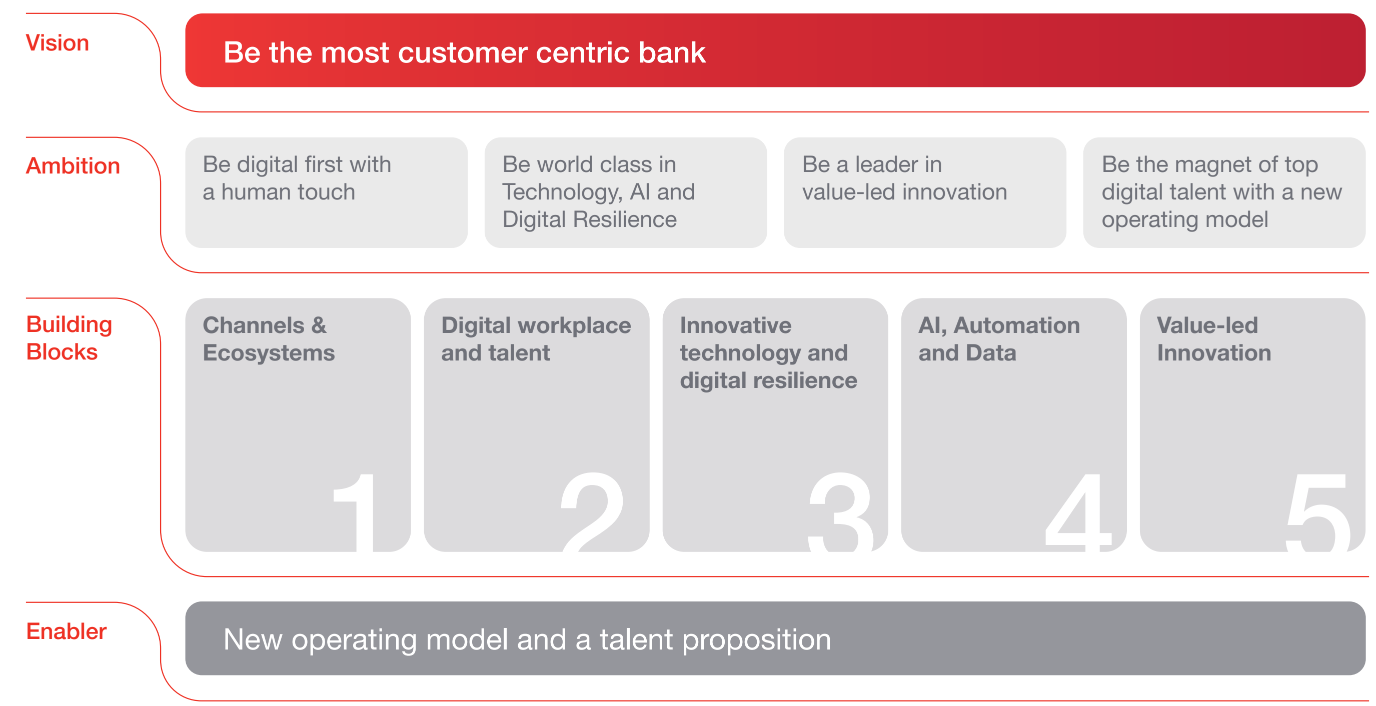
The revised digital strategy, which will be rolled out from 2024, is focused on accelerating the digitisation of key customer journeys, building strong digital technology foundations, refining internal processes and tools, and developing the enablers to ensure a long-lasting transformation.

ADCB'S DIGITAL VISION IS ANCHORED ON FOUR KEY AMBITIONS:

- Digital first with a human touch
- World-class in technology, AI and digital resilience
- Value-led innovation
- Attracting top digital talent

OUR DIGITAL AMBITION

ADCB strives to be the most customer-centric bank in the UAE through a focus on five building blocks in the Bank's digital strategy.



STRATEGIC PRIORITIES

Driving service excellence

ADCB's approach to service excellence is centred on delivering products and services that exceed expectations. The Bank continuously works to understand customer needs and leverages data-driven insights and innovation to provide a personalised and secure experience.

73

Bank-wide Net Promoter Score (NPS)[1]

(1) Figures refer to ADCB UAE only

KEY HIGHLIGHTS

- Customer experience forums driving service excellence
- Rising NPS scores reflect the Bank's customer-first approach
- Customer service included in each employee's KPIs

Delivering consistent service excellence is central to ADCB's strategy for achieving its growth objectives and gaining market share. In an increasingly competitive market, customer expectations are constantly rising. ADCB is investing in its services, products and systems to meet and exceed these expectations.

Net promoter score (ADCB UAE)	**2023**	**2022**	**2021**
Retail Banking Group	70	63	63
Private Banking Group	88	84	75
Corporate & Investment Banking Group	78	68	64
Treasury and Investments Group	91	91	90
Bankwide	73	69	66

A customer-first ethos is embedded across the entire organisation and is the lens through which strategic decisions and actions are viewed. Customer service is also measured against performance and is included in every employee's KPIs and appraisal.

Digital initiatives are prioritised according to their potential impact to create value for customers in an appropriate timeframe.

The Bank measures its success through fast feedback loops and uses the net promoter score (NPS)[1] to assess customer experience, measuring the willingness of customers to recommend ADCB's brand, products and services to others. In 2023, the overall NPS for the Bank increased by 4 points to 73.

As well as embedding service excellence into its core retail, corporate and private banking propositions, ADCB aims to provide convenient access to its services. One way to achieve this is through relationships with third-parties to develop the Bank's presence in non-traditional channels and ecosystems. The partnership with food delivery company 'talabat' to introduce a co-branded credit card, and the introduction of the innovative WhatsApp banking channel, for example, broaden service delivery by effectively taking the Bank to the customer.

(1) NPS is based on the likelihood that customers will recommend ADCB to family members or a friend. NPS is calculated as the percentage of customers who are promoters, rating ADCB a 9 or 10 on a 0 to 10-point scale, minus the percentage who are detractors, rating it 6 or lower.

Transforming customer service

The volume of customer interactions has increased in step with the rapid growth of the core banking businesses, and managing this expansion efficiently and in a scalable manner is key to the Bank's success in increasing productivity. ADCB has responded through continued investment in its processes and technology to manage a greater proportion of customer interactions digitally, while maintaining a high level of service quality. This ranges from enhancing self-service digital onboarding and account management processes, to investing in AI-enabled automation in contact centres.

ADCB is also leveraging technology to improve the speed and accuracy of personal credit decisions. Launched recently, the new machine-learning enabled model uses reputable data sources, combined with behavioural data and analytics, to make a credit decision. This strengthens reliability, reduces delays and enhances the customer experience.

CASE STUDY

ENHANCING CONSUMER PROTECTION

ADCB completed the implementation of enhanced consumer protection standards in 2023. Following the publication of new UAE Central Bank guidelines in 2022, the Bank established a 12-person project team to review its 464 clauses and identify actions required. This included the creation of more than 1,000 templates in English and Arabic, and the upgrade of several branches to be fully accessible to people of determination. The programme was implemented over 18 months and was completed in October 2023.

93%

Customer feedback resolved within 3 days

Fostering a customer experience culture

High performance across the Bank is driven through regular customer excellence forums, reflecting the importance of service quality at all levels of the Bank. The main forum is the Customer Experience Executive Forum, which is chaired by the Group CEO, and is part of a process that empowers cross-functional teams to work together to rapidly improve systems and processes.

During these forums, which include the heads of all the businesses and functions within ADCB, attendees report on the progress of key initiatives and conduct deep-dives into the latest customer service metrics. Specific actions are agreed for improvement and responsibility for delivery is allocated to individuals and teams. Progress on agreed actions is tracked and reported to ensure the desired outcomes are achieved.

'CUSTOMER EXPERIENCE EXECUTIVE FORUM' CHAIRED BY THE GROUP CEO

The Customer Experience Executive Forum is complemented by a series of monthly Service Quality Forums with each Group head, which follow a similar format. Feeding into the forums is the 'Voice of the Customer' report. This collates information from across the Bank on a range of service metrics, including customer complaints and social media feedback. A dedicated team is also tasked with handling social media engagement and replying to comments.

Monitoring and responding to customer feedback is a fundamental part of the Bank's approach to service. Issues related to technical areas, such as functionality or processes, are channelled to customer service teams and, if necessary, re-engineering teams, to understand the root cause and to address them appropriately. ADCB's focus on customer service excellence delivered a significant reduction in the incidence of complaints during the course of the year, while 93% of issues raised by customers were resolved within three days.

CASE STUDY

Delivering DigiSign

ADCB engaged in a journey to improve customer experience and drive operational excellence through the adoption of DigiSign, an initiative that has been championed by the Customer Experience Executive Forum chaired by the ADCB Group CEO.

DigiSign is an electronic signature solution that enables customers to sign documents and agreements remotely, from anywhere in the world, enhancing convenience, speed, and compliance. Using DigiSign ensures a smoother customer experience by removing the need to deliver hand-signed documents to branches or via email. It also increases operational efficiency by reducing costs and creating a virtual repository of legally-binding documentation.

The implementation process commenced in the third quarter of 2022, with deployment in key business units picking up speed throughout 2023, including the use of DigiSign on internal documents.

By year-end, over 150 documents had been migrated to DigiSign, including forms related to corporate transactions, Islamic contracts, retail mortgages, credit and debit cards and trade applications. The full implementation of DigiSign is expected to be completed in 2024.

DIGISIGN | بنك أبوظبي التجاري ADCB

RISK MANAGEMENT

Qasr Al Hosn, Abu Dhabi

RISK MANAGEMENT

Risk review

ADCB prioritises a disciplined approach to risk in recognition of its fundamental importance to the Bank's long-term organisational and financial resilience.

KEY HIGHLIGHTS

Multiple stress tests completed, in addition to regulatory ICAAP and stress test submissions, with particular focus on climate change

Integration of ESRM into credit assessments

As a systemically important bank in the UAE, ADCB ensures that effective risk management underpins decision-making at every level of the Group. The Bank continuously monitors new and emerging risks and ensures the organisation has the capability to adapt rapidly. Each year, the Bank evaluates risk appetite through a systematic review and challenge before presenting it to the Board Risk Committee (BRC). This process ensures that risk at the individual, department, function, and portfolio level remains consistent with overall Group appetite.

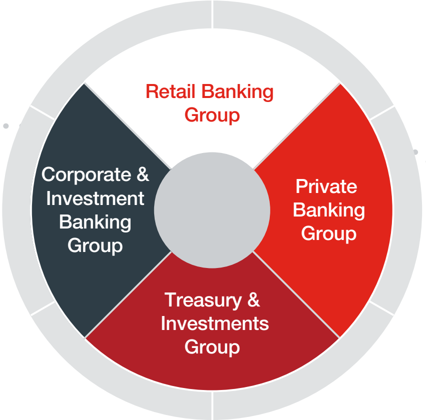
The risk framework, processes and procedures are consistent across the Group and are aligned with its strategy for growth. It is embedded culturally throughout the organisation, with every employee expected to play an active part in managing and mitigating risks. Employees also undertake mandatory e-learning modules covering key risks to the organisation.

A framework for robust risk management

ADCB uses an activity-based three lines of defence model. This determines accountabilities and responsibilities for risk management across the Group, facilitating collaboration and enabling efficient coordination of risk and control activities.

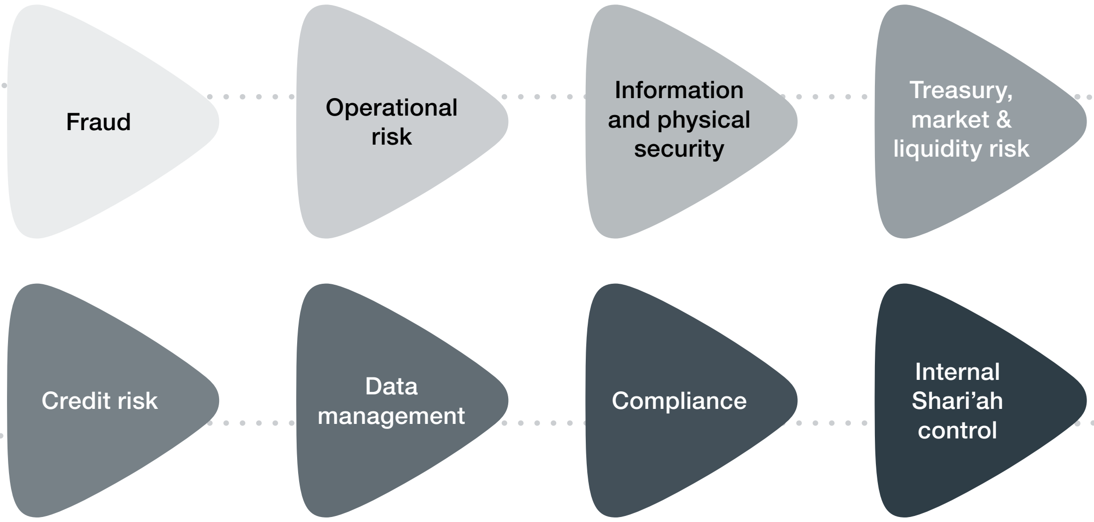
1 First line of defence

The Bank's business lines, plus Technology and Operations, own the risks and are responsible for identifying, recording, reporting and managing them, and ensuring the right controls and assessments are in place to mitigate them.



2 Second line of defence

The Bank's risk control and compliance oversight functions set the policy and guidelines for managing specific risk areas, provide advice and guidance in relation to the risk, and challenge the first line of defence on effective risk management and design.



3 Third line of defence

Internal Audit function

The Bank's Internal Audit function provides independent and objective assurance of the adequacy of the design and operational effectiveness of the Group's risk management framework and control governance process.

Risk governance roles & responsibilities

Board of Directors	Establish and ensure strong control environment via the Board Risk Committee (BRC)
Management Executive Committee	Oversight and implementation
Risk Management Function	Governance and compliance
Business Line Management	Ownership
Internal Audit	Assurance

Activities in 2023

The regulatory landscape and the Bank's scale and complexity have undergone considerable changes over the last three years, and this trend continued in 2023 in line with the significant growth of ADCB's core businesses. To adapt to the dynamic environment, Group Risk Management (GRM) established new functions and verticals.

THESE INCLUDED SETTING UP A NEW ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT (ESRM) TEAM, FOLLOWING THE INTRODUCTION OF AN ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT POLICY IN 2022, ENHANCING MODEL RISK COVERAGE, UPDATING DATA PRIVACY POLICIES, PROCEDURES AND FRAMEWORKS.

The Department also continued to invest in state-of-the-art technology and infrastructure to maintain a responsive control environment (with a focus on cyber and fraud), while delivering training and awareness-raising sessions across the Bank.

GRM maintains a continuous review of risk appetite. In 2023, it added a new risk, digital assets, to its existing 14 principal risks, reflecting the growing interest and related activity globally. In the past, the Bank had classed digital assets as 'unacceptable risk', but has now adopted a more focused, nuanced approach to these types of assets and asset providers, recognising them as 'increased risk'. This requires enhanced due diligence to ensure the Bank is comfortable with its control environment and factors in reputational risk considerations.

In the area of credit risk and enterprise, GRM renewed and reviewed a substantial number of risk policies. In accordance with the Basel Accords, the Bank continued to emphasise capital structure, capital planning, and capital allocation as part of its strategic decision-making.

Enhanced modelling capabilities

In 2022, GRM introduced a new Group-wide 'Connected Risk' operational risk platform. This provides an enterprise-wide view of risk, with critical information easily accessible on a customised dashboard. In 2023, as part of the roll-out of Connected Risk, additional models were introduced to enable risk to be better managed, measured and reported.

The Bank established a dedicated risk management model area to enhance governance and scope of coverage. Risk measurement processes were also strengthened with the implementation of new internal models for measuring potential future exposure for counterparty risk, as well as new internal models for measuring credit valuation adjustment, fraud risk, credit and capital models.

DISCIPLINED AND FOCUSED APPROACH TO RISK

ADCB's rigorous approach to risk management is reflected by the robust governance structures in place. As well as regular meetings of the various risk committees, sub-committees and steering groups, monthly portfolio reviews are central to the Bank's risk management ethos.

MEETINGS HELD IN 2023:

- 8 Board Risk Committee
- 8 Risk Management Committee
- 7 Model Risk Management Committee
- 5 Data Steering Group
- 4 Operational Risk Working Group
- 3 Information Security Working Group
- 6 Internal Shari'ah Supervisory Committee
- Established a Fraud Risk Taskforce

Increasing our capacity

GRM invested in additional risk management resources in 2023 to respond to changes in the continuously evolving risk environment. Overall staff numbers increased, including a new head of treasury, market and liquidity risk, new head of fraud and new deputy head of fraud. GRM supports the Bank's commitment to the UAE's Emiratisation agenda, in particular the emphasis on increasing the number of UAE nationals in senior roles. This will continue into 2024.

For the first time, risk teams were included in ADCB's Partnership Index Survey, which is a measure of stakeholder engagement and satisfaction from teams that GRM engages with. The target was to achieve an outcome of more than 80% at an individual functional level. The majority of risk teams exceeded this mark, evidencing the strong engagement and commitment of GRM personnel.

Enhanced credit risk management framework

ADCB has also revised its credit risk management framework in response to the expected new CBUAE regulations (due to be released in 2024). Among other things, the new standards require a separation of duties between the Group Chief Risk Officer and the Group Chief Credit Officer. The regulations also hasten the move away from traditional loan classification to an IFRS 9 based classification system which focuses on 'significant increases in credit risk' (SICR) and staging (1,2 and 3) categories. This introduces up to 15 different triggers for monitoring risk exposure and moving loans between stage levels. In addition, the new regulations introduce a 100% reduction in collateral values on NPL assets after five years, including real estate, which could increase pressure on provisioning and encourage earlier intervention if an account starts showing signs of distress.

Leveraging technology to reduce digital risk

As the financial digital ecosystem evolves, the risk environment also changes, particularly in areas such as cybersecurity, fraud and data privacy. Protecting the integrity and reputation of the Bank and safeguarding the privacy of customers are critical elements of its approach to digital risk. ADCB maintains robust preventive and detective controls to mitigate cyberattacks, which continue to grow in sophistication and frequency. The Bank is continually investing in new technologies to work smarter, increase efficiencies and support the customer experience, while reducing potential risks in these key areas, such as the introduction of Emirates facial ID recognition. Its multifaceted approach to managing information security centres on routine security evaluations and technology enhancements. These include the adoption of an AI-capable extended detection and response solution, strengthening protection against cyberattacks, unauthorised access and data misuse.

Additional security uplift initiatives included further strengthening the security of the Bank's Microsoft platforms and implementing ransomware mitigation controls. These investments underscore ADCB's unwavering commitment to fortifying its defences and maximising information security.

In 2023, the Bank introduced a cybersecurity action plan and implemented a rigorous testing regime, using internal and external testing teams to verify the Bank's controls. In addition, it has retained a specialist consultancy to provide immediate technical support and advice if a cybersecurity event was to occur. The Bank has also developed a cyber threat communications playbook to help manage such an event and communicate effectively with stakeholders, including media training for key executives. Regular simulation exercises are conducted to maintain a high level of preparedness for incident responders to act effectively in case of any type of cyber incident.

ADCB continuously validates and certifies its security practices with global security standards, including ISO 27001, PCI DSS, SWIFT CSCF and UAE Information Assurance Standards.

Managing the geopolitical sphere

Recognising the uncertain geopolitical environment that characterised much of 2023, the Bank sharpened its focus on managing geopolitical risks. As it does for large counterparties, the Bank applies an appetite threshold for different countries around the world, taking into account its own risk appetite as well as input from external benchmarks, such as the level of credit default swaps, investment ratings and ESG indices. Country risk appetite thresholds are regularly reviewed, particularly if there is a significant change in the relevant geopolitical environment, and limits are imposed to prevent over-exposure in particular markets, with approval by BRC.

Risk KPIs & performance

KPIs	2023	2022
Capital common equity tier 1 (CET1)	12.86%[(1)]	12.96%[(2)]
Liquidity coverage ratio (LCR)	158.1%	138.9%
Loan to value ratio for real estate portfolio	80%	81%
Non-performing loan (NPL) ratio	3.73%	5.25%
Provision coverage ratio[(3)]	102.5%	93.0%
Provision coverage ratio with collateral	168%	144%
Cost of risk (COR)	0.79%	0.76%

(1) Post proposed dividend

(2) Post dividend payment

(3) Provisions on loans and advances, including fair value adjustments

MULTIPLE STRESS TESTS COMPLETED, IN ADDITION TO REGULATORY ICAAP AND STRESS TEST SUBMISSIONS, WITH PARTICULAR FOCUS ON CLIMATE CHANGE

Engaging with ESG

ADCB issued its Environmental and Social Risk Management (ESRM) policy in 2022. This outlines the framework for how the Bank identifies, mitigates and manages environmental and social risks, including climate-related risks arising from customer activities that could lead to credit or reputational risks to the Bank. The ESRM steering committee defined an operating model, roles and responsibilities for each team and adopted a phased approach to implement the ESRM across the business. This continued during 2023, with ESRM assimilated into ICAAP and the credit assessment process, while supporting the Bank's second green bond issuance.

The integration of ESRM into credit assessments enables GRM to take a view on the ESG risks of a counterparty. If ESG risk is identified during due diligence, GRM will perform a thorough assessment, classifying clients into low, medium, high and severe ESG risk. Assessments will also take into account external ratings, such as S&P, Moody's and MSCI.

The Bank has recruited a specialist ESG assessor to work with relationship teams and counterparties to understand their ESG risks and, where necessary, obtain more transparency around disclosures. The Bank has also provided additional training on ESG to raise awareness and empower relationship managers to support customers in developing their approach to ESG. As well as strengthening risk management, this also opens up opportunities for growth through transition financing that enables customers to improve their ESG risk rating by investing in new equipment, transforming processes or changing their energy procurement, for example.

ESG has become an important element of annual CBUAE stress testing, with the introduction of a climate change stress test. This looks at how climate change scenarios may manifest and affect different industries and customer segments, and how that could impact provisioning or risk assessment for certain clients. Two climate stress tests were concluded in 2023.

Fostering a risk awareness culture

GRM takes a proactive approach to promoting risk awareness among all levels of the workforce, including ensuring that new recruits fully understand the Bank's approach. This includes communicating key risk management messages in monthly emails, targeting specific risk topics and issues such as maintaining data privacy and data quality, or strengthening information security. Senior executives across ADCB have risk management KPIs integrated into their overall performance metrics, helping to ensure a positive approach to risk is cascaded down through different teams.

21

Focused sessions on data privacy

GRM also actively participates in events, such as the International Fraud Awareness Week in November, during which it organised a series of activities and training sessions to raise awareness and understanding around risk.
More than 20 learning sessions on risk awareness were delivered during the week, attended by 626 people. It also implemented a fraud optimisation project, including enhanced risk-based authentication and facial recognition, to reduce the risk of customers becoming the victims of fraud. This helped to enhance customer experience and trust, while contributing to a reduction in customer losses.

Anticipating further complexity

Geopolitical risks are likely to remain in focus in 2024, while tax risk is also being prioritised in light of the introduction of the new corporate tax regime and potential new regulations in this area. Model risk is another area of growing importance where GRM will be investing more resources in internal model validation, as well as implementing a new fraud mitigation system.

Technology will be an essential tool for maintaining an effective and efficient approach to risk management, enabling GRM to continue supporting the business as it expands and as the risk environment grows ever more complex.

INTERNAL SHARI'AH CONTROL DEPARTMENT (ISCD)

ISCD is part of the GCRO oversight responsibilities. Its key activities in 2023 included:

- Closure of issues stemming from the thematic review on Islamic banking/Shari'ah functions
- Undertaking gap analysis of the Higher Shari'ah Authority-CBUAE resolution on guiding principles on Islamic sustainable finance, and SCA regulations concerning the amendment of the regulations manual of the financial activities (rulebook)
- Presentation by an Internal Shari'ah Supervisory Committee (ISSC) member to the Board of Directors to increase awareness of Shari'ah rules and regulations
- Presentation by the ISSC Chairman to the Board Audit Committee on profit equalisation for Islamic banks
- Conducting Shari'ah compliance review of nine ADCB branches
- Conducting several Islamic banking trainings and Shari'ah governance webinars
- Reviewing, advising on and approving several Sukuk, syndication deals and bilateral financings
- Approving amendments to several policies and standard operating procedures (SOPs), including ADCB Islamic banking, internal Shari'ah governance framework, ISCD policy, SOP for inter-Group activities, ISSC resolution SOP
- Advising on Zakat treatment of the underlying reserves of the Investment Risk Reserve (IRR)
- Providing guidance on the treatment and disbursal of funds in the Bank's charity account
- Approving a Shari'ah non-compliance risk assessment plan
- Issuing revised Shari'ah certificates (Fatwa) on ADCB Islamic banking retail products
- Approving limits for IRR and profit equalisation reserve

External risk scenarios

We identify and actively monitor a range of external risks that have the potential to lead to significant, unexpected adverse outcomes for the Bank or its ability to meet strategic objectives. These external risks, their potential impact and mitigation strategies are summarised below.

External risk	Definition and potential impact	Mitigation strategy
Macro-economic conditions in the operating markets	Subdued growth due to inflationary pressures, higher interest rates and the broader impact on the economy as we transitioned into 2023 post global pandemic. In this global context, the UAE continues to benefit from higher oil prices and strong liquidity.	The Bank's strategy is aligned to its risk appetite and we update the macro-economic variables within our provision models to reflect the evolving state of the market. The economic sector limits that were established in 2020 undergo regular updates with input from both external parties and our Chief Economist.
Geopolitical risk	Geopolitical tensions remained a risk in the region and stem from sources unrelated to the Bank and its businesses. In 2023, we saw increased geopolitical risk within the Middle East, while global trade was aligned to global economic conditions rather than tensions in the region. Elections in various countries also feed into this risk.	The Bank's strategy is aligned to its risk appetite and we update the macro-economic variables within our provision models to reflect the evolving state of the market. In addition, we set country limits for each individual country which factor in the geopolitical dynamic as well as fiscal profiles of a country.
Regulatory and legal risks to our business model	New regulatory requirements may have an impact on our business model and profitability. Should a regulatory change reduce our ability to meet our customers' needs or achieve fair customer outcomes, we may experience increased costs and reputational damage. Moreover, the inability to satisfy our customers would cause the Bank to fall short of its strategic objectives, potentially hurting earnings, liquidity, capital and shareholder confidence. The risk of failure due to unanticipated external regulatory and legal changes may affect all our businesses. In the past 12 months, we perceived that this risk continued to remain high due to the frequency of new regulations being issued by the UAE Central Bank.	We strive to ensure that the Bank's views are considered when UAE regulatory policy is developed. ADCB chairs and/or is a member of, several forums within the UAE Banks Federation. Internally, we analyse all new draft regulations or circulars to measure their impact and ensure they can be implemented. We also confirm that our capital and liquidity plans anticipate the potential effects of any changes.
Health of staff & community	The global pandemic highlighted the risks that public health issues present to our employees and customers and the potential impact on our operations. This risk was reduced in 2023 as the organisation maintained a business-as-usual approach to staff coming into the office.	The Bank retains a remote working capability to ensure our staff remain familiar with remote working and that critical activities can be performed should an adverse situation be triggered. This assists in strengthening our business continuity approaches and reduces the potential impact of a disruption on our customers and the wider community.
Cyber threats	Threats from external parties related to cyber/phishing/fraud remained high in 2023.	We increased the level of communication to our customer base and employees to increase awareness of cybersecurity issues and fraud attempts. We provided examples of how these attempts are undertaken to build protection against these risks. The Bank continued to invest in tools, systems, penetration testing and vendor support to ensure our perimeter and systems remain strong against attacks. Our control environment was also updated to factor in new threats. Furthermore, a maturity assessment has been launched to benchmark the Bank against regional and global best practice. The Bank also participates in various simulations and scenarios to build muscle memory in both the technical teams and management.

Our principal risks

Our principal risks are frequently reviewed and updated, particularly in a challenging and rapidly evolving environment. They ensure the Bank's full enterprise risk profile is measured, monitored, and aligned with our overall Group strategy. In addition to the below table, further information can be found in our Corporate Governance and Sustainability Reports.

Principal risk	Definition	Approach	Oversight
Capital risk	Potential for: (i) Insufficient level or composition of capital to support normal activities or stressed conditions; and (ii) Risk of loss arising from the Bank failing to maintain the level of capital required by prudential regulators and other key stakeholders to support operations and risk appetite.	We maintain a healthy and active approach to capital management, including the maintenance of buffers sufficient to support our strategic aims and maintenance of an investment-grade rating. ADCB is well-capitalised and regularly runs stress tests to ensure sufficient capital coverage. We manage capital utilisation, and business growth within the risk-weighted asset (RWA) target ranges reflected in our business plans. Such plans also target the stability of earnings. We grow our business by targeting recurring economic profit commensurate with risks being taken and returns expected. Capital implications from our ICAAP and stress test results also feed into the Bank's considerations.	**Accountable executives:** • Group Chief Financial Officer • Group Chief Risk Officer **Accountable committees:** PMC, BAC, BRC, Board
Compliance/ Regulatory risk	Potential for impact and exposure to regulatory sanctions or loss from a failure to comply with regulatory requirements, laws, or industry standards.	We are committed to upholding compliance standards, laws, regulations, and industry standards, as well as internal policies and sound corporate governance principles. Identified breaches are remedied as soon as practicable. The Bank has no appetite for deliberate or negligent non-compliance.	**Accountable executives:** • Group Chief Compliance Officer • Group Chief Risk Officer **Accountable committees:** MEC, BAC, Board

Note:

BEC: Board Executive Committee; BRC: Board Risk Committee; BAC: Board Audit Committee; NCHRG: Board Nomination, Compensation, Human Resources and Governance Committee; MEC: Management Executive Committee; ALCO: Asset and Liabilities Committee; MCC: Management Credit Committee; MMRC: Management Model Risk Committee; PMC: Performance Management Committee; RMC: Risk Management Committee

Principal risk	Definition	Approach	Oversight
Conduct risk	Potential for detriment to retail customers, corporate clients, or market integrity from the inappropriate supply of financial services or from a failure on our part to abide by the Bank's Code of Conduct Policy and/or applicable laws and regulations, including insider trading and anti-bribery risk.	We maintain the standards in our Code of Conduct and core values, ensuring we always 'do the right thing' in how we conduct business. The Bank expects employees to conduct themselves with a high degree of integrity and to strive for excellence in the work they perform and the outcomes they achieve. The appetite for behaviours that do not meet these standards is very low. ADCB takes any breaches of its Code of Conduct very seriously. We have clearly defined policies on anti-bribery and corruption, anti-money laundering and insider trading. We are committed to creating a safe working environment for all our employees, where they are protected from physical and psychological harm. We have zero-tolerance for practices or behaviours that could be expected to lead to staff being harmed while at work. We are also committed to treating our customers fairly by operating with transparency and providing clear information on products and services, managing conflicts of interest related to these services, avoiding misselling. We maintain a rigorous process to ensure that the products and services we provide are suitable to customers.	**Accountable executives:** • MEC members **Accountable committees:** MEC, NCHRG, BAC, Board
Credit risk	Potential for financial loss due to the failure of a customer to meet the agreed obligations to pay the Bank. This also includes concentration risk (large exposure to specific client groups, sectors, or geographies) and decreases in credit quality.	We manage our credit exposures by having a sound analytical framework, focusing on analysing cash flows and considering the legal framework of the Bank and borrower. We apply a set of criteria and policies to lending, which means we only deal with clients with good creditworthiness. This ensures that facilities are appropriately secured, wherever feasible. We have a greater appetite for risk in industries we understand well and have the insights, capability, and capacity to manage and monitor. We remain a relationship-driven business rather than pursuing opportunistic transactions. Wherever possible, collateral is taken to reduce unsecured lending. Larger transactions are taken to the BEC for approval and the full Board to meet regulatory requirements.	**Accountable executives:** • Group Chief Credit Officer • Group Heads for RBG and CIBG • Group Chief Risk Officer **Accountable committees:** MCC, BAC, BEC, BRC, Board

Note:

BEC: Board Executive Committee; BRC: Board Risk Committee; BAC: Board Audit Committee; NCHRG: Board Nomination, Compensation, Human Resources and Governance Committee; MEC: Management Executive Committee; ALCO: Asset and Liabilities Committee; MCC: Management Credit Committee; MMRC: Management Model Risk Committee; PMC: Performance Management Committee; RMC: Risk Management Committee

Our principal risks (cont'd)

Principal risk	Definition	Approach	Oversight
Data privacy and data protection risk	Potential for customers, employees, corporate and related parties to lose control over their personal data, or to experience unintended outcomes and harm as a result of the Bank's processing of that data.	Breach management: We have no appetite for 'significant' breaches of personal data processed by the Bank and a very low appetite for 'insignificant' breaches of personal data. Data protection impact assessment: We have no appetite for failure to implement controls within defined timelines, identified during data protection impact assessments. Data subject rights: We have no appetite for failure to facilitate the exercise of data subject rights, as required within the timeframes specified in applicable laws. We are committed to ensuring that customer information is authentic, appropriately classified, properly conserved and managed in accordance with legislative and business requirements. The Bank has no appetite for the deliberate misuse of customer information. We have no appetite for compromise of processes or data integrity issues that may cause limited or erroneous data to adversely affect our ability to make correct business decisions or jeopardise the integrity of management and regulatory reporting, which may also lead to financial loss. This also extends to leakage of customer data outside the organisation. The Bank will act to mitigate these risks at all times balancing the cost of maintaining a control environment against the impact and likelihood assessment of a risk happening.	**Accountable executives:** • Head of Data Management • Group Chief Risk Officer **Accountable committees:** MEC, BRC, Board
Financial crime risk	Potential for legal or regulatory penalties, material financial loss or reputational damage resulting from the failure to comply with applicable laws and regulations relating, but not limited to, international sanctions, anti-money laundering and anti-bribery and corruption.	We have no tolerance for breaches in law and regulations related to financial crime, recognising that while incidents are unwanted, they cannot be entirely avoided. The Bank has no appetite for any fraud or corruption perpetrated by its staff. All allegations of suspected fraud or corruption are taken seriously, as set out in the Code of Conduct.	**Accountable executives:** • Group Chief Compliance Officer • Group Chief Risk Officer • Head of Fraud & Investigations **Accountable committees:** MEC, BAC, Board

Note:

BEC: Board Executive Committee; BRC: Board Risk Committee; BAC: Board Audit Committee; NCHRG: Board Nomination, Compensation, Human Resources and Governance Committee; MEC: Management Executive Committee; ALCO: Asset and Liabilities Committee; MCC: Management Credit Committee; MMRC: Management Model Risk Committee; PMC: Performance Management Committee; RMC: Risk Management Committee

Principal risk	Definition	Approach	Oversight
Information security and technology risk	Potential for loss from a breach of confidentiality, integrity, or availability of the Bank's information systems and assets through cyber-attack, insider activity, error, or control failure. This includes the risk of loss of confidential information plus the management and quality of data held within systems which may lead to financial losses.	We have a minimal appetite for risk concerning the availability of critical business systems. Service availability requirements have been identified and agreed upon within each business area. We have no appetite for damage to our assets from threats arising from malicious attacks. We have strong internal processes, and robust technology controls to address this risk. Our appetite remains low for IT system-related incidents generated by improper project management practices, excluding the unknowns before any 'go live'. ADCB provides a secure environment for its people and assets by ensuring its physical measures meet high standards. We have no appetite for the failure of physical security measures. We are committed to ensuring that information is authentic, appropriately classified, properly conserved, and managed per legislative and business requirements. We have no appetite for the deliberate misuse of information. Nor do we have any appetite for compromise of processes or data integrity issues that may cause limited or erroneous data to adversely affect our ability to make correct business decisions or jeopardise the integrity of management and regulatory reporting, which may also lead to financial loss. We always mitigate these risks, balancing the cost of maintaining a controlled environment against the impact and likelihood assessment of a risk occurring.	**Accountable executives:** • Head of Information and Physical Security Governance • Head of Data Management • Head of Technology Services • Group Chief Risk Officer **Accountable committees:** Information Security Working Group, MEC, BRC, Board
Liquidity and funding risk	Potential that the Bank will be unable to meet its payment obligations associated with its financial liabilities when they fall due and replenish funds when withdrawn. Funding risk is the risk that ADCB will be unable to achieve its business plans due to its capital position, liquidity position or structural position.	We actively manage our liquidity and funding base to ensure that the Bank always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to ADCB's reputation. We have no appetite for losing our investment-grade ratings and are mindful of managing liquidity and funding within the constraints of Basel III, regulatory obligations and the desire to be the last bank standing.	**Accountable executives:** • Group Treasurer • Head of Market Risk • Group Chief Risk Officer **Accountable committees:** ALCO, BRC, BEC, Board
Market risk	Potential that changes in market prices, such as interest rates, equity prices, foreign exchange rates, commodity prices and credit spreads (not related to credit standing) will affect the Bank's income, assets/liabilities or the value of its holdings of financial instruments.	We control our trading portfolio and activities to ensure that losses related to market risk (financial or reputational) do not cause material damage to the Bank. Our appetite across 10 key categories is set out within the market risk appetite framework, covering: interest rate risk, foreign exchange risk, equity exposure risk, commodity risk, volatility risk, counterparty risk and liquidity risk. Specific limits are established based on the trading book, investment book and banking book activities.	**Accountable executives:** • Group Treasurer • Head of Market Risk • Group Chief Risk Officer **Accountable committees:** ALCO, BRC, Board

Note:

BEC: Board Executive Committee; BRC: Board Risk Committee; BAC: Board Audit Committee; NCHRG: Board Nomination, Compensation, Human Resources and Governance Committee; MEC: Management Executive Committee; ALCO: Asset and Liabilities Committee; MCC: Management Credit Committee; MMRC: Management Model Risk Committee; PMC: Performance Management Committee; RMC: Risk Management Committee

Our principal risks (cont'd)

Principal risk	Definition	Approach	Oversight
Model risk	Recognising that the use of models invariably presents 'model risk', which is the potential for adverse consequences from decisions based on incorrect or misused model outputs and reports. Model risk can lead to financial loss, poor business and strategic decision making, or damage to a bank's reputation.	We look to minimise the impact of model risk by ensuring it has an appropriate governance framework in place (separating model development and model validation functions); regular internal and external validations; and remediation activities tracked via the model inventory tool. ADCB will also set aside a provision overlay to capture the inherent model risk that the Bank has by virtue of reliance on numerous models covering market risk/credit risk/provisioning etc.	**Accountable executives:** • Head of Credit Risk Management • Head of Treasury, Market & Liquidity Risk • Group Chief Risk Officer **Accountable committees:** MRMC, RMC, BRC, Board
Operational risk	Potential for loss resulting from inadequate or failed internal processes, people, and systems, or the impact of external events. This includes fraud, technology, outsourcing and legal risk.	Operational risk is a fundamental element of the Bank's approach to risk and impacts its banking products, activities, processes and systems. Our framework ensures a consistent approach and supports business objectives, reinforces a proactive risk management culture, and continuously improves ADCB's control environment. We manage operational risk by ensuring accountability and ownership across the Bank. We employ tools to reduce the probability of the occurrence of operational risk events that could threaten the Bank's reputation, the quality of our services and products, or the efficiency of our processes. We monitor the stability of our systems, the effectiveness of business continuity planning and disaster recovery to ensure the level of service we offer customers, and regulators' expectations are never compromised. We have adopted five levels of operational risk severity ratings — minor, low, moderate, major and extreme — whereby minor and low risks lie within the Bank's risk appetite and extreme constitutes a threat to the Bank's ability to continue its operations. The Bank mitigates these risks at all times, balancing the cost of maintaining a controlled environment against the impact and likelihood of a risk occurring.	**Accountable executives:** • Business Heads • Head of Operational Risk • Head of Fraud & Investigations • Group Chief Risk Officer **Accountable committees:** Operational Risk Working Group, MEC, BAC, BRC, Board
Reputational risk	Potential adverse effects can arise if the Bank's reputation is damaged due to factors such as unethical practices, breach of law, regulation, customer dissatisfaction, data privacy breaches and complaints or adverse publicity.	We protect the Bank from material damage to its reputation by ensuring that any business activity is satisfactorily assessed and managed by the appropriate management and governance oversight level. We have a very low appetite for material legal cases against the Bank and, where appropriate, will adequately make provisions in a timely manner.	**Accountable executives:** • MEC members **Accountable committees:** BAC, BRC, Board

Note:

BEC: Board Executive Committee; BRC: Board Risk Committee; BAC: Board Audit Committee; NCHRG: Board Nomination, Compensation, Human Resources and Governance Committee; MEC: Management Executive Committee; ALCO: Asset and Liabilities Committee; MCC: Management Credit Committee; MMRC: Management Model Risk Committee; PMC: Performance Management Committee; RMC: Risk Management Committee

Principal risk	Definition	Approach	Oversight
Sustainability risk	The potential adverse effects on the Bank and/or its financial position that can arise if the dimensions of sustainability (climate change, customers & communities, employees and governance) are not well managed to industry and global best practice standards.	We comply with international reporting standards and industry best practice to facilitate a proactive approach to managing ESG risks and opportunities, which are underpinned by UN Sustainable Development Goals (SDGs). We will maximise our contribution to an inclusive, net zero economy to support the UAE's Net Zero by 2050 Strategic Initiative. To support customers on their path to success in a net zero economy, ADCB has joined the Net Zero Banking Alliance (NZBA). Convened by the UN Environment Programme Finance Initiative (UNEP FI), the NZBA brings together more than 130 global banks with over USD 74 trillion in total assets that have committed to financing ambitious climate action to transition the real economy in line with the goals of the Paris Agreement. In joining the NZBA, ADCB has pledged to align its lending and investment portfolios with the imperative of limiting global warming to 1.5°C, in line with the Paris Agreement. ADCB's commitment to NZBA forms an integral part of the Bank's enhanced climate strategy. At the core of this approach is supporting customers in their transition to an inclusive, sustainable economy. As a member of the alliance, ADCB is committed to the following actions on climate: • Transition the operational and attributable GHG emissions from lending and investment portfolios to align with pathways to net zero by 2050 or sooner • Within 18 months of joining, set targets for 2030 or sooner and a 2050 target, with intermediary targets to be set every five years from 2030 onwards • The Bank's first 2030 targets will focus on priority sectors where it can have the most significant impact, i.e. the most GHG-intensive sectors, with further sector targets to be set within 36 months	**Accountable executives:** • MEC members **Accountable committees:** Group Sustainability Committee, BEC, Board
Islamic banking risk	The potential adverse effects that can arise if the Bank is not fully in compliance with the rules and principles of Islamic Shari'ah as interpreted by the Internal Shari'ah Supervision Committee (ISSC) of ADCB, as well as the standards, notices and resolutions issued by the Higher Shari'ah Authority. This relates to the operation of the Islamic window and its products and services.	We aim to protect the Bank and its Islamic Banking customers from material damage by ensuring that any business activity is satisfactorily assessed and managed by the appropriate level of management and governance oversight in accordance with Islamic principles, regulations and ISSC guidance. ADCB has a low appetite for non-compliance with Shari'ah guidance and regulations.	**Accountable executives:** • MEC members • Head of Islamic Banking **Accountable committees:** ISSC, BRC, Board

Note:

BEC: Board Executive Committee; BRC: Board Risk Committee; BAC: Board Audit Committee; NCHRG: Board Nomination, Compensation, Human Resources and Governance Committee; MEC: Management Executive Committee; ALCO: Asset and Liabilities Committee; MCC: Management Credit Committee; MMRC: Management Model Risk Committee; PMC: Performance Management Committee; RMC: Risk Management Committee

Muhammad Algargawi
Financial Crime Compliance

Jawaher Al Meqbaali
Taxation

Compliance

Compliance is an independent function at ADCB which takes an active approach to risk management and monitoring, ensuring the Bank complies with applicable laws, regulations, rules and market standards. The Department creates, implements and monitors policies and procedures designed to prevent or detect financial crime and any compliance breaches of the Bank, its employees and clients. It also monitors and measures the impact of conduct risk and compliance on the Bank's risk appetite and profile.

KEY HIGHLIGHTS

- Machine-learning model supports management of AML risks and prioritises alerts
- Dynamic behavioural segmentation model provides a deeper understanding of customer behaviour
- Multiple advanced sanctions screening solutions augmenting the detection of designated persons

The Group Chief Compliance Officer reports directly to the Group Chief Executive Officer and has direct access to the Board, through the Board Audit Committee (BAC). Compliance, together with the other control functions of Risk, form the second line in the Bank's 'three lines of defence' risk management model.

The second line of defence is independent from the business and accountable for overseeing and challenging the first line of defence — the individual business units — on the effective management of their risks. The Compliance team interacts with the Central Bank of the UAE and other regulatory authorities on a regular basis and may be included in sectoral consultation activities related to implementation of new banking regulations.

ADCB Compliance has scaled up considerably over the past three years, driven by the Bank's agenda for accelerated growth across core businesses and in line with the evolving regulatory environment. The Bank is proud to not only uphold the highest standards of compliance, but also to move at pace in implementation. This has been the case across a diverse range of regulatory areas, as the Bank responds to the rapidly changing landscape for national and global sanctions and proliferation designations at a time of heightened international geopolitical risk.

Training

In order to maintain its ability to adhere to the evolving regulatory framework and manage risks, ADCB continues to invest in its Compliance function and people, advancing its capabilities, processes and technology. The Bank provides a range of technical and specialist training courses, with over 3,300 total training hours delivered in 2023.

Taking action to address evolving regulatory landscape

ADCB undertook multiple new initiatives during 2023 in response to developments in the regulatory landscape, maintaining a robust and highly effective compliance framework. This included adaptation to new requirements and guidelines in the areas of financial crime, consumer protection, interest rates, tax, foreign registered funds and large exposures (see table on the following page).

A particular area of focus was the enhancement of measures related to anti-money laundering (AML), combatting the financing of terrorism (CFT) and sanctions screening, in line with regulatory expectations and global best practice. Among its new projects, ADCB introduced AI based solutions to monitor transactions and improve the prioritisation of AML alerts. The Bank also launched machine-learning models for better detection of money laundering and terrorist financing risks associated with complex correspondent banking and cross-border transactions, as well as trade-based typologies.

To support growth while effectively managing risk, ADCB has developed machine-learning-based models that facilitate a more granular understanding of distinct customer risk, transactional behaviour and patterns. Based on comprehensive data, including know-your-customer (KYC) profile changes, customers can be segregated into different behavioural segments. The new models will strengthen the robust Financial Crime Framework, enabling and accelerating a faster, deeper analysis of behavioural data and more accurate flagging of customer risk classification.

ADCB continued to enhance consumer protection standards across its core banking businesses. During the year, the Bank reviewed practices relating to contracting, transacting and disclosures, while also increasing transparency over fees, interest rates and potential risks associated with its products and services.

In line with its focus on ensuring customers are provided with suitable, fully compliant products that are appropriate for their needs and circumstances, the Bank also developed a 'New

Initiatives Approval' (NIA) Policy and implemented a 'New Initiatives Risk Assessment' (NIRA) process. This process assesses all types of risks associated to new products and services, or those that have undergone a material change, to ensure their compliance prior to launch.

The Bank has continued to develop a fully-fledged assurance team to ensure effective management reporting, with mechanisms in place to monitor and measure against set tolerances on a continuous basis. The team has adopted a detailed assurance plan and regularly updates the Board Audit Committee on outcome and progress.

ADCB has also enhanced policies and procedures specifically to address conflicts of interest and information control risks that can arise in the business. The Regulatory Compliance Policy, Conflict of Interest Policy, Chinese Walls Policy, Personal Trading Policy, Whistleblowing Policy and their respective procedures have been updated to take into account the evolving regulatory environment and enhanced reporting requirements applicable to the business.

In the coming year, ADCB will further strengthen its compliance function to ensure continued effectiveness in the context of increased complexity in the regulatory environment.

The Bank is actively reviewing its current complaint resolution process to align with the specific requirements of the establishment of a banking industry Ombudsman that will come into effect in 2024.

The Bank will continue to focus on mitigating risk related to proliferation financing and sanctions evasion, which are at the forefront of regulatory expectations. Compliance controls will remain key, with assurance, audit, and examination outcomes used to ensure consistent application of policies and disciplined risk management.

Key areas of regulatory evolution in 2023

Consumer protection	The Central Bank of the UAE (CBUAE) has prioritised consumer protection in recent years, working closely with the banking sector to enhance industry standards. A key area of focus is transparency on terms and conditions, fees, retail lending, and risks related to diverse products and services.
Interest rates	In the context of rising global benchmark interest rates, the CBUAE has taken steps to ensure the impact of higher bank lending rates is alleviated, where possible, with respect to retail borrowers.
Tax compliance	Banks and their corporate customers are required to adjust to the UAE's new federal corporate tax regime, which commenced for financial years starting on or after 1 June 2023. A headline rate of 9% has been introduced for taxable profits above AED 375,000.
Foreign registered funds	The Securities and Commodities Authority (SCA) has introduced restrictions on the sale and marketing of non-UAE registered/regulated funds, which has necessitated adjustments by financial services providers operating in this space.
Large exposures	New prudential requirements on large exposures call for a strong degree of transparency on relationships between a group's companies and other companies in the wider, common shareholding group.

SPOTLIGHT

TECHNOLOGY TO ENHANCE AML TRANSACTION MONITORING AND SANCTIONS SCREENING CAPABILITIES

ADCB has implemented multiple advanced technologies for sanctions screening and transaction monitoring. The solutions use over 40 sets of distinct algorithms to detect designated persons and those that have been classified as a 'politically exposed person' (PEP). These solutions augment the Bank's ability to detect attempts to conceal the identity of customers exposed to sanctions risk, while at the same time increasing efficiency, by decreasing unnecessary false positive alerts, reducing delays and improving customer experience.

Additionally, ADCB has made a significant uplift to its customer risk classification and transaction monitoring platforms by implementing machine learning based behavioural segmentation, alert prioritisation, as well as dynamic customer risk assessment models.

The adoption of the risk-based approach and enhanced transaction monitoring has led to increased efficiency and effectiveness for the analysis and management of alerts as well as higher conversion rates of Suspicious Transaction Reporting (STR).

Hala Alhadrami
Corporate & Investment Banking

Tilak Silva
Group Chief Credit Officer

In memory of Tilak Silva 1949 - 2024

It is with great sadness that we mourn the passing of our friend and ADCB colleague Tilak Silva, who passed away in January 2024. He is deeply missed by the ADCB family and all those who knew him.

Tilak was one of the very first employees of ADCB. He spent a remarkable 42 years with the Bank, most recently as Group Chief Credit Officer since 2018. Prior to joining ADCB, Tilak worked in the Credit Group for Hatton National Bank in Sri Lanka.

From the outset of his tenure at ADCB, Tilak's unwavering good humour, meticulous attention to detail, and unceasing dedication helped transform the Credit Group, ensuring it continued to meet the requirements of the Bank throughout its growth.

His leadership was marked by an ethos of analytical thinking, respect, and responsiveness to the needs of both colleagues and customers. Tilak was not merely a leader, but a beacon of wisdom, guiding his team with unparalleled market insights, peerless networking abilities, and a deep understanding of our customers. His passion for his work and his humble approach to leadership set an example to all who knew him.

Throughout his time in the Credit Group, he nurtured an environment of growth, collaboration and excellence; one which he led with compassion and commitment, fostering a sense of unity and encouraging his team to achieve their full potential.

Among the many qualities that endeared Tilak to his colleagues, it was his compassionate and caring nature that truly set him apart. Every interaction was based on a profound respect for others, and his regular acts of kindness and consideration continue to resonate with everyone he worked with.

To our dear colleague Tilak Silva, we bid a fond farewell. His memory will forever be enshrined within the fabric of ADCB. Though we mourn his passing, we are inspired to carry forward his legacy, embodying the virtues he so fervently advocated.

GOVERNANCE

ADCB Head Office, Abu Dhabi

2023 ADCB Corporate Governance Report was signed off by the Group Chief Compliance Officer, Group Chief Risk Officer, Group Chief Internal Auditor and Group Chief Financial Officer.

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Statement from the Chairman of the Board

> "We continue to emphasise upholding and evolving corporate governance best practices to effectively manage risk and ensure long-term financial strength and resilience as we execute against our corporate strategy to deliver accelerated growth."

Khaldoon Khalifa Al Mubarak
Chairman

On behalf of the Board of Directors, I am pleased to present ADCB's Corporate Governance Report for 2023.

We continue to emphasise upholding and evolving corporate governance best practices to effectively manage risk and ensure long-term financial strength and resilience as we execute against our corporate strategy to deliver accelerated growth.

ADCB is also investing significantly in its internal control functions, which include adopting new technologies in a wide range of areas, such as anti-money laundering, data protection, and privacy, as well as enhancing credit risk assessments.

Integrating AI and machine learning, which provides quick and accurate assessments of customer behavior and predicts potential future risk, enables ADCB to leverage digital platforms rapidly, expand our customer base, broaden our suite of products and services, and develop new commercial partnerships.

I am also pleased to report that ADCB is at the forefront of adopting best practices in Environmental, Social, and Governance (ESG) implementation and measurement. In 2023, we submitted our first climate scenario analysis and stress test to the UAE Central Bank and published our 'Environmental and Social Risk Management (ESRM) Policy'.

Furthermore, we concretely defined the classification, governance, and reporting of our sustainable finance commitment of AED 125 billion by 2030 through adopting our 'Sustainable Finance Framework'.

As a significant financial institution in the UAE, ADCB maintains a strong relationship with the regulator and serves as an exemplary model in the industry for rigorous compliance and risk management practices.

We thank the Central Bank of the UAE for playing an essential role in implementing structural changes across the banking industry. These changes promote system-wide stability and benefit all stakeholders.

I want to take this opportunity to thank all my colleagues on the Board and ADCB's Management Executive Committee for their continued dedication to building a world-class organisation. I look forward to working together to build on the Bank's achievements in the year ahead.

Board of Directors

Chairman of ADCB Board

H.E. Khaldoon Khalifa Al Mubarak

Chairman

Independent, Non-Executive Director

H.E. Khaldoon Khalifa Al Mubarak is the Managing Director & Group Chief Executive Officer of Mubadala Investment Company PJSC, responsible for aligning Mubadala with Abu Dhabi's economic diversification efforts. Beginning his career at the Abu Dhabi National Oil Company, Al Mubarak held a number of positions at Tawazun Economic Council, formerly known as UAE Offsets Group, before assuming his current portfolio of responsibilities.

H.E. Khaldoon Khalifa Al Mubarak holds a number of UAE Government and Abu Dhabi Government responsibilities, including: a member of the Abu Dhabi Executive Council since 2006; a founding member of Abu Dhabi's Supreme Council for Financial and Economic Affairs, the Presidential Special Envoy to China since 2018; and the Founding Chairman of the Abu Dhabi Executive Affairs Authority, which has provided strategic policy advice to the Chairman of the Abu Dhabi Executive Council since 2006.

H.E. Khaldoon Khalifa Al Mubarak has a Bachelor's degree in Economics & Finance from Tufts University, USA.

External appointments:

- Abu Dhabi Executive Affairs Authority, Chairman (2006), UAE
- Abu Dhabi Executive Council, Member (2006), UAE
- City Football Group Limited, Chairman (2008), UK
- Emirates Nuclear Energy Corporation, Chairman (2009), UAE
- Emirates Global Aluminium PJSC, Chairman (2014), UAE
- UAE Supreme Council for Financial & Economic Affairs, Member (2020), UAE
- Group 42 Holding Limited, Member (2020), UAE
- Abu Dhabi National Oil Company, Member (2021), UAE
- Abu Dhabi Investment Council Company PJSC, Chairman (2022), UAE

NCHRG Chair

H.E. Hussain J. AlNowais

Vice-Chairman

Independent, Non-Executive Director

H.E. Hussain J. AlNowais was elected to the Board of Directors in 2019. He is the founding member and Chairman of AlNowais Investments in addition to AMEA Power, a developer, owner, and operator of renewable power projects in Africa, the Middle East and Asia. Previously he was Chairman of Waha Capital and Khalifa Fund for Enterprise Development.

H.E. Hussain J. AlNowais holds a Bachelor's degree in Business Finance from Lewis & Clark College, USA and also attended various executive management programmes at INSEAD, France and at London Business School, UK.

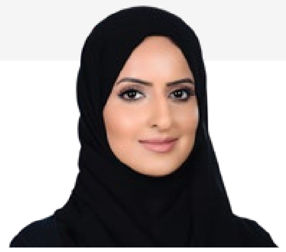
External appointments:

- Al Nowais Investments LLC, Chairman (1979), UAE
- Rotana Hotels and Real Estate Investment, Member (2006), UAE
- AMEA Power LLC, Chairman (2016), UAE
- Family Business Council-Gulf, Member
- Asia Business Council, Member
- World Economic Forum Community of Chairpersons, Member
- A Board trustee and investor in Al Fanar philanthropy impact investment

Board Executive Committee (BEC) Board Risk Committee (BRC) Board Audit Committee (BAC)

Board Nomination, Compensation, HR & Governance Committee (NCHRG)

Note: External appointments listed above are as at 31 December 2023



BAC Chair

Aysha Al Hallami

Independent, Non-Executive Director

Aysha Al Hallami was appointed to the Board of Directors in April 2013. She is a Deputy Director in the Core Portfolio Department of Abu Dhabi Investment Authority (ADIA).

Aysha Al Hallami holds a Bachelor's degree in Business Sciences, Finance from Zayed University, UAE, a Master's degree in Finance & Banking from Cass Business School, City University, UK. She is also a CFA charter holder.

Aysha Al Hallami completed the 'General Management Programme' and the 'Private Equity and Venture Capital Programme' at Harvard Business School, USA.

External appointments:

- Abu Dhabi National Takaful Company PSC, Member (2023), UAE

BEC Chair

Saeed Mohamed Hamad Almazrouei

Independent, Non-Executive Director

Saeed Mohamed Hamad Almazrouei was appointed to the Board of Directors in 2019. He has recently been appointed as Managing Director and CEO of Abu Dhabi Investment Council Company, and was formerly Deputy Platform CEO, Direct Investments at Mubadala. In that role, he oversaw platform-wide activities, supported the delivery of the platform's investment strategy, managed the platform's capital allocation, ensured the successful implementation of capital deployment and monetisation transactions and assessed value, risks and expected returns. Before this position, he was Deputy Chief Financial Officer at Mubadala Investment Company PJSC, where he oversaw the group wide finance function and delivery of the company's growth strategy, supporting various acquisitive transactions and asset monetisation. He was also responsible for all treasury activities including Mubadala's bond issuances and project financing.

Saeed Mohamed Hamad Almazrouei holds a Bachelor's degree in Finance from Suffolk University, USA and Master's degrees in International Securities Investment and Banking from University of Reading, UK; and National Security and Strategic Studies from National Defence College, UAE.

External appointments:

- Abu Dhabi Retirement Pension & Benefits Fund – (Operating Company), Non-Executive Director (2019), UAE
- CEPSA – Compañía Española de Petróleos S.A., Non-Executive Director (2019), Spain
- OMV AG, Non-Executive Director (2021), Austria
- Yas Holding LLC, Non-Executive Director (2021), UAE
- Edge Group, Non-Executive Director (2022), UAE
- International Petroleum Investment Company PJSC, Non-Executive Director, UAE

Note: External appointments listed above are as at 31 December 2023

Board of Directors

BRC Chair

Carlos Obeid

Independent, Non-Executive Director

Carlos Obeid was appointed to the Board of Directors in 2019. He is currently Mubadala's Chief Financial Officer, responsible for managing the organisation's Business Finance function including Treasury and Investor Relations, Financial Planning and Business Performance, and Financial Governance and Reporting.

Before joining Mubadala, Carlos Obeid worked with the UAE Offset Programme Bureau where he led a wide range of initiatives including privatisation, utilities, and financial services.

Carlos Obeid holds a Bachelor of Science in Electrical Engineering from American University of Beirut, Lebanon, and a Master of Business Administration from INSEAD in Fontainebleau, France.

External appointments:

- Global Foundries Inc, Non-Executive Director (2012), USA
- Mubadala Capital, Non-Executive Director (2021), UAE
- Abu Dhabi Investment Council Company PJSC, Non-Executive Director (2022), UAE

Khalid Deemas Alsuwaidi

Non-Executive Director

Khalid Deemas Alsuwaidi was elected to the Board of Directors in March 2009. He was appointed to the Board of Directors by the majority shareholder on 14 March 2022. He has more than 16 years of banking experience, having held senior management positions at National Bank of Abu Dhabi and First Gulf Bank and is currently the Group CEO of Das Holdings.

Khalid Deemas Alsuwaidi holds a Bachelor's degree in Computer Information Systems from Bethune Cookman College, USA and a Master's in Business Administration (minor in Management Information Systems and Strategic Planning) from Widener University, USA.

External appointments:

- Abu Dhabi National Takaful Company PSC, Vice-Chairman (2008), UAE
- Manazel Group, Non-Executive Director (2009), UAE
- Sky News Arabia, Non-Executive Director (2021), UAE
- Emirates Strategic Investment Company (ESIC), Vice-Chairman, UAE

Board Executive Committee (BEC)
Board Risk Committee (BRC)
Board Audit Committee (BAC)
Board Nomination, Compensation, HR & Governance Committee (NCHRG)

Note: External appointments listed above are as at 31 December 2023

Sheikh Zayed Bin Suroor Al Nahyan

Independent, Non-Executive Director

Sheikh Zayed Bin Suroor Al Nahyan was appointed to the Board of Directors in 2021, having gained experience working at National Bank of Abu Dhabi and Morgan Stanley.

Sheikh Zayed Bin Suroor Al Nahyan holds a Bachelor's degree in Business Management from University of Sussex, UK and a Master's degree in Computer Science from University College London, UK.

External appointments:

- Al Ain Ahlia Insurance Company PSC, Non-Executive Director (2022), UAE

Khaled H. Alkhoori

Independent, Non-Executive Director

Khaled H. Alkhoori was elected to the Board of Directors in April 2012. Since January 2006, he has been the Chairman of Orient House for Development and Construction LLC.

Khaled H. Alkhoori holds a Bachelor's and a Master's degree in Civil Engineering from Northeastern University, USA.

External appointments:

- Orient House for Development and Construction LLC., Chairman (2006), UAE

Note: External appointments listed above are as at 31 December 2023

Board of Directors

Fatima Al Nuaimi

Independent, Non-Executive Director

Fatima Al Nuaimi was appointed to the Board of Directors in 2022. She joined Mubadala Capital in 2011 and is the Co-Head of Mubadala Capital Solutions, where she oversees the permanent capital strategy, separately managed accounts, and Abu Dhabi Catalyst Partners. She has over 12 years of experience in direct private equity and fund investments.

Fatima Al Nuaimi graduated magna cum laude from the Higher Colleges of Technology with a B.S. in Business Administration. She is also a CFA and CAIA charter holder.

External appointments:

- K-MAC Enterprises, Member (2021), USA
- MEASA Investment Corporation, Member (2023), ADGM, UAE
- Al Masar Investments LLC, Member (2023), UAE

Sheikh Sultan Bin Suroor Al Dhaheri

Independent, Non-Executive Director

Sheikh Sultan Bin Suroor Al Dhaheri was elected to the Board of Directors in March 2009 until his resignation in March 2019, and was re-elected to the Board of Directors in 2022.

Sheikh Sultan Bin Suroor Al Dhaheri has more than 10 years of experience in business and marketing and brings strong commercial knowledge. He has a Master's Degree in Strategic Management from University of Wales, and has completed the Emerging Leaders Programme from Harvard Kennedy School.

External appointments:

- Abu Dhabi Maritime and Mercantile International Co, Chairman (2012), UAE
- AlDhaana Holding LLC, Chairman (2012), UAE

● Board Executive Committee (BEC) ● Board Risk Committee (BRC) ● Board Audit Committee (BAC)
● Board Nomination, Compensation, HR & Governance Committee (NCHRG)

Note: External appointments listed above are as at 31 December 2023

H.E. Amr Al Menhali

Independent, Non-Executive Director

H.E. Amr Al Menhali was appointed to the Board of Directors in 2022. He has a proven executive management track record with over 22 years of experience across a number of leadership positions in the financial sector such as the CEO of Al Hilal Bank (previously) and Waha Capital. A seasoned banker with strong leadership skills across all facets of the business and with extensive expertise in strategy, finance, risk, investment, credit and corporate governance. He has led several strategic transformation projects, developing high performance businesses to achieve sustainable growth.

H.E. Amr Al Menhali is currently part of the senior management team in the Crown Prince Court, serving as the executive director of the Investment Fund Office, overseeing the entire range of investment activities and initiatives.

Previously, H.E. Amr Al Menhali held a number of board memberships in regional and international publicly listed companies across various sectors such as finance, oil & gas, real estate and healthcare, UAE Banks Federation, GFH Financial Group, NESR (NASDAQ listed), SDX Energy (AIM listed), Deem Finance and Abu Dhabi Finance). In addition, he also served as Chairman of Waha Investment PJSC, Waha Land LLC and Anglo Arabian Healthcare LLC.

H.E. Amr Al Menhali has completed a General Management Programme from Harvard Business School and holds a Bachelor's degree in Business Administration with Honours from Higher Colleges of Technology, UAE.

External appointments:

- Investment Committee in Sandooq Al Watan, Member (2020), UAE

Note: External appointments listed above are as at 31 December 2023

Executive Management

Ala'a Eraiqat
Group Chief Executive Officer

Ala'a Eraiqat joined ADCB in January 2004 and served in various senior executive roles before being appointed as the Group Chief Executive Officer in February 2009. He has been a banker since 1991 and previously held senior positions at other banks, including two of the leading global banks.

As the Group Chief Executive Officer, Ala'a is responsible for leading and guiding ADCB and its subsidiaries to achieve the objectives committed to the shareholders. He has spearheaded ADCB's significant growth to emerge as a market leader through the effective implementation of the Bank's strategy, with a sharp focus on customer service and digital innovation.

Ala'a's responsibilities extend to being the Chairman of Al Hilal Bank (digital banking subsidiary of ADCB) and Abu Dhabi Commercial Engineering Services. He also chairs ADCB's Management Executive Committee, and the Management Credit Committee among others.

External appointments:

- Abu Dhabi Chamber - Director and Chairman of Audit Committee
- Abu Dhabi National Hotels PSJC (ADNH) - Director and member of the Audit, Compliance and Corporate Governance Committee
- Emirates Institute of Finance (EIF) - Director and Chairman of Human Resources Committee

Deepak Khullar
Group Chief Financial Officer

Deepak Khullar was appointed ADCB's Group Chief Financial Officer in 2008. He oversees the Group Finance function (financial planning, business performance, governance & reporting), Group strategy, investor relations, taxation, economics, strategic sourcing & procurement, and the Bank's overall ESG strategy and delivery. He previously spent 15 years with Standard Chartered Bank in the Middle East and the Republic of Korea in a variety of senior positions. Prior to that, he worked with Ernst & Young and PricewaterhouseCoopers in their assurance, advisory and technical services and training practices in the Middle East and India. He is an alumnus of the University of Delhi, a Fellow of the Institute of Chartered Accountants of India (FCA) and a Fellow Member of the Association of Corporate Treasurers, UK (FCT).

Deepak, as the Group Chief Financial Officer, is responsible for leading the financial management and control function of ADCB and its subsidiaries, while driving value creation and synergies to support the delivery of ADCB's commercial priorities, in line with the approved risk appetite, strategy, internal policy and regulatory obligations.

Inter-Group directorships:

- Abu Dhabi Asset Management Limited – Director
- ADCB Sicav – Director
- Al Hilal Bank PJSC – Director
- Abu Dhabi Commercial Properties LLC – Director[1]
- Abu Dhabi Commercial Engineering Services LLC – Director[1]

External appointments:

- Deepak Khullar does not hold any external directorships

Paul Keating
Group Chief Risk Officer

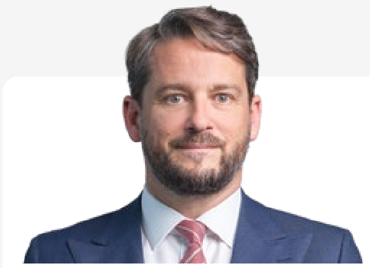
Paul Keating was appointed as ADCB's Group Chief Risk Officer in 2018. He previously worked for the Australia and New Zealand Banking Group (ANZ) for over 30 years, where he served in various capacities across the world. During his time at ANZ, he served as Chief Risk Officer and Head of Credit for the Pacific division, responsible for 11 countries.

As Group Chief Risk Officer, Paul is responsible for and manages operational risk, market risk, fraud risk, data management, credit policy, internal models, portfolio reporting, Islamic internal control, and information security. Additionally, he attends various management, board, and board committee meetings to provide a perspective on enterprise-wide risk management.

Paul holds a Bachelor of Commerce and Administration from the Victoria University in New Zealand, and a Post Graduate Diploma from Massey University in New Zealand.

External appointments:

- Paul Keating does not hold any external directorships



Ludovic Nobili
Group Head of Corporate and Investment Banking

Ludovic Nobili joined ADCB in November 2008 and was appointed as Group Head of Corporate and Investment Banking in March 2020. Previously, he managed ADCB's investment banking activities. Ludovic is a senior investment banker with a career spanning over 20 years. He started his career as an investment banker in 2000 in the securitisation team of Credit Agricole Indosuez in London, after which he moved to Citigroup where he focused on corporate securitisation. During his time in Europe, he was instrumental in originating and structuring complex and high-profile transactions.

As Group Head of Corporate and Investment Banking, Ludovic is responsible for cash management, trade finance, corporate finance, financial market and investment banking across the Group. He is an alumni of the Université Paris-Sorbonne.

External appointments:

- Ludovic Nobili does not hold any external directorships

Note: External appointments listed above are as at 31 December 2023
(1) Resigned from the Board in 2023

Executive Management

Deepak Rochlani
Group Head of Retail Banking

Deepak Rochlani joined ADCB in 2004 and is the Group Head of Retail Banking. He has over 25 years' experience in retail banking and financial services. Deepak oversees product management and the distribution network, including branches, sales and relationship management, and is spearheading the digital transformation of the retail bank.

Prior to joining ADCB, he held several positions in product and marketing management at GE Capital and IDBI Bank in India.

Deepak holds a Bachelor of Engineering degree from the University of Bombay, a Post Graduate Diploma in Business Administration, and is a Certified Financial Analyst with the Institute of Chartered Financial Analysts of India.

External appointments:

- Deepak Rochlani does not hold any external directorships

Robbert Muller
Group Treasurer

Robbert Muller joined ADCB in January 2023 as Group Treasurer. He has over 25 years of experience in banking and finance. Previously he was employed at Coöperatieve Rabobank U.A. (Rabobank), where he served in various positions in the Netherlands, New York, and Hong Kong. During his career at Rabobank, he served as Head of Group Treasury and oversaw the treasury function across 12 global locations, in addition to steering various management committees at group level.

Robbert holds a Master of Science in Management and Organisation Specialisation from the University of Groningen.

External appointments:

- Robbert Muller does not hold any external directorships

Mohammed Al Jayyash
Group Chief Operations Officer

Mohammed Al Jayyash was appointed as Group Chief Operations Officer in 2020 after serving as Acting Group Chief Operations Officer since 2019. Previously, he has held various senior management positions in ADCB, including Group Chief Service Officer and Branch Operations Manager. Mohammed is an industry leader with over 20 years of experience in improving customer service, ensuring regulatory compliance, and delivering capabilities for growth. He has extensive expertise in banking operations, customer journey & experience and digital channels.

Mohammed holds a Bachelor's Degree in Business Administration from the Al Ghurair University in the UAE, a Post Graduate Certificate in Management from Ashridge Executive Education Hult in the UK, and a Diploma in Banking from the Emirates Institute for Banking and Financial Studies.

Inter-Group directorships:

- Al Hilal Bank PJSC – Director
- ITMAM Services LLC – Chairman
- Abu Dhabi Commercial Engineering Services LLC – Vice-Chairman[1]
- Abu Dhabi Commercial Properties LLC – Director[1]
- Meedaf Investment – Sole Proprietorship LLC – Director

External appointments:

- Mohammed Al Jayyash does not hold any external directorships

Rasha Mortada
Group Chief Compliance Officer

Rasha Mortada was appointed as Group Chief Compliance Officer in 2021, having been with ADCB since 2006. She has over 25 years of experience in the banking industry at leading global and local institutions, with over 18 years of experience in the compliance field covering regulatory compliance, financial crime and conduct compliance across all business lines. Prior to joining ADCB, Rasha worked for Citibank UAE, undertaking various roles within compliance.

Rasha holds a Bachelor's degree in Banking and Finance from the Lebanese American University in Beirut. She is a Certified Anti-Money Laundering Specialist (CAMS), Certified Global Sanctions Specialist (CGSS) and holds an International Diploma in Compliance from the International Compliance Association and a Fintech certification from Harvard.

External appointments:

- Rasha Mortada does not hold any external directorships

(1) Resigned from the Board in 2023

Executive Management

Ali Darwish

Group Head of Human Resources

Ali Darwish joined ADCB in 2010 and leads the Group Human Resources Department. He has a wealth of experience in the banking industry that extends over more than 20 years at various leading financial institutions in the UAE.

As Group Head of Human Resources, Ali ensures that ADCB builds a competitive advantage through people by focusing on strategic talent management, Emiratisation and employee engagement. He is also responsible for driving the Bank's agile culture and enabling business growth through its talent.

Inter-Group directorships:

- ADCB Securities LLC – Director

External appointments:

- Ali Dariwsh does not hold any external directorships

Tilak Silva

Group Chief Credit Officer

Tilak Silva was appointed as the Group Chief Credit Officer in 2018, and he had been the Acting Group Chief Risk Officer since 2017. He was with ADCB for over 40 years, focusing on credit underwriting, remedial risk and restructuring.

Tilak had an in-depth understanding of the functionalities of all areas of the Bank. Prior to joining ADCB, he worked for Hatton National Bank in Sri Lanka, undertaking a number of roles within the Credit Group.

Tilak Silva passed away in January 2024.

External appointments:

- Tilak Silva did not hold any external directorships

Jane Livingston

Group General Counsel

Jane Livingston joined ADCB in 2011 and was appointed as Group General Counsel in 2021. She is an English qualified solicitor who practiced law in the City of London prior to moving to Abu Dhabi in 2007.

Jane has more than 20 years of legal experience covering a broad range of banking, finance, corporate and commercial matters.

Inter-Group directorships:

- ADCB Asset Management Limited – Director
- ADCB Sicav – Director

External appointments:

- Jane Livingston does not hold any external directorships

Abdirizak Mohamed

Group Chief Internal Auditor

Abdirizak Mohamed has been the Group Chief Internal Auditor at ADCB since 2006, responsible for covering the Bank and all its subsidiaries. He has over 30 years of financial industry experience with leading global and local institutions, including NASDAQ Stock Market, NASD (FINRA) and OFHEO (FHFA), spanning capital markets management, accounting policy & applications, examinations and auditing, risk management, regulatory oversight and corporate governance.

In addition, he has served as independent Audit Committee member of the following entities: ADX, InvestAD, Abu Dhabi Tourism & Culture Authority, Al-Foah, and was the former Chairman of the UAE Banking Federation Audit Committee.

Abdirizak is a Certified Public Accountant and holds a Master's degree from the George Washington University in Washington, DC, and a Bachelor's degree from the University of Washington in Seattle, WA.

External appointments:

- Abdirizak Mohamed does not hold any external directorships

Executive Management – Subsidiaries

Abdul Shakeel Aidaroos
Chief Executive Officer – Al Hilal Bank

Abdul Shakeel Aidaroos has been the Chief Executive Officer of Al Hilal Bank since 2019.

He has over 25 years of banking industry experience, with deep expertise in retail banking, digital innovation, and risk management. He held senior positions at ADCB for 15 years, including as Head of Retail Banking, where he managed a team of 2,000 professionals and launched many of ADCB's award-winning consumer products and digital banking channels. In his role as CEO of Al Hilal Bank, he led the launch of the first UAE Shari'ah-compliant, cloud based, modular digital app, whilst also introducing different products and features to the market. Prior to joining ADCB and Al Hilal Bank, he spent over 10 years with Citibank in the UAE.

He holds a Master of Science degree in Risk Management from NYU Stern School of Business, New York, USA.

External appointments:

- Abdul Shakeel Aidaroos does not hold any external directorships

Ihab ElSewerky
Managing Director & Chief Executive Officer – ADCB Egypt

Ihab ElSewerky is the Managing Director and Chief Executive Officer of ADCB Egypt, responsible for implementing the Bank's strategy for growth in the country. He has over 30 years of experience in corporate, retail and Islamic banking, with expertise in the areas of risk management, internal controls, financial institutions and SMEs. His career includes extensive experience as Chief Risk Officer with several regional banks in Egypt.

External appointments:

- Ihab ElSewerky does not hold any external directorships

ADCB's commitment to integrity and a disciplined culture serves to strengthen the trust and confidence vested in the Bank by its investors, customers, business partners and communities.

Group corporate governance framework

ADCB's dedication to a robust corporate governance culture has been the cornerstone of its sustained track record of strong financial and operational achievements. ADCB's commitment to integrity and a disciplined culture serves to strengthen the trust and confidence vested in the Bank by its investors, customers, business partners and communities. This commitment stands at the core of its growth strategy and future objectives.

To safeguard the interests of our diverse stakeholders, we continuously review and enhance our corporate governance approach, ensuring that we stay at the forefront of best practices and adapt to changes in the regulatory, policy, and business landscape. Our Board, comprises of seasoned professionals with extensive corporate experience and diverse skill sets, maintains a disciplined approach to governance and possesses a deep understanding of the banking industry.

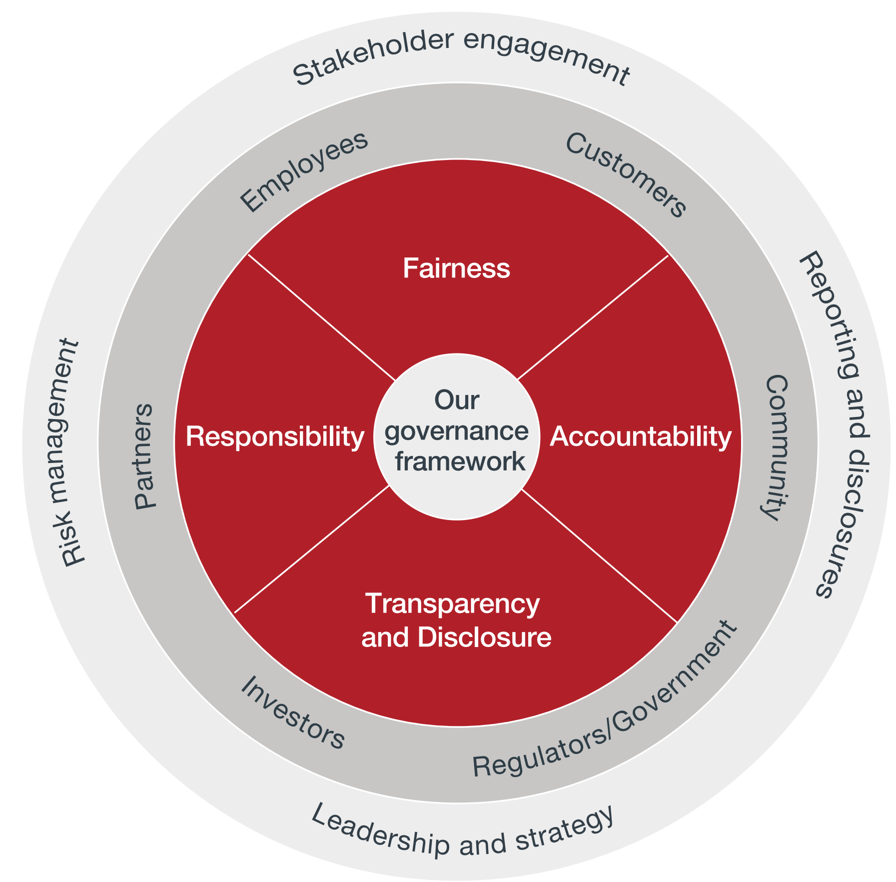
The Bank's highly experienced Executive Management team has consistently delivered operational excellence and has instilled a culture of accountability and responsibility throughout the Bank. The Board regularly evaluates and updates the Group's Corporate Governance Framework to align with the Group's size and complexity, business strategy, operational structure, risk profile, markets, and regulatory requirements.

The Group's Corporate Governance Framework was further reinforced in 2023 through a number of initiatives following a comprehensive review in 2022. This exercise has established an overarching framework for local, regional, and international subsidiaries ensuring effective oversight of the Group structure.

2023 Key initiatives:

- Enhancing the Bank's succession planning and related policy
- Enhancing the Bank's Compensation Policy to preserve fairness and transparency
- Enhancing the Board Performance Evaluation Policy
- Maintaining a policy that governs the appointments of Directors on the boards of subsidiaries
- Calibrating a number of other policies and procedures related to the comprehensive review conducted in 2022

The Group's Corporate Governance Framework



The guiding principles of the Group's Corporate Governance Framework are:

Responsibility
promoted by the clear distribution and delegation of authority

Fairness
in the treatment of all stakeholders

Accountability
in the relationships between the Bank's Executive Management and the Board; between the Board and shareholders and other stakeholders

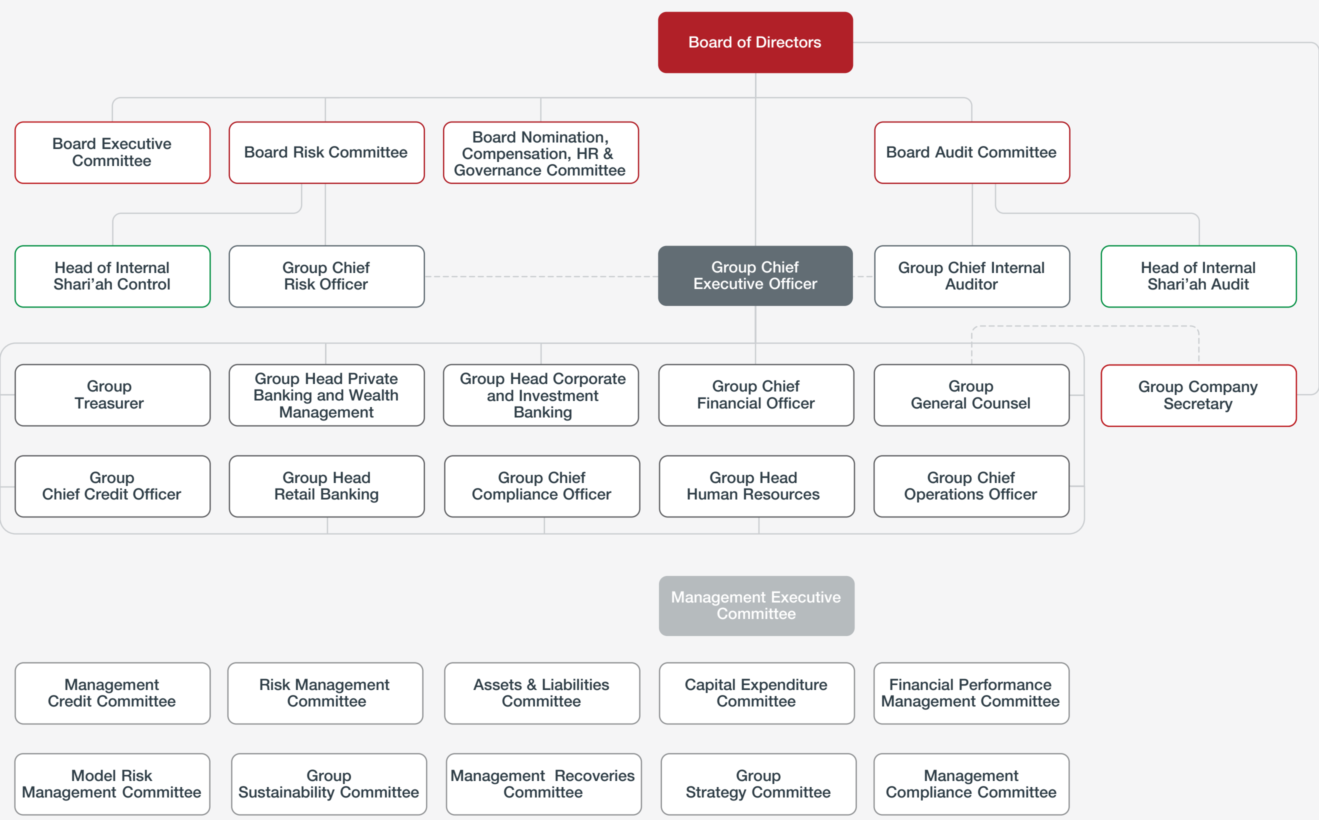
Transparency of disclosures
to enable stakeholders to assess the Group's strategy and financial performance and condition

Governance structure

A strong governance structure necessitates a comprehensive understanding of the regulatory environment, vigilant oversight, and a resolute tone from the top. ADCB's governance structure is anchored by a robust and effective Board, reinforced by specialised Board Committees, tasked with executing their roles and responsibilities.

The Management Executive Committee, comprising the Bank's Executive Management, actively facilitates the execution of the Board's strategy and objectives, steered by the guidance of the Group Chief Executive Officer (GCEO). This delineation of forums ensures clear responsibilities and a cohesive governance structure.

As at 31 December 2023



- The Group Chief Risk Officer reports directly to the Board Risk Committee and reports administratively to the Group Chief Executive Officer
- The Group Chief Internal Auditor reports directly to the Board Audit Committee and reports administratively to the Group Chief Executive Officer
- The Group Chief Compliance Officer reports directly to the Group Chief Executive Officer and has direct access to the Board Audit Committee
- In addition, the Group Company Secretary reports to the Board of Directors and reports administratively to the Group General Counsel
- The Head of Islamic Banking reports directly to the Management Executive Committee

For more information on the Board Committees, please refer to pages 193 and 220–231.

For more information on the Management Executive Committee (MEC) and other management committees, please refer to page 232.

Board of Directors

The Board is responsible for promoting ADCB's long-term success, providing overall direction for the Group and maintaining a framework of delegated authorities and controls. It provides leadership by establishing the Group's purpose and values and setting the strategy. The Board is responsible for the Group's operations, financial soundness and ensures that the interests of shareholders, customers, employees, regulators, and wider stakeholder groups are met. The Board monitors the performance of the Group and guides and supervises the Executive Management.

Board Executive Committee

Chaired by Saeed Mohamed Hamad Almazrouei
Oversees the development and implementation of the strategic objectives of the Bank, including the Group's sustainability strategy, the performance of current and new business initiatives, reviews and approves material credit commitments, and digital transformation.

Board Risk Committee

Chaired by Carlos Obeid
Oversees the development and implementation of the Bank's Risk Management Framework, sets the Group's risk appetite, risk strategy, development of risk models and risk associated with the asset portfolios. Oversees capital adequacy and risks related to credit, interest rate, liquidity, market, country and transfer, operational, information security, Shari'ah risk governance as well as data management, privacy and fraud.

Board Nomination, Compensation, HR, and Governance Committee

Chaired by H. E. Hussain J. AlNowais
Oversees remuneration policies, Directors appointments, Board and Committee evaluations, Board and Executive Management succession planning, the Group HR strategy including Emiratisation, development of the corporate governance framework in compliance with regulatory requirements, and corporate culture and values.

Board Audit Committee

Chaired by Aysha Al Hallami
Oversees and reviews the integrity of financial reporting, accounting policies and practices, sets the framework for Internal Audit and Compliance, and Shari'ah audit governance. The Committee also oversees the Group's compliance status with legal and regulatory requirements and internal policies including consumer protection, the relationship with the external auditor and recommends the appointment of the external auditor.

For more information on the Board Committees, please refer to pages 193 and 220–227

Group Chief Executive Officer (GCEO) and Management Executive Committee

The Board delegates the day-to-day responsibility for running the Group to Management Executive Committee, which is chaired by the GCEO. The Committee is responsible and accountable to the Board for the sound and prudent day-to-day management of the Group's commercial, operational, risk and financial aspects. Under the GCEO's leadership, the Committee manages the Bank's business and administers the implementation of the Bank's strategy, risk appetite and policies within the strategy and guidelines approved by the Board.

Our people

Our people are responsible for adhering to the Group's core values and standards of behaviour in terms of professional conduct, interactions with customers, business partners and the community in general, protecting the business interests of ADCB and maintaining the Bank's reputation for integrity and compliance with applicable legal and regulatory obligations.

Key activities in 2023

ADCB continuously reviews its approach to corporate governance to ensure it remains well prepared to adapt to evolving regulatory expectations and global best practice. In 2023, the Bank enhanced its governance framework, policies, processes and systems to enable further effective execution of its strategy and to seize opportunities for prudent, long-term growth.

Leading on consumer protection

During 2023, the Bank enhanced business practices in relation to the regulatory obligations and guidelines contained in the UAE's enhanced consumer protection standards. This included reviews of practices pertaining to contracting, transacting, disclosures, increased transparency around fees, interest rates and inherent risks related to products.

ADCB also continued to focus on ensuring customers are provided with suitable and appropriate products. In this regard, the Bank introduced a New Initiatives Approval (NIA) Policy. Under this policy, it has implemented a New Initiatives Risk Assessment (NIRA) process for assessing new products and services as well as material changes to existing offerings, to ensure compliance with all applicable regulations at all times. A Group-wide master product catalogue was also developed to support implementation of the new policy.

Technology to strengthen security and anti-money laundering measures

ADCB is committed to fortifying its defences and maximising information security through robust preventive and detection controls to address risks related to cybersecurity, fraud and data privacy. The Bank's approach to managing information security centres on routine security evaluations and technology enhancements. These include the adoption of an AI-capable extended detection and response solutions, strengthening protection against cyberattacks, unauthorised access and data misuse.

In 2023, ADCB introduced a cybersecurity action plan and a rigorous testing regime, which uses internal and external testing teams to verify cybersecurity controls. Furthermore, it has retained a specialist consultancy firm to provide immediate technical support and advice in the event of a cybersecurity event. The Bank continuously validates and certifies its security practices with global security standards, including ISO 27001, PCI DSS, SWIFT CSCF and UAE Information Assurance Standards. Additional investments included strengthening the security of the Bank's software platforms, implementing ransomware mitigation controls and enhancing security for application programming interface (API) applications.

The Bank also leveraged leading-edge technology to reinforce effective monitoring in the areas of Anti-Money Laundering (AML), Combatting the Financing of Terrorism (CFT) and Sanctions. AI and machine learning models have been developed to monitor transactions, improve the prioritisation of AML alerts, and support the identification of risks associated with complex correspondent banking and cross-border transactions.

Enhancing Know Your Customer (KYC) and credit risk assessment

The Bank introduced a machine-learning-based behavioural analysis model to provide a more detailed understanding of customer preferences and activity. The model analyses a wide range of data, such as risk, spending patterns, saving and investment trends and credit score. The insights enable the classification of customers into a number of behaviour-specific segments in an accelerated process. This detailed data analysis allows the Bank to monitor customer behaviour and account usage in order to identify transactions that may carry risk.

Introduction of AI has also facilitated an advanced approach to defining customer risk scores, which has become more dynamic, taking into account a customer's evolving financial and KYC profile as well as transaction record. This has resulted in greater predictive capabilities that can be used to assess and counter the potential risk of customers committing financial crime.

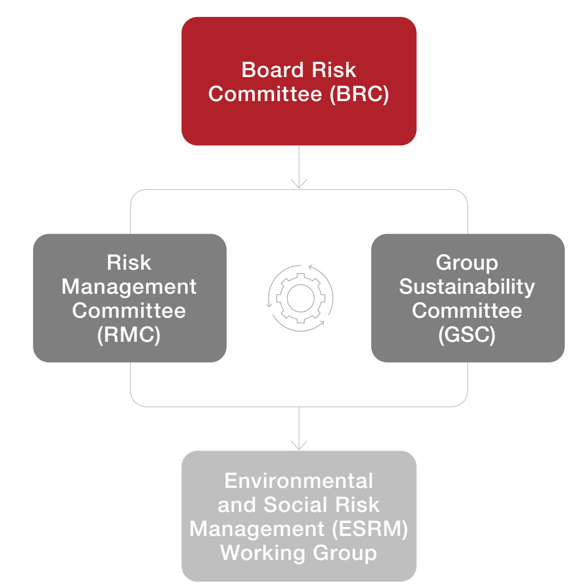
Moving at pace on sustainability

ADCB issued its Environmental and Social Risk Management (ESRM) policy in 2022, and the implementation of this key policy continued in 2023 with ESRM now fully embedded into the credit assessment process.

This enables the Bank to take a more nuanced view on the potential ESG risks of counterparties. If ESG risks are identified, a thorough assessment is undertaken to classify the client as low, medium, high or severe in terms of ESG factors. These assessments also consider external ESG ratings by global agencies.

ESG has become a key element of annual stress testing mandated by the Central Bank of the UAE (CBUAE), with the Bank conducting its first specific climate stress test in 2023. This process examines how climate change scenarios may affect different industries and customer segments, and its impacts for provisioning or risk assessment for certain clients.

ADCB Group Environmental & Social Risk Governance Framework



Increasing climate-related disclosures following NZBA membership

In 2023, ADCB adopted an enhanced climate strategy and joined the UN-convened Net Zero Banking Alliance (NZBA), an industry-led initiative to align the lending and investment portfolios of financial institutions with the Paris Agreement goals of limiting global warming to 1.5°C. As a member of NZBA, the Bank is committed to the following actions on climate change:

- Transitioning the operational and attributable Greenhouse Gas (GHG) emissions from lending and investment portfolios to align with net-zero by 2050 pathways
- Within 18 months of joining, setting a 2050 target, with intermediary targets to be set every five years from 2030 onwards. The initial 2030 targets will focus on the most GHG-intensive sectors, with further sector targets to be set within 36 months
- Annually publishing absolute emissions and emissions intensity in line with best practice
- Within a year of setting targets, disclosing progress against a Board-level reviewed transition strategy, setting out proposed actions and sectoral climate policies
- Taking a robust approach to the role of offsets in transition plans

As a result of these commitments, the Bank will be increasing its climate-related disclosures in the coming years. It has already established a baseline for reporting by completing the measurement of scope 3 'financed GHG emissions' to identify the most carbon-intensive sectors, in line with the standards set by the Partnership for Carbon Accounting Financials (PCAF).

Exceeding Emiratisation targets through a strong culture

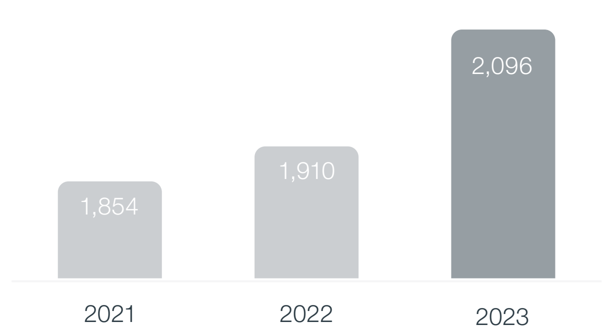
ADCB is strongly committed to the UAE's Emiratisation agenda as part of the country's vision for the development of a sustainable, diversified economy. The Bank continues to attract and develop national talent, in line with the Central Bank's Emiratisation targets.

In 2023, the Bank recruited more than 300 UAE nationals, both new graduates and experienced professionals. This raised the proportion of UAE nationals in the Group to 40%, one of the highest in the country's financial and banking sector, with the Emiratisation rate at Al Hilal Bank standing at over 50%.

More than 1,000 Emirati employees were promoted in 2023, including to positions of significant responsibility, such as Head of Islamic Banking, Head of UAE Branches and other senior positions. This reflects the Bank's strategy to create attractive career opportunities and enable UAE nationals at all levels to advance their careers, while contributing to the success of ADCB.

Maintaining a high-performance culture remains a key element of the Bank's people strategy. In 2023, ADCB achieved a high score in its annual Organisational Health Index (OHI) survey, ranking in the top quartile of major companies globally and in the Middle East. The survey received a high response rate of 96% of all employees.

Emiratisation – a key strategic priority, exceeding the CBUAE targets



Total UAE nationals (including ADCB and Al Hilal Bank)

New approach to self-sustaining entities

ADCB revised its approach to the classification of self-sustaining entities in 2023, in line with CBUAE guidance, providing the potential for the Group to increase certain credit exposures.

The change in classification expands the scope for entities within a holding company structure to be classed as self-sustaining, with approval from the CBUAE. This means that subsidiaries can be treated as separate entities, with separate credit limits, rather than grouped together with aggregate limits. This approach provides additional flexibility for managing the credit risks of separate entities, while allowing the Bank greater scope to meet a client's funding requirements.

Enhancing risk management

In 2023, the Bank enhanced its approach to operational risk by implementing the first phase of a Group-wide project to introduce a new operational risk management system, accompanied by the launch of an operational risk and control library. The Group's approach to business continuity management was also upgraded to meet the rigorous requirements of the ISO22301:2019 standards, with ADCB gaining recognition from the industry body, Continuity Insurance and Risk, which conferred a global category award to the Bank.

ADCB also made advances in a number of other specialist areas of risk management. The Bank has developed a comprehensive outsourcing governance and third-party risk assessment framework, and has made further progress on effective management of compliance risk, including refreshing policies and procedures specifically to address conflicts of interest and information control risks. The Bank has revised a number of policies, including its Regulatory Compliance Policy, Conflict of Interest Policy, Chinese Walls Policy, Personal Trading Policy, and Whistleblowing Policy, while updating procedures to take into account new reporting requirements on outside business interests.

In recognition of the growing role of block chain technology in the financial services industry, ADCB has added 'digital assets' to its existing 14 'principal risks' in the Bank's risk management framework.

Furthermore, as part of the Bank's commitment to Pillar 3 disclosures in accordance with the Basel III requirements, the Bank has ensured that it proactively discloses matters concerning and incidental to capital adequacy, market risk, credit risk and operational risk, amongst other matters. For further details on the Bank's Pillar 3 disclosures, please visit adcb.com/ir.

A forward-facing organisation

Looking ahead, ADCB will continue to improve and augment its people, processes, systems and technology to align with rapid changes in the regulatory and business landscape. The core focus will remain on further strengthening the Risk and Compliance functions and their activities, ensuring ongoing monitoring of regulatory, conduct and financial crime compliance controls. This will be a key strategic driver of ADCB's business strategy, to deliver fair and positive outcomes for customers, to maintain market integrity and to safeguard the best interests of all stakeholders.

Risk management enhancements

- New operational risk management system
- Launch of an operational risk and control library
- Upgrade of business continuity management
- Development of comprehensive outsourcing governance and third-party risk assessment framework
- Enhanced compliance risk management with policy updates
- 'Digital assets' risk assessment added to principal risks

Board information

ADCB's Board is composed of 11 Non-Executive Directors in compliance with the regulations set forth by the Central Bank of the UAE, which explicitly prohibit the inclusion of Executive Directors on the boards of financial institutions under its purview. Our Directors hold independent status, with the exception of Khalid Deemas Alsuwaidi, who is deemed 'non-independent' due to his tenure exceeding 12 years.

The Board and its committees met 49 times in 2023, with the Directors receiving detailed information on a regular basis regarding the Bank's activities and developments.

Throughout the year, members of the Management Executive Committee were invited to Board and Board Committee meetings as necessary to address specific topics while remaining compliant with regulatory requirements regarding restrictions of attendance by the Executive Management at certain key meetings.

The composition of the Board Committees is reviewed on a regular basis, including the chairmanship of each committee. Membership is rotated as required to ensure the suitability and adequacy of the collective skills, experience and knowledge to ensure duties are discharged effectively. Each Director, with the exception of H.E. Khaldoon Khalifa Al Mubarak (Chairman) and Sheikh Zayed Bin Suroor Al Nahyan, serves on at least one standing Board committee. The Board operates four standing committees, with each committee having certain key responsibilities and authorities as delegated by the Board of Directors of the Bank.

Gender diversity at Board level

One of the key responsibilities of the Board is to ensure that ADCB builds and maintains a healthy corporate culture. ADCB believes that companies that attach equal importance to performance and culture achieve exceptional results over time.

The Board is committed to supporting gender diversity. As at 31 December 2023, women represented 18% of Board members. As we advance, in line with applicable regulatory requirements, ADCB will ensure that at least 20% of candidates considered for Directorship are female. ADCB will also make sure that at least one female member serves on the Board.

Board of Directors in numbers

Board members	11
International experience	54%
Non-Executive Directors	100%
Independent Directors	10
Female Directors	18%

Overview of the Board Committees and their responsibilities:

Board Executive Committee (BEC)

- Development and execution of strategy approved by the Board
- The Group's sustainability strategy and strategic priorities
- The Group's business performance and guidance on the development of new business initiatives
- The Group's proposals for acquisitions, disposals and joint ventures and other value creation opportunities, including establishment, or closure and exit of any international operations
- Material credit commitments
- Digital transformation and investments

Board Risk Committee (BRC)

- Setting the Group's risk appetite and risk strategy
- Development and implementation of the Group's Risk Governance Framework
- Alignment of the Group's strategic objectives with its risk profile
- Development of risk measurement models, tools, and monitoring of such tools' effectiveness
- Assessment of risks associated with the Group's asset portfolios
- Assessment of capital adequacy against regulatory requirements
- Assessment of overall credit and concentration risk in relation to Group's risk profile and business strategy
- Compliance with regulatory requirements relating to risk management
- Oversight and implementation of data management, privacy policies and consumer protection requirements
- Assessment of the risk associated with Islamic, fraud, cybersecurity and asset portfolios

Nomination, Compensation, HR & Governance Committee (NCHRG)

- Appropriate composition of the Board
- Nomination of appropriate Directors to the Board and its committees
- Assessment of the performance of the Board, Board Committees, individual Directors, and members of the Executive Management
- Succession plans for Directors and members of Executive Management
- Remuneration policies for the Bank's Directors and Executive Management
- The Group's HR strategy, including Emiratisation
- Development of the Group's Corporate Governance Framework
- The Group's compliance with regulatory requirements relating to corporate governance
- The Group's corporate culture and values, including its governance culture

Board Audit Committee (BAC)

- The qualifications, independence, objectivity, and performance of the Group's External Auditor
- The qualifications, independence, objectivity and performance of the Bank's Internal Audit and Compliance departments
- The qualifications, independence, and performance of the Bank's Internal Shari'ah Audit department
- Adequacy of the Group's internal control framework to ensure the establishment of an effectively controlled operating environment for the conduct of the Group's business
- Adequacy of the Group's financial statements, reporting, and matters relating to the Group's internal controls, and risk management systems
- The Group's compliance with applicable legal and regulatory requirements, (including financial crime[1] and with the Group's policies (unless specifically delegated to other Board committees)
- The review and monitoring of trades in the Bank's shares by Directors, and staff, including Executive Management

(1) Anti-Money Laundering (AML), Combatting the Financing of Terrorism (CFT) and Sanctions

Director's independence

Independence is an important factor to assess the Directors' ability to serve in the best interest of ADCB and all its stakeholders. The Central Bank of the UAE, through its corporate governance regulations ('Regulations') and standards, has defined the following criteria for independence of Board members in banks within the UAE:

a. The Director's tenure should not exceed 12 consecutive years from the date of appointment. This provision applies equally to appointments by a government shareholder

b. The Director or any of his/her first-degree relatives should not have been employed by the Bank or its subsidiaries during the past two years

c. The Director should not have conducted any consulting services for the Bank, or its subsidiaries, or acted in such capacity, either directly or indirectly, during the past two years

d. The Director should not have had any personal services contracts with the Bank or its subsidiaries during the past two years

e. The Director should not be affiliated with any non-profit organisation that receives significant funding from the Bank or its subsidiaries

f. The Director, or any of his/her first-degree relatives, should not be a partner or employee of the Bank's auditor for the past two years

g. The Director or any of his/her first-degree relatives, should not have direct or indirect interest in any contracts and/or projects of the Bank or its subsidiaries, where the total of such transactions exceeds the lower of 5% of the Bank's paid share capital, or AED 5 million, or an equivalent amount in foreign currency, during the past two years, unless such relationship is part of the nature of the Bank's business and involves no preferential terms

h. The Director and/or any of his/her first-degree relatives (individually or collectively) should not own, directly or indirectly, 10% or more of the Bank's share capital or be a representative of a shareholder who owns, directly or indirectly, more than 10% of Banks' share capital

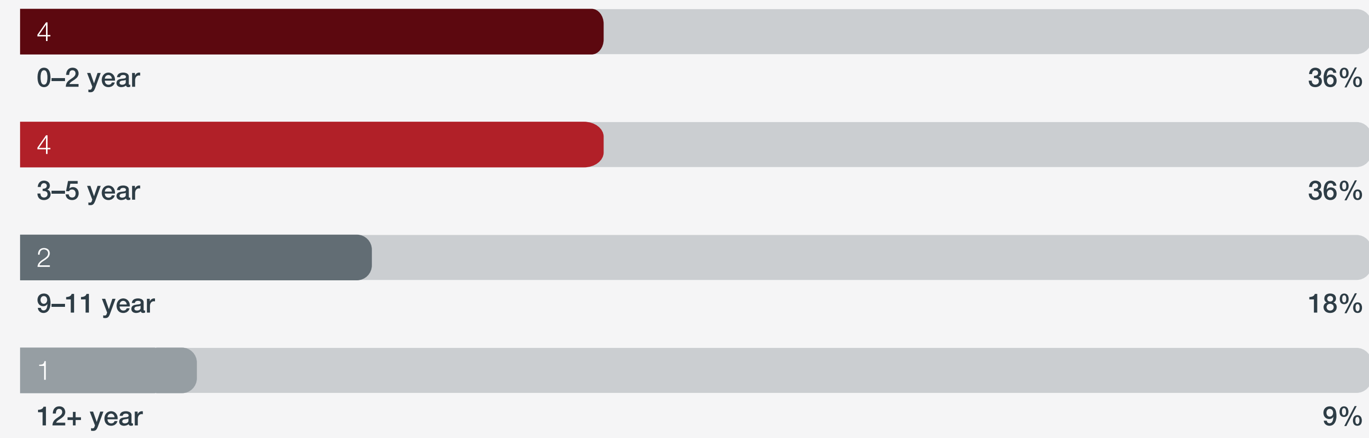
The provisions from items b) to h) do not apply to Board Members appointed by a Government shareholder, as per the regulations.

As a listed entity that is regulated by the Central Bank of the UAE, the independence status of ADCB's Board Members is determined in accordance with the criteria set out here.

As at 31 December 2023, ADCB's Board Members satisfied the independence criteria as prescribed by the Regulations, with the exception of Khalid Deemas Alsuwaidi, who has served on the Board for more than 12 years and is therefore deemed as non-independent.

Length of Board tenure[1]

(Number of Directors)



0–2 years

H.E. Amr Al Menhali (2022)

Fatima Al Nuaimi (2022)

Sheikh Sultan Bin Suroor Al Dhaheri (2022)

Sheikh Zayed Bin Suroor Al Nahyan (2021)

3–5 years

H.E. Khaldoon Khalifa Al Mubarak (2020)

H.E. Hussain J. AlNowais (2019)

Saeed Mohamed Hamad Almazrouei (2019)

Carlos Obeid (2019)

6–8 years

Nil

9–11 years

Khaled H. Alkhoori (2012)

Aysha Al Hallami (2013)

12+ years

Khalid Deemas Alsuwaidi (2009)

Note: Figures may not add up due to rounding differences

(1) According to the Central Bank of the UAE's corporate governance regulation and standards, a Board director is categorised as non-independent when the length of tenure exceeds 12 years

Board appointment, induction and training

Appointment, retirement and re-election

ADCB recognises that an effective board is fundamental to the success of the Bank and its ability to serve in the best interests of all stakeholders.

In accordance with ADCB's Articles of Association and as required under applicable regulations, all Directors are required to seek re-election by shareholders every three years. In the event that a vacancy arises prior to the next Annual General Assembly, the Board is permitted to appoint any individual nominated by the Nomination, Compensation, HR and Governance Committee (NCHRG) to fill that vacancy, but such an appointment is subject to shareholders' ratification at the next Annual General Assembly. ADCB's majority shareholder, One Hundred and Fourteenth Investment Company – Sole Proprietorship LLC, a wholly owned subsidiary of Mubadala Investment Company (the 'majority shareholder'), has the right to appoint a number of Directors that is proportionate to its shareholding.

As at the year-end 2023, the majority shareholder held 60.2% of ADCB's share capital, and consequently, had the right to appoint six Directors and to vote a further 5.7% of ADCB's share capital at the Board elections.

The process of selection and appointment of the Board of Directors is detailed in ADCB's Directors' Selection Policy. The policy sets out the fit and proper criteria and prerequisites for the selection and appointment of a director, as required by applicable regulations. In accordance with the applicable regulations, the Director shall, at all times, be approved by the Central Bank of the UAE as a proposed candidate prior to the appointment or election at the Annual General Assembly.

Board induction

ADCB provides a comprehensive Directors' Induction Programme for all newly appointed/elected Directors. Each new Director receives a formal and tailored induction to enable them to perform effectively while building a deep understanding of the Bank's business.

Each induction programme typically consists of meetings with other Directors, Executive Management, and briefings from senior managers across key business areas and operations, as needed or required. In addition, new Directors are provided with opportunities to visit key branches, departments and speak to subject matter experts. Each member also receives comprehensive guidance on the duties and responsibilities of Directors, the Bank's policies, procedures, and relevant legal and regulatory requirements. Following the initial induction for Directors, detailed understanding of the business is further developed through ongoing meetings and engagements as appropriate.

Board skills, experience, professional advice and training

ADCB assesses the expertise and competencies of its Directors through a mapping exercise which is updated to ensure the skills and experience of Directors remain relevant to the Bank's strategy and operating environment.

The Board brings a wealth of experience, which incorporates the areas of finance, audit, accounting, risk management, governance, strategic planning, ESG and information technology.

The Board dedicates sufficient time, budget and other resources to an ongoing training and development programme and draws on external expertise, as and when required. An annual review of training is conducted to ensure that Directors acquire, maintain, and enhance knowledge and skills relevant to their responsibilities.

The Board also regularly engages with Executive Management on specialised topics, as and when required. The Board has direct access to the advice and expertise of the Group Company Secretary, who supports the Directors in meeting their fiduciary duties. To carry out their duties, Directors may also, at the Bank's expense, obtain independent external professional advice in relation to any matter they see necessary.

In 2023, Directors participated in a number of training and deep dive sessions, including:

Training sessions

- Islamic banking
- Anti-money laundering and combatting financing of terrorism
- Sanctions development – overview and impact
- ESG
- Corporate governance
- Digitisation
- Anti-bribery and corruption
- Conduct risk
- Corporate tax

Deep dives

- Cost management and efficiencies
- Retail Banking
- Wealth Management and Private Banking
- Treasury business and future priorities
- Strategy
- Performance management versus budget and business plans

Industry experience of the Board (skills map)

The red line maps out the number of Directors with the relevant skillset

Responsibilities of the Board

The Board, as the principal decision-making forum of the Bank, has the overall responsibility for leading, controlling, and setting the strategic objectives of the Group and supervising the implementation of strategy. Through these overarching responsibilities, the Board remains collectively accountable to the Bank's shareholders for creating and delivering sustainable shareholder value by approving and overseeing the implementation of the Group governance framework and corporate culture.

Additionally, the Board is responsible for the Group's operations, financial soundness and ensures that the interests of shareholders, customers, employees, regulators, and wider stakeholder groups are met. The Board fulfils these responsibilities by maintaining the integrity of the Group's accounting and financial statements, setting adequate internal controls and monitoring the performance of the Group's business. It also provides guidance to, and oversight of, the Executive Management. More specifically, the Board is responsible for:

- **Strategy and management:** Setting the Bank's long-term objectives and commercial strategy, and monitoring management's performance
- **Structure and capital:** Approval of changes relating to capital structure, dividend policy, the capital adequacy assessment process, capital and liquidity plans, corporate structure, management and control structures
- **Financial reporting, planning, and controls:** Approval of financial results, annual reports and accounts, dividends, business plans, budgets (including funding plans) and forecasts, significant changes in accounting policies or practices, credit and liquidity policies, remuneration of and appointment/removal of an auditor and other material accounting policies
- **Internal controls:** Ensuring the establishment, implementation and monitoring of an effective internal controls system, through prudent oversight, guidance and providing the necessary support
- **Risk management:** Setting the Bank's risk strategies, appetite and monitoring the Bank's approach to material risks, approving risk management policies, promoting risk awareness and cultivating a strong risk culture
- **Compliance, AML/CFT, and Sanctions**: Oversight of the implementation of an effective AML/CFT compliance programme, promoting a strong compliance culture and three lines of defence, and ensuring the Group operates in line with all applicable legislations
- **Major transactions:** Approval of major capital investments and projects, by reason of materiality or size, including acquisitions, mergers, disposals, and material contracts not in the ordinary course of business
- **Board Committees and other appointments:** Appointment or removal, as well as actively engaging in succession planning of the Group CEO and Executive Management and reviewing those succession plans periodically; establishing committees to assist in carrying out its responsibilities and implementing corresponding terms of reference and membership to those Board Committees; conducting annual evaluations of the effectiveness of the Board, individual Directors, and Board Committees; and ensuring that the Executive Management's collective knowledge and expertise remain appropriate for the Group
- **Executive Management performance:** Establishment of a fit and proper process for the identification, assessment and selection of Executive Management, and oversight of the Executive Management's performance to ensure that they are consistent with the strategic objectives and policies approved by the Board and aligned with the Group's values, risk appetite and risk culture
- **Remuneration framework:** Determining policy for the remuneration of Directors and Executive Management, creation and approval of share incentive plans and other remuneration schemes that are consistent with the long-term strategic objectives, prudent risk-taking and financial soundness of the Group
- **Delegation of authority:** Approval of clear policies for the delegation of authority to the Executive Management, monitoring matters delegated to Board Committees, Management Committees, and the Executive Management
- **Shari'ah governance:** Establishing, reviewing and approving a sound and effective Shari'ah governance framework with mechanisms and functionalities to ensure effective and independent Shari'ah oversight, as per the requirements set out by the Central Bank of the UAE and the UAE's Higher Shari'ah Authority; promoting a corporate culture that reflects the importance of adhering to Shari'ah requirements, and developing and strengthening the knowledge and understanding of Islamic financing

Board oversight of risk management

Effective risk management is one of the key fundamental principles of the Group's Corporate Governance Framework. The Board has the overall responsibility for setting the Group's risk appetite and ensuring that all risks are effectively and efficiently managed within the approved parameters.

Risk management remains the responsibility of the Board. The Board Risk Committee (BRC) has been delegated the responsibility to ensure that the Board fulfills its duties in relation to risk management through managing, overseeing, monitoring, and reviewing all risks. The BRC advises the Board on the Group's overall risk appetite, tolerance and strategy, considering the Group's long-term interests, risk exposures and ability to manage risk effectively. Furthermore, the BRC works closely with the Executive Management to develop and implement the overall risk strategy, as appropriate, to relevant sectors, geographic regions and client types. Additionally, the BRC conducts periodic meetings specifically to review the effectiveness of the Group's risk management and internal control systems and to review the risks identified and progress of actions taken to mitigate them. Following the review, progress and actions are reported to the Board, and any revisions in the Group Risk Governance Framework are approved by the Board.

Board composition in 2023

The Bank's Board of Directors were duly appointed/re-elected by shareholders at the Annual General Assembly held on 14 March 2022, and no changes have since been made to the Board's composition. In accordance with the applicable regulations, Directors will submit themselves for re-election in March 2025, and the Board Nomination, Compensation, HR & Governance Committee shall conduct a Board composition evaluation exercise prior to that and, if necessary, make recommendations for new nominations.

Further responsibilities of the BRC include:

- Reviewing the results of the stress tests conducted and the ADCB stress-testing methodology
- Ensuring that the Group's risk governance approach is supported by prudent risk-taking at all levels within the Group

The duties and responsibilities of the BRC are facilitated by the support of various Group Management Committees, including, the Management Risk Committee and the Assets and Liabilities Committee.

During 2023, the BRC sought and received assurance from the Executive Management on the Central Bank of UAE's regulations and new developments and whether they were suitably addressed and reported accordingly to the Board.

The Board, together with the Executive Management, recognises the importance of ensuring that ADCB's workplace culture is aligned with the Bank's purpose, values and strategy. The Board continuously cultivates and reinforces a strong compliance culture by creating an environment where employees at all levels are empowered to confront improper behaviour, raise grievances and suggest better ways to pursue the Group's strategic objectives. This has been achieved through the implementation of various policies, including the Code of Conduct Policy, the Employee Grievance Policy and the Whistleblowing Policy.

The three lines of defence model

As part of the Group Risk Governance Framework, the Bank has an activity-based three lines of defence model. This determines accountabilities and responsibilities for risk management across the Group. It forms the basis of the Bank's approach to risk management by clarifying responsibilities, encouraging collaboration, and enabling efficient coordination of risk and control activities.

The first line of defence consists of the Bank's business lines, plus Technology and Operations, which own the risks and are responsible for identifying, recording, reporting and managing them, and ensuring the right controls and assessments are in place to mitigate them.

The Bank's risk control and compliance oversight functions provide the second line of defence, setting the policy and guidelines for managing specific risk areas, providing advice and guidance in relation to risk, and challenging the first line of defence (the risk owners) on effective risk management.

The third line of defence comprises the internal audit function that independently assesses the effectiveness of the processes created in the first and second lines of defence and provides assurance on these processes.

The three lines of defence model

Board oversight of financial reporting and internal controls

Oversight of financial reporting and integrity of ADCB's financial disclosures are also key responsibilities of the Board. To this end, the Board ensures that comprehensive and independent compliance and internal audit functions are in place, together with effective, robust internal controls.

The Board has established the Board Audit Committee (BAC) to ensure that the Board fulfils its responsibilities in relation to oversight of the financial reporting and disclosure process. This includes monitoring ADCB's accounting policies, principles and judgements. In terms of financial reporting, the Board has the ultimate responsibility for the Group's financial statements and the contents of the annual report for their accuracy and completeness.

In 2023, the BAC assessed the objectivity and effectiveness of ADCB's financial reporting and disclosure process which included monitoring ADCB's accounting policies, principles, and judgements. Additionally, the BAC ensured that adequate policies were implemented and revised to comply with the regulatory requirements of the Central Bank of the UAE and the Securities and Commodities Authority (SCA).

Furthermore, the BAC assists the Board in discharging its responsibilities in ensuring the implementation of an effective internal control environment, approving the annual internal audit plan, and monitoring the effectiveness of the internal audit function and the committed measures to address identified deficiencies.

Similarly, the internal audit function reports to the BAC on all internal audit-related matters. The rationale for this reporting structure is to ensure independence and balance the function's capacity to monitor and obtain in-depth information on the effectiveness of the Group's controls and processes.

The Group's compliance function reports to the BAC on the Group's compliance with regulatory guidelines, anti-money laundering, know-your-customer standards, and reporting any suspicious activity. Correspondingly, the BAC undertakes an annual review of the effectiveness of the compliance function and provides due consideration of compliance reports and the Bank's compliance status with all applicable regulatory requirements.

Furthermore, the BAC oversees the implementation of the Whistleblowing Policy through which employees and contractors of the Bank can submit any concerns on potential abnormalities within the Bank's activities. It also ensures proper arrangements are available to allow anonymous independent and fair investigation of such abnormalities, whilst ensuring that whistleblowers are protected from any negative impact resulting from the respective whistleblowing.

Subsidiary governance and Group structure oversight

A robust corporate governance framework is adopted across all Group entities to ensure adequate oversight and implementation of sound principles, while maintaining and respecting the independence of all the separate legal entities in accordance with applicable regulations in all relevant jurisdictions. The governance structure is evaluated periodically to ensure it remains suitable for the dynamic and ever-changing regulatory environment, and increased complexity of the Group structure and businesses.

To further ensure that a consistent governance and supervision approach is maintained, the Group has adopted an Inter-Group Activities Policy. The overarching objective of the policy is to ensure that the Group's subsidiaries have sufficient autonomy to satisfy their regulatory obligations, while maintaining effective inter-Group relationships, and that there is adequate Group oversight to ensure that risks are supervised, managed, limited, and mitigated.

Furthermore, the Inter-Group Activities Policy establishes an upstream information reporting protocol between ADCB and all its subsidiaries, as well as ensuring that relevant information is reported to the appropriate Group governance structures or forums.

A fundamental aspect of the Group Corporate Governance Framework and Inter-Group Activities Policy is to align the duties and responsibilities of subsidiary boards to the expectations of the Group as a major or sole shareholder. Furthermore, subsidiary boards are required to discharge their duties and responsibilities towards the subsidiaries that they serve.

The below table lists the ADCB Group Subsidiaries as at 31 December 2023

Subsidiary	Ownership interest	Year	Country	Principal activities
ADCB Securities LLC	100%	2005	UAE	Agent in trading of financial instruments and stocks
Kinetic Infrastructure Development LLC	100%	2006	UAE	Financial investments
Abu Dhabi Commercial Property Development LLC[1]	100%	2006	UAE	Property development
Abu Dhabi Commercial Engineering Services LLC	100%	2007	UAE	Engineering services
ADCB Finance (Cayman) Limited	100%	2008	Cayman Islands	Treasury related activities
ADCB Markets (Cayman) Limited	100%	2008	Cayman Islands	Treasury related activities
ACB LTIP (IOM) Limited	Controlling Interest	2008	Isle of Man	Trust activities
Abu Dhabi Commercial Bank (UK Representative Office) Limited[2]	100%	2008	United Kingdom	UK representative office and process service agent
ITMAM Services FZ LLC	100%	2010	UAE	Transaction processing and back-office support for the Group
AD NAC Ventures WLL	99.75%	2012	Bahrain	Trust activities
ITMAM Services LLC	100%	2013	UAE	Transaction processing and back-office support for the Group
ADCB Asset Management Limited	100%	2018	UAE	Wealth management and private banking
Al Wifaq Investment Properties PrJSC	90.08%	2006	UAE	Investment in real estate properties and earning rental income
Abu Dhabi Commercial Bank – Egypt SAE (formerly Union National Bank Egypt SAE)	99.90%	1981	Egypt	Commercial banking services
Al Hilal Bank PJSC	100%	2007	UAE	Islamic banking activities
Al Hilal Islamic Bank JSC	100%	2010	Kazakhstan	Islamic banking activities
Al Hilal Leasing LLP	100%	2011	Kazakhstan	Shari'ah compliant leasing operations
AHB Sukuk Company Limited	Controlling Interest	2011	Cayman Islands	Treasury financing activities
Al Hur 1 Holding Limited	100%	2022	UAE	Real estate investment activities
Al Hur 2 Holding Limited	100%	2022	UAE	Real estate investment activities
ADCB Sukuk Company Limited	Controlling Interest	2023	Cayman Islands	Treasury financing activities
Meedaf Investment – Sole Proprietorship LLC	100%	2023	UAE	Enterprise and service support

(1) Dormant
(2) Under liquidation

Board effectiveness and evaluation

The Board conducts a formal and rigorous annual evaluation of its collective performance, the individual Directors' contributions, and the Board Committees' performance against their respective mandates to constructively identify achievements and improvement areas. Under the Director's Performance Evaluation Policy, the Board considers the evaluation process to be an essential tool for its development, participating in its structuring and a full review of conclusions. The Board believes that a full, fair and well-managed evaluation process builds mutual trust among Directors, between the Board and Executive Management, and between the Bank and its stakeholders.

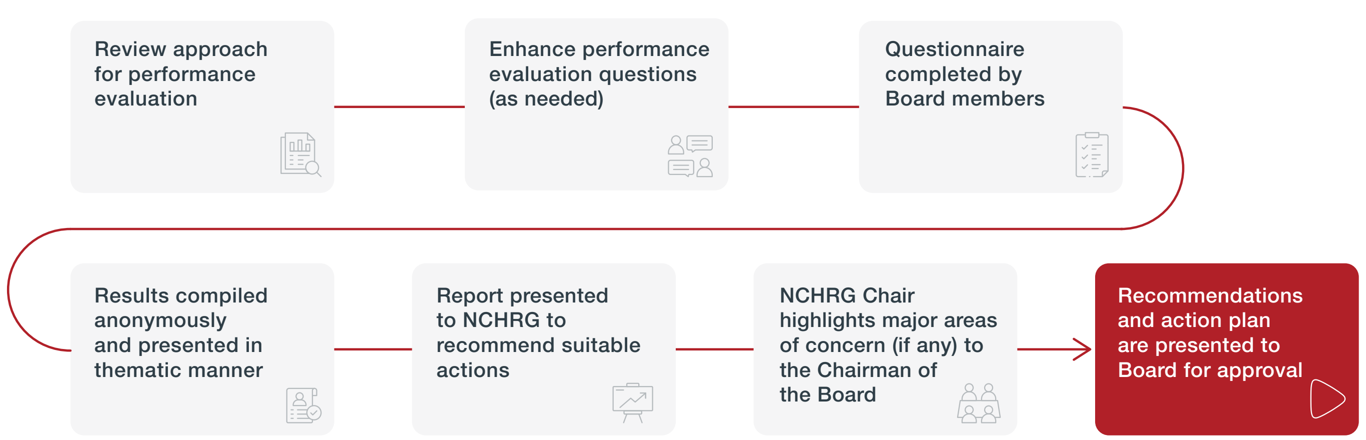
The specific responsibilities of the Chairman and the Chairs of each Board Committee form part of the evaluation. The evaluation process assesses thoroughness and efficiency in the conduct of meetings, facilitation of appropriate debate, discussion and decision-making, as well as representation of the Bank externally to the public, regulators and other counterparties.

The Board Committees are evaluated on effectiveness in discharging their responsibilities, diligence, and responsiveness to the Board. Additionally, the Committees self-evaluate on annual basis their abilities to carry out the responsibilities set out in their respective Terms of Reference.

In addition, an external consultant is appointed to independently conduct a performance evaluation exercise at least once every three years. The outcome of the evaluation is presented to the Board Nomination, Compensation, HR & Governance Committee (NCHRG) in the form of an action list, which is actively monitored for effective implementation. The Chair of the NCHRG subsequently briefs the Board of Directors. The Board Secretariat function supports the Directors and NCHRG in conducting this exercise.

During 2023, an independent external Board evaluation was conducted and a report was duly issued in accordance with the Central Bank of the UAE and the Securities and Commodities Authority's applicable corporate governance regulations. The Board was satisfied with the results of the evaluation and the NCHRG approved an action plan to address the recommendations that were adopted. In particular, the NCHRG agreed to enhance its Board trainings and the process of timely circulation of meeting materials.

Internal evaluation process



Independent evaluation of Board performance

Executive summary

The independent external Board evaluation of ADCB was conducted by Grant Thornton, UAE. For the purpose of this review, the independent evaluation followed the guidance issued by the Central Bank of the UAE's Corporate Governance Regulations and Standards, and SCA Corporate Governance Guidance requirements. The evaluation was conducted in accordance with good governance best practices in Board self-evaluation.

Review process

In line with CBUAE and SCA requirements the evaluation exercise involved examining the following:

- Board as a whole
- Board Committees
- Board/Board Committee Secretariat support
- Individual Directors

The review began in July 2023 and concluded in September 2023. The review process incorporated circulation of questionnaires to Directors and Senior Management, one-to-one interviews with the Committee Chairs, and a review of the Board and Committee documentation which provided a comprehensive view for the evaluation exercise.

Grant Thornton were unable to meet with the Chairman of the Board and did not observe any Board meetings as part of the review.

Summary

In summary, the Board performed very well in the overall evaluation based on responses received from the questionnaires for evaluating Board effectiveness.

Overall feedback on evaluation of Board effectiveness based on Board and Senior Management questionnaires and in-person interviews of the Directors

Source: 'Abu Dhabi Commercial Bank, Independent Assessment – Board Performance Evaluation', Grant Thornton, September 2023

Board oversight of conflict of interest and related party transactions

Conflict of interest

The Board of Directors maintains a comprehensive framework to identify and manage conflicts of interest within the organisation, including among the Bank's employees and Directors. This framework establishes effective controls and prevents any adverse impact on the Group, its shareholders and other stakeholders.

Employee conflict of interest

Employees must adhere to a Code of Conduct that mandates avoiding conflicts of interest between themselves, the Bank, customers, and suppliers. If an employee's outside interests' conflict with the Group, they must promptly inform their line manager. In such cases, the transaction or account management should be assigned to another employee. Prior approval from Group Compliance may be necessary for specific transactions in certain instances. Employees are also obligated to periodically disclose personal interests, including dealings with third parties related to the Group.

Director conflict of interest

The Board has implemented a Directors' Conflict of Interest Policy to ensure that any actual, potential, or perceived conflicts of interest involving Directors are dealt with in the best interest of the Group and its stakeholders. Directors are expected to avoid any activities that could create a conflict of interest, and they should disclose any such matters promptly to the Board and the Group Company Secretary. Directors are required to disclose their interests and relationships on appointment and on a quarterly basis thereafter. Transactions in which a Director or related party may have potential interests are reviewed and approved by the Board. If Directors have an interest in a transaction, they are not allowed to participate or vote on it.

The Board Secretariat function has established, and maintains, a Register of Interests, which contains relevant details of all declarations of interests made by the Directors.

The Board Nomination, Compensation, HR, and Governance Committee reviews the Register of Interests on a quarterly basis.

Definition of related party

Related parties of the Group are the parent company and its related entities, associates, funds under management, directors, senior management and their related entities and the Government of Abu Dhabi (ultimate controlling party and its related entities).

Mubadala Investment Company holds 60.20% of the Bank's issued and fully paid-up share capital through its wholly owned subsidiary One Hundred and Fourteenth Investment Company – Sole Proprietorship LLC.

The Government of Abu Dhabi owns 100% of Mubadala Investment Company and so the ultimate controlling party is the Government of Abu Dhabi. Therefore, all other entities controlled or associated with the Government of Abu Dhabi are also related parties of the Group.

Related party transactions

ADCB has implemented a comprehensive Related Party Transactions Policy, which outlines the procedures for identifying, evaluating, monitoring, and reporting the Group's exposures to related parties. Within the ordinary course of business, the Group engages in transactions with various entities, including the parent entity, related entities, associates, funds under management, Directors, Executive Management, and related entities of the Government of Abu Dhabi. These transactions are conducted on an arm's length basis at commercial interest and commission rates.

To ensure transparency and accountability, all Directors must disclose their related parties, transactions, and potential conflicts upon their appointment and every quarter thereafter. The Board Secretariat function maintains a register that records Director conflicts of interest and related party transactions. The declarations that the Directors make undergo quarterly review by the Board Nomination, Compensation, HR & Governance Committee.

As a result of written declarations submitted by each Director, the Board satisfies itself that the other commitments of the Directors do not conflict with their duties, or where conflicts arise, that the Board is sufficiently aware, and policies are in place to minimise the risks.

Controlling shareholder and its related parties

Transactions between ADCB and its subsidiaries may meet the definition of related-party transactions as set out by the applicable regulations and will be disclosed appropriately. Transactions between ADCB and its majority shareholder and subsidiaries are fully disclosed in ADCB's financial statements.

Associates and funds under management

The Group may provide banking services to its associates from time to time, however, such services are always conducted on an arm's length basis.

Directors and their related parties

In handling related-party transactions involving Directors or their related parties, the Bank implemented essential controls ensuring that Directors refrain from participating in discussions or voting on such transactions, resulting in a transparent and conflict-free decision-making process.

Related party transactions

(AED'000)	Ultimate controlling party and its related parties	Directors	Directors' related parties	Senior management and their related parties	Associates and funds under management	Total
Balances as at 31 December 2023						
Financial assets	88,626,350	234,431	4,366,244	27,553	4,034,509	**97,289,087**
Financial liabilities	107,609,203	95,839	620,058	82,672	1,511,411	**109,919,183**
Capital notes	6,000,000	–	–	–	–	**6,000,000**
Contingent liabilities	28,603,328	2,534	13,183	2,742	515,045	**29,136,832**
Transactions for the year ended 31 December 2023						
Interest income and other income	4,213,539	16,986	275,549	1,808	111,646	**4,619,528**
Interest expense and other expenses	4,250,495	2,852	59,138	1,106	8,493	**4,322,084**
Coupons paid on capital notes	393,482	–	–	–	–	**393,482**

Note: Figures may not add up due to rounding differences
During 2023, ADCB has not entered into any related party transactions that would require shareholders' approval at the Annual General Assembly

(AED'000)	Ultimate controlling party and its related parties	Directors	Directors' related parties	Senior management and their related parties	Associates and funds under management	Total
Balances as at 31 December 2022						
Financial assets	71,426,053	242,013	4,238,397	34,612	3,899,744	**79,840,819**
Financial liabilities	95,780,141	86,906	399,547	83,605	471,073	**96,821,272**
Capital notes	6,000,000	–	–	–	–	**6,000,000**
Contingent liabilities	20,828,665	3,077	3,571	3,950	2,252	**20,841,515**
Transactions for the year ended 31 December 2022						
Interest income and other income	2,303,075	7,640	150,148	1,358	64,739	**2,526,960**
Interest expense and other expenses	2,952,690	439	119,012	252	8,463	**3,080,856**
Coupons paid on capital notes	182,271	–	–	–	–	**182,271**

Note: Figures may not add up due to rounding differences
During 2022, ADCB has not entered into any related party transactions that would require shareholders' approval at the Annual General Assembly

ADCB Directors' and related party shareholdings[1]

Name	Kinship (if applicable)	As at 31 Dec 2023	As at 31 Dec 2022	Change in shareholding
H.E. Khaldoon Khalifa Al Mubarak	N/A	463,828	440,854	+22,974
H.E. Hussain J. AlNowais	N/A	0	0	0
Amna Hussain AlNowais	Daughter of H.E. Hussain J. AlNowais	820,508	779,867	+40,641
Ali Hussain AlNowais	Son of H.E. Hussain J. AlNowais	692,028	657,751	+34,277
Mohamed Hussain AlNowais	Son of H.E. Hussain J. AlNowais	692,028	657,751	+34,277
Khalid Deemas Alsuwaidi	N/A	61,842	14,915	+46,927
Marwan Khalid Deemas	Son of Khalid Deemas Alsuwaidi	1,795	1,706	-89
Sheikh Zayed Bin Suroor Al Nahyan	N/A	1,914,456	1,819,630	+94,826
Aysha Al Hallami	N/A	0	0	0
H.E. Ahmed Sultan Al Hallami	Father of Aysha Al Hallami	845,762	803,870	+41,892
Khaled H. Alkhoori	N/A	1,782,422	1,694,136	+88,286
H.E. Amr Al Menhali	N/A	0	0	0
Carlos Obeid	N/A	0	0	0
Arij Azzam	Wife of Carlos Obeid	66,114	35,799	+30,315
Saeed Mohamed Hamad Almazrouei	N/A	0	0	0
Fatima Al Nuaimi	N/A	0	0	0
Sheikh Sultan Bin Suroor Al Dhaheri	N/A	5,237,993	4,503,313	734,680

(1) The Bank does not award any shares to any of its Directors

ADCB's dedication to a robust corporate governance culture has been the cornerstone of its sustained track record of strong financial and operational achievements.

Board remuneration

The Board remuneration strategy of the Bank aligns with the responsibilities and time commitment of non-executive Directors, considering industry standards. The remuneration structure aims to achieve a balance, providing adequate compensation without incentivising behaviours that may hinder the Bank's long-term sustainability and success.

The NCHRG proposes Directors' remuneration to the Board for approval by the Bank's shareholders. Any proposals for changes in Board remuneration are considered by the NCHRG prior to obtaining the necessary approvals from the Board and/or shareholders. According to applicable laws and ADCB's articles of association, Directors may not receive any remuneration for financial years where the Bank is not profitable.

Board Remuneration Policy

The Board's total remuneration paid in 2023 for the year ended 31 December 2022 was AED 27,567,832. ADCB's Directors were not recommended any additional allowances, salaries or fees, bonuses, long-term or other incentive schemes. Directors do not receive any pension benefits from ADCB.

The Board's proposed total remuneration for the year ending 31 December 2023, to be paid in 2024, is AED 31 million subject to the shareholders' final approval at the Annual General Assembly meeting.

Total Board remuneration paid in 2023 for 2022

All figures are in AED	Remuneration	Sitting fees	Total
H.E. Khaldoon Khalifa Al Mubarak Chairman of the Board	3,048,100	–	3,048,100
H.E. Hussain J. AlNowais	2,642,640	80,000	2,722,640
Aysha Al Hallami	2,432,430	390,000	2,822,430
Saeed Mohamed Hamad Almazrouei	2,537,590	360,000	2,897,590
Carlos Obeid	2,432,430	390,000	2,822,430
Khalid Deemas Alsuwaidi	2,027,080	60,000	2,087,080
Sheikh Zayed Bin Suroor Al Nahyan	2,027,080	–	2,027,080
Khaled H. Alkhoori	2,432,430	310,000	2,742,430
Fatima Al Nuaimi(1)	1,599,450	94,684	1,694,134
Sheikh Sultan Bin Suroor Al Dhaheri(1)	1,599,450	47,342	1,646,792
H.E. Amr Al Menhali(1)	1,919,288	244,602	2,163,890
Ahmed Saeed Al Calily(2)	427,631	25,316	452,947
Mohammed Ali Dhaheri(2)	427,631	12,658	440,289
Total	**25,553,230**	**2,014,602**	**27,567,832**

(1) Appointed to the Board in March 2022
(2) Resigned from the Board in March 2022

Board and Board Committees' agenda

During 2023, the Board remained focused on guiding ADCB's strategic direction, and its committees regularly discussed topics that are fundamental to the direction of ADCB, including business performance, long-term planning, strategy, ESG, digital transformation, risk appetite and management, succession planning, and human resources.

Topics discussed at 2023 meetings

Topics	Sub-topics	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
Strategy	Strategy milestone dashboard		●				●			●			
	Deep dives on strategic topics		●	●			●			●			
	ESG strategy, including climate and sustainability						●	●		●	●		
Detailed business, operational & other reviews	Group Chief Executive Officer update	●			●		●				●		●
Business updates	Group Chief Credit Officer update	●		●			●	●		●			
	Retail Banking					●	●						
	Corporate & Investment Banking		●			●							
	Commercial Banking					●							
	Treasury					●	●	●		●			
	Al Hilal Bank		●										
	Al Hilal Bank Kazakhstan	●					●						
	ADCB Egypt						●						
	Business continuity management							●					
	Islamic banking update						●						
Financial	Financial results and competitor analysis	●			●			●			●		
	Capital management and liquidity, including stress testing			●			●	●		●			●
	Dividends, funding plan, and budget	●										●	●
Risk	Risk report	●		●	●	●	●	●		●	●	●	●
	Emerging key risks	●										●	
	Capital, liquidity metrics and trends	●						●				●	
	Risk appetite statement	●					●					●	

Board and Board Committees' agenda (continued)

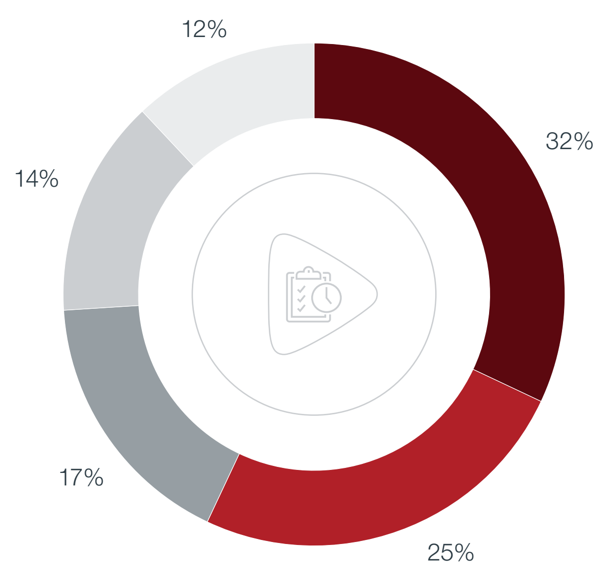
Topics	Sub-topics	Topics discussed at 2023 meetings											
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
Governance	Subsidiary governance framework									●			
	Policies and terms of reference	●		●		●		●		●		●	●
	Board/Committee evaluation and effectiveness	●								●	●	●	
	AGM and resolutions	●											●
	Quarterly review of the insider's list	●			●			●			●		
	Appointment and succession										●	●	
	IFRS 9 governance framework	●			●			●			●		
	Shari'ah governance update	●						●		●	●		
Regulatory and compliance	UAE Central Bank notices	●						●			●		●
	UAE Central Bank baseline examination report	●		●	●		●	●		●	●		●
	UAE Central Bank thematic reviews on corporate governance, asset quality, liquidity risk and capital Pillar 2			●		●	●			●			
	Compliance update	●		●			●		●				●
Internal audit and technology	Internal audit plan for 2023 and update on progress	●	●	●	●		●	●		●	●		●
	Information security update			●						●			●
	Efficiency digitisation and innovation update and trends					●		●		●		●	
Human resources	HR update including purpose, values, engagement and the variable pay structure	●	●	●	●					●	●		●
	Emiratisation update	●									●	●	
External audit	Evaluation of external auditor's proposal			●							●		
	Review of external auditor's report on internal control over financial reporting and management letter						●						
	Meeting with the external auditor			●			●			●			●
	Appointment of new statutory auditors/rotation												●

Board meetings and time allocation

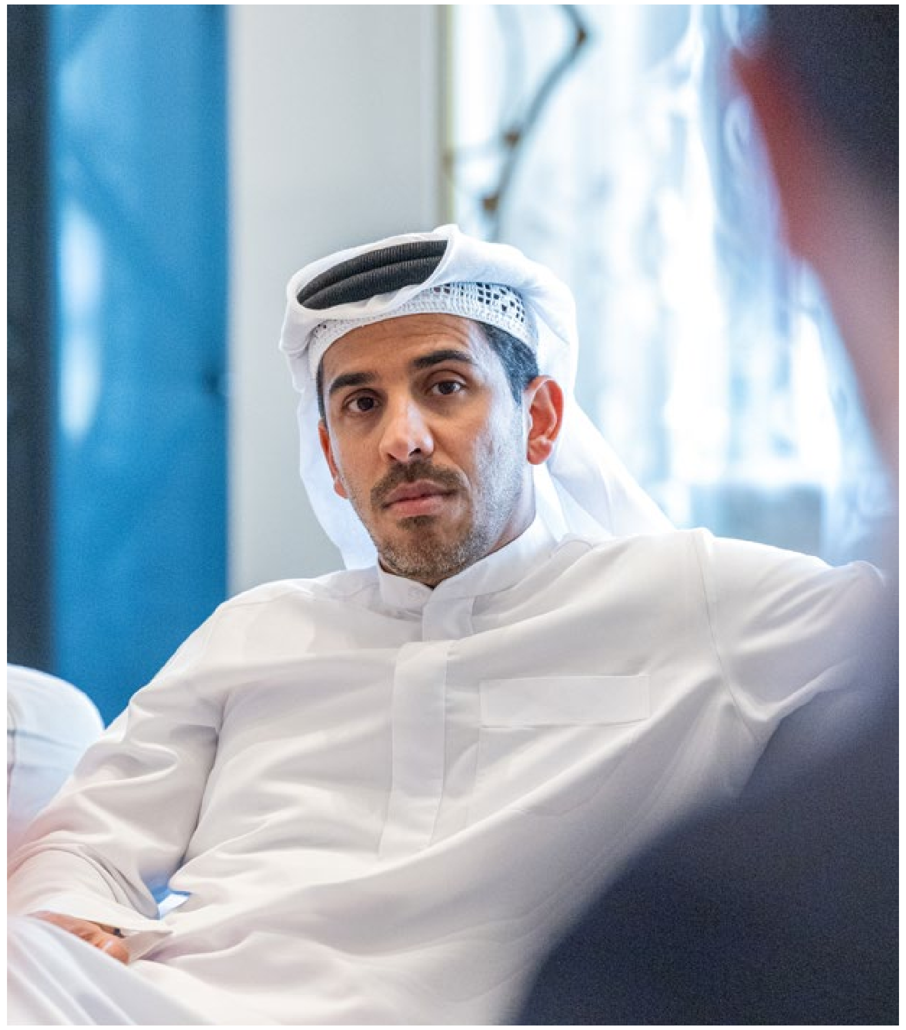
2023 Board of Directors meetings

Date of Board meeting	Number of Director attendees	Number of Director attendees by proxy	Names of absent Directors (all attended except)	Number of Board resolutions passed
31 January 2023	10/11	N/A	Sheikh Zayed Bin Suroor Al Nahyan	5
17 April 2023	11/11	N/A	–	2
21 June 2023	11/11	N/A	–	2
20 July 2023	10/11	N/A	Aysha Al Hallami	3
25 October 2023	11/11	N/A	–	6
14 December 2023	11/11	N/A	–	4

Time allocation for 2023 Board meetings



- Financial performance, planning and strategic update
- Business, operational and strategic update
- Internal controls reports (including risk and internal audit)
- Regulatory update
- Governance reports

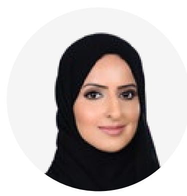
ADCB Strategy Offsite with Board Members in attendance, December 2023

Board Executive Committee (BEC)

Committee composition (As at 31 December 2023)

Saeed Mohamed Hamad Almazrouei
Chair

Khaled H. Alkhoori



Aysha Al Hallami

Carlos Obeid

H.E. Amr Al Menhali

Committee remit

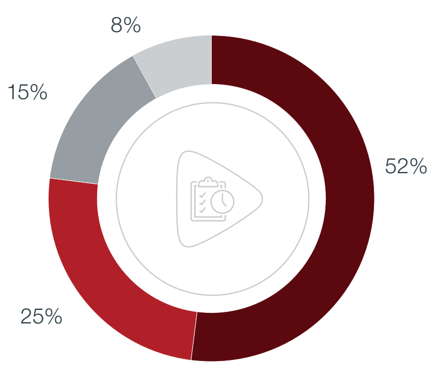
The primary responsibility of the BEC is to enable the Board to fulfil its duties in relation to the oversight of the following:

- Development and execution of the Group's business plan in line with the Board's approved strategy
- The Group's ESG strategy and strategic priorities
- Material aspects of the Group's businesses
- Reviewing and approving credit commitments
- Guidance on proposals for acquisitions, disposals and joint ventures and other value creation opportunities, including establishment, closure or exit of any international operations
- The annual budget for the Group, including budgets for each business line and operating division

2023 BEC meetings[1]

Date of BEC meeting	Number of attendees	Names of absent members
27 Jan 2023	4/5	Saeed Mohamed Hamad Almazrouei
31 Mar 2023	5/5	–
23 Jun 2023	5/5	–
14 Jul 2023	5/5	–
28 Jul 2023	4/5	Carlos Obeid
8 Sept 203	4/5	Aysha Al Hallami
15 Sept 2023	5/5	–
28 Sept 2023	5/5	–
6 Oct 2023	5/5	–
27 Oct 2023	5/5	–
10 Nov 2023	5/5	–

Time allocation for 2023 BEC meetings



- Business updates (including portfolio and sector review)
- Credit facilities
- Strategic update (including financial and digitisation dashboard and closed sessions)
- Environmental, Social and Governance (ESG) update

(1) In addition to the scheduled BEC meetings, six strategy sessions were held throughout 2023

Statement from the BEC Chair

"Dear Shareholders,

In 2023, the Board Executive Committee (BEC) held 11 meetings, during which the BEC discharged its duties in accordance with the delegations and authorities provided by the Board under its Terms of Reference. In addition to the scheduled BEC meetings, six strategy sessions were held throughout 2023.

Throughout the year, the BEC continued to focus on ADCB's adherence to its strategy and providing guidance to the Management Executive Committee. In particular, the BEC continued to review initiatives to develop and implement ADCB's short-term and long-term business strategy, focused on growing market share in the UAE, maximising efficiency and profitability, and implementing digital transformation and execution of the ESG strategy.

In 2023, the BEC addressed a broad range of topics relating to the business and its main subsidiaries and proposals were subsequently submitted to the Board of Directors. The BEC continued to monitor the progress of the Bank's digitisation strategy and implementation roadmap, as well as achievements related to key performance indicators. The Committee also played an important role in overseeing the ESG strategy, receiving quarterly updates on progress, including on the second green bond issuance and the three-fold increase in the Bank's sustainable finance commitment, as well as approving key initiatives such as the Sustainable Finance Framework.

The Committee held a number of deep dive sessions throughout the year, which focused on a number of key areas and provided the BEC with an in-depth understanding of ADCB's achievements and future plans. These covered:

- Insight into ADCB's cost-saving programmes, which are renewable on a yearly basis; in addition to the Group's focused approach to cost management, which will contribute to further improvement of its cost to income ratio
- Updates received on subsidiary performance against agreed plans, as well as relevant business updates. This helped the BEC support the Board with the oversight and control of its subsidiaries' operations
- Monitoring of the Group's financial performance and budget to ensure alignment with the Group's strategy
- Regular reports on capital planning and optimisation measures and capital issuance plans
- Credit proposals and portfolio profitability, as well as overseeing continuation of the Bank's green bond programme through a second successful issuance in September 2023
- ADCB's accelerated pace of growth across all fronts, including delivery of significant loan growth and efficiencies, which contribute to the continued strengthening of the Bank's financial position
- Progress in implementing the Bank's ESG strategy, including adoption of an enhanced climate strategy and membership of the global Net Zero Banking Alliance
- ADCB's mandate to provide a seamless customer service and bespoke banking services embedded in the customer journey, bringing the Bank to the forefront as a regional leader in digital

Looking ahead to 2024

The BEC is scheduled to meet 19 times in 2024 to oversee the execution of ADCB's strategy, digital transformation and sustainability strategy. The BEC will continue to monitor the Group's businesses and subsidiaries, including progress in the execution of their strategic plans. The BEC will examine tactical and short-term efficiency measures, cost optimisation and digitisation, against the backdrop of an increasingly competitive global environment and changing market conditions. The BEC will continue to facilitate timely and efficient decision making, ensuring efficient coordination with the Board, its committees as well as first-level executive committees."

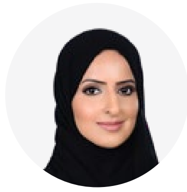
Saeed Mohamed Hamad Almazrouei
Chair of the Board Executive Committee

Board Risk Committee (BRC)

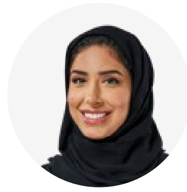
Committee composition (As at 31 December 2023)

Carlos Obeid
Chair

Khaled H. Alkhoori



Aysha Al Hallami



Fatima Al Nuaimi

Committee remit

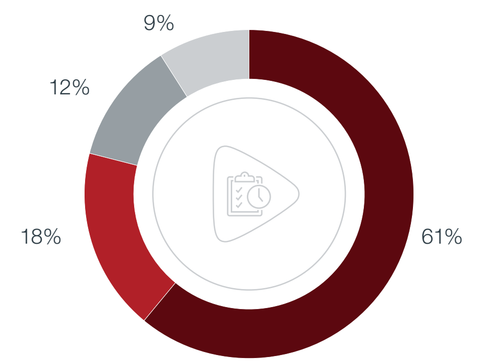
The primary responsibility of the BRC is to enable the Board to fulfil its duties in relation to the oversight of the following:

- The Group's risk appetite and strategy
- Development and implementation of the Group's risk governance framework
- Alignment of the Group's strategic objectives with its risk profile
- Potential risks in the Group's asset portfolios
- Development of risk measurement models, tools and monitoring of the effectiveness of such tools
- Development and implementation of risk management strategies and limits
- Compliance with regulatory requirements related to risk management
- Public reporting on risk management matters
- Independence and effectiveness of risk management departments throughout the Group

2023 BRC meetings

Date of BRC meeting	Number of attendees	Names of absent members
20 Jan 2023	4/4	–
14 Mar 2023	3/4	Fatima Al Nuaimi
24 Mar 2023	4/4	–
25 May 2023	3/4	Fatima Al Nuaimi
20 Jul 2023	4/4	–
22 Sept 2023	4/4	–
27 Oct 2023	4/4	–
17 Nov 2023	4/4	–

Time allocation for 2023 BRC meetings



- Risk updates (including risk appetite statements)
- Governance and other reports (including portfolio updates)
- Regulatory updates (including stress test and ICAAP updates)
- Risk related policies

Statement from the BRC Chair

Dear Shareholders,

In 2023, the Board Risk Committee (BRC) held eight meetings during which it effectively fulfilled its duties and responsibilities in compliance with the Committee's Terms of Reference.

Throughout the year, the BRC addressed a diverse spectrum of financial and non-financial risk management matters of importance to the Group, taking into consideration the dynamic and complex operational and regulatory environment. Furthermore, the BRC focused on key risk areas, reflecting awareness of the evolving external landscape, including but not limited to:

- Fraud risk
- Cybersecurity
- Digital risk
- Information security
- Regulatory risk
- Data management and data privacy
- Operational risk
- Shari'ah governance risk
- Subsidiary oversight
- Conduct risk
- Large exposures
- Country limits
- Outsourcing
- Treasury, market and liquidity risk
- Tax policy and frameworks
- Model management
- Business continuity management
- ESG and climate risk
- Various portfolio deep dives (including the retail portfolio)

In 2023, the BRC continued to focus on ADCB's strict adherence to risk governance, risk management framework and risk appetite across the Group to ensure a forward-looking view of risks and their mitigation. The BRC ensured an ongoing review of controls, provided through internal governance processes, with the oversight of Executive Management. Further assurance was provided through regular reports on these control activities by the Group Chief Risk Officer on emerging key risks, liquidity metrics, climate risk, financial crime risk and other regulatory items.

All significant exposures and impacts on the Bank's financial performance were assessed. A number of internal macroeconomic stress tests were conducted, considering the combination of various potential impacts as identified in the Bank's key and emerging risks. The results were subsequently reported to the Board, including the Internal Capital Adequacy Assessment Process (ICAAP) and stress test submissions for the Central Bank of the UAE.

The BRC reviewed current portfolios for consistency with ADCB's risk-return profile and risk appetite limits, as well as reviewing risk appetite metrics and the approach to credit risk management to ensure the Group remained well aligned with changing market conditions, regulatory requirements, and the nature, size and complexity of the Bank's operations. Furthermore, the BRC appropriately completed the evaluation of the Group Chief Risk Officer and the Senior Head of Internal Shari'ah Control.

Looking ahead to 2024

The BRC is scheduled to meet at least seven times in 2024 to focus on ADCB's risk governance framework and risk appetite. The Committee will continue to review changes to operating models and risk appetite against the backdrop of changing market conditions and will closely monitor geopolitical, economic, and regulatory developments to undertake scenario analysis and stress testing and recommend actions where appropriate.

The BRC recognises the importance of a strong risk management framework and will ensure strong communication across the Board's committees to effectively make any necessary adjustments to ADCB's risk governance approach to maintain resilience and enable a clear strategic focus in the current operating environment. The BRC will also oversee the implementation of ADCB's risk management policies and continue to ensure adequate horizon scanning to take into account the evolving regulatory landscape and emerging risks based on the Bank's progress.

Carlos Obeid
Chair of the Board Risk Committee

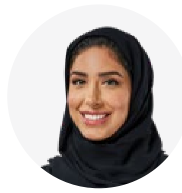
Board Nomination, Compensation, HR & Governance Committee (NCHRG)

Committee composition (As at 31 December 2023)

H.E. Hussain J. AlNowais
Chair

Carlos Obeid

Saeed Mohamed Hamad Almazrouei



Fatima Al Nuaimi

Committee remit

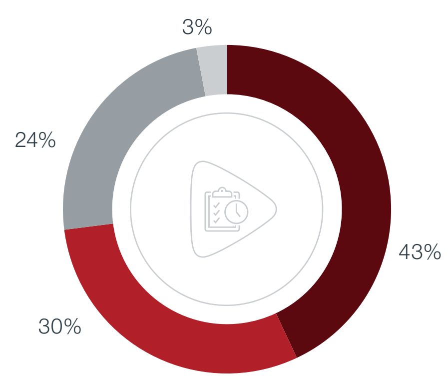
The primary responsibility of the NCHRG is to enable the Board to fulfil its duties in relation to the oversight of the following:

- Overseeing compensation and remuneration
- Ensuring the appropriate composition and skillset of the Board and the Board committees
- Ensuring the appropriate diversity of the Board
- Ensuring Independent Directors remain independent on a continuous basis
- Selecting and appointing Directors
- Orienting and training new and existing Directors
- Planning the succession of Directors and Executive Management
- Selecting and appointing Executive Management
- Assessing the performance of the Board, Board committees, individual Directors and Executive Management and overseeing the implementation of recommendations arising from performance reviews
- Developing, applying and reviewing human resources and training policies

2023 NCHRG meetings

Date of NCHRG meeting	Number of attendees	Names of absent members
31 Jan 2023	3/4	Saeed Mohamed Hamad Almazrouei
28 Feb 2023	3/4	H.E. Hussain J. AlNowais
6 Mar 2023	3/4	H.E. Hussain J. AlNowais
13 Jun 2023	4/4	–
18 Sept 2023	4/4	–
9 Nov 2023	3/4	Fatima Al Nuaimi

Time allocation for 2023 NCHRG meetings



- Compensation
- Governance, policies and Board related matters
- Human resources (including executive management KPI scorecard updates)
- Nomination

Statement from the NCHRG Chair

"Dear Shareholders,

In 2023, the Nomination, Compensation, Human Resources, and Governance Committee (NCHRG) held six meetings, during which it discharged its duties in accordance and in compliance with its respective Terms of Reference.

During the year, the NCHRG continued to focus on ADCB's Emiratisation strategy. The Bank made a substantial contribution to the UAE's progressive Emiratisation agenda with UAE nationals now representing 40% of the Group's employee base (ADCB and Al Hilal Bank combined), and female representation standing at 78% of total Emirati employees. Emiratisation is a standing agenda item for all NCHRG meetings to ensure development of UAE national talent and achieve the targets set by the Central Bank of the UAE. ADCB welcomed over 300 UAE nationals in 2023, including into key roles in senior positions across core businesses, as well as areas such as digital partnerships, compliance, finance, human resources, sustainability, credit risk and liquidity management.

Furthermore, ADCB has ensured and will continue throughout the years to cultivate the advancement and career progression of the UAE nationals in line with the Bank's Emiratisation strategy.

The NCHRG continued to monitor and promote the overall development of ADCB's culture to ensure a healthy environment conducive to organisational success. This was also evident through a healthy score achieved in the Organisational Health Index (OHI) survey conducted at a Bank-wide level.

Furthermore, the NCHRG continued to oversee key performance indicators to assess the effectiveness of the Bank's variable remuneration schemes and to ensure it aligns with ADCB's strategy, objectives, culture, values and risk appetite. In particular, the NCHRG assessed the independent review of ADCB's remuneration against market practices and the Central Bank of the UAE's corporate governance regulations and standards. During the year, the NCHRG also paid significant attention to enhancing the effectiveness of the Board and its committees.

An externally facilitated Board Performance Evaluation was undertaken and a report was issued in accordance with the Central Bank of the UAE and the Securities and Commodities Authority's applicable corporate governance regulations. The evaluation process concluded that the Board continues to operate effectively, and recommendations were provided for enhancement[1].

As part of its governance oversight role, the NCHRG continued to monitor and benchmark ADCB against international best practice in corporate governance. In continuation of the efforts from last year's corporate governance framework enhancement exercise, the NCHRG received updates on the effective implementation of the Corporate Governance Framework for the Bank and its subsidiaries to ensure it provides a holistic view of the framework and challenges faced across the Group. Furthermore, ADCB has drafted a new Board Compensation Policy and updated its current Board Evaluation Policy and procedures to ensure compliance with the Central Bank of the UAE as well as the Securities and Commodities Authority, applicable regulations and international best practices.

Looking into 2024

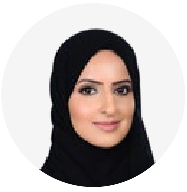
In 2024, the NCHRG is scheduled to meet at least four times and will continue to prioritise the development of ADCB's UAE national talent, focusing on improvements in recruitment, retention and training of Emiratis. The NCHRG will also continue to oversee remuneration policies and processes to ensure they remain suitable for the Bank's talent pool and contribute to future success and progress, in accordance with regulatory requirements. Furthermore, the NCHRG will work closely with the Board Risk Committee (BRC) to regularly monitor and review compensation plans, outcomes, and processes to assess whether the Bank's compensation system creates the desired incentives for effective management of risk, capital and liquidity."

Hussain J. AlNowais
Chair of the Board Nomination, Compensation, Human Resources & Governance Committee

(1) For more on 'Independent evaluation of Board performance', please see page 205

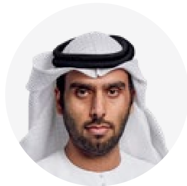
Board Audit Committee (BAC)

Committee composition (As at 31 December 2023)



Aysha Al Hallami
Chair

Khalid Deemas Alsuwaidi



Sheikh Sultan Bin Suroor Al Dhaheri

H.E. Amr Al Menhali

Committee remit

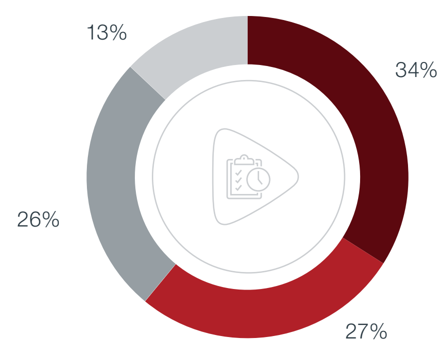
The primary responsibility of the BAC is to enable the Board to fulfil its duties in relation to the oversight of the following:

- Integrity of ADCB's financial statements
- Qualifications, independence, performance and remuneration of the Group's external auditor
- Qualifications, independence and performance of ADCB's Internal Audit, Internal Shari'ah Audit, and Compliance departments
- The Group's internal control framework taking into account the Group's risk profile
- Compliance with all applicable legal and regulatory requirements, including consumer protection

2023 BAC meetings

Date of BAC meeting	Number of attendees	Names of absent members
11 Jan 2023	4/4	–
26 Jan 2023	3/4	Khalid Deemas Alsuwaidi
16 Mar 2023	4/4	–
17 Apr 2023	4/4	–
18 May 2023	3/4	Khalid Deemas Alsuwaidi
15 Jun 2023	4/4	–
20 Jul 2023	3/4	Aysha Al Hallami
21 Sept 203	3/4	Khalid Deemas Alsuwaidi
9 Oct 2023	4/4	–
18 Oct 2023	4/4	–
6 Dec 2023	4/4	
12 Dec 2023	4/4	–

Time allocation for 2023 BAC meetings



- Internal audit update
- Compliance update (including regulatory updates)
- Review of policies and governance related matters
- Financial results

Statement from the BAC Chair

"Dear Shareholders,

In 2023, the Board Audit Committee (BAC) held 12 meetings to discharge their duties and responsibilities as set out under its Terms of Reference.

The BAC assessed the quality and integrity of the Bank's financial statements, financial reporting and disclosures and ensured the effectiveness of its internal control framework. In addition, the BAC assessed the effective governance of the requirements on profit equalisation in accordance with the standards set by the Central Bank of the UAE.

The BAC met with ADCB's External and Internal Auditors on a regular basis, without the presence of members of the Management Executive Committee, to discuss issues that arose within the remit of the Committee.

The BAC continued to coordinate its activities with the Board Risk Committee (BRC) to ensure adequate flow of information between the committees and the effective coverage of all risks. This included emerging risks and any required adjustments to the Group's Risk Management Framework, while considering evolving business plans and other external factors.

The BAC ensured that the Bank's Internal Audit Plan for 2023 focused on providing adequate assurance that ADCB's internal governance and controls remained robust.

The BAC received regular updates from Compliance, Risk and Internal Audit on the Central Bank of the UAE's findings following its examinations and thematic reviews, and discussed and monitored the progress of remedial actions identified during the examinations, including closure of findings.

Furthermore, the BAC received updates from the Group Chief Compliance Officer concerning the overall compliance status of the Bank and the progress of the Bank's implementation of key regulatory changes, as applicable. Compliance updates included the Bank's activities in relation to managing and monitoring financial crime risks, such as money laundering, terrorist financing, sanctions and proliferation financing risks. The BAC also received updates on conduct risks, including consumer protection.

The BAC managed the relationship with the external auditor, oversaw the negotiation and agreement of fees, and reviewed and monitored its independence and objectivity, as well as the effectiveness of the audit process. During the year, the BAC conducted a competitive audit tender process resulting in a change of the Group's External Auditor for 2024. The BAC recommended the appointment of Deloitte as the Group's External Auditor for approval by the Board and, subsequently, by shareholders at the next Annual General Assembly meeting.

Looking ahead to 2024

The BAC is scheduled to meet at least 9 times in 2024, focusing on internal control remediation and enhancements, and the assessment of the Group's internal control framework to be aligned with the Group's risk profile, with a particular emphasis on supporting controls. This entails gaining a deeper understanding of prioritisation and interdependencies in delivering key regulatory programmes to fortify the risk and control environment. The BAC will also oversee the independence and performance of the Group's External Auditor, Group Internal Audit, Internal Shari'ah Audit, and Group Compliance departments.

The BAC will continue to ensure compliance with all applicable legal and regulatory requirements. Collaborating with other Board committees, the BAC will facilitate the free flow of information, addressing themes related to consumer protection, conduct risk, regulatory reporting, and observations within regulatory supervision reports."

Aysha Al Hallami
Chair of the Board Audit Committee

Relationship between the Board Audit Committee (BAC) and the external auditor

Role of the BAC in the selection, evaluation, and maintenance of independence of the external auditor

According to ADCB's External Auditor Selection Policy and the applicable laws, rules and regulations, and the BAC Terms of Reference, the Board has delegated to the BAC the responsibility for oversight of the qualifications, independence, performance and recommended appointment of the Group's External Auditor. These activities are conducted in line with the approved list of auditors issued by the Abu Dhabi Accountability Authority (ADAA). Accordingly, the ADCB Board has delegated to the BAC the following responsibilities:

- Approving a policy for the tendering of the external auditor's engagement, which must prescribe the criteria for sufficient knowledge, competence, objectivity, independence, professional scepticism and quality control
- Recommending to the Board the appointment, re-appointment, and dismissal of the external auditor, as well as the appropriate remuneration for their services
- Reviewing and agreeing to the terms of engagement of the external auditor, including the fees to be paid, and recommending the terms of engagement and fees to the Board for approval as per the External Auditor Appointment Policy
- Reviewing the scope of the external audit plan to ensure that it adequately reflects the nature, size, and complexity of the Group as well as applicable regulatory requirements
- Reviewing the external auditor's qualitative judgement on the suitability of the Group's accounting principles and financial disclosures
- Ensuring that audits are conducted as per the requirements set by the applicable legislation
- Monitoring the effectiveness, independence, and objectivity of the external auditor, considering whether the external auditor has followed the audit plan and obtaining feedback on the performance of the external auditor from Executive Management
- Assessing the external auditor's effectiveness on an annual basis at minimum

Selection and appointment of the external auditor

The external auditor candidate firms should meet the following conditions:

i. Be qualified and independent in form and substance (including the type of non-audit services provided and independence of individuals)
ii. Be duly licensed and approved by the relevant authorities to practice and provide external audit services in the UAE
iii. Have at least five years of substantial experience in auditing public joint-stock companies
iv. Be compliant with the International Code of Ethics for Professional Accountants
v. Should not be a shareholder, director, or occupy any technical, administrative, or executive office within the Group; and
vi. Should not be a partner or agent of any of the founders of ADCB or any of its Directors or be related to the second degree to any of those mentioned above

After identifying prospective audit firms to provide external audit services to the Group, the BAC, together with the Group Chief Financial Officer, Group Chief Internal Auditor and Group Chief Risk Officer (as may be deemed necessary), will interview the identified audit firms and evaluate their technical and financial offers, among other factors, taking into consideration the approved ADCB Group budget.

The BAC will then recommend to the Board the most suitable firm to be appointed as the external auditor. The Board will meet to deliberate on the BAC's recommendation, and once agreed, a recommendation and proposed fees will be submitted to shareholders for approval at the Annual General Assembly. The Annual General Assembly is the only forum authorised to approve the appointment and fees of the external auditor.

Throughout this process, ADCB's Board Secretariat, Legal department and Internal Audit will arrange for the required notices, meetings, and resolutions for the resignation (or removal) of the existing external auditor and the appointment of the new external auditor. The above functions will also monitor emerging best practices in audit tendering, including making appropriate disclosures in the ADCB Annual Report.

It should be noted that the Central Bank of the UAE may require banks to rescind the appointment of the external auditor if it determines that the external auditor is required to be more compliant with established professional standards, or has inadequate expertise or lacks independence.

Evaluation of independence

BAC conducts performance evaluations of the external auditor in accordance with the evaluation recommendations of the Abu Dhabi Accountability Authority. The performance evaluation encompasses the following aspects:

- Quality of service delivery
- Independence and qualifications
- Composition of the audit team
- Fees relating to the services rendered
- Relationship between the external auditor, Executive Management and the BAC

The performance evaluation is conducted by the BAC, with the Group Chief Internal Auditor and the Group Chief Financial Officer in attendance, as necessary. As part of the evaluation, the external auditor must confirm whether it has an established quality control system in place to monitor compliance with independence requirements and the continuing professional development of the respective members. Furthermore, the external auditor must submit to the BAC an attestation of its independence and of fulfilment of all its ethical responsibilities (as prescribed by the Code of Ethics for Professional Accountants and set by the International Ethics Standards Board for Accountants) together with any other applicable ethical requirements relevant to its audit of the Bank's consolidated financial statements.

Re-appointment and rotation of the external auditor

The ADCB Annual General Assembly shall appoint the Group External Auditor for one financial year from the date of the ADCB Annual General Assembly resolving to appoint the nominated Group External Auditor. The appointment of the Group External Auditor may not exceed a total of four consecutive years.

Based on the external auditor's annual performance and independence evaluation, the BAC recommends to the Board the re-appointment or removal of the external auditor. Notably, the BAC considers whether the retention of the external auditor is in the best interest of ADCB, its subsidiaries, and stakeholders, taking into account the external auditor's quality of service, institutional knowledge and experience, sufficiency of resources, objectivity, and professional scepticism.

Rotation of the audit firm and ratification of the external auditor

The selected external audit firm will be appointed for one financial year by a resolution of ADCB's Annual General Assembly. The appointment may be renewed three times for a total term of four consecutive years.

The BAC evaluates the performance and independence of the external auditor annually and recommends the re-appointment or dismissal to the Board. The BAC considers, in particular, whether the retention of the external audit firm is in the best interests of ADCB and its shareholders.

Audit committee pre-approval policies and procedures

On an annual basis, the BAC recommends to the Board the fee for external audit services and the scope of work, and if endorsed, the Board will make a recommendation to shareholders for approval. The list of services under the scope of work includes audit services and audit-related services.

The BAC may approve additional fees in exceptional cases provided that approvals are in compliance with applicable regulations, such as for required services that are outside the previously approved scope of work.

External auditor's fees

External auditor's fees

The aggregate fees paid to the external auditor for professional services rendered during 2023 and 2022, respectively, were as follows:

External audit fees (AED)	2023	2022
Audit of annual financial statements	4,736,509	3,777,951
Other assurance services	1,923,713	807,875
Non-assurance services required to be performed by the auditor according to applicable laws and regulations	2,038,565	642,775
All other non-assurance services	–	–
Total	8,698,787	5,228,601

The above fees are exclusive of VAT

KPMG, including its appointed Audit Partner, have served ADCB for two years.

Audit fees

'Audit fees' relate to the audit of the consolidated financial statements and internal control over financial reporting, including disclosures presented in the footnotes to ADCB's financial statements (for example, regulatory capital, among other disclosures). Audit fees also relate to the audit of domestic and international statutory and subsidiary financial statements, the review of the interim consolidated financial statements, the issuance of comfort letters/reports to various regulatory authorities (Securities and Commodities Authority, the Central Bank of the UAE, and relevant international regulators), review of the expected credit loss (ECL) model and validation for carrying out substantive procedures and services provided in connection with specific agreed procedures and other attestation reports. Audit fees are those billed, or expected to be billed, for audit services related to each financial year.

Audit-related fees

'Audit-related fees' cover other audit and attestation services and services provided in connection with certain agreed procedures and other attestation reports (such as bond issuance or any other attestation that requires an auditor's review), reporting and compliance matters. Fees for audit-related services are those billed or expected to be billed for services rendered during each financial year.

Tax fees

'Tax fees' cover tax and value-added tax (VAT) compliance, advisory and planning services that are billed or expected to be billed for services rendered during each financial year.

Other fees

'All other fees' consist primarily of amounts billed or expected to be billed for ADCB's engagement of the external auditor for guidance in connection with matters that are not covered in the above three categories. All services are approved by the BAC, and are subject to controls to ensure that the external auditor's independence is unaffected by the provision of other services.

BAC report on selection of auditor

The BAC is composed of four Directors. The Board has determined that the BAC should consist of independent, non-executive Directors, in line with applicable regulations.

Management is responsible for preparing the overall reporting process of ADCB's consolidated financial statements, and the external auditor reviews and confirms the effectiveness of internal controls over financial reporting. KPMG, ADCB's independent external audit firm, is responsible for planning and conducting an independent audit of ADCB's consolidated financial statements in accordance with standards issued by the International Accounting Standard Board (IASB) and for expressing an opinion as to the conformity of ADCB's financial statements with these standards and as to the effectiveness of the internal controls over financial reporting. The BAC's responsibility is to monitor and oversee these processes.

The BAC annually evaluates the external auditor's qualifications, performance, quality, and independence. The BAC has reviewed and discussed with management and with the external auditor, ADCB's audited financial statements for the year ended 31 December 2023, management's assessment, and the external auditor's evaluation of ADCB's internal control over financial reporting.

In addition, the BAC has discussed with the external auditor the matters that independent registered public accounting firms must communicate to audit committees under applicable standards.

The BAC has also discussed and confirmed with the external auditor its independence from ADCB and received all written disclosures and correspondence required by the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with other ethical requirements that are relevant to their audit of ADCB's consolidated financial statements in the United Arab Emirates. The BAC concluded that the external auditor fulfilled their responsibilities under these requirements.

Based on the reviews and discussions above, the BAC recommended to the Board that the audited financial statements for the year ended 31 December 2023 and the related footnotes be included in ADCB's Annual Report for the year ended 31 December 2023.

The external auditor raised no reservations regarding ADCB's year-end financial statements for the year ended 31 December 2023.

Submitted by the Board Audit Committee

Responsibilities of Management Executive Committee (MEC) and management committees

Overview and responsibilities of the MEC

The Board of Directors has delegated certain authorities and responsibilities to the Management Executive Committee (MEC), as detailed in the MEC Terms of Reference, to support the Group CEO in managing the business and implementing the Bank's strategy, risk appetite and policies.

The MEC is the most senior management committee, overseeing all of ADCB's businesses and operations, and is responsible and accountable to the Board for the sound and prudent daily management of the Bank. The MEC must ensure that the organisational initiatives, procedures, and decision-making of the Executive Management are transparent and that there is no ambiguity on the role, authority and responsibility of the various senior employees. Furthermore, the MEC is mandated to promote a culture of fairness and transparency to ensure that the interests of shareholders, customers and employees are always protected.

The Board Nomination, Compensation, HR, and Governance Committee (NCHRG) appoints all members of the MEC on recommendation from the Group CEO. The MEC comprises the Bank's Executive Management, as detailed in the Executive Management section of this report. The Group CEO is the Chair of the MEC, supported by the Group CFO as Deputy Chair.

The responsibilities of the MEC include:

- Establishing the organisational structure for the management and management committees
- Implementing the strategy set by the Board and recommending strategic and policy decisions
- Recommending the annual budget and funding plan
- Approving key performance indicators for each business line
- Approving all equity and other investments, and expenditures, up to certain delegated limits set by the Board
- Approving the establishment of branches, agencies, joint ventures and subsidiaries, and appointments of Directors to subsidiaries
- Approving credit exposures, debt-funding issuances, hedging and investments up to certain delegated limits set by the Board
- Approving recovery settlements and write-offs up to delegated limits set by the Board
- Monitoring the capital position, ensuring efficient use of capital and making recommendations for any required adjustments
- Approving new products and services
- Approving all contracts with third parties related to the Bank's operations
- Approving policies, excluding those falling within the Board's responsibility

The MEC held 23 meetings throughout 2023 and discussed critical matters within their delegated responsibilities.

Management committees

To assist in fulfilling its responsibilities, the MEC has established specialised sub-committees with mandates such as credit, risk, capital expenditure, compliance and sustainability. The table below summarises the established sub-committees, their respective mandates and the number of meetings held throughout the year. Furthermore, the committee has approved, throughout 2023, various frameworks and associated policies.

Committee	Number of meetings held in 2023	Responsibilities of the committee
Management Executive Committee	23	The MEC is the most senior management committee, overseeing all of ADCB's businesses and operations, and is responsible and accountable to the Board for the sound and prudent daily management of the Bank
Assets & Liabilities Committee	9	Formulates ADCB's overall assets and liabilities strategy; makes investments and executes asset/liability transactions within delegated limits; guides the Management Executive Committee and the Board on investments and asset/liability transactions above those limits
Risk Management Committee	8	Considers risk appetite; sets and recommends risk policies; guides the Board through the Board Risk Committee on general risk and risk policy issues
Management Credit Committee	43	Approves credit within delegated limits; guides the Board Executive Committee and the Board on credits above delegated limits
Capital Expenditure Committee	11	Reviews and approves project capital expenditures within the delegated limits and makes recommendations to the Management Executive Committee and the Board on project capital expenditures above those limits
Financial Performance Management Committee	10	Monitors financial performance of business lines
Management Recoveries Committee	8	Manages restructuring, settlements and recovery-related write-offs
Group Strategy Committee	11	Reviews progress made against Group strategy and project milestones and deliverables
Model Risk Management Committee	7	Oversees all model-related matters (model development, monitoring and validation) to optimise the role of models in decision-making, including models used in risk, capital management and stress testing
Group Sustainability Committee	5	Recommends the Group sustainability strategy, ensures its implementation across the Group, and reports progress The Committee prioritises sustainability in order for the organisation to align its goals and strategies with the ecological responsibility for its long term viability. Furthermore, this committee also encourages measures to drive the integration of sustainability practices into the Bank's business and strategy
Management Compliance Committee	7	Maintains oversight on all regulatory matters, including regulatory examinations; expedites closure of all due actions and ensures clear visibility, ownership, and accountability; ensures timely implementation of regulatory requirements and establishes a robust governance structure covering the regulatory landscape

Delegation of authority

The applicable regulations confer the authority for the overall management of the Bank to the Board of Directors. Accordingly, ADCB's Board of Directors has appointed and issued a duly notarised Power of Attorney to the Chairman for delegating certain authorities ('Principal POA'). Upon the expiry of the Principal POA, the Board of Directors shall, if appropriate, issue a new Power of Attorney to the respective Chairman.

Subsequently, the Chairman has issued a duly notarised Power of Attorney to the Group CEO to manage the Bank's day-to-day activities (the 'CEO POA').

Accordingly, the Group CEO may sub-delegate certain powers to Executive Management or any officer in the Bank. Each power of attorney delegated under the CEO POA to members of the Executive Management has a maximum validity of three years, provided that it does not exceed the validity of the principal POA.

As at year-end 2023, the Executive Management members listed in the table had duly issued powers of attorney. Subsequent delegations are issued to certain ADCB staff members, law firms and other third parties in accordance with business requirements.

ADCB's Board of Directors has not delegated its powers in an absolute manner.

Name of authorised person[1]	Expiry Date
Ala'a Eraiqat – Group Chief Executive Officer	8 December 2024
Deepak Khullar – Group Chief Financial Officer	7 December 2024
Jane Livingston – Group General Counsel	7 December 2024
Tilak Silva – Group Chief Credit Officer[2]	7 December 2024
Ali Darwish – Group Head of Human Resources	7 December 2024
Mohammed Al Jayyash – Group Chief Operation Officer	7 December 2024
Paul Keating – Group Chief Risk Officer	7 December 2024
Rasha Talal Mortada – Group Chief Compliance Officer	7 December 2024
Ludovic Nobili – Group Head - Corporate and Investment Banking	7 December 2024
Robbert Muller – Group Treasurer	7 December 2024
Deepak Rochlani – Group Head of Retail Banking	6 December 2024

(1) As at 31 December 2023
(2) Tilak Silva passed away in January 2024 and his POA ceased to be effective

Employee remuneration and reward

Guiding principles

ADCB supports remuneration levels necessary to attract, retain and motivate employees capable of leading, managing and delivering high quality services in a competitive environment. Our performance-linked approach is designed to minimise turnover of top talent and to inspire employees to perform at the highest levels, consistent with effective risk management.

ADCB's remuneration structure is conservative, with practices and policies that promote effective risk management. To that end, ADCB structures remuneration packages so that they reflect roles, responsibilities and accountabilities and are fair and equitable. Packages incorporate clear and measurable rewards linked to the organisation, department and individual performance as applicable. Furthermore, rewards are based only on the results of a rigorous performance management system with a robust management review, decision-making and approval process.

Total reward – key components

ADCB employees are eligible to receive three types of rewards as detailed in the table below; fixed pay and benefits, variable pay and retention plan. ADCB's remuneration programme balances short and long-term incentives to align the interests of ADCB, its shareholders and employees.

Definition and components of pay

Fixed pay and benefits

Definition	Components
ADCB's fixed pay is consistent with the Bank's objective to remain competitive in the market. Fixed pay is based on the job size and market pay level for each job and is impacted by the employee's contributions over time. Review of fixed pay largely depends on general market trends as well as the employee's performance standing with the organisation. Fixed pay comprises basic salary and general allowance, with a target split of 50:50. In addition to fixed pay, employees may also be eligible for specific allowances and benefits.	• Basic salary • General allowance • Social allowance (UAE nationals) • Job-specific allowances • Benefits based on position, such as: – Leave airfare – Private medical insurance – Life insurance coverage – Education allowance – Annual leave

Variable pay (VP)

Definition	Performance criteria
Employees may receive VP based on their performance over the year. Given it is performance based, VP is not guaranteed and the amount received, if any, may change each year. Variable pay awards are subject to deferrals and vesting as detailed in the following section, 'Bank-wide variable pay framework'. Deferred VP vests in three years from the award date.	Individual award amounts are dependent on three factors: • Individual performance • Business function performance • Overall performance of the Bank

Retention scheme

Definition	Selection criteria
ADCB operates a successful share-based retention scheme for key positions and high performing UAE nationals. The scheme, which is independent of variable pay awards, is designed to ensure business continuity by mitigating turnover risk and related operational risk. Invitations to join the retention scheme are at the sole discretion of the Board Nomination, Compensation, Human Resources & Governance Committee. Members of the Management Executive Committee are not eligible for the retention scheme. The retention scheme awards vest after four years from the award date.	Employees which the bank seeks to actively retain: • High performing and high potential UAEN employees, • Employees with a niche skill set

Bank-wide variable pay framework

The variable pay framework has been designed to align employees' interests with the long-term interests of the Bank and its shareholders, as well as to incentivise higher performance, while avoiding excessive risk-taking. Variable pay is also tailored to each function within the Bank to ensure competitiveness of the reward structure and alignment with the market.

ADCB uses a balanced score-card approach to measure employee performance, including the following KPI categories:

- Financial performance
- Non-financial performance, including service excellence and people (Organisational Health Index and Emiratisation scores are included as key KPIs)
- Compliance, audit and risk

Variable pay framework & governance — key facts

- Reflects individual, business function and Bank-wide performance
- Distinguishes between different functions of ADCB to ensure alignment to the relevant market
- Includes cash and/or share and is deferred above specified threshold for a duration of 3 years
- Subject to thresholds, caps, clawback rules, malus clause, and deferral and retention provisions
- Managed by remuneration professionals experienced in the governance of all types of compensation and benefits
- Designed in conjunction with, and reviewed by, independent external advisers reporting directly to the NCHRG
- Relies on regular external benchmarking to ensure alignment with evolving local and global best practices
- Incorporates constant monitoring of developments in remuneration governance to ensure all variable pay plans evolve in line with ADCB's requirements and external developments
- Designed to avoid excessive risk-taking
- Includes a minimum shareholding rule for key management
- Aligns employee interests with the long-term interests of the Bank and its shareholders

Supervision of the NCHRG Committee

The Board Nomination, Compensation, HR and Governance (NCHRG) Committee oversees the design, operation and effectiveness of the framework and allocation of awards, including overall amounts, distribution among business lines and awards to executive management. Also, the NCHRG Committee ensures regular review and assessments are conducted by an independent third party consultants on the quantum, design and effectiveness of ADCB's variable pay framework and awards. Last review was done in the second quarter of 2022 by Mercer.

Remuneration awarded during the financial year

Remuneration in AED'000		31 December 2023		31 December 2022	
		Executive Management	Other material risk-takers	Executive Management	Other material risk-takers
Fixed remuneration	Number of employees	12[1]	53[2]	14	44
	Total fixed remuneration A	38,953	73,719	39,057	66,377
	Of which: cash-based [salary, including basic pay, general allowance and social allowance (for UAE nationals)]	32,333	62,155	32,245	57,364
	Of which: deferred	Nil	Nil	Nil	Nil
	Of which: other forms [benefits, including leave airfare, education allowance, club membership allowance and premium for life and medical insurance, gratuity provision and pension contribution (for UAE nationals)]	6,620	11,565	6,812	9,013
Variable remuneration	Number of employees	12[1]	53[2]	14	44
	Total variable remuneration[3] B	56,431	55,002	72,950	36,147
	Of which: cash-based	26,498	28,981	38,297	22,826
	Of which: deferred	22,268	16,875	27,532	13,019
	Of which: shares or other share-linked instruments	11,134	7,330	13,766	6,016
	Of which: cash	11,134	9,544	13,766	7,003
	Of which: other forms (one-time other long term benefits related to retired employees)	7,665	9,147	7,121	302
Total remuneration A + B		**95,385**	**128,721**	**112,007**	**102,524**

Special payments

Total amount in AED'000								31 December 2023
	Guaranteed bonuses		Sign on awards		Severance payments		Retention awards	
	No. of employees	Total amount	No. of employees	Total amount	No. of employees	Total amount	No. of employees	Total amount
Executive Management	–	–	1	703	–	–	7	6,904
Other material risk takers	–	–	5	1,709	–	–	–	–
Total	**–**	**–**	**6**	**2,411**	**–**	**–**	**7**	**6,904**

Total amount in AED '000								31 December 2022
	Guaranteed bonuses		Sign on awards		Severance payments		Retention awards	
	No. of employees	Total amount	No. of employees	Total amount	No. of employees	Total amount	No. of employees	Total amount
Executive Management	–	–	–	–	–	–	–	–
Other material risk takers	–	–	2	550	–	–	–	–
Total	**–**	**–**	**2**	**550**	**–**	**–**	**–**	**–**

(1) This includes, Group Chief Executive Officer, Group Chief Compliance Officer, Group Chief Credit Officer, Group Chief Financial Officer, Group Chief Internal Auditor, Group Chief Operations Officer, Group Chief Risk Officer, Group General Counsel, Group Head Human Resources, Group Head Retail Banking, Group Head Corporate and Investment Banking, Group Treasurer
(2) This includes 46 currently active employees and 7 employees who left the ADCB Group during 2023
(3) This includes variable remuneration awarded during 2023 and excludes variable remuneration awarded during previous years that vested during 2023

The deferred remuneration is part of the overall Variable Pay Framework of the Bank and its purpose is to encourage employees to maintain a strong focus on the medium- to long-term performance of the Bank's businesses, to reinforce cross-business co-operation and a partnership mentality, to align the interests of employees with the shareholders of the Bank, and to assist in the retention of employees who are capable of having a significant impact on the performance of the Bank.

Deferred remuneration

31 December 2023						AED'000
Deferred and retained remuneration		Total amount of outstanding deferred remuneration	Of which: Total amount of outstanding deferred and retained remuneration exposed to ex post explicit and/or implicit adjustments	Total amount of amendment during the year due to ex post explicit adjustments	Total amount of amendment during the year due to ex post implicit adjustments	Total amount of deferred remuneration paid out in the financial year
		This includes deferred remuneration from previous years that vests in 2024 and onwards				This includes deferred remuneration from previous years that vested during 2023
Executive Management/other material risk takers						
Cash	Executive Management	11,342	11,342	–	–	10,885
	Other material risk takers	8,574	8,574	–	–	7,357
Shares	Executive Management	11,342	11,342	–	–	9,905
	Other material risk takers	6,834	6,834	–	–	5,646
Cash-linked instruments	Executive Management	–	–	–	–	–
	Other material risk takers	–	–	–	–	–
Other	Executive Management	–	–	–	–	–
	Other material risk takers	–	–	–	–	–
Total	**Executive Management**	**22,684**	**22,684**	**–**	**–**	**20,790**
	Other material risk takers	**15,408**	**15,408**	**–**	**–**	**13,003**

31 December 2022						AED'000
		This includes deferred remuneration from previous years that vests in 2023 and onwards				This includes deferred remuneration from previous years that vested during 2022
Executive management/other material risk takers						
Cash	Executive Management	10,743	10,743	–	–	17,270
	Other material risk takers	5,694	5,694	–	–	6,761
Shares	Executive Management	10,743	10,743	–	–	9,367
	Other material risk takers	4,735	4,735	–	–	3,076
Cash-linked instruments	Executive Management	–	–	–	–	–
	Other material risk takers	–	–	–	–	–
Other	Executive Management	–	–	–	–	–
	Other material risk takers	–	–	–	–	–
Total	**Executive Management**	**21,486**	**21,486**	**–**	**–**	**26,637**
	Other material risk takers	**10,429**	**10,429**	**–**	**–**	**9,837**

Stakeholder engagement and disclosures

Investor Relations (IR)

ADCB is committed to high standards of transparency and enhancing its disclosures regularly to reflect local and international best practices.

The IR Department continues to deliver on its commitment of proactive engagement and effective communication with its shareholders and potential investors by ensuring timely dissemination of financial and non-financial information through various forums and channels including regular market updates through quarterly results and press releases, and year-end results through a comprehensive Annual Report.

In 2023, the Bank met with over 440 investors through one-on-one meetings and roadshows, and participated in 9 high-profile investor conferences. Taking market feedback on board, we further enhanced our disclosures with updates on our medium-term guidance and key metrics to provide enhanced visibility to the market. The Bank also published its first green bond report to provide further insights on the Bank's eligible green loan portfolio.

The Bank had a notable year on the issuance front. Highlights include the successful issuance of our second green bond and our inaugural market issuance of an Additional Tier 1 (AT1) Bond which reflects the strong confidence from global investors in ADCB.

Our proactive investor engagement and increased transparency have supported an increase in foreign ownership to 18.16% at the end of 2023 from 17.42% a year earlier.

Further details on ADCB's announcements to the Abu Dhabi Securities Exchange (ADX) during the year 2023 are available on our dedicated IR website at adcb.com/ir or on ADX website at adx.ae.

Finally, reflecting the importance of effective internal communications to the organisation, we ensure all employees are kept aware of all relevant developments. These include ADCB's financial performance and strategic direction, objectives, updates on ESG and other relevant information.

Investor relations contact details

Harsh Vardhan
Head of Investor Relations

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ir@adcb.com
adcb.com/ir

Share price performance and trading volume

2023 share price performance

ADCB share price comparative performance in 2023

	December 2023 close	December 2022 close	% change
ADCB	AED 9.18	AED 9.00	+2%
ADX	9,577.85	10,211.09	-6%
MSCI EM Banks	354.46	328.51	+8%

ADCB share price performance and monthly trading volume in 2023

	Open (AED)	Close (AED)	MoM change	MoM % change	High (AED)	Low (AED)	Value (AED)	Volume	Trades
January	9.020	8.410	(0.59)	(6.56)	9.100	8.310	514,041,391	57,907,795	16,132
February	8.580	8.380	(0.03)	(0.36)	8.990	8.380	604,366,706	68,892,286	15,558
March	8.450	8.300	(0.08)	(0.95)	8.670	8.030	679,155,644	81,363,566	17,339
April	8.380	8.820	0.52	6.27	8.900	8.270	401,243,361	46,295,958	10,025
May	8.810	7.990	(0.83)	(9.41)	8.840	7.880	550,181,679	66,634,149	16,194
June	7.990	8.110	0.12	1.50	8.230	7.950	398,126,181	49,158,054	10,060
July	8.120	8.780	0.67	8.26	8.870	8.080	532,228,944	63,467,405	12,662
August	8.780	8.630	(0.15)	(1.71)	8.920	8.500	505,735,071	58,033,106	12,660
September	8.620	8.650	0.02	0.23	8.950	8.460	559,700,707	64,175,834	12,312
October	8.670	8.030	(0.62)	(7.17)	8.890	7.730	715,320,607	86,220,175	21,973
November	8.030	8.400	0.37	4.61	8.600	7.950	709,915,781	84,851,263	16,097
December	8.380	9.180	0.78	9.29	9.180	8.160	678,435,234	79,033,565	10,240
							6,848,451,307	806,033,156	171,252

Figures may not add up due to rounding differences
Source: ADX website
Note: There were no big block trades in 2023

Shareholder ownership structure

Shareholder details

The following table shows distribution of ownership of ADCB shares as at 31 December 2023:

	Percentage of owned shares			
Shareholders' classification[1]	Individuals	Corporates	Government	Total
Local	13.59%	7.02%	61.54%[2]	82.15%
Arab	0.40%	0.80%	0.01%	1.21%
Foreign	0.48%	16.17%	0.00%	16.65%
Total	**14.47%**	**23.99%**	**61.55%**	**100.00%**

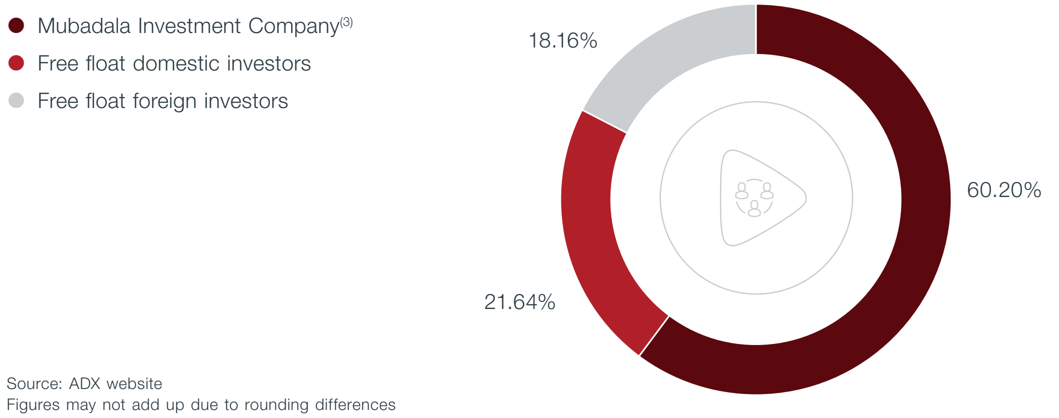
Further information on shareholder ownership as at 31 December 2023:

Share(s) ownership	Number of shareholders	Number of owned shares	Percentage of owned shares of ADCB's capital
Less than 50,000	2,571	19,626,742	0.27%
From 50,000 to less than 500,000	897	165,812,196	2.27%
From 500,000 to less than 5,000,000	422	733,198,560	10.02%
More than 5,000,000	120	6,401,309,512	87.45%
Total	**4,010**	**7,319,947,010**	**100.00%**

The following are the shareholders owning 5% or more of ADCB's capital as at 31 December 2023:

Name	Number of owned shares	Percentage of owned shares of ADCB's capital
One Hundred and Fourteenth Investment Company – Sole Proprietorship LLC[3]	4,406,879,094	60.20%

Shareholder ownership structure (as at 31 December 2023)



Source: ADX website
Figures may not add up due to rounding differences
(1) Based on ADX classification of individuals, corporates and government entities
(2) This reflects the Government's shareholding ownership percentage (Federal Government, Local Government, Pension Funds and UAE Government's wholly-owned entities), including ownership by the Government of Abu Dhabi entity, Mubadala Investment Company PJSC, through its wholly-owned subsidiary One Hundred and Fourteenth Investment Company – Sole Proprietorship LLC
(3) The Government of Abu Dhabi entity Mubadala Investment Company through its wholly-owned subsidiary, One Hundred and Fourteenth Investment Company – Sole Proprietorship LLC owns 60.20% of the Bank's share capital

Annual General Assembly meetings

ADCB's Annual General Assembly ('AGA') allows shareholders and their representatives (by virtue of proxies) to choose whether to attend the meeting physically, or to fully participate virtually, including voting on agenda items via an online platform.

ADCB held its AGA on 20 March 2023 with an attendance rate of 74.3% by shareholders. During the 2023 AGA, shareholders were able to fully exercise all their rights to attend and participate in meetings in real time and duly passed two special resolutions:

(i) Amendments to the Articles of Association
(ii) Renewal of debt issuance programmes

The above-mentioned resolutions were appropriately disclosed to the Abu Dhabi Stock Exchange (ADX), and the Securities and Commodities Authority (SCA), and can be retrieved on the ADX website (adx.ae) and on ADCB's website at adcb.com/ir.

General Assembly meeting	Date	Meeting method	Special resolutions	Attendance %
Annual General Assembly	20 March 2023	Hybrid (Virtual and Physical)	• Amendment to the Articles of Association • Renewal of debt issuance programmes	74.3%

Islamic Banking governance framework

ADCB Islamic Banking is the brand under which the Bank offers retail, corporate and treasury Shari'ah-compliant financial solutions.

ADCB is regulated by the Central Bank of the UAE (CBUAE), and its Islamic banking activities are supervised by an independent Internal Shari'ah Supervision Committee (ISSC). The ISSC is the final authority within ADCB regarding all Shari'ah-related matters. It operates in accordance with the resolutions, standards and guidelines issued by the Higher Shari'ah Authority (HSA) of the Central Bank of the UAE. The HSA mandates Islamic financial institutions (IFIs) to adopt the Shari'ah standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) and Islamic Financial Services Board (IFSB).

The ISSC functions in line with the Shari'ah governance framework provided within the terms of reference of the ISSC, which are approved by members of the ISSC. The terms of reference provide for the processes and procedures of the functioning of the ISSC, such as holding meetings, issuing of fatwas (pronouncements and approvals), resolutions, Shari'ah review and an annual Shari'ah Report.

Fatwas are issued by the ISSC to certify compliance with principles of Shari'ah for all Islamic products and services as well as for bespoke structured transactions. The ISSC's review covers the product structure, the underlying Shari'ah contract, legal documentation, operational process flow and all associated product literature. Fatwas issued by the ISSC are published on ADCB's website and are available at all branches.

ADCB's internal Shari'ah governance framework is based on a 'three lines of defence' approach as set out in the standards and regulations issued by the Central Bank of the UAE. While the business acts as the first line of defence, an independent and separate Internal Shari'ah Control Department, led by the Head of Internal Shari'ah Control, is the second line of defence, which implements and oversees Shari'ah governance.

A separate and independent Internal Shari'ah Audit Department, led by the Head of Internal Shari'ah Audit, represents the third line of defence, undertaking the Shari'ah review and audit of Islamic products and services offered by ADCB. The Internal Shari'ah Audit Department submits the Shari'ah Audit reports to the ISSC and other relevant bodies in accordance with the HSA standards, regulations, circulars and resolutions. To ensure complete independence from the business, Heads of Internal Shari'ah Control and Internal Shari'ah Audit report to the Board or its committees in relation to promotion, bonus, performance appraisal and removal. The Heads of Internal Shari'ah Control and Internal Shari'ah Audit report to Board Risk Committee and Board Audit Committee respectively.

ADCB Islamic Banking maintains a separate set of financial records to ensure that the accounts for the Islamic business are completely segregated from ADCB's conventional funds. ADCB's consolidated accounts include the results of ADCB Islamic Banking and are separately disclosed in the notes.

The respected Shari'ah scholars listed in this section make up the ISSC of ADCB Islamic Banking.

Professor Jassim Al Shamsi, Chairman & Executive Member

Professor Dr. Jassim Al Shamsi is the first Emirati Shari'ah scholar to lead the ISSC of ADCB Islamic Banking. He previously served as Dean of the College of Shari'ah and Law, UAE University. In addition, he chairs and is a member of many other ISSCs for Islamic banks, Islamic 'windows' and financial institutions. He is also a member of the Higher Shari'ah Authority of the Central Bank of the UAE.

Dr. Daud Bin Bakar, Member

Dr. Daud Bakar is a prominent Shari'ah scholar holding a Shari'ah degree from the University of Kuwait and a PhD from the University of St. Andrews, United Kingdom. He is the Chairman of the Shari'ah Advisory Council/ Supervision Committee of the Central Bank of Malaysia, the Securities Commission of Malaysia, and First Abu Dhabi Bank.

He is a member of various Shari'ah committees' supervisory boards around the globe. He is an author of many books on Islamic banking and finance, including 'Shari'ah Minds in Islamic Finance' and 'An Insightful Journey into Emirates Airline Sukuk'.

Dr. Ibrahim Almansoori, Member

Professor Dr. Ibrahim Ali Abdullah Al Mansoori holds a Master's degree and PhD in Islamic Banking and Economics. Currently, he holds the position of Director of Sharjah Centre for Islamic Economy at Al Qasimia University. He is also a faculty member at the College of Shari'ah and Islamic Studies, the University of Sharjah. He is currently serving as a member of the Shari'ah Supervision Committee of Al Hilal Bank, Dubai Islamic Bank, Sharjah Islamic Bank, and Standard Chartered Bank. He is the author of numerous studies and papers on contemporary matters relating to Islamic Banking and various Shari'ah issues.

Dr. Salim Al-Ali, Member

Dr. Salim Al-Ali holds a PhD in Financial Law from the University of London, in the UK. He also holds a Master's Degree in Islamic Banking and Finance from the International Islamic University of Malaysia. In 2016, he received the prestigious Sheikh Rashid Award for Outstanding Scientific Achievement. Dr. Salim is the author of 'Raising Capital on Sukuk Markets — Structural, Legal and Regulatory Issues'.

Dr. Osama Bahar, Member

Dr. Osama Bahar is a renowned Bahraini Shari'ah scholar who holds a Shari'ah Degree as well as a PhD from La Haye University, Netherlands. He is currently a member of the Shari'ah Board/Committee at Ithmaar Holding-Bahrain, Alizz Islamic Bank-Oman, Al Salam Bank-Bahrain, Allianz Takaful, and Allianz Global Investors – Bahrain. He is also the former Head of Shari'ah at Al Salam Bank Bahrain.

Mr. Kamran Khalid Sherwani, ISSC Secretary

Mr. Kamran Sherwani is Head of Internal Shari'ah Control at ADCB. He provides Shari'ah guidance on all day-to-day Shari'ah-related matters and obtains ISSC guidance and approvals in respect to Islamic products and services. He received a Degree in Shari'ah and Law from the International Islamic University and is an AAOIFI certified Shari'ah advisor and auditor. He has served as Shari'ah advisor to several major Islamic banks.

Annual Report of the Internal Shari'ah Supervision Committee of Abu Dhabi Commercial Bank Islamic Banking Division

All praise is due to Allah, Lord of the Worlds, and prayers and peace be upon the most honourable of the prophets and messengers, our master Muhammad, and on his family and companions.

Issued on: 29 January 2024

To: Shareholders of Abu Dhabi Commercial Bank PJSC ('the Institution')

After greetings,
Pursuant to the requirements stipulated in the relevant laws, regulations, and standards ('Regulatory Requirements'), the Internal Shari'ah Supervision Committee of the Institution ('ISSC') presents to you the ISSC's Annual Report regarding Shari'ah compliant businesses and operations of the Institution for the financial year ending on 31 December 2023 ('Financial Year').

1. Responsibility of the ISSC

In accordance with the Regulatory Requirements and the ISSC's charter, the ISSC's responsibility is stipulated as to:

a. Undertake Shari'ah supervision of all businesses, activities, products, services, contracts, documents and business charters of the Institution; and the Institution's policies, accounting standards, operations and activities in general, memorandum of association, charter, financial statements, allocation of expenditures and costs, and distribution of profits between holders of investment accounts and shareholders ('Institution's Activities') and issue Shari'ah resolutions in this regard

b. To determine Shari'ah parameters necessary for the Institution's Activities, and the Institution's compliance with Islamic Shari'ah within the framework of the rules, principles, and standards set by the Higher Shari'ah Authority ('HSA') to ascertain compliance of the Institution with Islamic Shari'ah

The senior management is responsible for compliance of the Institution with Islamic Shari'ah in accordance with the HSA's resolutions, fatwas, and opinions, and the ISSC's resolutions within the framework of the rules, principles, and standards set by the HSA ('Compliance with Islamic Shari'ah') in all Institution's Activities, and the Board bears the ultimate responsibility in this regard.

2. Shari'ah standards

In accordance with the HSA's resolution (No. 18/3/2018), and with effect from 01/09/2018, the ISSC has abided by the Shari'ah standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) as minimum Shari'ah requirements, in all fatwas, approvals, endorsements and recommendations, relating to the Institution's Activities without exception.

3. Duties fulfilled by the ISSC during the Financial Year

The ISSC conducted Shari'ah supervision of the Institution's Activities by reviewing those Activities, and monitoring them through internal Shari'ah control department, internal Shari'ah audit, in accordance with the ISSC's authorities and responsibilities, and pursuant to the Regulatory Requirements in this regard. ISSC's activities included the following:

a. Convening six meetings during the year

b. Issuing fatwas, resolutions and opinions on matters presented to the ISSC in relation to the Institution's Activities

c. Monitoring compliance of policies, procedures, accounting standards, product structures, contracts, documentation, business charters, and other documentation submitted by the Institution to the ISSC for approval

d. Ascertaining the level of compliance of allocation of expenditures and costs, and distribution of profits between investment accounts holders and shareholders with parameters set by the ISSC

e. Supervision through internal Shari'ah control department, internal Shari'ah audit, of the Institution's Activities including supervision of executed transactions, adopted procedures on the basis of samples selected from executed transactions, and reviewing reports submitted in this regard

f. Providing guidance to relevant parties in the Institution to rectify (where possible) incidents cited in the reports submitted by internal Shari'ah control department, internal Shari'ah audit, and issuance of resolutions to set aside revenue derived from transactions in which non-compliances were identified (if any) for such revenue to be disposed towards charitable purposes

g. Approving corrective and preventive measures related to identified incidents to preclude their reoccurrence in the future

h. Specifying the amount of Zakat due on each share of the Institution's total shares

i. Communicating with the Board and its subcommittees, and the senior management of the Institution (as needed) concerning the Institution's compliance with Islamic Shari'ah

The ISSC sought to obtain all information and interpretations deemed necessary in order to reach a reasonable degree of certainty that the Institution is compliant with Islamic Shari'ah.

4. Independence of the ISSC

The ISSC acknowledges that it has carried out all of its duties independently and with the support and cooperation of the senior management and the Board of the Institution. The ISSC received the required assistance to access all documents and data, and to discuss all amendments and Shari'ah requirements.

5. The ISSC's Opinion on the Shari'ah Compliance Status of the Institution

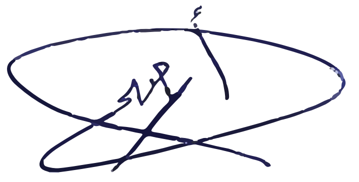
Premised on information and explanations that were provided to us with the aim of ascertaining compliance with Islamic Shari'ah, the ISSC has concluded with a reasonable level of confidence, that the Institution's Activities are in compliance with Islamic Shari'ah, except for the incidents of non-compliance observed, as highlighted in the relevant reports. The ISSC also provided directions to take appropriate measure in this regard.

The ISSC formed its opinion, as outlined above, exclusively on the basis of information perused by the ISSC during the financial year.

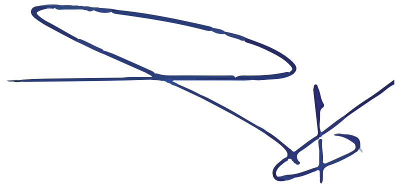
We pray to Allah, the Almighty, to provide us guidance and keep us all on the righteous path.

Signatures of members of the Internal Shari'ah Supervision Committee of the Institution

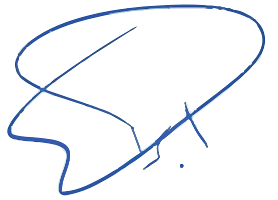
Dr. Salim Al-Ali
Member



Dr. Osama Bahar
Member



Dr. Daud Bin Bakar
Member



Dr. Ibrahim Almansoori
Member

Professor Jassim Al Shamsi
Chairman of the Committee

Al Hilal Bank – Board of Directors

Ala'a Eraiqat
Chairman

Ala'a Eraiqat was appointed as Chairman of Al Hilal Bank in 2019.

Ala'a joined ADCB in January 2004 and served in various senior executive roles before being appointed as the Group Chief Executive Officer in February 2009. He has been a banker since 1991 and previously held senior positions at other banks, including two of the leading global banks.

As the Group Chief Executive Officer, Ala'a is responsible for leading and guiding ADCB and its subsidiaries to achieve the objectives committed to the shareholders. He has spearheaded ADCB's significant growth to emerge as a market leader through the effective implementation of the Bank's strategy, with a sharp focus on customer service and digital innovation.

External appointments:

- Abu Dhabi Chamber - Director and Chairman of Audit Committee
- Abu Dhabi National Hotels PSJC (ADNH) - Director and member of the Audit, Compliance and Corporate Governance Committee
- Emirates Institute of Finance (EIF) - Director and Chairman of Human Resources Committee

Deepak Khullar
Director

BRC Chair

Deepak Khullar was appointed as a Board Director of Al Hilal Bank in 2019 and chairs the Al Hilal Bank Board Risk Committee.

Deepak was appointed ADCB's Group Chief Financial Officer in 2008. He oversees the Group Finance function (financial planning, business performance, governance & reporting), Group strategy, investor relations, taxation, economics, strategic sourcing & procurement, and the Bank's overall ESG strategy and delivery. He previously spent 15 years with Standard Chartered Bank in the Middle East and the Republic of Korea in a variety of senior positions. Prior to that, he worked with Ernst & Young and PricewaterhouseCoopers in their assurance, advisory and technical services and training practices in the Middle East and India. He is an alumnus of the University of Delhi, a Fellow of the Institute of Chartered Accountants of India (FCA) and a Fellow Member of the Association of Corporate Treasurers, UK (FCT).

Deepak, as the Group Chief Financial Officer, is responsible for leading the financial management and control function of ADCB and its subsidiaries, while driving value creation and synergies to support the delivery of ADCB's commercial priorities, in line with the approved risk appetite, strategy, internal policy and regulatory obligations.

External appointments:

- Deepak Khullar does not hold any external directorships

- Board Risk Committee (BRC)
- Board Audit Committee (BAC)
- Board Nomination, Compensation, HR & Governance Committee (NCHRG)

Note: External appointments listed above are as at 31 December 2023

Kevin Taylor
Director

BAC Chair

Kevin Taylor was appointed as a Board Director at Al Hilal Bank in 2019. He has more than 40 years of global experience in banking and finance and has held significant executive positions in global organisations, such as Abu Dhabi Commercial Bank (ADCB), American Life Insurance Co. (ALICO), Citigroup, Westpac Bank and Merrill Lynch.

Kevin is currently Chairman of NMC's Board of Directors and serves as Chairman of ADCB Securities Board of Directors. Previously, he served as a member of the Gulf Capital Board of Directors.

Having worked with ADCB for 13 years as Group Treasurer and Head of Investments, Kevin was responsible for all the Bank's financial markets and proprietary investments activities and personnel, as well as the Bank's balance sheet analytics team. He chaired the Bank's Asset & Liability Committee and was a member of the Credit Risk and Controls Committee. Prior to joining ADCB, Taylor was an Executive Director and Group Chief Risk Officer of American Life Insurance Co. (ALICO).

In addition to these roles, he served as a member of the ALICO UK Supervisory Board, and AIG's Micro Finance Board. Kevin earned a Master of Science (MSc) in Risk Management from NYU Stern Business School, a Master of Business Administration (MBA) from the Macquarie Graduate School of Management, and a Bachelor of Economics (BEc) from Latrobe University

External appointments:

- NMC HoldCo, Chairman

Mohammed Al Jayyash
Director

NCHRG Chair

Mohammed Al Jayyash was appointed as a Board Director at Al Hilal Bank in 2019.

Mohammed was appointed as Group Chief Operations Officer in 2020 after serving as Acting Group Chief Operations Officer since 2019. Previously, he has held various senior management positions in ADCB, including Group Chief Service Officer and Branch Operations Manager. Mohammed is an industry leader with over 20 years of experience in improving customer service, ensuring regulatory compliance, and delivering capabilities for growth. He has extensive expertise in banking operations, customer journey & experience and digital channels.

Mohammed holds a Bachelor's Degree in Business Administration from the Al Ghurair University in the UAE, a Post Graduate Certificate in Management from Ashridge Executive Education Hult in the UK, and a Diploma in Banking from the Emirates Institute for Banking and Financial Studies.

External appointments:

- Mohammed Al Jayyash does not hold any external directorships

Note: External appointments listed above are as at 31 December 2023

Al Hilal Bank – Board of Directors

Saoud Al Jassem
Director

Saoud Al Jassem was appointed to the Board of Directors of Al Hilal Bank in 2019. He has over 18 years of experience in corporate banking, wealth management, trade finance, and internal audit. As Head of Government Banking at ADCB, he leads the development of relationships with various local and federal governments in the UAE, managing their banking services and funding requirements. Prior to this role, he led ADCB's Government Banking department for Dubai & the Northern Emirates as well as heading strategic accounts within Transaction Banking in the region.

Previously, he worked in Wealth Management and Client Relationship Management at Emirates NBD, and also held various positions at Standard Chartered Bank within the Global Internal Audit Department in MENA/SA as well as at Global Corporate, where he started his career and spent over seven years in various assignments.

Saoud holds a Master of Business Administration degree from London Business School (UK) and a Bachelor's degree in Finance from Drexel University, Philadelphia, USA.

Saoud resigned as Director of the Bank on 15 November 2023.

External appointments:

- Saoud Al Jassem does not hold any external directorships

Board Risk Committee (BRC)
Board Audit Committee (BAC)
Board Nomination, Compensation, HR & Governance Committee (NCHRG)

Al Hilal Bank – Executive Management

Abdul Shakeel Aidaroos
Chief Executive Officer

Abdul Shakeel Aidaroos has been the Chief Executive Officer of Al Hilal Bank since 2019.

He has over 25 years of banking industry experience, with deep expertise in retail banking, digital innovation, and risk management. He held senior positions at ADCB for 15 years, including as Head of Retail Banking, where he managed a team of 2,000 professionals and launched many of ADCB's award-winning consumer products and digital banking channels. In his role as CEO of Al Hilal Bank, he led the launch of the first UAE Shari'ah-compliant, cloud based, modular digital app, whilst also introducing different products and features to the market. Prior to joining ADCB and Al Hilal Bank, he spent over 10 years with Citibank in the UAE.

Abdul holds a Master of Science degree in Risk Management from NYU Stern School of Business, New York, USA.

External appointments:

- Abdul Shakeel Aidaroos does not hold any external directorships

Rajesh Arora
Head of Finance

Rajesh Arora was appointed as the Head of Finance for Al Hilal Bank in 2019, prior to which he was the Head of Finance for Union National Bank (UNB). He has over 27 years of experience in the banking industry spread across various geographies. Before joining UNB, he was with Standard Chartered Bank for more than 18 years, where he performed various roles, including Chief Financial Officer, UAE and Global Head of Finance Transformation for financial reporting based in Singapore.

Rajesh completed his ICWA in India and holds a Postgraduate Diploma in Management (Finance) from Symbiosis Centre for Management and HRD, India.

External appointments:

- Rajesh Arora does not hold any external directorships

Nada Shadid
Head of Treasury

Nada Shadid joined Al Hilal Bank in 2019 as Head of Treasury. She is responsible for the management of liquidity and regulatory ratios, as well as money markets funding, foreign exchange, and sukuk investment portfolios. With over 13 years of experience in treasury and investments, Nada previously held significant treasury positions at ADCB, where she was responsible for running the short-term investments portfolio, as well as generating deposits from strategically important clients and markets.

Nada holds a Bachelor's degree in International Management from Franklin University in Lugano, Switzerland.

External appointments:

- Nada Shadid does not hold any external directorships

Al Hilal Bank – Executive Management

Adnan Sajwani
Chief Compliance Officer

Adnan Sajwani was appointed as Al Hilal Bank's Chief Compliance Officer in 2023. With 15 years of experience in financial compliance, he leads and manages the Bank's Compliance function, acting as a focal point for all relevant initiatives. He ensures that Al Hilal Bank's business activities follow relevant regulations, policies and procedures.

Adnan is dedicated to upholding the company's code of conduct and fostering a culture of compliance within the organisation.

External appointments:

- Adnan Sajwani does not hold any external directorships

Timothy James Liverton
Chief Risk Officer

Timothy Liverton joined Al Hilal Bank in 2023 as Chief Risk Officer, with a wealth of banking experience gained over a 25-year career. He has a proven commercial and retail banking record, with broad international experience, having lived and worked in the Middle East (UAE, Saudi Arabia, and Oman), Asia and the United States.

External appointments:

- Timothy James Liverton does not hold any external directorships

Ahmed Al Khaja
Chief Human Resources Officer

Ahmed Al Khaja was appointed as Head of Human Resources at Al Hilal Bank in 2023. He holds a Master's degree in Human Resource Management & Services and is an award-winning professional, with over a decade of extensive experience in human capital, talent acquisition and engagement.

Ahmed has a strong track record across many disciplines, including human resources, digital transformation, customer and employee journeys and M&A. He has worked for leading UAE-based organisations in the telecommunications, energy, aviation, education and banking sectors, earning a reputation for managing and motivating high-performing teams.

External appointments:

- Ahmed Al Khaja does not hold any external directorships

George Harrak
Chief Information Technology Officer

George Harrak joined Al Hilal Bank as Chief Information Technology officer in 2021. He has over 20 years of experience driving business strategy and innovation across banking and information and communication technology (ICT) sectors globally. Previously he worked at Standard Chartered Bank in Singapore, where he most recently held the role of CIO for the Global Virtual Banking Platform and Private Bank & Wealth Business. He also led DBS Bank Singapore's venture in Digibank, delivering a digital bank platform in India and Indonesia.

George has a proven track record in delivering highly scalable technology solutions that align with business strategies, transforming businesses into customer-centric and agile organisations.

External appointments:

- George Harrak does not hold any external directorships

Aref Al-Ramli
Chief Digital Officer

Aref Al-Ramli joined Al Hilal Bank as Chief Digital Officer in December, 2022, bringing over 21 years of leadership experience in the finance industry. He is responsible for driving the development and implementation of Al Hilal Bank's digital bank initiative. This includes formulating strategy, overseeing product roadmaps, and designing innovative customer experiences. He is a results-oriented seasoned leader with an extensive record of aligning business and information technology to achieve excellence, efficiency, profitability and enable seamless customer experience.

Aref is a business information systems undergraduate and holds two MBA degrees.

External appointments:

- Aref Al-Ramli does not hold any external directorships

Dr. Mohamed Obadah
Head of Shari'ah Control

Dr. Mohamed Obadah Adi has been the Head of Internal Shari'ah Control at Al Hilal Bank since 2013. He is responsible for monitoring and supervising all activities in order to maintain Shari'ah compliance and to provide Shari'ah consultation to design and develop investment and financing products.

He possesses over 26 years of experience in the field of Islamic banking and Shari'ah training and education. He holds a Doctorate (PhD) in Islamic Studies from the University of Wales in the UK. He is a member in the Shari'ah supervision committees for various Islamic banks in the MENA region.

External appointments:

- Dr. Mohamed Obadah does not hold any external directorships

Al Hilal Bank – Executive Management

Maryam Yousuf Ahli
Head of Marketing and Corporate Communications

Maryam Yousuf Ahli has been the Head of Marketing and Corporate Communication at Al Hilal Bank since 2008. With over 15 years of experience in the industry, she leads a team of senior managers, while working closely with internal and external stakeholders. She plans, develops and maintains strategic marketing activities, ensuring that priorities align to business goals. An expert in strategic brand building, digital and social media, Maryam is responsible for maintaining Al Hilal Bank's leading profile in the market.

As well as managing the development and implementation of local sponsorship strategies and plans, Maryam is at the forefront of the Bank's sustainability strategy, in line with Abu Dhabi's Environmental Vision.

External appointments:

- Maryam Yousuf Ahli does not hold any external directorships

Hassan Al Khalsan
Head of Distribution

Hassan Al Khalsan has held the position of Head of Distribution at Al Hilal Bank since November 2021. With over 22 years of experience in financial services, Hassan supports business growth and delivery of the Bank's strategic objectives. He plays a crucial role in digital transformation to ensure customer service excellence and manages new investment opportunities.

Hassan is a graduate in Business Information Technology from Higher Colleges of Technology, and he attained a certificate in Artificial Intelligence from University of Oxford in 2022.

External appointments:

- Hassan Al Khalsan does not hold any external directorships

As a significant financial institution in the UAE, the Bank maintains a strong relationship with the regulators and serves as an exemplary model in the industry for rigorous compliance and risk management practices.

Al Hilal Bank – Corporate governance framework

Overview of the governance framework

Al Hilal Bank operates as a stand-alone Islamic bank and is a wholly owned subsidiary of Abu Dhabi Commercial Bank, subsequent to its acquisition in 2019. This unique corporate structure presents Al Hilal Bank with numerous opportunities to benefit from the policies, procedures, and operational support of ADCB. Al Hilal Bank's strategy is to focus and grow its Shari'ah-compliant digital retail banking business.

Al Hilal Bank is committed to establishing an effective corporate governance framework for sustainable growth and to contribute to the development of the UAE's financial system. To this effect, the Bank has reviewed and implemented its own corporate governance framework in line with the Central Bank of the UAE's corporate governance regulations and standards. The guiding principles of the Al Hilal Bank Corporate Governance Framework mirrors that of the ADCB Corporate Governance Framework.

Al Hilal Bank's corporate governance principles are aligned with regulatory requirements and best practice, and aim to foster long-term investment, financial stability and business integrity.

Additionally, Al Hilal Bank has established a sound and effective Shari'ah Governance Framework, with key mechanisms and functionalities to ensure effective and independent Shari'ah oversight as per the requirements of the Central Bank of the UAE and the Higher Shari'ah Authority.

The Al Hilal Bank Board of Directors collectively has a wide range of knowledge, skills, and experience to guide and advise Executive Management on the performance and strategy of the Bank.

The guiding principles of the Al Hilal Bank Corporate Governance Framework mirrors that of the ADCB Corporate Governance Framework, which is fourfold:

- Responsibility
- Fairness
- Accountability
- Transparency of disclosures

Board's oversight of risk management

The Al Hilal Bank Board of Directors has overall responsibility for setting the risk appetite and ensuring all risks are effectively managed. In fulfilling this responsibility, the Board has established the Board Risk Committee (BRC) to oversee the monitoring, management and review of all types of risks. Furthermore, the BRC, in conjunction with Executive Management, defines the risk appetites and strategy, which are periodically reviewed to monitor compliance with the overall risk appetite and make recommendations to the Board.

The BRC is also responsible for reviewing the appropriateness and effectiveness of risk management systems and controls. Other responsibilities of the BRC include regularly reviewing and monitoring the inherent risks of Al Hilal Bank, including credit, market, liquidity, regulatory, reputational, strategic, operational and Shari'ah non-compliance risks.

Board oversight of financial reporting, compliance and internal controls

Al Hilal Bank's Directors are responsible for oversight of financial reporting and integrity of financial disclosures. To this end, the Board has established the Board Audit Committee (BAC) to assist with executing its duties relating to financial reporting, compliance and internal controls. During 2023, the Board, together with the BAC, assessed the objectivity and effectiveness of Al Hilal Bank's financial reporting and disclosure procedures. This included the review of accounting policies, principles and judgements. Additionally, the Board, with the assistance of the BAC, ensured that adequate internal policies were implemented and reviewed to comply with the regulatory requirements as prescribed by the Central Bank of the UAE and the Securities and Commodities Authority.

Al Hilal Bank's Board received, via the BAC, reports from Executive Management on remediation activities related to the Central Bank of the UAE's inspection, as well as action plans to ensure continuous compliance with new regulations.

Al Hilal Bank – Board and Board Committees' agenda

The Board regularly discusses various items that are fundamental to the direction of Al Hilal Bank, including business performance, strategy, risk appetite and management, compliance, digital transformation and human resources.

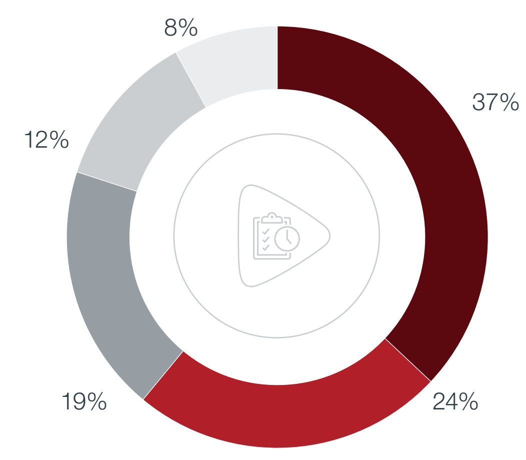
Topic	Sub-topic	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
		Topics discussed at 2023 meetings											
Technology	Efficiency, digitisation and innovation update		●			●		●		●	●		●
Detailed business, operational & other reviews	Chief Executive Officer update	●				●		●		●			●
Other business updates	Al Hilal Bank Kazakhstan (AHBK) update								●		●		
	Retail portfolio update						●						
Financials	Financial results	●				●		●			●		
	Budget												●
Risk	Risk report	●	●	●		●	●	●		●	●		●
	Emerging key risks								●	●	●		
	Risk appetite statement					●			●	●	●		●
Governance	Policies and terms of reference		●	●									●
	Board related matters including Board evaluation										●		
	Executive management KPI scorecards		●										
	Shari'ah governance update	●				●	●			●			●
Regulatory and compliance	UAE Central Bank notices	●				●		●			●		●
	UAE Central Bank baseline examination report & thematic reviews		●					●	●		●	●	
	Compliance update		●			●		●		●	●	●	
Internal audit	Internal audit updates and plan for 2023	●	●			●		●		●	●	●	●
HR related matters	HR & Emiratisation update		●		●		●		●				

Al Hilal Bank – Board meetings and time allocation

2023 Al Hilal Bank Board of Directors meetings

Date of Board meeting	Number of Director attendees	Number of Director attendees by proxy	Names of absent Directors (all attended except)	Number of Board resolutions passed
13 February 2023	5/5	–	–	3
9 May 2023	4/5	–	Ala'a Eraiqat	2
19 July 2023	5/5	–	–	3
19 September 2023	5/5	–	–	1
24 October 2023	4/5	–	Saoud Al Jassem[1]	2
11 December 2023	4/4	–	–	5
20 December 2023	4/4	–	–	2

Time allocation for 2023 Board meetings



- Financial performance, planning and strategic update
- Business, operational and strategic update
- Internal controls reports (including Risk and Internal audit)
- Governance reports
- Regulatory update

Board composition and remuneration

The Board of Al Hilal Bank, which was appointed in May 2019, collectively has diverse skills and experience, including retail banking, treasury, risk, finance, sustainability, operations, and customer service.

ADCB employees who are also appointees to the boards of Group subsidiaries do not receive board remuneration for such roles.

The Board met seven times in 2023. The table above shows the Board's attendance.

(1) Saoud Al Jassem resigned as Director of the Bank on 15 November 2023

Al Hilal Bank – Board Risk Committee (BRC)

Committee composition (As at 31 December 2023)

Deepak Khullar Chair

Kevin Taylor

Mohammed Al Jayyash

Committee remit

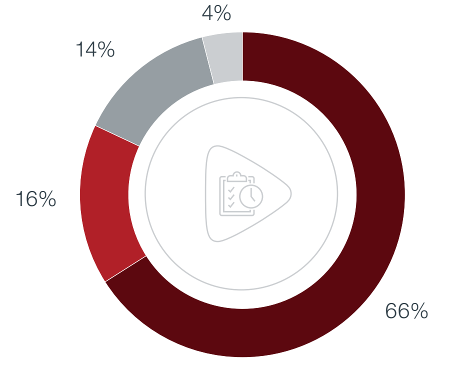
The primary responsibility of the BRC is to enable the AHB Board to fulfil its duties in relation to the oversight of the following:

- The AHB risk appetite and risk strategy
- The development and implementation of AHB's Risk Governance Framework
- Alignment of AHB's strategic objectives with its risk profile
- The risks associated with AHB's asset portfolios
- Development and implementation of risk management strategies and limits
- Compliance with regulatory requirement relating to risk management
- AHB's public reporting on risk management matters
- The independence and effectiveness of the risk management departments

2023 BRC meetings

Date of BRC meeting	Number of attendees	Names of absent members
7 Feb 2023	2/3	Kevin Taylor
29 Mar 2023	3/3	–
7 Jun 2023	2/3	Kevin Taylor
23 Aug 2023	3/3	–
12 Oct 2023	3/3	–
5 Dec 2023	3/3	–

Time allocation for 2023 BRC meetings



- Risk updates (including risk appetite statements)
- Regulatory updates (including stress test and ICAAP updates)
- Governance and other reports (including portfolios update)
- Risk related policies

Al Hilal Bank – Board Audit Committee (BAC)

Committee composition (As at 31 December 2023)

Kevin Taylor Chair

Mohammed Al Jayyash

Committee remit

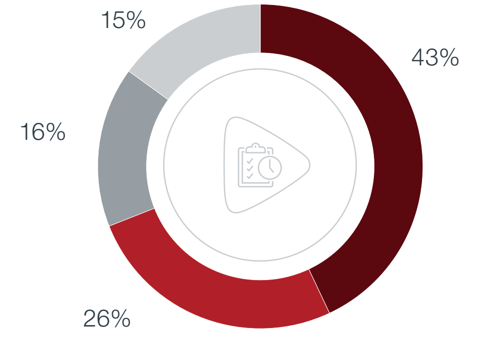
The primary responsibility of the BAC is to enable the AHB Board to fulfil its duties in relation to the oversight of the following:

- The integrity of AHB's financial statements
- The qualifications, independence, and performance of AHB's External Auditor
- The qualifications, independence, and performance of AHB's Internal Audit and Compliance departments
- The AHB internal control framework to ensure it is adequate to establish a properly controlled operating environment for the conduct of AHB's business
- Compliance with applicable legislative requirements, and with the Group policies
- The qualifications, independence, and performance of AHB's Internal Shari'ah Audit department

2023 BAC meetings

Date of BAC meeting	Number of attendees	Names of absent members
13 Feb 2023	2/2	–
8 May 2023	2/2	–
17 Jul 2023	2/2	–
8 Aug 2023	2/2	–
12 Sept 2023	2/2	–
23 Oct 2023	2/2	–
7 Dec 2023	2/2	–

Time allocation for 2023 BAC meetings



- Compliance update (including regulatory updates)
- Internal audit update
- Review of policies and governance related matters
- Financial results

Al Hilal Bank – Board Nomination, Compensation, HR & Governance Committee (NCHRG)

Committee composition (As at 31 December 2023)

Mohammed Al Jayyash Chair

Saoud Al Jassem

Committee remit

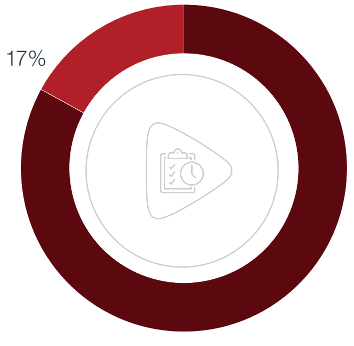
The primary responsibility of the NCHRG is to enable the AHB Board to fulfil its duties in relation to the oversight of the following:

- The appropriate composition of the AHB Board
- The nomination of appropriate Directors to the AHB Board and its Committees
- Assessment of the performance of the Board, Committees, each Director, and Executive Management
- Development of succession plans for the AHB Board and Executive Management
- Remuneration policies for the AHB Board and Executive Management
- Evaluation of the AHB Board's performance and adoption and monitoring of action plans arising from it
- AHB's public reporting on corporate governance and remuneration matters
- AHB's human resources strategy, including Emiratisation
- Development of the AHB Corporate Governance Framework
- AHB's compliance with regulatory requirements relating to corporate governance
- AHB's corporate culture and values, including its governance culture

2023 NCHRG meetings

Date of NCHRG meeting	Number of attendees	Names of absent members
8 Feb 2023	2/2	–
5 Apr 2023	2/2	–
14 Jun 2023	2/2	–
15 Aug 2023	2/2	–

Time allocation for 2023 NCHRG meetings



- Human resources (including senior management KPI scorecard, and talent acquisition updates)
- Governance, policies and other reports

Annual Report of the Internal Shari'ah Supervision Committee of Al Hilal Bank

Issued on: Tuesday, 20th of Rajab 1445 AH, corresponding to 1 February 2024

To: Shareholders of Al Hilal Bank ('the Bank')

After greetings,
Pursuant to the requirements stipulated in the relevant laws, regulations, and standards ('Regulatory Requirements'), the Internal Shari'ah Supervision Committee of the Bank ('ISSC') presents to you its Annual Report for the financial year ending on 31 December 2023 ('Financial Year').

1. Responsibility of the ISSC

In accordance with the Regulatory Requirements and the ISSC's charter, the ISSC's responsibility is stipulated as to:

Undertake Shari'ah supervision of all businesses, activities, products, services, contracts, documents and business charters of the Bank; and the Bank's policies, accounting standards, operations and activities in general, memorandum of association, charter, financial statements, allocation of expenditures and costs, and distribution of profits between holders of investment accounts and shareholders ('Bank's Activities') and issue Shari'ah resolutions in this regard, and to determine Shari'ah parameters necessary for the Bank's Activities, and the Bank's compliance with Islamic Shari'ah within the framework of the rules, principles, and standards set by the Higher Shari'ah Authority ('HSA') to ascertain compliance of the Bank with Islamic Shari'ah.

The senior management is responsible for compliance of the Bank with Islamic Shari'ah in accordance with the HSA's resolutions, fatwas, and opinions, and the ISSC's resolutions within the framework of the rules, principles, and standards set by the HSA ('Compliance with Islamic Shari'ah') regarding the Bank's Activities, and the Board bears the ultimate responsibility in this regard.

2. Shari'ah standards

In accordance with the HSA's resolution (No. 18/3/2018), and with effect from 01/09/2018, the ISSC has abided by the Shari'ah standards issued by HSA and the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) as minimum Shari'ah requirements, in all fatwas, approvals, endorsements and recommendations, relating to the Bank's Activities without exception.

3. Duties undertaken by the ISSC during the Financial Year

The ISSC undertook Shari'ah supervision of the Bank's Activities through review of those Activities, and monitoring through Internal Shari'ah Control Division and Internal Shari'ah Audit Division in accordance with the ISSC's authorities and responsibilities, and pursuant to the Regulatory Requirements in this regard. The ISSC's activities included the following:

a. Convening six meetings during the financial year

b. Providing fatwas, opinions and resolutions on matters presented to the ISSC in relation to the Bank's Activities

c. Monitoring compliance of policies, procedures, accounting standards, product structures, contracts, documentation, business charters, and other documentation submitted by the Bank and its subsidiaries to the ISSC for approval

d. Ascertaining the level of compliance of allocation of expenditures and costs, and distribution of profits between holders of investment accounts and shareholders with parameters set by the ISSC

e. Supervision through internal Shari'ah supervision department and internal Shari'ah Audit of the Bank's Activities including executed transactions, adopted procedures on the basis of samples selected from executed transactions, and reviewing reports submitted in this regard

f. Providing direction to relevant parties of the Bank and its subsidiaries to rectify (where possible) findings cited in the reports submitted by internal Shari'ah supervision department and internal Shari'ah audit

g. Approving remedial rectification and preventive measures related to identified errors to prevent their reoccurrence in the future

h. Specifying the amount of Zakat due on each of the Bank's share

i. Specifying the amount of Zakat due on the depositor's reserves

j. Monitoring charity account sources and payments

k. Communicating with the Board and its subcommittees, and the senior management of the Bank concerning the Bank compliance with Islamic Shari'ah

The ISSC sought to obtain all information and interpretations deemed necessary in order to reach a reasonable degree of certainty that the Bank is compliant with Islamic Shari'ah

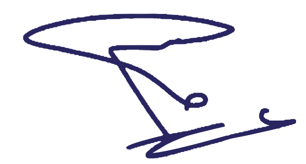
4. Independence of the ISSC

The ISSC acknowledges that it has carried out all of its duties independently and with the support and cooperation of the senior management and the Board of the Bank. The ISSC received the required assistance to access all documents and data, and to discuss all amendments and Shari'ah requirements

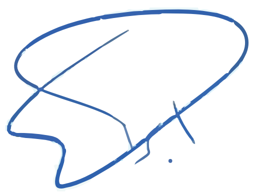
5. The ISSC's Opinion on the Shari'ah Compliance Status of the Bank

Premised on information and explanations that were provided to us with the aim of ascertaining compliance with Islamic Shari'ah, the ISSC has concluded with a reasonable level of confidence, that the Bank's Activities are in compliance with Islamic Shari'ah, except for the incidents of non-compliance observed, as highlighted in the relevant reports. The ISSC also issued directions to take appropriate measure in this regard.
The ISSC formed its opinion, as outlined above, exclusively on the basis of information perused by the ISSC during the financial year.

Signatures of members of the Internal Shari'ah Supervision Committee



Professor Jassim Al Shamsi
Chairman



Dr. Ibrahim Almansoori
Deputy Chairman

Dr. Salim Ali Al-Ali
Member

ADCB Board Secretariat and Group Company Secretary

ADCB's Board Secretariat acts as the main interface between ADCB's Board of Directors and the Executive Management. Additionally, the Board Secretariat acts as the Group's caretaker for governance matters, including the Group's Corporate Governance Framework and governance-related regulatory compliance matters. The Board Secretariat also acts as an administrator for the Board's activities and works closely with the Board and the Executive Management to facilitate communication and transparency.

ADCB's Board, as part of the independence requirements set by applicable corporate governance regulations, appointed Rami Raslan as Group Company Secretary in 2021. Raslan joined ADCB in 2008 and contributed to the Group's journey to becoming a regional leader in corporate governance for more than a decade. He holds a Bachelor's Degree in Business Information Systems from the University of Lincoln, an Executive MBA from London Business School. Raslan is a qualified Chartered Company Secretary, and is a Fellow of the Corporate Governance Institute (previously, the Chartered Governance Institute UK & Ireland).

Rami Raslan
Group Company Secretary

+971 2 697 3771
ADCBBoardsecretariat@adcb.com

FINANCIALS

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INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF ABU DHABI COMMERCIAL BANK P.J.S.C.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Abu Dhabi Commercial Bank PJSC ("the Bank") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated income statement, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and applicable requirements of Financial Statements Auditing Standards for the Subject Entities issued vide ADAA Chairman's Resolution No. (88) of 2021 in the United Arab Emirates (ADAA Auditing Standards). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical and independence requirements of ADAA and United Arab Emirates that are relevant to our audit of the consolidated financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of loans and advances to customers, net

See Notes 11 and 43 to the consolidated financial statements.

The key audit matter

The Group recognized allowances for credit losses in its consolidated financial statements using expected credit loss ("ECL") models. The Group exercises significant judgments and makes a number of assumptions in developing its ECL models which is determined as a function of the assessment of the probability of default ("PD"), loss given default ("LGD"), adjusted for the forward looking information, and exposure at default ("EAD") associated with the underlying exposures subject to ECL.

Material exposures within Stage 3 are individually measured for impairment allowances. This includes the assessment of recovery scenarios, exit strategies, and time to collect. The assessment involves significant management judgement in estimating these amounts.

This is considered a key audit matter, as the determination of ECL involves significant management judgement, estimates, use of complex models and this has a material impact on the consolidated financial statements of the Group.

How the matter was addressed in our audit

Our audit procedures in this area include the following, among others:

- Evaluating the appropriateness of the accounting policies adopted based on the requirements of IFRS 9, and our business understanding.
- Obtaining an understanding of the ECL accounting estimate including, but not limited to, obtaining information about the Group's control environment in relation to the estimate, obtaining an understanding of the process by which the estimate is developed, understanding the methods, assumptions and data used to develop the accounting estimate. Assessing the design, implementation, and testing the operating effectiveness of selected relevant controls.
- Involving our Financial Risk Management ("FRM") specialists, for a selection of models, to assess the reasonableness and appropriateness of the methodology and assumptions used in various components of ECL modelling and the application of expert credit judgment to determine the ECL based on their industry knowledge and relevant experience. This included, where applicable, challenging key assumptions / judgments relating to significant increase in credit risk ("SICR"), definition of default, probability of default, loss given default, use of macro-economic variables and probability weighted outcomes to check that the ECL amounts recorded are reflective of underlying credit quality and macroeconomic trends.
- Testing the completeness and accuracy of the data used within the ECL calculation.
- Involving our Information Technology ("IT") specialists to test the relevant general IT and application controls over key systems used in the ECL process.
- Re-performing key aspects of the Group's SICR determinations for selected samples of loans, advances and Islamic financing by analysing financial information, assumptions and professional judgements applied by the Group, to determine whether a SICR event was appropriately identified.
- Involving our valuation specialists on a sample basis to assess the reasonableness of the valuation of real estate collaterals held by the Group, relating to the determination of ECL based on their industry knowledge and relevant experience.
- Performing credit assessments for a sample of selected customers, including Stage 3 customers, to test the appropriateness of the credit grades, including staging, assessing the financial performance of the borrower, source of repayment and future cash flows of the borrower by analysing financial information, assumptions and professional judgements applied by the Group, and as necessary, challenging the appropriateness of the ECL calculation for a sample of borrowers.
- Assessing the adequacy of the Group's disclosures by reference to the requirements of the relevant accounting standards.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon ('the Annual Report'). The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards and their preparation in compliance with the applicable provisions of the UAE Federal Decree Law No. 32 of 2021, and the applicable provisions of Law No. (1) of 2017 (as amended) concerning the Financial System of the Government of Abu Dhabi and instructions issued by the Department of Finance and applicable provisions of the laws and regulations and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with Governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and ADAA Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs and ADAA Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITORS' REPORT

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Further, as required by the UAE Federal Decree Law No. 32 of 2021 we report that for the year ended 31 December 2023:

i) we have obtained all the information and explanations we considered necessary for the purposes of our audit;

ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Decree Law No. 32 of 2021;

iii) the Group has maintained proper books of account;

iv) the financial information included in the Chairman's Statement (as included in Earnings Press Release and Management Discussion & Analysis) is consistent with the books of account of the Group;

v) as disclosed in note 10 to the consolidated financial statements, the Group has purchased shares during the year ended 31 December 2023;

vi) note 37 to the consolidated financial statements discloses material related party transactions and the terms under which they were conducted;

vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2023 any of the applicable provisions of the UAE Federal Decree Law No. 32 of 2021 or in respect of the Bank, its Articles of Association, which would materially affect its activities or its consolidated financial position as at 31 December 2023; and

viii) note 51 to the consolidated financial statements discloses the social contributions made during the year ended 31 December 2023.

Further, as required by the Abu Dhabi Accountability Authority's Chairman Resolution No.(88) of 2021 pertaining to Financial Statements Auditing Standards for the Subject Entities, we report that based on the procedures performed and information provided to us by management and those charged with governance, nothing has come to our attention that causes us to believe that the Group has not complied, in all material aspects, with any of the provisions of the following laws applicable to its activities, regulations and circulars as applicable, which would have a material impact on the consolidated financial statements as at 31 December 2023:

i) Law No. (1) of 2017 (as amended) concerning the Financial System of the Government of Abu Dhabi and instructions issued by the Department of Finance pertaining to the preparation and implementation of the annual budget of Subject Entities;

ii) its Articles of Association which would materially affect its activities or its financial position as at 31 December 2023; and

iii) relevant provisions of the applicable laws, resolutions and circulars that have an impact on the Group's consolidated financial statements.

KPMG Lower Gulf Limited

Signed by

Richard Ackland
Registration No.: 1015
Abu Dhabi, United Arab Emirates
Date: 31 January 2024

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2023

	Notes	As at December 31 2023 AED'000	As at December 31 2022 AED'000	As at December 31 2023 USD'000	As at December 31 2022 USD'000
Assets					
Cash and balances with central banks, net	6	**45,375,462**	39,429,308	**12,353,788**	10,734,906
Deposits and balances due from banks, net	7	**37,624,694**	35,339,202	**10,243,587**	9,621,346
Financial assets at fair value through profit or loss	8	**10,063,020**	4,642,263	**2,739,728**	1,263,889
Derivative financial instruments	9	**13,859,086**	15,182,538	**3,773,233**	4,133,552
Investment securities, net	10	**128,268,397**	112,010,683	**34,921,970**	30,495,694
Loans and advances to customers, net	11	**301,994,599**	258,492,870	**82,220,146**	70,376,496
Investment in associates	12	**370,622**	252,525	**100,904**	68,752
Investment properties	13	**1,741,460**	1,691,890	**474,125**	460,629
Other assets, net	14	**18,960,358**	21,711,189	**5,162,090**	5,911,023
Property and equipment, net	15	**1,887,596**	1,937,503	**513,911**	527,499
Intangible assets, net	16	**7,049,191**	7,152,194	**1,919,192**	1,947,235
Total assets		**567,194,485**	497,842,165	**154,422,674**	135,541,021
Liabilities					
Due to banks	17	**8,794,968**	9,719,193	**2,394,492**	2,646,118
Derivative financial instruments	9	**16,239,495**	16,225,385	**4,421,316**	4,417,475
Deposits from customers	18	**362,905,039**	308,930,699	**98,803,441**	84,108,549
Euro commercial paper	19	**7,777,655**	5,994,279	**2,117,521**	1,631,984
Borrowings	20	**76,653,334**	69,875,733	**20,869,408**	19,024,158
Other liabilities	21	**23,570,527**	25,670,739	**6,417,240**	6,989,041
Total liabilities		**495,941,018**	436,416,028	**135,023,418**	118,817,325
Equity					
Share capital	22	**7,319,947**	6,957,379	**1,992,907**	1,894,195
Share premium		**17,878,882**	17,878,882	**4,867,651**	4,867,651
Other reserves	23	**10,591,907**	7,546,743	**2,883,721**	2,054,654
Retained earnings		**26,701,111**	23,035,375	**7,269,565**	6,271,542
Capital notes	26	**8,754,750**	6,000,000	**2,383,542**	1,633,542
Equity attributable to equity holders of the Bank		**71,246,597**	61,418,379	**19,397,386**	16,721,584
Non-controlling interests		**6,870**	7,758	**1,870**	2,112
Total equity		**71,253,467**	61,426,137	**19,399,256**	16,723,696
Total liabilities and equity		**567,194,485**	497,842,165	**154,422,674**	135,541,021

These consolidated financial statements were duly approved by the Board of Directors and authorised for issue on January 31, 2024, and signed on its behalf by:

Khaldoon Khalifa Al Mubarak	**Ala'a Eraiqat**	**Deepak Khullar**
Chairman	*Group Chief Executive Officer*	*Group Chief Financial Officer*

The accompanying notes 1 to 52 form an integral part of these consolidated financial statements.

ABU DHABI COMMERCIAL BANK PJSC
CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2023

	Notes	2023 AED'000	2022 AED'000	2023 USD'000	2022 USD'000
Interest income	27	**25,205,484**	13,974,754	**6,862,370**	3,804,725
Interest expense	28	**(14,909,555)**	(5,799,745)	**(4,059,231)**	(1,579,021)
Net interest income		**10,295,929**	8,175,009	**2,803,139**	2,225,704
Income from Islamic financing and investing products	24	**3,045,703**	2,442,088	**829,214**	664,876
Distribution on Islamic deposits and profit paid to sukuk holders	24	**(967,821)**	(423,342)	**(263,496)**	(115,258)
Net income from Islamic financing and investing products		**2,077,882**	2,018,746	**565,718**	549,618
Total net interest income and income from Islamic financing and investing products		**12,373,811**	10,193,755	**3,368,857**	2,775,322
Net fees and commission income	29	**2,444,229**	2,110,413	**665,458**	574,575
Net trading income	30	**1,592,754**	912,786	**433,638**	248,512
Net gains from investment properties	13	**46,361**	19,142	**12,622**	5,212
Other operating income	31	**409,278**	1,108,192	**111,429**	301,713
Operating income		**16,866,433**	14,344,288	**4,592,004**	3,905,334
Operating expenses	32	**(5,452,608)**	(4,888,303)	**(1,484,510)**	(1,330,875)
Operating profit before impairment charge		**11,413,825**	9,455,985	**3,107,494**	2,574,459
Impairment charge	33	**(3,477,118)**	(2,778,913)	**(946,670)**	(756,579)
Profit after impairment charge		**7,936,707**	6,677,072	**2,160,824**	1,817,880
Share in loss of associates	12	**(103)**	(8,463)	**(28)**	(2,304)
Net gain on disposal of stake in subsidiary and fair value gain on retained interest	34	**490,110**	-	**133,436**	-
Profit before taxation		**8,426,714**	6,668,609	**2,294,232**	1,815,576
Overseas income tax charge		**(220,649)**	(135,073)	**(60,073)**	(36,775)
Profit for the year from continuing operations		**8,206,065**	6,533,536	**2,234,159**	1,778,801
Loss from discontinued operations		**-**	(99,816)	**-**	(27,176)
Profit for the year		**8,206,065**	6,433,720	**2,234,159**	1,751,625
Attributable to:					
Equity holders of the Bank		**8,206,781**	6,435,301	**2,234,354**	1,752,055
Non-controlling interests		**(716)**	(1,581)	**(195)**	(430)
Profit for the year		**8,206,065**	6,433,720	**2,234,159**	1,751,625
Basic earnings per share (AED/USD)	35	**1.07**	0.86	**0.29**	0.23
Diluted earnings per share (AED/USD)	35	**1.07**	0.85	**0.29**	0.23

The accompanying notes 1 to 52 form an integral part of these consolidated financial statements.

ABU DHABI COMMERCIAL BANK PJSC
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2023

	2023 AED'000	2022 AED'000	2023 USD'000	2022 USD'000
Profit for the year	**8,206,065**	6,433,720	**2,234,159**	1,751,625
Other comprehensive income				
Items that may be re-classified subsequently to the consolidated income statement				
Net movement in foreign currency translation reserve (Note 23)	**(42,179)**	(116,367)	**(11,484)**	(31,682)
Net movement in cash flow hedge reserve (Note 23)	**204,607**	165,088	**55,706**	44,946
Net movement in revaluation reserve of debt instruments designated at FVTOCI (Note 23)	**311,932**	(1,755,227)	**84,926**	(477,873)
	474,360	(1,706,506)	**129,148**	(464,609)
Items that will not be re-classified subsequently to the consolidated income statement				
Net movement in revaluation reserve of equity instruments designated at FVTOCI (Note 23)	**6,446**	(38,695)	**1,755**	(10,535)
Actuarial gains on defined benefit obligation (Note 21)	**47,646**	108,233	**12,972**	29,467
	54,092	69,538	**14,727**	18,932
Other comprehensive income/(loss) for the year	**528,452**	(1,636,968)	**143,875**	(445,677)
Total comprehensive income for the year	**8,734,517**	4,796,752	**2,378,034**	1,305,948
Attributable to:				
Equity holders of the Bank	**8,735,405**	4,798,908	**2,378,276**	1,306,535
Non-controlling interests	**(888)**	(2,156)	**(242)**	(587)
Total comprehensive income for the year	**8,734,517**	4,796,752	**2,378,034**	1,305,948

The accompanying notes 1 to 52 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2023

	Share capital AED'000	Share premium AED'000	Other reserves AED'000	Retained earnings AED'000	Capital notes AED'000	Equity attributable to equity holders of the Bank AED'000	Non-controlling interests AED'000	Total equity AED'000
As at January 1, 2023	**6,957,379**	**17,878,882**	**7,546,743**	**23,035,375**	**6,000,000**	**61,418,379**	**7,758**	**61,426,137**
Profit/(loss) for the year	-	-	-	8,206,781	-	8,206,781	(716)	8,206,065
Other comprehensive income/(loss) for the year (Note 23)	-	-	480,978	47,646	-	528,624	(172)	528,452
Other movements (Note 23)	-	-	352,523	(354,645)	-	(2,122)	-	(2,122)
Amounts transferred within equity upon disposal of equity instruments designated at FVTOCI (Note 23)	-	-	-	(4,584)	-	(4,584)	-	(4,584)
Capital notes issued during the year (Note 26)	-	-	-	-	2,754,750	2,754,750	-	2,754,750
Capital note issuance cost	-	-	-	(9,421)		(9,421)	-	(9,421)
Capital notes coupon paid (Note 35)	-	-	-	(393,482)	-	(393,482)	-	(393,482)
Dividends paid to equity holders of the Bank (Note 22)	362,568	-	2,211,663	(3,826,559)	-	(1,252,328)	-	(1,252,328)
As at December 31, 2023	**7,319,947**	**17,878,882**	**10,591,907**	**26,701,111**	**8,754,750**	**71,246,597**	**6,870**	**71,253,467**
As at January 1, 2022	6,957,379	17,878,882	9,283,381	19,240,158	6,000,000	59,359,800	10,226	59,370,026
Profit/(loss) for the year	-	-	-	6,435,301	-	6,435,301	(1,581)	6,433,720
Other comprehensive (loss)/ income for the year (Note 23)	-	-	(1,744,626)	108,233	-	(1,636,393)	(575)	(1,636,968)
Other movements (Note 23)	-	-	7,888	9,724	-	17,612	-	17,612
Amounts transferred within equity upon disposal of equity instruments designated at FVTOCI (Note 23)	-	-	-	(1,713)	-	(1,713)	-	(1,713)
Capital notes coupon paid (Note 35)	-	-	-	(182,271)	-	(182,271)	-	(182,271)
Dividends paid to equity holders of the Bank (Note 22)	-	-	-	(2,574,230)	-	(2,574,230)	-	(2,574,230)
Dividends paid to non-controlling equity holders of subsidiary	-	-	-	-	-	-	(39)	(39)
Adjustments arising from changes in non-controlling interests	-	-	100	173	-	273	(273)	-
As at December 31, 2022	6,957,379	17,878,882	7,546,743	23,035,375	6,000,000	61,418,379	7,758	61,426,137

For the year ended December 31, 2023, the Board of Directors has proposed to pay cash dividend representing 56% of the paid-up capital (Note 22).

The accompanying notes 1 to 52 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2023

	2023 AED'000	2022 AED'000	2023 USD'000	2022 USD'000
OPERATING ACTIVITIES				
Profit before taxation including loss from discontinued operations	**8,426,714**	6,569,206	**2,294,232**	1,788,512
Adjustments for:				
Depreciation on property and equipment (Note 15)	**378,385**	407,259	**103,018**	110,879
Amortisation of intangible assets (Note 16)	**86,246**	94,135	**23,481**	25,629
Net gain from investment properties (Note 13)	**(46,361)**	(19,142)	**(12,622)**	(5,212)
Gross impairment charge	**3,909,862**	3,250,639	**1,064,487**	885,009
Share in loss of associates (Note 12)	**103**	8,463	**28**	2,304
Discount unwind	**(248,752)**	(399,206)	**(67,724)**	(108,687)
Net loss from disposal of investment securities (Note 31)	**103,413**	71,349	**28,155**	19,425
Discount amortisation on investment securities	**(308,858)**	(68,920)	**(84,089)**	(18,764)
Dividend income (Note 31)	**(39,762)**	(35,913)	**(10,825)**	(9,778)
Exchange difference arising on translation of foreign operations reclassified to consolidated income statement (Note 23)	**-**	113,366	**-**	30,865
Net gain on disposal of stake in subsidiary and fair value gain on retained interest (Note 34)	**(490,110)**	-	**(133,436)**	-
Gain on sale of property and equipment	**(38,770)**	(38,904)	**(10,555)**	(10,592)
Amortisation and interest capitalised on borrowings and ECPs	**1,424,113**	1,002,981	**387,725**	273,069
Net gain from financial assets and liabilities at fair value through profit or loss (Note 30)	**(672,391)**	(108,923)	**(183,063)**	(29,655)
Ineffective portion of hedges - loss (Note 9)	**2,342**	11,819	**638**	3,218
Employees' incentive plan expense (Note 25)	**38,338**	22,622	**10,438**	6,159
Cash flows from operating activities before changes in operating assets and liabilities	**12,524,512**	10,880,831	**3,409,888**	2,962,381
Net movement in due from banks	**1,607,826**	(7,163,065)	**437,742**	(1,950,195)
Net movement in derivative financial instruments	**914,840**	(244,768)	**249,072**	(66,640)
Net movement in financial assets at fair value through profit or loss	**(4,753,586)**	(2,829,266)	**(1,294,197)**	(770,288)
Net movement in loans and advances to customers	**(47,859,597)**	(19,265,618)	**(13,030,111)**	(5,245,200)
Net movement in other assets	**(1,254,669)**	(1,482,197)	**(341,592)**	(403,539)
Net movement in due to banks	**(869,281)**	2,534,629	**(236,668)**	690,071
Net movement in deposits from customers	**55,921,633**	48,994,167	**15,225,057**	13,339,005
Net movement in other liabilities	**1,741,493**	1,599,333	**474,133**	435,430
Net cash from operations	**17,973,171**	33,024,046	**4,893,324**	8,991,025
Overseas income tax paid	**(119,063)**	(77,589)	**(32,416)**	(21,124)
Net cash from operating activities	**17,854,108**	32,946,457	**4,860,908**	8,969,901
INVESTING ACTIVITIES				
Proceeds from redemption/disposal of investment securities	**54,743,827**	44,781,524	**14,904,391**	12,192,084
Net purchases of investment securities	**(70,373,293)**	(68,835,083)	**(19,159,622)**	(18,740,834)
Dividend received from investment securities (Note 31)	**39,762**	35,913	**10,825**	9,778
Dividend received from associates (Note 12)	**-**	1,621	**-**	441
Gross proceeds from disposal of assets held for sale	**-**	72,749	**-**	19,806
Gross proceeds from disposal of subsidiary	**474,448**	-	**129,172**	-
Disposal of investment properties (Note 13)	**222**	2,426	**60**	660
Net purchases of property and equipment	**(306,303)**	(289,708)	**(83,393)**	(78,875)
Net cash used in investing activities	**(15,421,337)**	(24,230,558)	**(4,198,567)**	(6,596,940)
FINANCING ACTIVITIES				
Net movement in euro commercial paper (Note 19)	**1,411,331**	(251,159)	**384,245**	(68,380)
Net proceeds from borrowings (Note 20)	**79,228,672**	47,103,994	**21,570,561**	12,824,393
Repayment of borrowings (Note 20)	**(73,568,772)**	(44,319,818)	**(20,029,614)**	(12,066,381)
Payment of lease liabilities	**(75,073)**	(84,173)	**(20,439)**	(22,917)
Dividends paid to equity holders of the Bank	**(1,252,328)**	(2,574,230)	**(340,955)**	(700,852)
Dividends paid to non-controlling equity holders of subsidiary	**-**	(39)	**-**	(11)
Net proceeds from capital notes issued	**2,745,329**	-	**747,435**	-
Capital notes coupon paid (Note 35)	**(393,482)**	(182,271)	**(107,128)**	(49,625)
Net cash from/(used in) financing activities	**8,095,677**	(307,696)	**2,204,105**	(83,773)
Effect of exchange rate changes on cash and cash equivalents	**(688,669)**	(1,267,268)	**(187,495)**	(345,023)
Net increase in cash and cash equivalents	**9,839,779**	7,140,935	**2,678,951**	1,944,165
Cash and cash equivalents at the beginning of the year (Note 36)	**41,997,271**	34,856,336	**11,434,051**	9,489,882
Cash and cash equivalents at end of the year (Note 36)	**51,837,050**	41,997,271	**14,113,002**	11,434,047

The accompanying notes 1 to 52 form an integral part of these consolidated financial statements.

1. General information

Abu Dhabi Commercial Bank PJSC ("ADCB" or the "Bank") is a public joint stock company with limited liability incorporated in the emirate of Abu Dhabi, United Arab Emirates (UAE). The Bank and its subsidiaries (together referred to as the "Group") is principally engaged in the business of retail, commercial and Islamic banking, and provision of other financial services.

The Group's Islamic banking activities are conducted in accordance with principles of Islamic Shari'ah as interpreted by Internal Shari'ah Supervision Committee ("ISSC") as well as the standards and resolutions issued by the higher Shari'ah authority of UAE Central Bank.

The Bank is listed on the Abu Dhabi Securities Exchange (Ticker: ADCB).

The registered head office of ADCB is at Abu Dhabi Commercial Bank PJSC Head Office Building, Sheikh Zayed Bin Sultan Street, Plot C- 33, Sector E-11, P. O. Box 939, Abu Dhabi, UAE.

2. Application of new and revised IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB) (IFRS Accounting Standards)

2.1 Standards and Interpretations in issue and effective

During the current year, the Group has applied the amendments to IAS 1, IFRS 17, IAS 12 and IAS 8. The application of these amendments to IFRS Accounting Standards has not had any material impact on the amounts reported for the current and prior periods but may affect the accounting for the Group's future transactions or arrangements.

Other than the above, there are no other significant IFRS Accounting Standards, amendments or interpretations that were effective for the first time for the financial year beginning on or after January 1, 2023.

2.2 Standards and Interpretations in issue but not yet effective

New standards and significant amendments to standards applicable to the Group:	Effective for annual periods beginning on or after
Lease liability in a sale and leaseback (amendments to IFRS 16) - the amendment clarifies how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale.	January 1, 2024
Non-current liabilities with covenants (amendments to IAS 1) - the amendment clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.	January 1, 2024
Classification of liabilities as current or non-current - amendments to IAS 1.	January 1, 2024
Supplier finance arrangements - amendments to IAS 7 and IFRS 7.	January 1, 2024
Lack of exchangeability - amendments to IAS 21.	January 1, 2025
Sale or contribution of assets between investor and its associate or joint venture (amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in associates and joint ventures').	Effective date deferred indefinitely, available for early adoption.

The Group has not early adopted new and revised IFRS Accounting Standards that have been issued but are not yet effective.

Management anticipates that these amendments will be adopted in the consolidated financial statements in the initial period when they become mandatorily effective. The impact of these standards and amendments are currently being assessed by the management.

3. Summary of material accounting policies

3.1 Basis of preparation

The consolidated financial statements have been prepared on a going concern basis and in accordance with

IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) and requirements of the applicable laws including UAE Federal Decree Law No. 32 of 2021 which came into effect on January 2, 2022 replacing the UAE Federal Law No. 2 of 2015 (as amended) and the applicable provisions of Law No. (1) of 2017 (as amended) issued by the Department of Finance. IFRS Accounting Standards comprise accounting standards issued by the IASB as well as Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC).

Certain disclosure notes/numbers have been reclassified and rearranged from the Group's prior year consolidated financial statements to conform to the current year's presentation.

3.2 Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention except as modified by the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income and investment properties.

3.3 Functional and presentation currency

The consolidated financial statements are prepared and presented in United Arab Emirates Dirhams (AED), which is the Bank's functional and presentation currency. Except as indicated, financial information presented in AED has been rounded to the nearest thousand.

The United States Dollar (USD) amounts in the primary financial statements are presented for the convenience of the reader only by converting the AED balances at the pegged exchange rate of 1 USD = 3.673 AED.

3.4 Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities recognised in the consolidated financial statements are described in Note 4.

3.5 Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Bank and its subsidiaries (collectively referred to as the "Group").

Subsidiaries

Subsidiaries are entities that are controlled by the Bank. Control is achieved when the Bank:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Bank reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Bank has less than a majority of voting rights of an investee, it still has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Bank considers all relevant facts and circumstances in assessing whether or not the Bank's voting rights in an investee are sufficient to give it power, including:

- the size of the Bank's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Bank;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Bank has, or does not have, the current ability to direct the relevant activities at the time the decision needs to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated income statement and other comprehensive income from the date the Bank gains control until the date when the Bank ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to owners of the Bank and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Bank and non-controlling interests even if this results in non-controlling interests having a deficit balance.

When necessary, adjustments are made to the consolidated financial statements of subsidiaries to align their accounting policies with the Bank's accounting policies.

All intragroup balances and income, expenses and cash flows resulting from intragroup transactions are eliminated in full on consolidation.

Changes in the Bank's ownership interests in existing subsidiaries

Changes in the Bank's ownership interests in subsidiaries that do not result in the Bank losing control over the subsidiaries are accounted for as equity transactions. The carrying amount of the Bank's interests is adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the shareholders of the Bank. When the Bank loses control of a subsidiary, a gain or loss is recognised in the consolidated income statement and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), liabilities of the subsidiary and any non-controlling interests.

All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Bank had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to income statement or transferred to another category of equity as specified/permitted by applicable IFRS Accounting Standards). The fair value of any investment retained in the former subsidiary, at the date when control is lost, is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

Special Purpose Entities

Special purpose entities (SPEs) are entities that are created to accomplish a narrow and well-defined objective such as the securitisation of particular assets, or the execution of a specific borrowing or lending transaction. An SPE is consolidated if, based on an evaluation of the substance of its relationship with the Bank, the Bank has power over the SPE, is exposed to or has rights to variable returns from its involvement with the SPE and its ability to use its power over the SPE at inception and subsequently to affect the amount of its return, the Bank concludes that it controls the SPE.

The assessment of whether the Bank has control over an SPE is carried out at inception and normally no further reassessment of control is carried out in the absence of changes in the structure or terms of the SPE, or additional transactions between the Bank and the SPE except whenever there is a change in the substance of the relationship between the Bank and an SPE.

Funds under management

The Bank manages and administers assets held in unit trusts on behalf of investors. The financial statements of these entities are not included in the consolidated financial statements except when the Bank controls the entity, as referred to above.

Investment in associates

Associates are those entities in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies. Investments in associates are accounted for using the equity method and are recognised initially at cost. The cost of the investments includes transaction costs.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of investment in associates, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

The carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 - Impairment of Assets, as a single asset by comparing with the recoverable amount (higher of value in use and fair value less cost of disposal). Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of the impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the investment in prior years.

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The Group discontinues the use of equity method of accounting from the date when the investment ceases to be an associate or when the investment is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9. The difference between the carrying amount of the associate at the date equity method was discontinued and the fair value of the retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of associate.

In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation of that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

Joint arrangements

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns. They are classified and accounted for as follows:

- Joint operation - when the Group has rights to the assets and obligations for the liabilities, relating to an arrangement, it accounts for each of its assets, liabilities, and transactions, including its share of those held or incurred jointly, in relation to the joint operation.
- Joint venture - when the Group has rights only to the net assets of the arrangements, it accounts for its interest using the equity method, as for associates.

Non-current assets held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable, and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment in an associate or, a portion of an investment in an associate, the investment, or the portion of the investment in the associate, that will be disposed of is classified as held for sale when the criteria described above are met. The Group then ceases to apply the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate that has not been classified as held for sale continues to be accounted for using the equity method.

3.6 Business combination under common control

A business combination involving entities under common control is a business combination in which all the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. Currently, there is no specific guidance on accounting for common control transactions under IFRS Accounting Standards, therefore the management needs to use judgement to develop an accounting policy that provides relevant and reliable information in accordance with IAS 8.

The Group accounts for business combinations under common control using the acquisition method when there is a commercial substance to the transaction. Under the acquisition method, the consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired, and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively; and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date but does not exceed twelve months.

Impairment testing of goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit ("CGU") is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. A CGU to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3.7 Hedge accounting

The Group designates certain derivatives as hedging instruments in respect of foreign currency risk and interest rate risk in fair value hedges, cash flow hedges, or hedges of net investments in foreign operations as appropriate. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges. At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship by way of rebalancing the hedge on a case-by-case basis, so that it meets the qualifying criteria again.

Fair value hedges

The fair value change on qualifying hedging instruments is recognised in consolidated income statement except when the hedging instrument hedges an equity instrument designated at fair value through other comprehensive income (FVTOCI) in which case it is recognised in other comprehensive income. The carrying amount of a hedged item not already measured at fair value is adjusted for the fair value change attributable to the hedged risk with a corresponding entry in consolidated income statement. For debt instruments measured at FVTOCI, the carrying amount is not adjusted as it is already at fair value, but the hedging gain or loss is recognised in consolidated income statement instead of other comprehensive income. When the hedged item is an equity instrument designated at FVTOCI, the hedging gain or loss remains in other comprehensive income to match that of the hedging instrument.

Where hedging gains or losses are recognised in consolidated income statement, they are recognised in the same line as the hedged item. The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable).

This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk at the date of discontinuation is amortised to consolidated income statement as part of the recalculated effective interest rate over the period to maturity or derecognition. If the hedged item is sold or repaid, the unamortised fair value adjustment is recognised immediately in the consolidated income statement.

Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under cash flow hedge reserve. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to consolidated income statement in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some or all of the loss accumulated in other comprehensive income will not be recovered in the future, that amount is immediately reclassified to consolidated income statement.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in consolidated income statement. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in consolidated income statement.

Net investment hedge

Hedges of net investments in foreign operations are accounted for in a similar way to cash flow hedges. A gain or loss on the effective portion of the hedging instrument is recognised in other comprehensive income and presented in translation reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement. Gains and losses accumulated in equity are reclassified from other comprehensive income and included in the consolidated income statement on the disposal or partial disposal of the foreign operation or other reduction in the Group's investment in the operations.

Hedge effectiveness testing

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. The documentation of each hedging relationship sets out how the effectiveness of the hedge is assessed. The method the Group adopts for assessing hedge effectiveness depends on its risk management strategy.

The Group assesses economic relationship and effectiveness on its designated hedges by matching critical terms of hedged item and hedging instrument as part of its qualitative assessment.

The critical terms matching method replicates the hedge item and hence is not used for those hedge relationships where the hedging derivative includes features that are not present in the hedged item. In such cases, the hedge effectiveness assessment is performed using other quantitative methods and may result in ineffectiveness.

Some of the sources of ineffectiveness include the following:

- mismatches between the contractual terms of the hedged item and hedging instrument, including basis differences;
- significant changes in credit risk of the hedging instruments;
- the effects of the forthcoming reforms of Interest rate benchmark because these might take effect at a different time and have a different impact on hedged items and hedging instruments.

The ineffectiveness arising from quantitative assessments is recognised in the consolidated income statement.

Derivatives that do not qualify for hedge accounting

All gains and losses from changes in the fair values of derivatives that do not qualify for hedge accounting are recognised immediately in the consolidated income statement in "net gains from dealing in derivatives" under net trading income.

3.8 Financial instruments

Financial assets

All financial assets are recognised and derecognised on settlement date basis (other than derivative contracts which are recognised and derecognised on trade date basis) where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss (FVTPL). Settlement date is the date that the Group physically receives or transfers the assets. Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognised immediately in profit or loss.

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Specifically:

(i) debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI), are subsequently measured at amortised cost;

(ii) debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at fair value through other comprehensive income (FVTOCI);

(iii) all other debt instruments (e.g. debt instruments managed on a fair value basis or held for sale), and equity investments are subsequently measured at FVTPL. However, the Group may make the following irrevocable election/designation at the date of initial application of IFRS 9 or at the date of initial recognition of a financial asset on an asset-by-asset basis:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies, in other comprehensive income (OCI) with dividend income recognised in profit or loss; and
- the Group may irrevocably designate a debt instrument that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

The Group holds equity investments and mutual funds as strategic investments and has elected to carry these investments at FVTOCI with changes in fair value through other comprehensive income.

The Group assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Group's business model for managing the asset.

(a) Debt instruments at amortised cost or at FVTOCI

For an asset to be classified and measured at amortised cost or at FVTOCI, its contractual terms should give rise to cash flows that are solely SPPI. For the purpose of SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

Contractual cash flows that are SPPI are consistent with a basic lending arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI. An originated or an acquired financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form.

An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The Group determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument; therefore, the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

The Group has more than one business model for managing its financial instruments, which reflects how the Group manages its financial assets in order to generate cash flows. The Group's business models determine whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

At initial recognition of a financial asset, the Group determines whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Group reassess its business models during each reporting period to determine whether the business models have changed since the preceding period.

Debt instruments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment.

(b) Financial assets at FVTPL

Financial assets at FVTPL are:

(i) assets with contractual cash flows that are not SPPI; or/and

(ii) assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or

(iii) assets designated at FVTPL using the fair value option.

These assets are measured at fair value, with any gains/losses arising on remeasurement recognised in profit or loss.

(c) Reclassifications

If the business model under which the Group holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that result in reclassifying the Group's financial assets. Changes in contractual cash flows are discussed under the accounting policy on modification and derecognition of financial assets.

(d) Impairment

The Group recognises allowances for expected credit losses (ECLs) on the following financial instruments that are not measured at FVTPL:

- balances with central banks;
- deposits and balances due from banks;
- reverse-repo placements;
- debt investment securities;
- loans and advances to customers;
- Other assets - accrued interest and acceptances;
- loan commitments issued; and
- financial guarantee contracts issued.

No impairment loss is recognised on equity investments.

With the exception of purchased or originated credit impaired financial assets (which are considered separately below), ECLs are required to be measured through a loss allowance at an amount equal to:

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

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. More details on the determination of a significant increase in credit risk are provided in note 3.8(h).

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Group under the contract and the cash flows that the Group expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR. However, for unfunded exposures, ECL is measured as follows:

- for undrawn loan commitments, the ECL is the difference between the present value of the contractual cash flows that are due to the Group if the holder of the commitment draws down the loan and the cash flows that the Group expects to receive if the loan is drawn down; and
- for financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Group expects to receive from the holder, the debtor, or any other party.

Refer note 43 for more details on measurement of ECL.

(e) Credit-impaired financial assets

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

- significant financial difficulty of the borrower or issuer;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- a breach of contract such as a default or past due event;
- for economic or contractual reasons relating to the borrower's financial difficulty, concessions given to the borrower that would not otherwise be considered; or
- the disappearance of an active market for a security because of financial difficulties.

It may not be possible to identify a single discrete event - instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Group assesses whether debt instruments that are financial assets measured at amortised cost or FVTOCI are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Group considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession, the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted, the asset is deemed credit impaired when there is observable evidence of credit-impairment including meeting the definition of default. The definition of default (see below) includes unlikeliness to pay indicators and a backstop if amounts are overdue for 90 days or more.

(f) Purchased or originated credit-impaired financial assets (POCI)

Financial assets that are credit-impaired on initial recognition are classified as purchased or originated credit impaired financial assets (POCI). The Group measures expected credit loss on a lifetime basis for POCI instruments throughout the expected life of the instrument. However, expected credit loss is not recognised in a separate loss provision on initial recognition for POCI instruments as the lifetime expected credit loss is inherent within the gross carrying amount of the instruments. The Group recognises the change in lifetime expected credit losses arising subsequent to initial recognition in the income statement and the cumulative changes as a loss provision. Where lifetime expected credit losses on POCI instruments are less than those at initial recognition, then the favourable differences are recognised as impairment gains in the income statement (and impairment loss where the expected credit losses are greater).

(g) Definition of default

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

The Group considers the following as constituting an event of default:

- the borrower is past due for more than 90 days on any material credit obligation to the Group; or
- the borrower is unlikely to pay its credit obligations to the Group in full.

The definition of default is appropriately tailored to reflect different characteristics of different types of assets. The decision to use cross-default is based on case-by-case assessment of borrower and facility conditions such as collateral and materiality of exposure.

When assessing if the borrower is unlikely to pay its credit obligation, the Group takes into account both qualitative and quantitative indicators. The information assessed depends on the type of the asset; for example, in corporate lending a qualitative indicator used is the breach of covenants, which is not relevant for retail lending. Quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty, are key inputs in this analysis. The Group uses a variety of sources of information to assess default, which are either developed internally or obtained from external sources.

(h) Significant increase in credit risk (SICR)

The Group monitors all financial assets, issued loan commitments and financial guarantee contracts that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk (SICR), the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date based on the expected remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognised. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Group's historical experience and expert credit assessment including forward-looking information. For corporate lending, forward-looking information includes the future prospects of the industries in which the Group's counterparties operate, obtained from economic expert reports, financial analysts, governmental bodies, and other similar organisations, as well as consideration of various internal and external sources of actual and forecast economic information.

For retail lending, forward-looking information includes the same economic forecasts as corporate lending with additional forecasts of local economic indicators, particularly for regions with a concentration to certain industries, as well as internally generated information of customer payment behaviour. Refer note 43 for more details about forward-looking information and criteria used to determine significant increase in credit risk.

The Group uses different criteria to determine whether credit risk has increased significantly per portfolio of assets. The criteria used are both deterioration in internal/external ratings as well as qualitative assessment. For further details on SICR, refer to note 43.

Regardless of the analysis above, a significant increase in credit risk is presumed if a customer is more than 30 days past due in making a contractual payment.

The qualitative factors that indicate significant increase in credit risk are reflected in PD models on a timely basis. However, the Group still considers separately some qualitative factors to assess if credit risk has increased significantly. For corporate lending there is particular focus on assets that are included on a 'watch list' given an exposure is on a watch list once there is a concern that the creditworthiness of the specific counterparty has deteriorated. For retail lending the Group considers credit scores and events such as unemployment, bankruptcy, or death. As a backstop when an asset becomes 30 days past due, the Group considers that a significant increase in credit risk has occurred and the asset is in stage 2 of the impairment model, i.e. the loss allowance is measured as the lifetime ECL.

(i) Modification and derecognition of financial assets

Modification of financial assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date.

In addition, the introduction or adjustment of existing covenants of an existing loan would constitute a modification even if these new or adjusted covenants do not yet affect the cash flows immediately but may affect the cash flows depending on whether the covenant is or is not met (e.g. a change to the increase in the interest rate that arises when covenants are breached).

The Group renegotiates loans to customers in financial difficulty to maximise collection and minimise the risk of default. A loan forbearance is granted in cases where although the borrower made all reasonable efforts to pay under the original contractual terms, there is a high risk of default or default has already happened and the borrower is expected to be able to meet the revised terms. The revised terms in most of the cases include an extension of the maturity of the loan, changes to the timing of the cash flows of the loan (principal and interest repayment), reduction in the amount of cash flows due (principal and interest forgiveness) and amendments to covenants.

When a financial asset is modified, the Group assesses whether this modification results in derecognition. In accordance with the Group's policy a modification results in derecognition when it gives rise to substantially different terms. To determine the substantially different terms the Group considers the qualitative factors (i.e. contractual cash flows after modification, change in currency or counterparty, interest rates, maturity, covenants) and a quantitative assessment (i.e. compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, discounted at the original effective interest).

In case where the financial asset is derecognised the loss allowance for ECL is remeasured at the date of derecognition to determine net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on 12-month ECL except in the rare occasions where the new loan is considered to be originated credit impaired. This applies only in the case where the fair value of the new loan is recognised at a significant discount to its revised par amount because there remains a high risk of default which has not been reduced by the modification. The Group monitors credit risk of modified financial assets by evaluating qualitative and quantitative information, such as if the borrower is in past due status under the new terms.

When the contractual terms of a financial asset are modified and the modification does not result in derecognition, the Group determines if the financial asset's credit risk has increased significantly since initial recognition by comparing the credit rating at initial recognition and the original contractual terms; with credit rating at the reporting date based on the modified terms.

Where a modification does not lead to derecognition the Group calculates the modification gain/loss comparing the gross carrying amount before and after the modification (excluding the ECL allowance). Then the Group measures ECL for the modified asset, where the expected cash flows arising from the modified financial asset are included in calculating the expected cash shortfalls from the original asset.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the asset's cash flows expire (including expiry arising from a modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain/loss that had been recognised in other comprehensive income (OCI) and accumulated in equity is recognised in profit or loss, with the exception of equity investment designated as measured at FVTOCI, where the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss but is transferred to retained earnings.

(j) Presentation of allowance for ECL

Loss allowances for ECL are presented in the consolidated financial statements as follows:

- for financial assets measured at amortised cost (loans and advances, balances due from central banks and other banks, reverse-repo placements, investment securities carried at amortised cost and other financial assets): as a deduction from the gross carrying amount of the assets;
- for debt instruments measured at FVTOCI: as part of revaluation reserve of investments designated at FVTOCI and recognised in other comprehensive income; and
- for loan commitments and financial guarantee contracts: as a provision.

Financial liabilities

All financial liabilities are classified as amortised cost except for liabilities carried at FVTPL. The classification of financial liabilities at initial recognition depends on the purpose and management's intention for which the financial liabilities were incurred and their characteristics.

Financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial liabilities (other than financial liabilities at FVTPL) are deducted from the fair value of the financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial liabilities at FVTPL are recognised immediately in profit or loss. If the transaction price differs from fair value at initial recognition, the Group will account for such difference as follows:

- if fair value is evidenced by a quoted price in an active market for an identical liability or based on a valuation technique that uses only data from observable markets, then the difference is recognised in profit or loss on initial recognition (i.e. day 1 profit or loss);
- in all other cases, the fair value will be adjusted to bring it in line with the transaction price (i.e. day 1 profit or loss will be deferred by including it in the initial carrying amount of the liability).

Financial liabilities are subsequently measured at amortised cost except for financial liabilities at fair value through profit or loss. Gains and losses on financial liabilities, other than derivative instruments, designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in fair value of the financial liability that is attributable to the changes in credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially in profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains or losses attributable to changes in the credit risk of the liability are also presented in the profit or loss.

Derecognition of financial liabilities

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled, or expires).

The exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing liabilities, are accounted for as an extinguishment of the original financial liability and a recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability.

In addition, other qualitative factors such as, currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any cost or fees incurred is recognised as part of the gain or loss on extinguishment. If an exchange or modification is not accounted for as an extinguishment, any cost or fees incurred adjust the carrying amount of the liability and are amortised using EIR method over the remaining term of the modified liability.

3.9 Foreign currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements of the Group are presented in AED, which is the Bank's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange prevailing at the statement of financial position date. Any resulting exchange differences are included in the consolidated income statement. Non-monetary assets and liabilities are translated at historical exchange rates or year-end exchange rates if held at fair value, as appropriate. The resulting foreign exchange gains or losses are recognised in either consolidated income statement or consolidated other comprehensive income statement depending upon the nature of the asset or liability.

In the consolidated financial statements, the results and financial positions of branches and subsidiaries whose functional currency is not AED, are translated into the Group's presentation currency as follows:

- assets and liabilities at the rate of exchange prevailing at the statement of financial position date;
- income and expenses at the average rates of exchange for the reporting period; and
- all resulting exchange differences arising from the retranslation of opening assets and liabilities and arising from retranslation of the result for the reporting period from the average rate to the exchange rate prevailing at the period end are recognised in other comprehensive income and accumulated in equity under 'foreign currency translation reserve' (Note 23).

On disposal or partial disposal (i.e. of associates or jointly controlled entities not involving a change of accounting basis) of a foreign operation, exchange differences relating thereto and previously recognised in reserves are recognised in the consolidated income statement on a proportionate basis, except in the case of partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, where the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in the consolidated income statement.

3.10 Offsetting

Financial assets and liabilities are offset and reported net in the consolidated statement of financial position only when there is a legally enforceable right to set off the recognised amounts and when the Group intends to settle either on a net basis, or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted by the IFRS Accounting Standards, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

The Group is party to a number of arrangements, including master netting agreements that give it the right to offset financial assets and financial liabilities but, where it does not intend to settle the amounts net or simultaneously, the assets and liabilities concerned are presented on a gross basis.

3.11 Sale and repurchase agreements

Securities sold subject to a commitment to repurchase them at a predetermined price at a specified future date (repos) are continued to be recognised in the consolidated statement of financial position, and a liability is recorded in respect of the consideration received under borrowings that are carried at amortised cost or under financial liabilities carried at fair value through profit or loss, that are held for trading. The difference between sale and repurchase price is treated as interest expense using the effective interest rate yield method over the life of the agreement for repos carried at amortised cost. Assets purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognised in the consolidated statement of financial position. Amounts placed under these agreements are included in reverse-repo placements in the consolidated statement of financial position that are carried at amortised cost or under financial assets carried at fair value through profit or loss that are held for trading. The difference between purchase and resale price is treated as interest income using the effective yield method over the life of the agreement for reverse repos carried at amortised cost.

Reverse-repo placements carried at fair value through profit or loss are generally matched by repo agreements as these are held for trading purposes with the net change in fair values of these instruments are recorded within net trading income in the consolidated income statement.

3.12 Securities borrowing and lending

Securities borrowing and lending transactions are usually secured by cash or securities advanced by the borrower. Borrowed securities are not recognised in the statement of financial position nor are lent securities derecognised. Cash collateral received or given is treated as a financial asset or liability. However, where securities borrowed are transferred to third parties, a liability for the obligation to return the securities to the stock lending counterparty is recorded. The securities borrowing and lending activity arrangements are generally entered into through repos and reverse repos.

3.13 Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances held with central banks, deposits and balances due from banks, items in the course of collection from or in transmission to other banks and highly liquid assets with original maturities of less than three months from the date of acquisition, which are subject to insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. Cash and cash equivalents are carried at amortised cost net of impairment allowance in the statement of financial position.

3.14 Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

3.15 Fair value measurement

The Group measures its financial assets and liabilities at market price that it would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date in the principal market, or in its absence in the most advantageous market for the assets or liabilities. The Group considers principal market as the market with the greatest volume and level of activity for financial assets and liabilities.

The Group measures its non-financial assets at a price that take into account a market participant's ability to generate economic benefits by using the assets for their highest and best use.

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Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Group has access at that date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. The fair value of a liability reflects its non-performance risk.

When applicable, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. When there is no quoted price in an active market, the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account into pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price, i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or a liability nor based on valuation technique that uses only data from observable markets, the instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, the difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is supported wholly by observable market data, or the transaction is closed out.

If an asset or a liability measured at fair value has a bid and an ask price, the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of the net exposure to either the market or credit risk, are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

Different levels of fair value hierarchy based on the inputs to valuation techniques are discussed in note 41. The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

3.16 Derivatives

A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in the price of one or more underlying financial instrument, reference rate or index.

Derivative financial instruments are initially measured at fair value at trade date and are subsequently re-measured at fair value at the end of each reporting period. All derivatives are carried at their fair values as assets where the fair values are positive and as liabilities where the fair values are negative. Derivative assets and liabilities arising from different transactions are only offset if the transactions are with the same counterparty, a legal right of offset exists and the parties intend to settle the cash flows on a net basis.

Derivative fair values are determined from quoted prices in active markets where available. Where there is no active market for an instrument, fair value is derived from prices for the derivative's components using appropriate pricing or valuation models.

The method of recognising fair value gains and losses depends on whether derivatives are held for trading or are designated as hedging instruments, and if the latter, the nature of the risks being hedged. All gains and losses from changes in the fair value of derivatives held for trading are recognised in the consolidated income statement under 'net gain from dealing in derivatives' (Note 30).

3.17 Leases

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangement in which it is the lessee, except for short-term (defined as leases with a lease term of 12 months or less) and leases of low value asset. For these leases, the Group recognises the lease payments as an operating lease on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. This expense is presented within other expenses in the consolidated income statement.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. The lease liability is subsequently measured by increasing the carrying amount to reflect the interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated over the period of lease term or useful life of the underlying asset whichever is shorter. The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as per the Group's impairment policy for non-financial assets.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease component, and instead account for any lease and associated non-lease component as a single arrangement.

The Group has presented right of use asset within 'Property and equipment' and lease liabilities within 'Other liabilities' in the consolidated statement of financial position.

The Group as lessor

Leases where the Group does not transfer substantially all the risk and benefits of ownership of the asset are classified as operating leases. Rental incomes are recognised in the consolidated income statement on a straight-line basis over the lease term. Contingent rents are recognised as revenue in the period in which they are earned.

3.18 Treasury shares and contracts on own shares

Own equity instruments of the Group which are acquired by the Group or any of its subsidiaries (treasury shares) are deducted from other reserves and accounted for at weighted average cost. Consideration paid or received on the purchase, sale, issue, or cancellation of the Group's own equity instruments is recognised directly in equity.

No gain or loss is recognised in the consolidated income statement on the purchase, sale, issue, or cancellation of own equity instruments.

Contracts on own shares that require physical settlement of a fixed number of own shares for a fixed consideration are classified as equity and added to or deducted from equity. Contracts on own shares that require net cash settlement or provide a choice of settlement are classified as trading instruments and changes in the fair value are reported in the consolidated income statement.

3.19 Financial guarantees

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified party fails to meet its obligation when due in accordance with the contractual terms.

Financial guarantee contracts are initially recognised at their fair value, which is likely to equal the premium received on issuance. The received premium is amortised over the life of the financial guarantee. The guarantee liability (the notional amount) is subsequently recognised at the higher of this amortised amount and the present value of any expected payments (when a payment under guarantee has become probable). The premium received on these financial guarantees is included within other liabilities.

3.20 Acceptances

Acceptances arise when the Bank is under an obligation to make payments against documents drawn under letters of credit. Acceptances specify the amount of money, the date, and the person to which the payment is due. After acceptance, the instrument becomes an unconditional liability (time draft) of the Bank and is therefore recognised as a financial liability in the consolidated statement of financial position with a corresponding contractual right of reimbursement from the customer recognised as a financial asset.

3.21 Collateral repossessed

The Bank acquires collaterals in settlement of certain loans and advances. These collaterals are recognised at fair value on the date of acquisition. Subsequent fair value adjustments on these acquired collaterals are included in the consolidated income statement in the period in which these gains or losses arise.

3.22 Investment properties

Investment property is property held either to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is reflected at valuation based on fair value at the statement of financial position date. Refer note 3.15 for fair valuation policy.

The fair value is determined on a periodic basis by independent professional valuers. Fair value adjustments on investment property are included in the consolidated income statement in the period in which these gains or losses arise.

Investment properties under development that are being constructed or developed for future use as investment property are measured initially at cost including all direct costs attributable to the design and construction of the property including related staff costs. Subsequent to initial recognition, investment properties under development are measured at fair value. Gains and losses arising from changes in the fair value of investment property under development is included in the consolidated income statement in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property and investment property under development are permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

3.23 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment loss, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Depreciation is charged to the consolidated income statement so as to write off the depreciable amount of property and equipment over their estimated useful lives using the straight-line method. The depreciable amount is the cost of an asset less its residual value. Land is not depreciated.

Estimated useful lives are as follows:	
Freehold properties	15 to 40 years
Freehold and leasehold improvements	7 to 10 years
Furniture, equipment, and vehicles	3 to 5 years
Computer equipment, software, and accessories	4 to 10 years

Changes in the expected useful life are accounted for by changing the depreciation period or method, as appropriate, and treated as changes in accounting estimates.

Property and equipment are derecognised on disposal or when no future economic benefits are expected from its use. Gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset at that date and is recognised in the consolidated income statement.

3.24 Capital work in progress

Capital work in progress is stated at cost. When the asset is ready for use, capital work in progress is transferred to the appropriate property and equipment category and depreciated in accordance with the Group's policies.

3.25 Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

All other borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

3.26 Intangible assets

An intangible asset is recognised only when its cost can be measured reliably, and it is probable that the expected future economic benefits that are attributable to it will flow to the Group. Intangible assets acquired separately or in a business combination (other than goodwill) are measured on initial recognition at fair value and subsequently at cost less accumulated amortisation and impairment loss.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates and accounted for on a prospective basis. The amortisation expense on intangible assets with finite lives is recognised in the consolidated income statement.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Estimated useful lives are as follows:

Trademark and license	Indefinite life
Egypt banking license	Indefinite life
Core deposits	4.5 to 7 years
Customer relationships	3 to 6 years

An intangible asset is derecognised on disposal or when no future economic benefits are expected from use. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in the consolidated income statement when the asset is derecognised.

3.27 Impairment of non-financial assets

At each consolidated statement of financial position date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the consolidated income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised in the consolidated income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.28 Employee benefits

(i) Employees' end of service benefits

(a) Defined benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The liability recognised in the statement of financial position in respect of defined benefit gratuity plans is the present value of the defined benefit obligation at the end of the reporting period together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Past-service costs are recognised immediately in income statement, unless the changes to the gratuity plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, are recognised immediately in other comprehensive income. Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred), as well as the effects of changes in actuarial assumptions.

The Group provides end of service benefits for its expatriate employees. The entitlement to these benefits is based upon the employees' length of service and completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

(b) Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in consolidated income statement in the periods during which services are rendered by employees.

Pension contributions are made by the Group to the Abu Dhabi Retirement Pensions and Benefits Fund for UAE citizens in accordance with UAE Federal Law No. 7 of 1999 and to respective pension authorities for other employees including GCC (Gulf Cooperation Council) Nationals as per applicable laws.

(ii) Termination benefits

Termination benefits are recognised as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan either to terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

(iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(iv) Employees' incentive plan shares

The cost of the equity-settled share-based payments is expensed over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in the consolidated income statement over the remaining vesting period, with a corresponding adjustment to the employees' incentive plan reserve.

Where the terms of an equity-settled award are modified, the minimum expense recognised is the expense as if the terms had not been modified. An additional expense is recognised for any modification which increases the total fair value of the share-based payment arrangement or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the counterparty are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding incentive plan shares is reflected in the computation of diluted earnings per share (Note 35).

3.29 Taxation

Provision is made for taxes at rates enacted or substantively enacted as at statement of financial position date on taxable profits of overseas branches and subsidiaries in accordance with the fiscal regulations of the respective countries in which the Group operates.

On December 9, 2022, the UAE Ministry of Finance released the Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (the Law) to enact a Federal corporate tax (CT) regime in the UAE. The CT regime will become effective for accounting periods beginning on or after June 1, 2023. For the Group, CT will apply on and from January 1, 2024. A rate of 9% will apply to taxable income exceeding AED 375,000. A rate of 0% will apply to taxable income not exceeding this threshold. The Ministry of Finance has released a significant number of decisions in relation to the Law. Therefore, for the year ended 31 December 2023, the CT regime will apply to the ADCB Group for the purposes of IAS 12 - Income Taxes, especially in relation to the recognition of deferred tax balances.

The Group has undertaken an assessment of the application of the CT Law and has identified deferred tax implications in respect of business combinations and fair value adjustments concerning historical acquisitions. The assessment identified assets and other intangibles which would result in both deferred tax assets and deferred tax liabilities. The overall net impact of these deferred taxes is not material and thus have not been recognised as at December 31, 2023.

3.30 Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Refer note 39 on business segment reporting.

3.31 Fiduciary assets

The Group provides trust and other fiduciary services that result in the holding or investing of assets on behalf of its clients. Assets held in fiduciary capacity, unless recognition criteria are met, are not reported in the financial statements, as they are not assets of the Group.

3.32 Provisions and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Provisions for onerous contracts are recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligation under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset only if it is virtually certain that reimbursement will be received, and the amount can be measured reliably.

Contingent liabilities, which include certain guarantees and letters of credit, are possible obligations that arise from past events whose existence will be confirmed only by the occurrence, or non-occurrence, of one or more uncertain future events not wholly within the Group's control; or are present obligations that have arisen from past events but are not recognised because it is not probable that settlement will require outflow of economic benefits, or because the amount of the obligations cannot be reliably measured. Contingent liabilities are not recognised in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements unless they are remote.

3.33 Revenue and expense recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

(i) Interest income and expense

Interest income and expense for all financial instruments except for those classified as held for trading or those measured or designated at fair value through profit or loss (FVPTL) are recognised in 'net interest income' as 'interest income' and 'interest expense' in the profit or loss account using the effective interest method. Interest on financial instruments classified as held for trading or those measured or designated at FVTPL is recognised in 'net gains from financial assets at fair value through profit or loss' under 'net trading income".

The effective interest rate (EIR) is the rate that exactly discounts estimated future cash flows of the financial instrument through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The future cash flows are estimated taking into account all the contractual terms of the instrument. The calculation of the EIR includes all fees and points paid or received between parties to the contract that are incremental and directly attributable to the specific lending arrangement, transaction costs, and all other premiums or discounts. For financial assets at FVTPL transaction costs are recognised in profit or loss at initial recognition.

(ii) Dividend income

Dividend income is recognised on the ex-dividend date when the Group's right to receive the payment is established.

(iii) Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

(a) Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees.

Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the effective interest rate on the loan. When it is unlikely that a loan will be drawn down, the loan commitment fees are recognised over the commitment period on a straight-line basis.

(b) Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

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3.34 Islamic financing

The Group engages in Shari'ah compliant Islamic banking activities through various Islamic instruments such as below Islamic products:

Murabaha financing

A sale contract whereby the Group sells to a customer commodities and other assets at an agreed upon profit mark up on cost. The Group purchases the assets based on a promise received from customer to buy the item purchased according to specific terms and conditions. Profit from Murabaha is quantifiable at the commencement of the transaction. Such income is recognised as it accrues over the period of the contract on effective profit rate method on the balance outstanding.

Ijara financing

An agreement whereby the Group (lessor) leases or constructs an asset based on the customer's (lessee) request and promise to lease the assets for a specific period against certain rent instalments. Ijara could end in transferring the ownership of the asset to the lessee at the end of the lease period. Also, the Group transfers substantially all the risks and rewards related to the ownership of the leased asset to the lessee. Ijara income is recognised on an effective profit rate basis over the lease term.

Musharaka

An Islamic contract in which two parties (Islamic financial institution and its customer) pool their respective funds to form a partnership. In Musharaka both parties are involved in management of the business/partnership. Profit is shared on the basis of pre-agreed ratio and loss is shared in the ratio of capital contribution. It is not mandatory in Musharaka for all parties to participate in the management of business. Practically, this form of investment is used by the Islamic financial institution to finance its customers.

Salam

A sale contract where the customer (seller) undertakes to deliver/supply a specified tangible asset to the Group (buyer) at mutually agreed future date(s) in exchange for an advance price fully paid on the spot by the buyer.

Revenue on Salam financing is recognised on the effective profit rate basis over the period of the contract, based on the Salam capital outstanding.

Sukuk

Certificates of equal value representing undivided shares in ownership of tangible assets, usufructs, and services or (in the ownership of) the assets of particular projects or special investment activity. It is asset-backed trust certificates evidencing ownership of an asset or its usufruct (earnings or benefits) and complies with the principle of Shari'ah.

Wakala

An agreement between the Group and customer whereby one party (Rab Al Mal) provides a certain sum of money to an agent (Wakil), who invests it according to specific conditions in return for a certain fee (a lump sum of money or a percentage of the amount invested). The agent is obliged to guarantee the invested amount in case of default, negligence, or violation of any of the terms and conditions of the Wakala. The Group may be Wakil or Rab Al Mal depending on the nature of the transaction. Estimated income from Wakala is recognised on the effective profit rate basis over the period, adjusted by actual income when received. Losses are accounted for when incurred.

Mudaraba

A contract between the Group and a customer, whereby one party provides the funds (Rab Al Mal), and the other party (the Mudarib) invests the funds in a project, or a particular activity and any profits generated are distributed between the parties according to the profit shares that were pre-agreed in the contract. The Mudarib would bear the loss in case of default, negligence or violation of any of the terms and conditions of the Mudaraba, otherwise, losses are borne by the Rab Al Mal. Income is recognised based on expected results adjusted for actual results on distribution by the Mudarib, whereas if the Group is the Rab Al Mal the losses are charged to the Group's consolidated income statement when incurred.

Profit distribution mechanism

Islamic deposits are invested and managed in accordance with Shari'ah requirements through Mudaraba pool and profit is distributed in accordance with the Shari'ah approved profit distribution policy. To secure competitive return to the depositors, below profit smoothing techniques are used by the Group.

- Profit equalisation reserve (PER) represents the amounts appropriated out of the profits of Islamic banking division, before allocating the Mudarib share, in order to maintain a certain level of return on investments for all investment account holders and other investors in the common Mudaraba pool. This reserve is recognised under Equity.
- Investment risk reserve (IRR) represents a portion of the depositors' share of profits of Islamic banking division set aside as a reserve. This reserve is utilised to pay to Mudaraba depositors to maintain certain level of return on their deposits with Group in case of circumstances impacting the return adversely, upon the approval of the Group's Internal Shari'ah Supervision Committee ("ISSC"). This reserve is reported alongwith Mudaraba deposits from customers.

4. Critical accounting judgements and key sources of estimation uncertainty

The reported results of the Group are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of these consolidated financial statements. IFRS Accounting Standards requires the Management, in preparing the Group's consolidated financial statements, to select suitable accounting policies, apply them consistently and make judgements and estimates that are reasonable and prudent. In the absence of an applicable standard or interpretation, IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, requires Management to develop and apply an accounting policy that results in relevant and reliable information in the light of the requirements and guidance in IFRS dealing with similar and related issues and the IASB's Framework for the Preparation and Presentation of Financial Statements. The judgements and assumptions involved in the Group's accounting policies that are considered by the Board of Directors (the "Board") to be the most important to the portrayal of its financial condition are discussed below. The use of estimates, assumptions or models that differ from those adopted by the Group would affect its reported results.

4.1 Critical judgements in applying the changes in Group's accounting policies

The following are the critical judgements, apart from those involving estimations, that the management has made in applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements:

Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the assets were held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

Impairment losses

- Significant increase of credit risk: ECLs are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2, stage 3 and POCI assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information.
- Establishing groups of assets with similar credit risk characteristics: When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics (e.g. instrument type, credit risk grade, collateral type, date of initial recognition, remaining term to maturity, industry, geographic location of the borrower, etc.). The Group monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflect the similar credit risk characteristics of that group of assets. Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.
- Models and assumptions used: The Group uses various models and assumptions in measuring ECL of financial assets. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk. Refer note 43 for more details on ECL.

Valuation of financial instruments

The best evidence of fair value is a quoted price for the instrument being measured in an actively traded market. In the event that the market for a financial instrument is not active, a valuation technique is used. The majority of valuation techniques employ only observable market data and so the reliability of the fair value measurement is high. However, certain financial instruments are valued on the basis of valuation techniques that include one or more significant market inputs that are unobservable. Valuation techniques that rely to a greater extent on unobservable inputs require a higher level of management judgement to calculate a fair value than those based wholly on observable inputs.

Valuation techniques used to calculate fair values are discussed in note 41. Below are the judgements which management considers, while applying the model with valuation techniques:

- the likelihood and expected timing of future cash flows on the instrument. These cash flows are estimated based on the terms of the instrument, and judgement may be required when the ability of the counterparty to service the instrument in accordance with the contractual terms is in doubt. Future cash flows may be sensitive to changes in market ;
- selecting an appropriate discount rate for the instrument. The determination of this rate is based on an assessment of what a market participant would regard as the appropriate spread of the rate for the instrument over the appropriate risk-free rate; and
- when applying a model with unobservable inputs, estimates are made to reflect uncertainties in fair values resulting from a lack of market data inputs, for example, as a result of illiquidity in the market. For these instruments, the fair value measurement is less reliable. Inputs into valuations based on unobservable data are inherently uncertain because there is little or no current market data available from which to determine the level at which an arm's length transaction would occur under normal business conditions. However, in most cases there is some market data available on which to base a determination of fair value, for example historical data, and the fair values of most financial instruments are based on some market observable inputs even when unobservable inputs are significant.

Fair valuation of investment properties

The fair value of investment properties is based on the highest and best use of the properties, which is their current use. The fair valuation of the investment properties is carried out by independent valuers based on models whose inputs are observable in an active market such as market conditions, market prices, future rental income, etc.

The fair value movements on investment properties are disclosed in more detail in note 13.

Consolidation of Funds

The changes introduced by IFRS 10 'Consolidated Financial Statements' require an investor to consolidate an investee when it controls the investee. The investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The definition of control requires the Group to exercise significant judgement on an ongoing basis to determine which entities are controlled, and therefore are required to be consolidated.

Tax positions

The income tax positions taken are considered by the Group to be supportable and are intended to withstand challenge from tax authorities. However, it is acknowledged that these positions are uncertain and include interpretations of complex tax laws which could be disputed by tax authorities. Evolving insights, for example following final tax assessments for prior years, can result in additional tax burdens or benefits, and new tax risks may arise.

The Group judges these positions on their technical merits on a regular basis using all the information available (legislation, case law, regulations, established practice, authoritative doctrine as well as the current state of discussions with tax authorities, where appropriate). A liability is recorded for each item that is not probable of being sustained on examination by the tax authorities, based on all relevant information. The liability is calculated taking into account the most likely outcome or the expected value, depending on which is thought to give a better prediction of the resolution of each uncertain tax position in view of reflecting the likelihood of an adjustment being recognised upon examination. These estimates are based on facts and circumstances existing at the end of the reporting period. The tax liability and income tax expense include expected penalties and late payment interests arising from tax disputes.

Management has used its best estimate of the correct value of liability to recognise in each case, which includes a judgement on the length of the future time period to use in such assessments.

4.2 Key sources of assumptions and estimation uncertainties

The following are key estimations that the management has used in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the Group's consolidated financial statements:

Expected credit losses

- Establishing the number and relative weightings of forward-looking scenarios for each type of product/ market and determining the forward-looking information relevant to each scenario: When measuring ECL the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect one another.
- Exposure at default (EAD) - The EAD over lifetime of a financial asset is modelled taking into account expected repayment profile. We apply specific credit conversion factors (CCFs) in order to calculate an EAD

value. Conceptually, the EAD is defined as expected amount of credit exposure of counter party at the time of default. In the instance where a transaction involves an unfunded exposure, CCF models are applied in order to estimate amount of unfunded exposures that are drawn down in case of default. The calibration of such parameters (CCFs) is based on internal historical data and consider counterparty and product type specifics.

- Probability of default (PD) constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions, and expectations of future conditions.
- Loss given default (LGD) is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Impairment of goodwill and intangible assets

Goodwill is tested at least annually for impairment, along with the intangible assets and other assets of the Group's cash-generating units.

Determining whether goodwill or intangible assets are impaired requires an estimation of the value in use of the business being tested for impairment and of the cash-generating units to which these assets have been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit, taking into account the achievability of long-term business plans and macroeconomic assumptions underlying the valuation process, and a suitable discount rate in order to calculate present value.

5. IBOR Reform Phase 2

IBOR reform Phase 2 includes a number of reliefs and additional disclosures. The reliefs apply upon the transition of a financial instrument from an IBOR to a risk-free-rate (RFR). IBOR reform Phase 2 provides temporary reliefs that allow the Group's hedging relationships to continue upon the replacement of an existing interest rate benchmark with an RFR. The reliefs require the Group to amend hedge designations and hedge documentation. This includes redefining the hedged risk to reference an RFR, redefining the description of the hedging instrument and / or the hedged item to reference the RFR and amending the method for assessing hedge effectiveness. Updates to the hedging documentation must be made by the end of the reporting period in which a replacement takes place. The Group may designate an interest rate as a non-contractually specified, hedged risk component of changes in the fair value or cash flows of a hedged item, provided the interest rate risk component is separately identifiable, e.g., it is an established benchmark that is widely used in the market to price loans and derivatives. For new RFRs that are not yet an established benchmark, relief is provided from this requirement provided the Group reasonably expects the RFR to become separately identifiable within 24 months. For hedges of groups of items, the Group is required to transfer to subgroups those instruments that reference RFRs. Any hedging relationships that prior to application of IBOR reform Phase 2, have been discontinued solely due to IBOR reform and meet the qualifying criteria for hedge accounting when IBOR reform Phase 2 is applied, must be reinstated upon initial application.

Impact on accounting policies and judgements

Recognition of interest income

IBOR reform Phase 2 allows as a practical expedient for changes to the basis for determining contractual cash flows to be treated as changes to a floating rate of interest, provided certain conditions are met. The conditions include that the change is necessary as a direct consequence of IBOR reform and that the transition takes place on an economically equivalent basis. For changes that are not required by IBOR reform, the Group applies judgement to determine whether they result in the financial instrument being derecognised or adjust its carrying value. In making this assessment, the Group considers the extent of any changes to the contractual cash flows as a result of the transition and the factors that have given rise to the changes, with consideration of both quantitative and qualitative factors.

SPPI Test

In the context of IBOR reform, as financial assets transition from IBOR to RFRs, if a change is substantial, the old instrument will be derecognised and a new one recognised. The Group will need to apply judgement to determine whether following transition, the asset's amended contractual cash flows continue to represent solely payments of principal and interest (SPPI). Also, the Group must assess when financial instruments transition, whether the new basis for determining the contractual cash flows is economically equivalent to the previous basis.

Derecognition of financial assets and liabilities

In the context of IBOR reform, the Group's assessment of whether a change to an amortised cost financial instrument is substantial, is made after applying the practical expedient introduced by IBOR reform Phase 2. This requires the transition from an IBOR to an RFR to be treated as a change to a floating interest rate. The Group derecognises financial assets and financial liabilities if there has been a substantial modification of their terms

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and conditions. In the context of IBOR reform, majority of financial instruments have already been amended or will be amended during coming year as they transition from IBORs to RFRs. In addition to the interest rate of a financial instrument changing, there may be other changes made to the terms of the financial instrument at the time of transition. For financial instruments measured at amortised cost, the Group first applies the practical expedient to reflect the change in the referenced interest rate from an IBOR to a RFR.

Second, for any changes not covered by the practical expedient, the Group applies judgement to assess whether the changes are substantial and if they are, the financial instrument is derecognised and a new financial instrument is recognised. If the changes are not substantial, the Group adjusts the gross carrying amount of the financial instrument by the present value of the changes not covered by the practical expedient, discounted using the revised EIR.

Hedge accounting

IBOR reform Phase 2 provides temporary reliefs that allow the Group's hedging relationships to continue upon the replacement of an existing interest rate benchmark with an RFR. The reliefs require the Group to amend the hedge designations and hedge documentation for the hedging derivatives disclosed in this note.

The Group applies temporary reliefs which enable its hedge accounting to continue during the period of uncertainty, before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate. For the purpose of determining whether a forecast transaction is highly probable, the reliefs require to be assumed that the IBOR on which the hedged cash flows are based is not altered as a result of IBOR reform. Under one of the reliefs, the Group may elect for individual RFRs designated as hedging the fair value or cash flows of the hedged item for changes due to a non-contractually specified component of interest rate risk, to be deemed as meeting the requirement to be separately identifiable. For each RFR to which the relief has been applied, the Group judges that both the volume and market liquidity of financial instruments that reference the RFR and are priced using the RFR will increase during the 24-month period with the result that the hedged RFR risk component will become separately identifiable in the change in fair value or cash flows of the hedged item.

Risk management

IBOR reform exposes the Group to various risks. These risks include but are not limited to the following:

- Conduct risk arising from discussions with clients and market counterparties due to the amendments required to existing contracts necessary to effect IBOR reform.
- Financial risk to the Group and its clients that markets are disrupted due to IBOR reform giving rise to financial losses.
- Pricing risk from the potential lack of market information if liquidity in IBORs reduces and RFRs are illiquid and unobservable.
- Operational risk arising from changes to the Group's IT systems and processes, also the risk of payments being disrupted if an IBOR ceases to be available.
- Accounting risk if the Group's hedging relationships fail and from unrepresentative income statement volatility as financial instruments transition to RFRs.
- Basis risk as assets and liabilities transfer from Libor to SOFR will happen at varying rates. In addition, the development of term SOFR has the potential of exasperating this basis risk.

The Group has established a project to manage the transition for any of its contracts that could be affected. The project is sponsored by the CRO and is being led by senior representatives from functions across the Group including the client facing teams, Legal, Finance, Operations and Technology.

Transition

Group has transitioned most of its IBOR related exposures into alternative RFRs as at December 31, 2023. LIBOR exposures that have so far transitioned to alternative RFRs were predominantly on economically equivalent terms. For remaining loan contracts, including syndicated loans, we remain reliant on the continued support of agents and third parties for transition. Additionally, following the Financial Conduct Authority's consultation in November 2022, proposing that US dollar LIBOR is to be published using a 'synthetic' methodology for a defined period to allow smoother transition from LIBOR onto alternative RFRs, the Group continues to work with clients to support them through the transition and apply appropriate fall back rates, including synthetic LIBOR, where applicable if transition is not completed by reset dates.

The table below shows the Group's exposure to significant IBOR subject to reform that have yet to transition to RFRs.

As at December 31, 2023	Non-derivative financial assets Carrying value AED'000
USD Libor 1 month	282,405
USD Libor 3 months	8,114,737
USD Libor 6 months	2,259,570

6. Cash and balances with central banks, net

	As at December 31 2023 AED'000	As at December 31 2022 AED'000
Cash on hand	2,259,177	2,403,467
Balances with central banks(*)	20,679,681	22,058,381
Reserves maintained with central banks	20,808,366	13,604,807
Certificate of deposits with central banks	1,628,507	1,364,227
Gross cash and balances with central banks	**45,375,731**	39,430,882
Less: Allowance for impairment (Note 43.3)	(269)	(1,574)
Total cash and balances with central banks, net	**45,375,462**	39,429,308
The geographical concentration is as follows:		
Within the UAE	42,706,619	36,380,076
Outside the UAE	2,669,112	3,050,806
	45,375,731	39,430,882
Less: Allowance for impairment (Note 43.3)	(269)	(1,574)
	45,375,462	39,429,308

(*) includes overnight deposit amounting to AED 19,600,000 thousand placed with CBUAE at 5.40% p.a. (December 31, 2022 - AED 21,200,000 thousand placed with CBUAE at 4.40% p.a.)

Reserves maintained with central banks represent deposits with central banks at stipulated percentages of its demand, savings, time, and other deposits. As per CBUAE regulations, subject to meeting reserve requirements over 14 days period, the Bank is allowed to draw their balances held in reserve account maintained with CBUAE. These reserves are available for day-to-day operations.

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7. Deposits and balances due from banks, net

	As at December 31 2023 AED'000	As at December 31 2022 AED'000
Nostro balances	4,214,193	1,514,892
Margin deposits	2,973,069	3,212,865
Time deposits	2,047,128	1,726,606
Reverse repo placements	-	584,416
Wakala placements	200,000	-
Murabaha placements	-	1,864,362
Loans and advances to banks	28,315,981	26,563,554
Gross deposits and balances due from banks	**37,750,371**	35,466,695
Less: Allowance for impairment (Note 43.3)	(125,677)	(127,493)
Total deposits and balances due from banks, net	**37,624,694**	35,339,202
The geographical concentration is as follows:		
Within the UAE	1,337,705	1,987,621
Outside the UAE	36,412,666	33,479,074
	37,750,371	35,466,695
Less: Allowance for impairment (Note 43.3)	(125,677)	(127,493)
	37,624,694	35,339,202

As at December 31, 2023, the Group received bonds with fair value of AED nil (December 31, 2022 - AED 585,236 thousand) under the reverse repurchase agreement.

8. Financial assets at fair value through profit or loss

	As at December 31 2023 AED'000	As at December 31 2022 AED'000
Debt securities(*)	2,172,904	1,471,930
Structured funding arrangements	7,890,116	3,170,333
Total financial assets at fair value through profit or loss	**10,063,020**	4,642,263
The geographical concentration is as follows:		
Within the UAE	1,419,562	733,566
Outside the UAE	8,643,458	3,908,697
	10,063,020	4,642,263

(*) includes Islamic sukuk amounting to AED 119,139 thousand (December 31, 2022 - AED 9,060 thousand)

The Group entered into structured funding arrangements where funding was provided against certain reference assets received under the arrangement and held by the Group. The risk and rewards relating to these reference assets remain with the counterparty. As at December 31, 2023, the fair value of these reference assets amounted to AED 12,524,770 thousand (December 31, 2022 - AED 4,624,495 thousand), of this AED 5,641,405 thousand (December 31, 2022 - AED 433,762 thousand) were posted against Repo borrowings. Further, the Group also posted net cash collateral of AED 91,832 thousand (December 31, 2022 - received net cash collateral of AED 232,053 thousand) against this structuring arrangement. The structuring arrangement and reference assets received are governed under International Swaps and Derivatives Association (ISDA) agreements.

Refer note 11 for loans and advances at fair value through profit or loss.

9. Derivative financial instruments

In the ordinary course of business, the Group enters into various types of derivative transactions that are affected by variables in the underlying instruments.

A derivative is a financial instrument or other contract with all three of the following characteristics:

(a) its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying');

(b) it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and

(c) it is settled at a future date.

Derivative financial instruments which the Group enters into includes forward foreign exchange contracts, interest rate futures, forward rate agreements, commodity swaps, interest rate swaps and currency and interest rate options.

The Group uses the following derivative financial instruments for hedging and trading purposes.

Forward and Futures transactions

Currency forwards represent commitments to purchase foreign and domestic currencies, including non-deliverable forward transactions (i.e. the transaction is net settled). Foreign currency and interest rate futures are contractual obligations to receive or pay a net amount based on changes in currency rates or interest rates or to buy or sell foreign currency or a financial instrument on a future date at a specified price established in an organised financial market. The credit risk for futures contracts is negligible as they are collateralised by cash or marketable securities and changes in the futures' contract value are settled daily with the broker. Forward rate agreements are individually negotiated interest rate futures that call for a cash settlement at a future date for the difference between a contracted rate of interest and the current market rate based on a notional principal amount.

Swap transactions

Currency and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates (for example: fixed rate for floating rate) or a combination of all these (for example: cross-currency interest rate swaps). No exchange of principal takes place except for certain cross currency interest rate swaps. The Group's credit risk represents the potential loss if counterparties fail to fulfil their obligation. This risk is monitored on an ongoing basis through market risk limits on exposures and credit risk assessment of counterparties using the same techniques as those of lending activities.

Option transactions

Foreign currency and interest rate options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of a foreign currency or a specific rate of interest or any financial instrument at a predetermined price. The seller receives a premium from the purchaser in consideration for the assumption of foreign exchange or interest rate risk. Options may be either exchange-traded or negotiated between the Group and a customer over the counter (OTC).

Derivative contracts can be exchange traded or OTC. The Group values exchange traded derivatives using inputs at market-clearing levels. OTC derivatives are valued using market based inputs or broker/dealer quotations. Where models are required, the Group uses a variety of inputs, including contractual terms, market prices, market volatilities, yield curves and other reference market data.

Fair value measurement models

For OTC derivatives that trade in liquid markets such as generic forwards, swaps and options, model inputs can generally be verified, and model selection conforms to market practice. Certain OTC derivatives trade in less liquid markets with limited pricing information and the determination of fair value for these derivatives is inherently more difficult. Subsequent to initial recognition, the Group only updates valuation inputs when corroborated by evidence such as similar market transactions, third-party pricing services and/or broker dealer quotations or other empirical market data. In the absence of such evidence, management's best estimates are used.

Derivatives held or issued for trading purposes

The Group's trading activities are predominantly related to offering hedging solutions to customers at competitive prices in order to enable them to transfer, modify or reduce current and expected risks. The Group also manages risks taken as a result of client transactions or initiates positions with the expectation of profiting from favourable movement in prices, rates, or indices.

Derivatives held or issued for hedging purposes

The Group uses derivative financial instruments for hedging purposes as part of its asset and liability management activities in order to reduce its own exposure to fluctuations in currency and interest rates. The Group uses forward foreign exchange contracts, cross currency interest rate swaps and interest rate swaps as hedging instruments to hedge currency rate and interest rate risks. The Group uses foreign exchange derivatives to hedge its foreign currency risk on its net investment in foreign operations. In all such cases, the hedging relationship and objectives including details of the hedged item and hedging instrument are formally documented and the transactions are accounted for based on the type of hedge.

The table below shows the positive (assets) and negative (liabilities) fair values of derivative financial instruments.

	Fair values		
	Assets AED'000	Liabilities AED'000	Notional AED'000
As at December 31, 2023			
Derivatives held or issued for trading			
Foreign exchange derivatives	**1,183,151**	**1,254,948**	**226,282,755**
Interest rate and cross currency swaps	**6,938,360**	**6,587,817**	**209,574,396**
Interest rate and commodity options	**723,785**	**965,799**	**58,018,472**
Futures (exchange traded)	**7,804**	**4,257**	**716,235**
Commodity and energy swaps	**300,863**	**263,146**	**9,333,117**
Swaptions	**621,643**	**287,343**	**50,416,455**
Total derivatives held or issued for trading	**9,775,606**	**9,363,310**	**554,341,430**
Derivatives held as fair value hedges			
Interest rate and cross currency swaps	**3,399,870**	**6,842,731**	**134,081,627**
Derivatives held as cash flow hedges			
Interest rate and cross currency swaps	**526,068**	**15,301**	**9,912,565**
Forward foreign exchange contracts	**128,881**	**4,000**	**6,544,206**
Total derivatives held as cash flow hedges	**654,949**	**19,301**	**16,456,771**
Derivatives held as net investment hedges			
Foreign exchange derivatives	**28,661**	**14,153**	**729,057**
Total derivative financial instruments	**13,859,086**	**16,239,495**	**705,608,885**
As at December 31, 2022			
Derivatives held or issued for trading			
Foreign exchange derivatives	972,852	1,006,404	299,249,313
Interest rate and cross currency swaps	7,626,322	7,170,296	184,666,357
Interest rate and commodity options	918,653	1,180,299	63,603,819
Futures (exchange traded)	10,525	9,510	7,212,196
Commodity and energy swaps	50,280	48,897	521,513
Swaptions	662,102	431,202	75,828,229
Total derivatives held or issued for trading	10,240,734	9,846,608	631,081,427
Derivatives held as fair value hedges			
Interest rate and cross currency swaps	4,111,504	6,188,272	120,122,804
Derivatives held as cash flow hedges			
Interest rate and cross currency swaps	446,858	133,401	14,403,967
Forward foreign exchange contracts	176,028	57,104	6,596,404
Total derivatives held as cash flow hedges	622,886	190,505	21,000,371
Derivatives held as net investment hedges			
Foreign exchange derivatives	207,414	-	969,650
Total derivative financial instruments	15,182,538	16,225,385	773,174,252

The notional amounts indicate the volume of transactions and are neither indicative of the market risk nor credit risk. Refer note 45 for maturity profile of notional value of derivatives held for hedging purposes.

The net hedge ineffectiveness losses recognised in the consolidated income statement are as follows:

	2023 AED'000	2022 AED'000
Net change in the fair value of the hedged items attributable to risk hedged	**1,331,267**	771,138
Net change in the fair value of the hedging instruments	**(1,333,609)**	(782,957)
Net hedge ineffectiveness losses	**(2,342)**	(11,819)

The hedge ineffectiveness losses in 2023 and 2022 mainly pertains to borrowings due to mismatch in timing of the cash flows between hedge instrument and hedge item.

The table below provides the Group's forecast of net undiscounted cash flows in respect of its cash flow hedges and the periods in which these cash flows are expected to impact consolidated income statement, excluding any hedging adjustment that may be applied.

Year	Less than 3 months AED'000	3 months to less than 1 year AED'000	1 year to less than 2 years AED'000	2 years to less than 5 years AED'000	More than 5 years AED'000	Total AED'000
2023	**129,059**	**140,812**	**154,697**	**305,933**	**-**	**730,501**
2022	230,282	304,239	161,286	451,737	1,175	1,148,719

As at December 31, 2023, the Group received cash collateral of AED 4,186,029 thousand (December 31, 2022 - AED 5,784,492 thousand) and bonds with fair value of AED 1,624,559 thousand (December 31, 2022 - AED 515,415 thousand) against positive fair value of derivative assets.

As at December 31, 2023, the Group placed cash collateral of AED 2,648,597 thousand (December 31, 2022 - AED 2,404,981 thousand) and bonds with fair value of AED 4,453,765 thousand (December 31, 2022 - AED 3,020,297 thousand) against the negative fair value of derivative liabilities.

These collaterals are governed by collateral service agreements under International Swaps and Derivatives Association (ISDA) agreements.

10. Investment securities, net

	UAE AED'000	Other GCC(*) countries AED'000	Rest of the world AED'000	Total AED'000
As at December 31, 2023				
At fair value through other comprehensive income (FVTOCI)				
Quoted:				
Government securities	**10,053,546**	**6,436,648**	**12,279,218**	**28,769,412**
Bonds - Public sector	**4,560,797**	**2,076,409**	**1,442,471**	**8,079,677**
Bonds - Banks and financial institutions	**1,422,505**	**256,424**	**450,107**	**2,129,036**
Bonds - Corporate	**672,288**	**341,956**	**534,593**	**1,548,837**
Equities and funds(**)	**591,303**	**34,464**	**158,351**	**784,118**
Total quoted	**17,300,439**	**9,145,901**	**14,864,740**	**41,311,080**
Unquoted:				
Equities and funds	**76,852**	**1,355**	**32,081**	**110,288**
Total investment securities at fair value through other comprehensive income	**17,377,291**	**9,147,256**	**14,896,821**	**41,421,368**
At amortised cost				
Quoted:				
Government securities	**12,409,634**	**14,724,527**	**27,809,084**	**54,943,245**
Bonds - Public sector	**8,033,464**	**1,721,440**	**7,044,517**	**16,799,421**
Bonds - Banks and financial institutions	**1,537,803**	**1,257,209**	**7,083,282**	**9,878,294**
Bonds - Corporate	**2,645,851**	**519,273**	**2,084,410**	**5,249,534**
Total quoted	**24,626,752**	**18,222,449**	**44,021,293**	**86,870,494**
Less: Allowance for impairment (Note 43.3)	**(6,917)**	**(2,877)**	**(13,671)**	**(23,465)**
Total investment securities at amortised cost	**24,619,835**	**18,219,572**	**44,007,622**	**86,847,029**
Total investment securities, net	**41,997,126**	**27,366,828**	**58,904,443**	**128,268,397**

(*) Gulf Cooperation Council
(**) includes investments in perpetual bonds

	UAE AED'000	Other GCC(*) countries AED'000	Rest of the world AED'000	Total AED'000
As at December 31, 2022				
At fair value through other comprehensive income (FVTOCI)				
Quoted:				
Government securities	10,935,448	8,121,358	16,946,221	36,003,027
Bonds - Public sector	5,644,936	2,127,066	2,176,692	9,948,694
Bonds - Banks and financial institutions	3,003,459	1,851,398	1,831,374	6,686,231
Bonds - Corporate	749,353	339,052	592,622	1,681,027
Equities and funds(**)	608,947	30,026	190,701	829,674
Total quoted	20,942,143	12,468,900	21,737,610	55,148,653
Unquoted:				
Bonds - Banks and financial institutions	-	548,532	-	548,532
Equities and funds	129,792	1,382	22,910	154,084
Total unquoted	129,792	549,914	22,910	702,616
Total investment securities at fair value through other comprehensive income	21,071,935	13,018,814	21,760,520	55,851,269
At amortised cost				
Quoted:				
Government securities	10,423,119	10,971,714	17,675,051	39,069,884
Bonds - Public sector	5,698,746	1,497,216	3,385,656	10,581,618
Bonds - Banks and financial institutions	1,291,260	425,132	1,783,731	3,500,123
Bonds - Corporate	2,759,047	61,501	214,109	3,034,657
Total quoted	20,172,172	12,955,563	23,058,547	56,186,282
Less: Allowance for impairment (Note 43.3)	(6,728)	(5,919)	(14,221)	(26,868)
Total investment securities at amortised cost	20,165,444	12,949,644	23,044,326	56,159,414
Total investment securities, net	41,237,379	25,968,458	44,804,846	112,010,683

(*) Gulf Cooperation Council
(**) includes investments in perpetual bonds

For Islamic investing assets included in the above table, refer note 24

As at December 31, 2023, the allowance for impairment on debt instruments designated at FVTOCI amounting to AED 53,981 thousand (December 31, 2022 - AED 69,616 thousand) (Note 43.3) is included in revaluation reserve of investments carried at FVTOCI.

The Group hedges certain fixed and floating rate investments securities amounting to AED 74,845,997 thousand (December 31, 2022 - AED 64,910,149 thousand) for interest rate and foreign currency risks through interest rate and currency swaps and designates these as fair value and cash flow hedges. The net positive fair value of these swaps as at December 31, 2023, was AED 2,757,908 thousand (December 31, 2022 - net positive fair value AED 4,173,486 thousand). The hedge ineffectiveness gains and losses relating to these hedges were included in the consolidated income statement.

The Group entered into repurchase agreements whereby bonds were pledged and held by counterparties as collateral. The risks and rewards relating to the investments pledged remains with the Group. The bonds placed as collateral are governed under Global Master Repurchase Agreements (GMRA). The following table reflects the carrying value of these bonds and the associated financial liabilities:

	As at December 31, 2023		As at December 31, 2022	
	Carrying value of pledged securities(*) AED'000	Carrying value of associated liabilities AED'000	Carrying value of pledged securities AED'000	Carrying value of associated liabilities AED'000
Repurchase financing	**39,291,225**	**34,887,375**	26,510,903	24,624,954

(*) includes securities of AED 5,641,405 thousand (December 31, 2022 - 433,762 thousand) received as collateral by the Group (Note 8)

Further, the Group pledged investment securities with fair value amounting to AED 4,558,235 thousand (December 31, 2022 - AED 3,965,022 thousand) as collateral against margin calls. The risks and rewards on these pledged investments securities remains with the Group.

11. Loans and advances to customers, net

	As at December 31 2023 AED'000	As at December 31 2022 AED'000
Overdrafts (retail and corporate)	**15,594,536**	17,533,430
Retail loans - mortgages	**16,075,151**	12,738,042
Retail loans - others	**37,907,671**	32,405,769
Corporate loans	**210,534,372**	180,064,566
Credit cards	**5,111,888**	4,401,955
Other facilities	**24,209,885**	20,003,037
Gross loans and advances to customers at amortised cost	**309,433,503**	267,146,799
Less: Allowance for impairment (Note 43.3)	**(10,688,842)**	(11,758,002)
Total loans and advances to customers at amortised cost, net	**298,744,661**	255,388,797
Loans and advances to customers mandatorily measured at FVTPL	**3,249,938**	3,104,073
Total loans and advances to customers, net	**301,994,599**	258,492,870

For Islamic financing assets included in the above table, refer note 24.

The Group hedges certain fixed and floating rate loans and advances amounting to AED 4,810,969 thousand (December 31, 2022 - AED 242,798 thousand) for interest rate and foreign currency risk using interest rate and cross currency swaps and designates these swaps as fair value and cash flow hedges, respectively. The net negative fair value of these swaps as at December 31, 2023, was AED 4,057 thousand (December 31, 2022 - net positive fair value of AED 11,732 thousand).

The Group entered into structured financing agreements whereby certain loans and advances to customers were transferred and held by counterparties. The risks and rewards relating to the loans transferred remains with the Group. The structured financing and loans transferred are governed under International Swaps and Derivatives Association (ISDA) agreements. The following table reflects the carrying value of these loans and the associated financial liabilities:

	As at December 31, 2023		As at December 31, 2022	
	Nominal value of pledged loans AED'000	Carrying value of associated liabilities AED'000	Nominal value of pledged loans AED'000	Carrying value of associated liabilities AED'000
Repurchase financing	-	-	1,026,640	718,647

As at December 31, 2023, the Group posted cash collateral against margin call of AED nil (December 31, 2022 - AED 1,947 thousand).

12. Investment in associates

	AED'000
As at January 1, 2022	262,609
Share in loss of associates	(8,463)
Dividend received from associates	(1,621)
As at December 31, 2022	252,525
Additions during the year (Note 34)	**118,200**
Share in loss of associates	**(103)**
As at December 31, 2023	**370,622**

Details of investment in associates as at December 31, 2023, are as follows:

Name of associate	Effective ownership interest 2023	2022	Country of incorporation	Principal activities
Four N Property LLC	**35.00%**	35.00%	UAE	Residential facilities for lower income group
Al Hilal Global Sukuk Fund	**27.63%**	19.37%	UAE	Investment activities
Al Hilal GCC Equity Fund	**90.19%**	83.66%	UAE	Investment activities
NMC Holdco SPV Ltd	**39.78%**	37.56%	UAE	Healthcare services
EL Fouadeya Development Company	**25.00%**	25.00%	Egypt	Real estate contracting services
Abu Dhabi Commercial Properties LLC (Note 34)	**20.00%**	-	UAE	Real estate property management and advisory services

For balances and transactions with associates, refer note 37.

13. Investment properties

	AED'000
As at January 1, 2022	1,674,954
Additions during the year	6,105
Disposals during the year	(2,763)
Revaluation of investment properties	19,479
Impact of currency translation	(5,885)
As at December 31, 2022	1,691,890
Additions during the year	**5,785**
Disposals during the year	**(247)**
Revaluation of investment properties	**46,386**
Impact of currency translation	**(2,354)**
As at December 31, 2023	**1,741,460**

For the year 2023, net gain from investment properties includes net loss of AED 25 thousand (2022 - net loss of AED 337 thousand) on disposal of investment properties.

Additions during the year represents properties acquired on settlement of loans and advances. These being non-cash transactions have not been reflected in the consolidated statement of cash flows.

Fair valuations

Valuations are carried out by registered independent valuers having an appropriate recognised professional qualification and experience in the location and category of the property being valued. In estimating the fair values of the properties, the highest and best use of the properties is their current use.

The valuation methodologies considered by external valuers include:

- Direct comparable method: This method seeks to determine the value of the property from transactions of comparable properties in the vicinity applying adjustments to reflect differences to the subject property.
- Investment method: This method is used to assess the value of the property by capitalising the net operating income of the property at an appropriate yield an investor would expect for an investment of the duration of the interest being valued.

All investment properties of the Group are primarily located within the UAE.

Details of rental income and direct operating expenses relating to investment properties during the year are as follows:

	2023 AED'000	2022 AED'000
Rental income	**75,107**	77,825
Direct operating expenses	**22,198**	27,881

14. Other assets, net

	As at December 31 2023 AED'000	As at December 31 2022 AED'000
Interest receivable	**4,542,779**	3,341,919
Prepayments	**130,557**	124,628
Acceptances (Note 21)	**13,202,764**	17,131,510
Others	**1,101,978**	1,128,753
Gross other assets	**18,978,078**	21,726,810
Less: Allowance for impairment (Note 43.3)	**(17,720)**	(15,621)
Total other assets, net	**18,960,358**	21,711,189

15. Property and equipment, net

	Freehold properties and improvements AED'000	Leasehold improvements AED'000	Furniture, equipment, and vehicles AED'000	Computer equipment, software, and accessories AED'000	Capital work in progress AED'000	Right of use asset AED'000	Total AED'000
Cost or valuation							
As at January 1, 2022	1,559,241	351,443	293,359	1,820,334	258,058	406,551	4,688,986
Additions during the year	67,133	10,804	4,258	18,399	244,462	68,516	413,572
Transfers during the year	879	2,794	240	282,887	(286,800)	-	-
Transfers to investment properties/expenses	(5,594)	-	-	-	(5,332)	-	(10,926)
Disposals during the year	(20,928)	(4,828)	(28,394)	(7,314)	-	(14,579)	(76,043)
Impact of currency translation	(24,708)	(17,826)	(9,662)	(33,322)	(35,277)	(50,169)	(170,964)
As at December 31, 2022	1,576,023	342,387	259,801	2,080,984	175,111	410,319	4,844,625
Additions during the year	**522**	**9,359**	**5,243**	**68,199**	**284,084**	**24,977**	**392,384**
Transfers during the year	**45**	**4,380**	**409**	**177,585**	**(182,419)**	**-**	**-**
Disposals during the year	**(45,907)**	**(13,298)**	**(7,559)**	**(25,962)**	**-**	**(1,028)**	**(93,754)**
Impact of currency translation	**(10,636)**	**(6,246)**	**(3,328)**	**(11,867)**	**(12,788)**	**(18,037)**	**(62,902)**
As at December 31, 2023	**1,520,047**	**336,582**	**254,566**	**2,288,939**	**263,988**	**416,231**	**5,080,353**
Accumulated depreciation							
As at January 1, 2022	621,396	243,927	228,384	1,363,725	-	167,284	2,624,716
Charge for the year (Note 32)	68,629	34,132	15,105	215,486	-	73,907	407,259
Disposals during the year	(19,153)	(4,825)	(28,302)	(7,467)	-	(9,804)	(69,551)
Impact of currency translation	(1,366)	(13,584)	(7,960)	(20,496)	-	(11,896)	(55,302)
As at December 31, 2022	669,506	259,650	207,227	1,551,248	-	219,491	2,907,122
Charge for the year (Note 32)	**66,392**	**25,746**	**10,267**	**210,255**	**-**	**65,725**	**378,385**
Disposals during the year	**(27,586)**	**(12,184)**	**(7,291)**	**(23,982)**	**-**	**(253)**	**(71,296)**
Impact of currency translation	**(422)**	**(4,890)**	**(2,915)**	**(8,273)**	**-**	**(4,954)**	**(21,454)**
As at December 31, 2023	**707,890**	**268,322**	**207,288**	**1,729,248**	**-**	**280,009**	**3,192,757**
Carrying amount							
As at December 31, 2023	**812,157**	**68,260**	**47,278**	**559,691**	**263,988**	**136,222**	**1,887,596**
As at December 31, 2022	906,517	82,737	52,574	529,736	175,111	190,828	1,937,503

16. Intangible assets, net

		Other intangible assets			
	Goodwill AED'000	Trademark and license AED'000	Core deposits AED'000	Customer relationships AED'000	Total AED'000
Cost or valuation					
As at January 1, 2022	6,753,517	255,342	457,000	84,000	7,549,859
Impact of currency translation	-	(48,356)	-	-	(48,356)
As at December 31, 2022	6,753,517	206,986	457,000	84,000	7,501,503
Impact of currency translation	-	(16,757)	-	-	(16,757)
As at December 31, 2023	**6,753,517**	**190,229**	**457,000**	**84,000**	**7,484,746**
Accumulated amortisation					
As at January 1, 2022	-	-	214,729	40,445	255,174
Amortisation for the year (Note 32)	-	-	80,524	13,611	94,135
As at December 31, 2022	-	-	295,253	54,056	349,309
Amortisation for the year (Note 32)	-	-	73,413	12,833	86,246
As at December 31, 2023	**-**	**-**	**368,666**	**66,889**	**435,555**
Carrying amount					
As at December 31, 2023	**6,753,517**	**190,229**	**88,334**	**17,111**	**7,049,191**
As at December 31, 2022	6,753,517	206,986	161,747	29,944	7,152,194

Goodwill

On May 1, 2019, Union National Bank PJSC (or "UNB") merged with Abu Dhabi Commercial Bank PJSC in an all-stock transaction. The merged entity subsequently completed 100% acquisition of Al Hilal Bank PJSC (or "AHB"). Based on the purchase price allocation exercise performed by an external consultant following the merger and acquisition, the Bank recognised AED 785,000 thousand as intangible assets and AED 6,734,717 thousand as goodwill.

On October 1, 2010, the Bank acquired the retail banking, wealth management and small and medium enterprise businesses (the "Business") of The Royal Bank of Scotland ("RBS") in the UAE for a consideration of AED 168,900 thousand. Based on the fair valuation and purchase price allocation exercise performed by an external consultant immediately following the acquisition in 2010, the Bank recognised AED 143,400 thousand as intangible assets which were fully amortised during the previous years and AED 18,800 thousand as goodwill.

Impairment assessment of goodwill

For the purposes of impairment testing, goodwill acquired in a business combination is allocated to the revenue generating CGUs. In a goodwill impairment test, the recoverable amounts of the goodwill carrying CGUs are compared with the respective carrying amounts. The recoverable amount is the higher of a CGU's fair value less costs of disposal and its value in use.

The carrying amount of CGU is derived using a capital allocation model where the Group's core equity capital is allocated to the CGUs. The Group determines the recoverable amounts of its CGUs based on higher of fair value less cost to sell (FVLCS) or value in use (VIU).

Value in use is estimated using discounted cash flow (DCF) model, which reflects the specifics of the banking business and its regulatory environment. The model calculates the present value of the estimated future earnings that are distributable to shareholders after fulfilling the respective regulatory capital requirements and the risk appetite of the Group. The DCF model uses earnings projections which are discounted to their present value by using discount rate of 7.94% p.a.. Earnings projections beyond the initial five-year period are adjusted to derive a sustainable level using a terminal growth rate of 4.35% p.a.. The DCF value of a CGU is sensitive to the projections of distributable earnings, the discount rate applied and the terminal growth rate.

FVLCS of CGUs are estimated based on data from comparable companies' price to book (P/B) ratio and adding control premium to the same.

No impairment loss on above goodwill was recognised during the year (2022 - AED nil) since the recoverable amount of the CGU's were higher than the respective CGU's carrying amounts.

Other intangible assets

Trademark and license	AHB has built a strong franchise and has a reputation as a progressive Islamic bank offering a wide range of client centric Shari'ah compliant retail banking products. The AHB brand plays a key part in generating revenues for the Bank.
Egypt license	This has been recognised as an intangible asset as Central Bank of Egypt has not issued a new banking license to any entity for the past 20 years and has therefore restricted engagement in banking activities to banks already licensed and operating in Egypt. The license plays a key part in generating revenues for the Bank. Egypt license was valued considering the market approach using comparable transactions.
Core deposits	The value of core deposit intangible asset arises from the fact that the deposit base of the Group represents a cheaper source of funding than wholesale or money market funding. The spread between the cost of deposit funding and the cost of wholesale/ money market funding represents the value of the core deposit intangible.
Customer relationships	Customer relationship intangible assets represent the value attributable to the business expected to be generated from customers that existed as at the acquisition date. In determining the fair value of customer relationships, trade finance customers were considered. These relationships are expected to generate material recurring income in the form of fees and commission.

17. Due to banks

	As at December 31 2023 AED'000	As at December 31 2022 AED'000
Vostro balances	**1,989,085**	2,939,157
Margin deposits	**4,428,478**	5,917,002
Time deposits	**2,377,405**	863,034
Total due to banks	**8,794,968**	9,719,193

18. Deposits from customers

	As at December 31 2023 AED'000	As at December 31 2022 AED'000
Time deposits	**195,251,700**	155,624,985
Current account deposits	**137,448,035**	122,426,026
Savings deposits	**27,497,278**	28,368,562
Long term government deposits	**280,417**	287,653
Margin deposits	**2,427,609**	2,223,473
Total deposits from customers	**362,905,039**	308,930,699

For Islamic deposits included in the above table, refer note 24.

The Group hedges customer deposits amounting to AED 27,924,885 thousand (December 31, 2022 - AED 31,261,041 thousand) for foreign currency and interest rate risks using foreign exchange and interest rate swaps and designates these swaps as either cash flow or fair value hedges. The net positive fair value of these swaps as at December 31, 2023, was AED 19,056 thousand (December 31, 2022 - net negative fair value of AED 157,067 thousand).

19. Euro commercial paper

The details of euro commercial paper ("ECP") issuances under the Bank's ECP programme are as follows:

Currency (CCY)	As at December 31 2023 AED'000	As at December 31 2022 AED'000
US dollar (USD)	**3,728,810**	2,510,067
Euro (EUR)	**1,362,606**	1,230,731
Great Britain pound (GBP)	**2,686,239**	2,253,481
Total euro commercial paper	**7,777,655**	5,994,279

The Group hedges euro commercial paper amounting to AED 4,048,844 thousand (December 31, 2022 - AED 3,484,212 thousand) for foreign currency using foreign exchange swaps and designates these swaps as cash flow hedges. The net positive fair value of these hedge contracts as at December 31, 2023, was AED 108,246 thousand (December 31, 2022 - net positive fair value of AED 72,885 thousand).

The effective interest rate on zero coupon ECPs ranges between 3.91% p.a. to 6.14% p.a. (December 31, 2022 - between 1.19% p.a. to 5.29% p.a.).

Reconciliation of ECP movement to cash flows arising from financing activities is as follows:

	AED'000
As at January 1, 2022	6,199,157
Net proceeds from issuances	14,604,440
Repayments	(14,855,599)
Other movements	46,281
As at December 31, 2022	5,994,279
Net proceeds from issuances	**24,754,663**
Repayments	**(23,343,332)**
Other movements	**372,045**
As at December 31, 2023	**7,777,655**

Net proceeds from issuances include effects of changes in foreign exchange rates. Other movements include discount amortised.

20. Borrowings

The details of borrowings as at December 31, 2023 are as follows:

Instrument	Currency (CCY)	Within 1 year AED'000	1-3 years AED'000	3-5 years AED'000	Over 5 years AED'000	Total AED'000
Global medium term notes	Australian dollar (AUD)	-	-	868,091	140,883	1,008,974
	Chinese renminbi (CNH)	220,468	333,521	154,233	-	708,222
	Euro (EUR)	79,763	-	-	-	79,763
	Swiss franc (CHF)	1,558,795	-	-	-	1,558,795
	Hong Kong dollar (HKD)	72,268	70,263	-	-	142,531
	US dollar (USD)	2,792,254	2,633,544	6,047,621	19,897,712	31,371,131
	Great Britain pound (GBP)	181,759	-	-	-	181,759
	Indonesian rupiah (IDR)	-	-	-	475,867	475,867
		4,905,307	3,037,328	7,069,945	20,514,462	35,527,042
Bilateral loans	US dollar (USD)	616,467	733,243	3,031,082	-	4,380,792
	Kazakhstan tenge (KZT)	-	-	82,265	-	82,265
Certificate of deposits issued	Great Britain pound (GBP)	791,054	-	-	-	791,054
	US dollar (USD)	864,316	-	-	-	864,316
	Euro (EUR)	120,490	-	-	-	120,490
Borrowings through repurchase agreements	US dollar (USD)	32,205,548	2,677,410	-	-	34,882,958
	Egyptian pound (EGP)	-	-	-	4,417	4,417
Total borrowings		39,503,182	6,447,981	10,183,292	20,518,879	76,653,334

The Group hedges borrowings amounting to AED 37,471,801 thousand for foreign currency and interest rate risks using either interest rate or cross currency swaps and designates these swaps as either fair value or cash flow hedges. The net negative fair value of these swaps as at December 31, 2023, was AED 5,688,366 thousand.

The details of borrowings as at December 31, 2022 are as follows:

Instrument	Currency (CCY)	Within 1 year AED'000	1-3 years AED'000	3-5 years AED'000	Over 5 years AED'000	Total AED'000
Global medium-term notes	Australian dollar (AUD)	-	-	860,600	134,025	994,625
	Chinese renminbi (CNH)	-	226,806	509,186	-	735,992
	Euro (EUR)	-	75,952	-	-	75,952
	Swiss franc (CHF)	695,947	1,382,678	-	-	2,078,625
	Hong Kong dollar (HKD)	105,133	137,019	-	-	242,152
	US dollar (USD)	4,580,451	3,894,245	5,545,598	16,890,626	30,910,920
	Great Britain pound (GBP)	-	165,889	-	-	165,889
	Indonesian rupiah (IDR)	-	-	-	454,570	454,570
		5,381,531	5,882,589	6,915,384	17,479,221	35,658,725
Islamic sukuk notes	US dollar (USD)	1,844,944	-	-	-	1,844,944
Bilateral loans	US dollar (USD)	631,137	3,175,949	-	-	3,807,086
	Kazakhstan tenge (KZT)	-	-	81,198	-	81,198
Certificate of deposits issued	Great Britain pound (GBP)	110,228	-	-	-	110,228
	US dollar (USD)	286,325	-	-	-	286,325
Subordinated notes - fixed rate	US dollar (USD)	2,743,626	-	-	-	2,743,626
Borrowings through repurchase agreements	US dollar (USD)	18,115,040	7,019,742	202,333	-	25,337,115
	Egyptian pound (EGP)	594	-	-	5,892	6,486
Total borrowings		29,113,425	16,078,280	7,198,915	17,485,113	69,875,733

The Group hedges borrowings amounting to AED 37,677,496 thousand for foreign currency and interest rate risks using either interest rate or cross currency swaps and designates these swaps as either fair value or cash flow hedges. The net negative fair value of these swaps as at December 31, 2022, was AED 5,745,422 thousand.

Interests are payable in arrears and the contractual coupon rates as at December 31, 2023, are as follows:

Instrument	CCY	Within 1 year	1-3 years	3-5 years	Over 5 years
Global medium term notes	AUD	-	-	Fixed rate between 3.10% p.a. and 4.50% p.a. and quarterly coupons with 90 to 94 basis points over bank bill swap rate (BBSW).	Fixed rate between 2.696% p.a. to 2.80% p.a.
	CNH	Fixed rate between 3.33% p.a. to 4.60% p.a.	Fixed rate between 3.35% p.a. to 3.38% p.a.	Fixed rate between 3.20% p.a. to 3.415% p.a.	-
	EUR	Fixed rate of 0.75% p.a.	-	-	-
	CHF	Fixed rate between 0.05% p.a. to 0.735% p.a.	-	-	-
	HKD	Fixed rate of 2.87% p.a.	Fixed rate of 1.34% p.a.	-	-
	USD	Quarterly coupons between 136 to 181 basis points over SOFR.	Fixed rate between 1.63% p.a. to 1.72% p.a. and quarterly coupons of 129 basis points over SOFR.	Fixed rate between 3.50% p.a. to 5.375% p.a. and quarterly coupons between 88 to 166 basis points over SOFR.	Fixed rate between 4.65% p.a. to 5.50% p.a. and zero coupon with an internal rate of return between 3.271% p.a. to 5.785 % p.a.(*)
	GBP	Fixed rate of 0.95% p.a.	-	-	-
	IDR	-	-	-	Fixed rate between 7.50% p.a. to 8.16% p.a.
Bilateral loans	USD	Monthly coupons of 106 basis points over SOFR.	Monthly coupons of 111 basis points over term SOFR.	Monthly coupons between 68 to 85 basis points over SOFR.	-
	KZT	-	-	Fixed rate between 8.50% p.a. to 9.50% p.a.	-
Certificate of deposits issued	GBP	Zero coupon with an internal rate of return between 5.62% p.a. to 5.80% p.a.	-	-	-
	USD	Zero coupon with an internal rate of return between 5.74% p.a. to 5.99% p.a.	-	-	-
	EUR	Zero coupon with an internal rate of 4.21% p.a.	-	-	-
Borrowings through repurchase agreements	USD	Fixed rate between 5.72% p.a. to 6.05% p.a., quarterly coupons between 39 to 76 basis points over SOFR and coupons at maturity between 40 to 71 basis points over SOFR.	Quarterly coupons between 65 to 69 basis points over SOFR and semi-annual coupons between 23 to 25 basis points over SOFR.	-	-
	EGP	-	-	-	Fixed rate between 0.50% p.a. to 3.50% p.a.

(*) includes AED 16,974,804 thousand accreting notes issued with original tenors ranging from 30 years to 40 years with internal rate of return ranging between 3.271% p.a. to 5.785% p.a. and are callable at the end of every 5th, 6th, 7th, or 10th year from issue date

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Refer note 10 and note 11 for details of bonds and loans pledged as collateral against borrowings through repurchase agreements. Further, the Group placed net cash collateral of AED 177,275 thousand (December 31, 2022 - AED 1,072,321 thousand) against margin calls.

Reconciliation of borrowings movement to cash flows arising from financing activities is as follows:

	AED'000
As at January 1, 2022	72,499,337
Net proceeds from issuances	47,103,994
Repayments	(44,319,818)
Other movements	(5,407,780)
As at December 31, 2022	69,875,733
Net proceeds from issuances	**79,228,672**
Repayments	**(73,568,772)**
Other movements	**1,117,701**
As at December 31, 2023	**76,653,334**

Net proceeds from issuances include effects of changes in foreign exchange rates on borrowings. Other movements include interest capitalised on callable accreting notes, discount on issuances amortised and changes in fair value hedges.

21. Other liabilities

	As at December 31 2023 AED'000	As at December 31 2022 AED'000
Interest payable	**3,136,679**	1,841,733
Recognised liability for defined benefit obligation	**467,429**	511,909
Deferred income	**1,120,442**	842,135
Acceptances (Note 14)	**13,202,764**	17,131,510
Impairment allowance on letters of credit, guarantees and other commitments (Note 43.3)	**524,036**	423,942
Others(*)	**5,119,177**	4,919,510
Total other liabilities	**23,570,527**	25,670,739

(*) includes AED 168,031 thousand (December 31, 2022 - AED 225,595 thousand) pertaining to lease liability

Defined benefit obligation

The Group provides gratuity benefits to its eligible employees in UAE. The most recent actuarial valuations of the present value of the defined benefit obligation were carried out in the last quarter of 2023 by a registered actuary in the UAE. The present value of the defined benefit obligation and the related current and past service cost were measured using the Projected Unit Credit Method.

Key assumptions used in the actuarial valuation are as follows:

Discount rate:	5.85% p.a. (2022 - 5.23% p.a.)
Salary increment rate:	2.25% p.a. (2022 - 2.75% p.a.)

Demographic assumptions for mortality, resignation and retirement were used in valuing the liabilities and benefits under the plan.

The liability would be higher by AED 16,048 thousand (December 31, 2022 - AED 14,550 thousand) had the discount rate used in the assumption been lower by 0.50% and the liability would be lower by AED 15,013 thousand (December 31, 2022 - AED 14,011 thousand) had the discount rate used in the assumption been higher by 0.50%. Similarly, the liability would be higher by AED 15,530 thousand (December 31, 2022 - AED 11,856 thousand) had the salary increment rate used in the assumption been higher by 0.50% and the liability would be lower by AED 15,013 thousand (December 31, 2022 - AED 11,317 thousand) had the salary increment rate used in the assumption been lower by 0.50%.

The movement in defined benefit obligation is as follows:

	2023 AED'000	2022 AED'000
Opening balance	**511,909**	594,717
Net charge during the year(*)	**80,478**	73,011
Actuarial gains on defined benefit obligation	**(47,646)**	(108,233)
Benefits paid	**(77,312)**	(47,586)
Closing balance	**467,429**	511,909

(*) recognised under "staff expense" in the consolidated income statement

Defined contribution

Under defined contribution plans, the Group pays contributions to Abu Dhabi Retirement Pensions and Benefits Fund for UAE National employees and to respective pension funds for other employees including GCC Nationals. The charge for the year in respect of these contributions is AED 93,573 thousand (2022 - AED 85,480 thousand). As at December 31, 2023, pension payable of AED 11,449 thousand has been classified under 'Other liabilities - others' (December 31, 2022 - AED 9,523 thousand).

22. Share capital

	Authorised	Issued and fully paid	
		As at December 31 2023	As at December 31 2022
	AED'000	AED'000	AED'000
Ordinary shares of AED 1 each	**10,000,000**	**7,319,947**	6,957,379

In the Annual General Meeting held on March 20, 2023, the shareholders of the Bank approved cash dividend of AED 1,252,328 thousand and stock dividend of AED 2,574,231 thousand resulting in issuance of 362,568 thousand shares as shown below:

	AED'000
Ordinary share capital issued	362,568
Legal reserve(*)	2,211,663
Total stock dividend	**2,574,231**

(*) as per Securities and Commodities Authority regulations

As at December 31, 2023, Mubadala Investment Company holds 60.20% (December 31, 2022 - 60.20%) of the Bank's issued and fully paid-up share capital through its wholly owned subsidiary One Hundred and Fourteenth Investment Company - Sole Proprietorship LLC.

Dividends

For the year ended December 31, 2023, the Board of Directors has proposed to pay a cash dividend of AED 4,099,170 thousand, being AED 0.56 dividend per share and representing 56% of the paid-up capital (December 31, 2022 - cash and stock dividend of AED 3,826,559 thousand, being AED 0.55 dividend per share and representing 55% of the paid-up capital). This is subject to the approval of the shareholders in the Annual General Meeting.

23. Other reserves

Reserves movement for the year ended December 31, 2023:

	Employees' incentive plan shares, net AED'000	Statutory reserve AED'000	Legal reserve AED'000	General reserve AED'000	Contingency reserve AED'000	Foreign currency translation reserve AED'000	Cash flow hedge reserve AED'000	Revaluation reserve of investments designated at at FVTOCI AED'000	Attributable to equity holders of the Bank AED'000	Non-controlling interests AED'000	Total AED'000
As at January 1, 2023	(68,824)	3,478,690	3,478,690	2,000,000	150,000	(184,449)	97,176	(1,404,540)	7,546,743	(481)	7,546,262
Exchange difference arising on translation of foreign operations	-	-	-	-	-	(211,104)	-	-	(211,104)	(195)	(211,299)
Net gain on hedge of net investment in foreign operations	-	-	-	-	-	169,120	-	-	169,120	-	169,120
Net fair value changes on cash flow hedges	-	-	-	-	-	-	111,535	-	111,535	-	111,535
Net fair value changes on cash flow hedges reclassified to consolidated income statement	-	-	-	-	-	-	93,072	-	93,072	-	93,072
Net fair value changes of debt instruments designated at FVTOCI	-	-	-	-	-	-	-	240,535	240,535	23	240,558
Changes in allowance for expected credit losses on debt instrument designated at FVTOCI	-	-	-	-	-	-	-	(15,635)	(15,635)	-	(15,635)
Amounts reclassified to consolidated income statement for debt instruments designated at FVTOCI	-	-	-	-	-	-	-	87,009	87,009	-	87,009
Net fair value changes of equity instruments designated at FVTOCI	-	-	-	-	-	-	-	1,862	1,862	-	1,862
Amounts transferred within equity upon disposal of equity instruments designated at FVTOCI	-	-	-			-	-	4,584	4,584	-	4,584
Total other comprehensive (loss)/income for the year	-	-	-	-	-	(41,984)	204,607	318,355	480,978	(172)	480,806
Acquisition of shares	(40,460)	-	-	-	-	-	-	-	(40,460)	-	(40,460)
Dividends paid to equity holders of the Bank (Note 22)	-	-	2,211,663	-	-	-	-	-	2,211,663	-	2,211,663
Transfers from retained earnings (Note 50)	-	181,284	181,284	-	-	-	-	-	362,568	-	362,568
Fair value adjustments	(7,923)	-	-	-	-	-	-	-	(7,923)	-	(7,923)
Shares - vested portion (Note 25)	38,338	-	-	-	-	-	-	-	38,338	-	38,338
As at December 31, 2023	(78,869)	3,659,974	5,871,637	2,000,000	150,000	(226,433)	301,783	(1,086,185)	10,591,907	(653)	10,591,254

For more information on reserves, refer note 50.

Reserves movement for the year ended December 31, 2022:

	Employees' incentive plan shares, net AED'000	Statutory reserve AED'000	Legal reserve AED'000	General reserve AED'000	Contingency reserve AED'000	Foreign currency translation reserve AED'000	Cash flow hedge reserve AED'000	Revaluation reserve of investments designated at FVTOCI AED'000	Attributable to equity holders of the Bank AED'000	Non-controlling interests AED'000	Total AED'000
As at January 1, 2022	(76,712)	3,478,690	3,478,690	2,000,000	150,000	(68,673)	(67,912)	389,298	9,283,381	194	9,283,575
Exchange difference arising on translation of foreign operations	-	-	-	-	-	(619,537)	-	-	(619,537)	(530)	(620,067)
Net gain on hedge of net investment in foreign operations	-	-	-	-	-	390,334	-	-	390,334	-	390,334
Exchange difference arising on translation of foreign operations reclassified to consolidated income statement	-	-	-	-	-	113,366	-	-	113,366		113,366
Net fair value changes on cash flow hedges	-	-	-	-	-	-	99,311	-	99,311	-	99,311
Net fair value changes on cash flow hedges reclassified to consolidated income statement	-	-	-	-	-	-	65,777	-	65,777	-	65,777
Net fair value changes of debt instruments designated at FVTOCI	-	-	-	-	-	-	-	(1,815,918)	(1,815,918)	(45)	(1,815,963)
Changes in allowance for expected credit losses on debt instrument designated at FVTOCI	-	-	-	-	-	-	-	(38,035)	(38,035)	-	(38,035)
Amounts reclassified to consolidated income statement for debt instruments designated at FVTOCI	-	-	-	-	-	-	-	98,771	98,771	-	98,771
Net fair value changes of equity instruments designated at FVTOCI	-	-	-	-	-	-	-	(40,408)	(40,408)	-	(40,408)
Amounts transferred within equity upon disposal of equity instruments designated at FVTOCI	-	-	-	-	-	-	-	1,713	1,713	-	1,713
Total other comprehensive (loss)/income for the year	-	-	-	-	-	(115,837)	165,088	(1,793,877)	(1,744,626)	(575)	(1,745,201)
Acquisition of shares	(5,010)	-	-	-	-	-	-	-	(5,010)	-	(5,010)
Adjustment arising from changes in non-controlling interests	-	-	-	-	-	61	-	39	100	(100)	-
Fair value adjustments	(9,724)	-	-	-	-	-	-	-	(9,724)	-	(9,724)
Shares - vested portion (Note 25)	22,622	-	-	-	-	-	-	-	22,622	-	22,622
As at December 31, 2022	(68,824)	3,478,690	3,478,690	2,000,000	150,000	(184,449)	97,176	(1,404,540)	7,546,743	(481)	7,546,262

24. Islamic financing

Islamic financing assets	As at December 31 2023 AED'000	As at December 31 2022 AED'000
Murabaha	**27,428,630**	24,103,675
Ijara financing	**13,564,254**	14,622,375
Salam	**436,063**	681,721
Others	**673,992**	379,650
Gross Islamic financing assets	**42,102,939**	39,787,421
Less: Allowance for impairment	**(2,080,769)**	(1,777,870)
Net Islamic financing assets	**40,022,170**	38,009,551

Islamic investing assets	As at December 31 2023 AED'000	As at December 31 2022 AED'000
At fair value through other comprehensive income (FVTOCI)		
Sukuk investments	**7,278,314**	8,597,418
Equities	**123,560**	159,790
	7,401,874	8,757,208
At amortised cost		
Sukuk investments	**6,088,771**	4,629,980
Less: Allowance for impairment	**(5,278)**	(3,509)
	6,083,493	4,626,471
Net Islamic investing assets	**13,485,367**	13,383,679

Income from Islamic financing and investing products	2023 AED'000	2022 AED'000
Murabaha	**1,735,730**	1,223,608
Ijara financing	**744,755**	637,435
Salam	**34,756**	62,176
Sukuk investments	**466,349**	477,432
Others	**64,113**	41,437
Total income from Islamic financing and investing products	**3,045,703**	2,442,088

Islamic deposits	As at December 31 2023 AED'000	As at December 31 2022 AED'000
Current account deposits	**16,419,267**	12,742,453
Margin deposits	**200,115**	202,030
Mudaraba savings deposits(*)	**17,433,920**	16,923,718
Mudaraba term deposits	**792,424**	1,038,049
Murabaha term deposits	**2,180,907**	1,270,585
Wakala deposits	**20,429,772**	13,664,516
Total Islamic deposits	**57,456,405**	45,841,351

(*) includes AED 16,978 thousand pertaining to investment risk reserve (IRR) as at December 31, 2023 (December 31, 2022 - AED 20,081 thousand)

Distribution on Islamic deposits and profit paid to sukuk holders	2023 AED'000	2022 AED'000
Mudaraba savings and term deposits	**89,255**	74,065
Murabaha term deposits	**57,446**	40,704
Wakala deposits	**753,995**	217,865
Islamic sukuk notes and reverse murabaha	**67,125**	90,708
Total distribution on Islamic deposits and profit paid to sukuk holders	**967,821**	423,342

25. Employees' incentive plan shares, net

The Group operates Deferred Compensation Plan (the "Plan") to recognise and retain good performing employees. Under the Plan, the employees are granted shares of the Bank when they meet the vesting conditions at a price prevailing at the grant date. These shares are acquired and held by a subsidiary of the Bank until vesting conditions are met. The Board Nomination Compensation HR and Governance Committee determines and approves the shares to be granted to employees based on the Group's key performance indicators.

During the year ended December 31, 2023, the Group had the following incentive plan in force:

Grant date	January 1, 2023	January 1, 2023	January 1, 2022	January 1, 2022
Number of shares granted	4,451,000	2,537,630	3,030,000	3,269,856
Fair value of the granted shares at the grant date in AED thousand	40,282	22,966	25,846	27,892
Final vesting date	December 31, 2026	December 31, 2025	December 31, 2025	December 31, 2024

Vesting conditions - In service from the grant date till respective vesting date or meeting special conditions during the vesting period (death or disability).

The movement of plan shares is as follows:

	2023	2022
Opening balance	**5,717,655**	1,818,919
Granted during the year	**6,988,630**	6,299,856
Stock dividend issued during the year	**648,381**	-
Exercised during the year	**(3,007,183)**	(2,213,224)
Forfeited during the year	**(264,453)**	(187,896)
Closing balance	**10,083,030**	5,717,655
Amount of "Plan" cost recognised under "staff expenses" in the consolidated income statement (AED '000)	**38,338**	22,622

Total number of un-allotted shares under the Plan as at December 31, 2023, were 1,813,627 shares (December 31, 2022 - 3,870,314 shares). These un-allotted shares include forfeited shares and shares purchased for future awards.

26. Capital notes

Additional Tier I capital notes (the "Capital Notes") are non-cumulative perpetual securities for which there is no fixed redemption date. These Capital Notes are direct, unsecured, conditional, and subordinated obligations of the Bank and (i) rank pari passu without any preference among themselves; (ii) rank subordinate and junior to all senior obligations; (iii) rank pari passu with all pari passu obligations; and (iv) rank in priority only to all junior creditors.

In case the Bank at its sole discretion elects not to make a coupon payment, the holders of the Capital Notes do not have a right to claim the coupon and an election by the Bank not to service the coupon is not considered an event of default. In addition, there are certain circumstances ("non-payment event") under which the Bank is prohibited from making a coupon payment on a relevant coupon payment date. Further, if the CBUAE notifies the Bank that it is, or will become, non-viable without (i) a write-down; or (ii) a public sector injection of capital, the rights of the holders of the Capital Notes under the Capital Notes shall automatically be deemed to be irrevocably, unconditionally and permanently written-down in a proportion corresponding to the write-down amount determined by the CBUAE. This could result in Capital Notes being written down to zero and the Capital Notes being cancelled.

If the Bank makes a non-payment election or a non-payment event occurs, then the Bank will not (a) declare or pay any distribution or dividend or (b) redeem, purchase, cancel, reduce or otherwise acquire any of the share capital or any securities of the Bank ranking pari passu with or junior to the Capital Notes except notes, the term of which stipulate a mandatory redemption or conversion into equity, in each case unless or until one coupon payment has been paid in full.

The following tables shows issuances of Capital Notes by the Bank as at December 31, 2023.

Issuance	Currency	Interest rate	First call date	As at December 31 2023 AED'000	As at December 31 2022 AED'000
Government of Abu Dhabi AT1 Capital Notes	AED	Floating interest rate of 6 month-EIBOR plus 2.30% p.a.	February 23, 2027(*)	**6,000,000**	6,000,000
USD 750,000,000 AT1 Capital Notes	USD	Fixed rate of 8.00% p.a. from issue date but excluding the first reset date (May 27, 2029)(**)	November 27, 2028(*)	**2,754,750**	-
				8,754,750	6,000,000

(*) Call option is subject to prior approval of UAE Central Bank

(**) If the Capital Notes are not redeemed in accordance with the Conditions on or prior to the first reset date, interest shall continue to be payable from (and including) the first reset date subject to and in accordance with the Conditions at a fixed rate, to be reset on the first reset date and every five years thereafter, equal to relevant five-year reset rate (as defined in the Conditions) plus a margin of 3.524% p.a.

27. Interest income

	2023 AED'000	2022 AED'000
Loans and advances to banks	**2,856,411**	1,424,952
Loans and advances to customers	**16,685,290**	9,757,975
Investment securities	**5,663,783**	2,791,827
Total interest income	**25,205,484**	13,974,754

28. Interest expense

	2023 AED'000	2022 AED'000
Deposits from banks	**387,507**	141,485
Deposits from customers	**9,243,405**	3,595,772
Euro commercial paper	**418,891**	76,671
Borrowings(*)	**4,859,752**	1,985,817
Total interest expense	**14,909,555**	5,799,745

(*) includes AED 12,898 thousand (2022 - AED 20,518 thousand) for interest expense on lease liabilities

29. Net fees and commission income

	2023 AED'000	2022 AED'000
Fees and commission income		
Card related fees	**1,455,435**	1,177,724
Loan related fees	**811,711**	759,971
Accounts related fees	**268,963**	207,741
Trade finance commission	**608,265**	548,289
Insurance commission	**17,625**	17,424
Asset management and investment services	**125,833**	71,968
Brokerage fees	**11,151**	13,094
Other fees	**725,807**	606,353
Total fees and commission income	**4,024,790**	3,402,564
Fees and commission expense	**(1,580,561)**	(1,292,151)
Net fees and commission income	**2,444,229**	2,110,413

30. Net trading income

	2023 AED'000	2022 AED'000
Net gain from dealing in derivatives	**222,207**	173,546
Net gain from dealing in foreign currencies	**698,156**	630,317
Net gain from financial assets at fair value through profit or loss(*)	**672,391**	108,923
Net trading income	**1,592,754**	912,786

(*) includes net gain of AED 46,829 thousand from financial assets mandatorily measured at FVTPL (2022 - net loss of AED 16,614 thousand)

31. Other operating income

	2023 AED'000	2022 AED'000
Property management income	**161,816**	155,461
Rental income	**77,444**	79,558
Net loss from disposal of investment securities(*)	**(103,413)**	(71,349)
Net gain arising from hedging derivatives	**64,127**	233,455
Dividend income	**39,762**	35,913
Others	**169,542**	675,154
Total other operating income	**409,278**	1,108,192

(*) includes realised gain of AED nil (2022 - gain of AED 7,056 thousand) on sale of investments carried at amortised cost amounting to AED nil (2022 - AED 367,300 thousand)

32. Operating expenses

	2023 AED'000	2022 AED'000
Staff expenses	**3,064,387**	2,767,876
General administrative expenses	**1,923,590**	1,619,033
Depreciation on property and equipment (Note 15)	**378,385**	407,259
Amortisation of intangible assets (Note 16)	**86,246**	94,135
Total operating expenses	**5,452,608**	4,888,303

33. Impairment charge

	2023 AED'000	2022 AED'000
Financial instruments carried at amortised cost - net charge(*)	**3,741,046**	3,300,711
Debt instruments designated at FVTOCI - (release)/net charge	**(24,685)**	47,257
Commitment and contingent liabilities - net charge/(release)	**76,708**	(83,574)
Less: Recoveries/modifications during the year	**(315,951)**	(485,481)
Total impairment charge (Note 43.3)	**3,477,118**	2,778,913

(*) includes net release of AED 19,314 thousand (2022 - net charge of AED 21,415 thousand) on investment securities at amortised cost

34. Net gain on disposal of stake in subsidiary and fair value gain on retained interest

On December 14, 2023, the Group entered into a sale and purchase agreement (SPA) whereby the Bank has agreed to sell its controlling stake of 80% of its wholly owned subsidiary, Abu Dhabi Commercial Properties LLC "ADCP" and the share transfer was executed and completed on December 27, 2023. The Bank has recorded a net gain of AED 490,110 thousand, within the consolidated income statement for the year ended December 31, 2023.

35. Earnings per share

Basic and diluted earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Bank and the weighted average number of equity shares outstanding. Diluted earnings per share is calculated by adjusting the weighted average number of equity shares outstanding for the dilutive effects of potential equity shares held on account of employees' incentive plan.

	2023 AED'000	2022 AED'000
Profit for the year attributable to the equity holders of the Bank	**8,206,781**	6,435,301
Less: Coupons paid on capital notes (Note 26)	**(393,482)**	(182,271)
Net adjusted profit for the year attributable to the equity holders of the Bank (a)	**7,813,299**	6,253,030

	Number of shares in thousand	
Weighted average number of shares in issue throughout the year	**6,957,379**	6,957,379
Add: Number of shares issued on stock dividend during the year	**362,568**	362,568
Less: Weighted average number of shares resulting from employees' incentive plan shares	**(10,867)**	(11,243)
Weighted average number of equity shares in issue during the year for basic earnings per share (b)	**7,309,080**	7,308,704
Add: Weighted average number of shares resulting from employees' incentive plan shares	**10,867**	11,243
Weighted average number of equity shares in issue during the year for diluted earnings per share (c)	**7,319,947**	7,319,947
Basic earnings per share (AED) (a)/(b)	**1.07**	0.86
Diluted earnings per share (AED) (a)/(c)	**1.07**	0.85

36. Cash and cash equivalents

Cash and cash equivalents included in the consolidated statement of cash flow comprise the following statement of financial position amounts:

	As at December 31 2023 AED'000	As at December 31 2022 AED'000
Cash and balances with central banks (Note 6)	**45,375,731**	39,430,882
Deposits and balances due from banks (excluding loans and advances to banks) (Note 7)	**9,434,390**	8,903,141
	54,810,121	48,334,023
Less: Cash and balances with central banks and deposits and balances due from banks - with original maturity of more than three months	**(2,973,071)**	(6,336,752)
Total cash and cash equivalents	**51,837,050**	41,997,271

37. Related party transactions

The Group enters into transactions with the parent and its related entities, associates, funds under management, directors, senior management and their related entities and the Government of Abu Dhabi (ultimate controlling party and its related entities) in the ordinary course of business at agreed upon interest and commission rates which are generally at market terms.

Key management personnel are defined as those persons having authority and responsibility for planning, directing, and controlling the activities of the Group, being the directors, chief executive officer and his direct reports. Details of all transactions in which a Director and/or related parties might have actual or potential conflicts are provided to the Board of Directors (the "Board") for its review and approval. Where a Director is interested, that Director neither participates in the discussions nor votes on such matters. The Bank's policy is, so far as possible, to engage in transactions with related parties only on arm's length terms and in accordance with relevant laws and regulations. The Board Secretariat maintains a conflicts and related parties register which is regularly reviewed by the Board Corporate Governance Committee. In addition, the Board maintains awareness of other commitments of its Directors and senior management. The Bank has implemented a Directors' Conflict of Interest policy and, for senior management, a Code of Conduct. As a result of written declarations submitted by each of the Board members, the Board recognises that the other commitments of the Directors do not conflict with their duties or that, where conflicts arise, the Board is sufficiently aware, and policies are in place to minimise the risks.

Parent and ultimate controlling party

Mubadala Investment Company holds 60.20% (December 31, 2022 - 60.20%) of the Bank's issued and fully paid-up share capital through its wholly owned subsidiary One Hundred and Fourteenth Investment Company - Sole Proprietorship LLC (Note 22). The Government of Abu Dhabi owns 100% of Mubadala Investment Company and so the ultimate controlling party is the Government of Abu Dhabi.

Related party balances and transactions

Related party balances and transactions of the Group included in the consolidated statement of financial position and consolidated income statement are shown in below table. Transactions between the Bank and its subsidiaries have been eliminated on consolidation and are not disclosed in this note.

	Ultimate controlling party and its related parties AED'000	Directors and their related parties AED'000	Senior management personnel and their related parties AED'000	Associates and funds under management AED'000	Total AED'000
Balances as at December 31, 2023					
Deposits and balances due from banks	**31,795**	**-**	**-**	**-**	**31,795**
Financial assets at fair value through profit or loss	**519,527**	**-**	**-**	**-**	**519,527**
Derivative financial instruments - assets	**809,939**	**55,294**	**-**	**32**	**865,265**
Investment securities	**28,660,594**	**-**	**-**	**227,825**	**28,888,419**
Loans and advances to customers(*)	**57,686,613**	**4,538,215**	**27,479**	**3,801,490**	**66,053,797**
Other assets	**917,882**	**7,166**	**74**	**5,162**	**930,284**
Due to banks	**248,001**	**-**	**-**	**-**	**248,001**
Derivative financial instruments - liabilities	**1,541,448**	**38,417**	**-**	**-**	**1,579,865**
Deposits from customers	**104,347,422**	**670,345**	**65,138**	**1,507,556**	**106,590,461**
Other liabilities	**1,472,332**	**7,135**	**17,534**	**3,855**	**1,500,856**
Capital notes	**6,000,000**	**-**	**-**	**-**	**6,000,000**
Commitments and contingent liabilities	**28,603,328**	**15,717**	**2,742**	**515,045**	**29,136,832**
Transactions for the year ended December 31, 2023					
Interest income, Islamic financing income, fees and other income	**4,213,539**	**292,535**	**1,808**	**111,646**	**4,619,528**
Interest expense and Islamic profit distribution	**4,103,653**	**9,185**	**1,106**	**8,390**	**4,122,334**
Net loss from dealing in derivatives	**143,376**	**52,805**	**-**	**-**	**196,181**
Impairment charge	**3,466**	**-**	**-**	**-**	**3,466**
Share in loss of associates	**-**	**-**	**-**	**103**	**103**
Coupons paid on capital notes	**393,482**	**-**	**-**	**-**	**393,482**

(*) includes secured loans which are collateralised by tangible assets, including but not limited to real estate, cash, vehicles, shares and bonds.

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	Ultimate controlling party and its related parties AED'000	Directors and their related parties AED'000	Senior management personnel and their related parties AED'000	Associates and funds under management AED'000	Total AED'000
Balances as at December 31, 2022					
Deposits and balances due from banks	16,902	-	-	-	16,902
Financial assets at fair value through profit or loss	504,402	-	-	-	504,402
Derivative financial instruments - assets	934,030	132,858	-	-	1,066,888
Investment securities	23,789,440	-	-	212,570	24,002,010
Loans and advances to customers(*)	45,732,014	4,341,722	34,543	3,683,898	53,792,177
Other assets	449,265	5,830	69	3,276	458,440
Due to banks	394,752	-	-	-	394,752
Derivative financial instruments - liabilities	1,874,381	66,616	-	-	1,940,997
Deposits from customers	92,729,567	419,297	64,799	471,070	93,684,733
Other liabilities	781,441	540	18,806	3	800,790
Capital notes	6,000,000	-	-	-	6,000,000
Commitments and contingent liabilities	20,828,665	6,648	3,950	2,252	20,841,515
Transactions for the year ended December 31, 2022					
Interest income, Islamic financing income, fees and other income	2,303,075	157,788	1,358	64,739	2,526,960
Interest expense and Islamic profit distribution	1,334,654	1,043	252	-	1,335,949
Net loss from dealing in derivatives	1,617,107	118,408	-	-	1,735,515
Impairment charge	929	-	-	-	929
Share in loss of associates	-	-	-	8,463	8,463
Coupons paid on capital notes	182,271	-	-	-	182,271

(*) includes secured loans which are collateralised by tangible assets, including but not limited to real estate, cash, vehicles, shares and bonds.

As at December 31, 2023, funds under management held 1,542,403 shares (December 31, 2022 - 2,496,981 shares) of the Bank. During the year, the Bank paid cash dividend of AED 394 thousand and issued stock dividend of 113,990 shares (2022 - cash dividend of AED 913 thousand) to these funds.

Remuneration of senior management employees and Board of Directors fees and expenses during the year are as follows:

	2023 AED'000	2022 AED'000
Short term benefits (including retirement benefits)	**51,407**	42,194
Post-employment benefits	**2,818**	3,985
Variable pay benefits	**26,498**	38,297
Total remuneration	**80,723**	84,476
Board of Directors fees and expenses	**34,595**	26,991

In addition to the above, the key management personnel were granted long term deferred compensation including share-based payments of AED 22,268 thousand (2022 - AED 27,532 thousand).

38. Commitments and contingent liabilities

The Group has the following commitments and contingent liabilities:

	As at December 31 2023 AED'000	As at December 31 2022 AED'000
Letters of credit	**10,732,456**	9,908,377
Guarantees	**68,268,369**	53,409,932
Commitments to extend credit - revocable(*)	**19,075,003**	15,652,151
Commitments to extend credit - irrevocable	**46,026,541**	31,037,374
Total commitments on behalf of customers	**144,102,369**	110,007,834
Commitments for future capital expenditure and others	**577,653**	664,876
Commitments to invest in investment securities	**6,693**	9,160
Total commitments and contingent liabilities	**144,686,715**	110,681,870

(*) includes AED 9,599,478 thousand (December 31, 2022 - AED 8,131,188 thousand) for undrawn credit card limits

Credit-related commitments

Credit-related commitment includes commitments to extend credit, letters of credit and guarantees which are designed to meet the requirements of the Bank's customers. Irrevocable commitments to extend credit represent contractual commitments to make loans and advances and revolving credits. Revocable commitments to extend credit represent commitments to make loan and advances and revolving credits which can be cancelled by the Bank unconditionally without any contractual obligations. Commitments generally have fixed expiry dates or other termination clauses. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

Letters of credit and guarantees commit the Bank to make payments on behalf of customers, contingent upon the failure of the customer to perform under the terms of the contract. Commitments and contingent liabilities which have been entered into on behalf of customers and for which there are corresponding obligations from customers, are not included in assets and liabilities. The Bank's maximum exposure to credit loss, in the event of non-performance by the other party and where all counterclaims, collateral or security proves valueless, is represented by the contractual nominal amount of these instruments included in the table above. These commitments and contingent obligations are subject to the Bank's normal credit approval processes.

39. Operating segments

The Group has five reportable segments as described below. These segments offer different products and services and are managed separately based on the Group's management and internal reporting structure. The Group's Management Executive Committee (the Chief Operating Decision Maker "CODM") is responsible for allocation of resources to these segments, whereas, the Group's Performance Management Committee, based on delegation from CODM reviews the performance of these segments on a regular basis.

The following summary describes the operations in each of the Group's reportable segments:

Retail banking	comprises of retail products, wealth management, Islamic financing, and investment in associates. It includes loans, deposits and other transactions and balances with retail customers.
Private banking	comprises of high-net-worth customers, asset management, brokerage, Islamic financing and investment in associates. It includes loans, deposits and other transactions and balances with corporate and private accounts of high-net-worth individuals and fund management activities.
Corporate and investment banking (formerly known as wholesale banking)	comprises of business banking, cash management, trade finance, corporate finance, small and medium enterprise financing, investment banking, Islamic financing, infrastructure and asset finance, government, and public enterprises. It includes loans, deposits and other transactions and balances with corporate customers. During the year, in line with Group's business strategy, financial market solutions (FMS) division has been transferred from Investment and treasury segment to Corporate and investment banking segment. Accordingly, financial performance and results of FMS division have been reported under Corporate and investment banking segment for the current and prior year.
Investments and treasury	comprises of central treasury operations, management of the Group's investment portfolio and interest rate, currency and commodity derivative portfolio and Islamic financing. Investments and treasury undertake the Group's funding and centralised financial risk management activities through borrowings, issue of debt securities and use of derivatives for risk management. It also undertakes trading and corporate finance activities and investing in liquid assets such as short-term placements, corporate and government debt securities.
Property management	comprises of real estate management, engineering service operations of subsidiaries and rental income earned from properties of the Group.

Information regarding the results of each reportable segment is shown below. Performance is measured based on segment profit, as included in the internal management reports that are reviewed by the Performance Management Committee. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of these segments relative to other entities that operate within these industries.

The following is an analysis of the Group's revenue and results by operating segments:

For the year ended December 31, 2023	Retail banking AED'000	Private banking AED'000	Corporate and investment banking AED'000	Investments and treasury AED'000	Property management AED'000	Total AED'000
Net interest income	2,324,563	1,133,858	3,147,984	3,661,007	28,517	10,295,929
Net income from Islamic financing and investing products	1,194,819	55,468	440,823	386,772	-	2,077,882
Total net interest income and income from Islamic financing and investing products	3,519,382	1,189,326	3,588,807	4,047,779	28,517	12,373,811
Non-interest income	1,216,203	128,930	2,317,715	483,876	345,898	4,492,622
Operating income	4,735,585	1,318,256	5,906,522	4,531,655	374,415	16,866,433
Operating expenses	(3,139,710)	(259,795)	(1,598,861)	(275,567)	(178,675)	(5,452,608)
Operating profit before impairment charge	1,595,875	1,058,461	4,307,661	4,256,088	195,740	11,413,825
Impairment (charge)/release	(497,283)	(1,239,074)	(1,760,679)	19,918	-	(3,477,118)
Profit/(loss) after impairment charge	1,098,592	(180,613)	2,546,982	4,276,006	195,740	7,936,707
Share in profit/(loss) of associates	2,079	(2,182)	-	-	-	(103)
Net gain on disposal of stake in subsidiary and fair value gain on retained interest	-	-	-	-	490,110	490,110
Profit/(loss) before taxation	1,100,671	(182,795)	2,546,982	4,276,006	685,850	8,426,714
Overseas income tax charge	(5,058)	-	(69,248)	(146,343)	-	(220,649)
Profit/(loss) for the year	1,095,613	(182,795)	2,477,734	4,129,663	685,850	8,206,065
As at December 31, 2023						
Total assets	63,849,934	53,774,307	247,708,504	199,991,043	1,870,697	567,194,485
Total liabilities	83,465,806	53,196,618	182,839,924	175,911,436	527,234	495,941,018

For the year ended December 31, 2022	Retail banking AED'000	Private banking AED'000	Corporate and investment banking AED'000	Investments and treasury AED'000	Property management AED'000	Total AED'000
Net interest income	2,182,701	1,227,492	2,590,261	2,154,815	19,740	8,175,009
Net income from Islamic financing and investing products	1,030,630	39,697	403,157	545,470	(208)	2,018,746
Total net interest income and income from Islamic financing and investing products	3,213,331	1,267,189	2,993,418	2,700,285	19,532	10,193,755
Non-interest income	994,579	455,558	1,873,767	515,702	310,927	4,150,533
Operating income	4,207,910	1,722,747	4,867,185	3,215,987	330,459	14,344,288
Operating expenses	(2,807,617)	(254,846)	(1,403,749)	(237,144)	(184,947)	(4,888,303)
Operating profit before impairment charge	1,400,293	1,467,901	3,463,436	2,978,843	145,512	9,455,985
Impairment (charge)/release	(447,271)	(1,052,373)	(1,293,390)	14,121	-	(2,778,913)
Profit after impairment charge	953,022	415,528	2,170,046	2,992,964	145,512	6,677,072
Share in loss of associates	(4,574)	(3,889)	-	-	-	(8,463)
Profit before taxation	948,448	411,639	2,170,046	2,992,964	145,512	6,668,609
Overseas income tax charge	(24,273)	-	(59,050)	(51,750)	-	(135,073)
Loss from discontinued operations	-	-	(99,816)	-	-	(99,816)
Profit for the year	924,175	411,639	2,011,180	2,941,214	145,512	6,433,720
As at December 31, 2022						
Total assets	55,248,810	53,338,075	209,723,198	177,762,035	1,770,047	497,842,165
Total liabilities	71,750,920	43,153,857	162,908,351	157,653,645	949,255	436,416,028

Other disclosures

The following is the analysis of the total operating income of each segment between income from external parties and inter-segment.

	External		Inter-segment	
	2023 AED'000	2022 AED'000	2023 AED'000	2022 AED'000
Retail banking	**3,929,008**	3,748,019	**806,577**	459,891
Private banking	**2,053,957**	2,548,928	**(735,701)**	(826,181)
Corporate and investment banking	**11,487,082**	6,528,885	**(5,580,560)**	(1,661,700)
Investments and treasury	**(926,067)**	1,209,977	**5,457,722**	2,006,010
Property management	**322,453**	308,479	**51,962**	21,980
Total operating income	**16,866,433**	14,344,288	**-**	-

Geographical information

The Group operates in two principal geographic areas i.e. domestic and international. The United Arab Emirates is designated as domestic area which represents the operations of the Group that originates from the UAE branches and subsidiaries. International area represents the operations of the Group that originates from its subsidiaries outside UAE. The information regarding the Group's revenue from continuing operations and non-current assets by geographical location are detailed as follows:

	Domestic		International	
	2023 AED'000	2022 AED'000	2023 AED'000	2022 AED'000
Income				
Net interest income and income from Islamic financing and investing products	**11,759,315**	9,583,095	**614,496**	610,660
Non-interest income	**4,411,148**	3,997,931	**81,474**	152,602
Non-current assets				
Investment in associates	**370,622**	252,525	**-**	-
Investment properties	**1,720,818**	1,673,983	**20,642**	17,907
Property and equipment, net	**1,652,014**	1,713,634	**235,582**	223,869
Intangible assets	**6,981,961**	7,068,207	**67,230**	83,987

40. Financial instruments

Categories of financial instruments

The following tables analyse the Group's financial assets and financial liabilities in accordance with categories of financial instruments under IFRS 9 as at December 31, 2023.

	Measured at FVTPL AED'000	Hedging derivatives AED'000	Debt instruments classified at FVTOCI AED'000	Equity instruments designated at FVTOCI AED'000	Amortised cost AED'000	Total AED'000
As at December 31, 2023						
Assets						
Cash and balances with central banks, net	-	-	-	-	45,375,462	45,375,462
Deposits and balances due from banks, net	-	-	-	-	37,624,694	37,624,694
Financial assets at fair value through profit or loss(*)	10,063,020	-	-	-	-	10,063,020
Derivative financial instruments	9,775,606	4,083,480	-	-	-	13,859,086
Investment securities, net	-	-	40,526,962	894,406	86,847,029	128,268,397
Loans and advances to customers, net (Note 11)	3,249,938	-	-	-	298,744,661	301,994,599
Other assets, net	-	-	-	-	18,805,714	18,805,714
Total financial assets	**23,088,564**	**4,083,480**	**40,526,962**	**894,406**	**487,397,560**	**555,990,972**
Liabilities						
Due to banks	-	-	-	-	8,794,968	8,794,968
Derivative financial instruments	9,363,310	6,876,185	-	-	-	16,239,495
Deposits from customers	-	-	-	-	362,905,039	362,905,039
Euro commercial paper	-	-	-	-	7,777,655	7,777,655
Borrowings	-	-	-	-	76,653,334	76,653,334
Other liabilities	-	-	-	-	21,971,207	21,971,207
Total financial liabilities	**9,363,310**	**6,876,185**	**-**	**-**	**478,102,203**	**494,341,698**

(*) includes AED 519,527 thousand debt securities that are mandatorily measured at fair value through profit or loss

	Measured at FVTPL AED'000	Hedging derivatives AED'000	Debt instruments classified at FVTOCI AED'000	Equity instruments designated at FVTOCI AED'000	Amortised cost AED'000	Total AED'000
As at December 31, 2022						
Assets						
Cash and balances with central banks, net	-	-	-	-	39,429,308	39,429,308
Deposits and balances due from banks, net	-	-	-	-	35,339,202	35,339,202
Financial assets at fair value through profit or loss(*)	4,642,263	-	-	-	-	4,642,263
Derivative financial instruments	10,240,734	4,941,804	-	-	-	15,182,538
Investment securities, net	-	-	54,867,511	983,758	56,159,414	112,010,683
Loans and advances to customers, net (Note 11)	3,104,073	-	-	-	255,388,797	258,492,870
Other assets, net	-	-	-	-	21,575,530	21,575,530
Total financial assets	17,987,070	4,941,804	54,867,511	983,758	407,892,251	486,672,394
Liabilities						
Due to banks	-	-	-	-	9,719,193	9,719,193
Derivative financial instruments	9,846,608	6,378,777	-	-	-	16,225,385
Deposits from customers	-	-	-	-	308,930,699	308,930,699
Euro commercial paper	-	-	-	-	5,994,279	5,994,279
Borrowings	-	-	-	-	69,875,733	69,875,733
Other liabilities	-	-	-	-	24,307,172	24,307,172
Total financial liabilities	9,846,608	6,378,777	-	-	418,827,076	435,052,461

(*) includes AED 504,402 thousand debt securities that are mandatorily measured at fair value through profit or loss

41. Fair value hierarchy

Fair value measurements recognised in the consolidated financial statements

The fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are defined as follows:

Quoted market prices - Level 1

Financial instruments are classified as Level 1 if their values are observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available, and the price represents actual and regularly occurring market transactions.

Valuation techniques using observable inputs - Level 2

Financial instruments classified as Level 2 have been valued using models whose inputs are observable in an active market. Valuation based on observable inputs includes financial instruments such as swaps and forwards which are valued using market standard pricing techniques and options that are commonly traded in markets where all the inputs to the market standard pricing models are observable.

The category includes derivative financial instruments such as over the counter (OTC) derivatives, commodity derivatives, foreign exchange spot and forward contracts, certain investment securities, financial assets at FVTPL, euro commercial paper and borrowings. Valuation of the derivative financial instruments is made through discounted cash flow method using the applicable yield curve for the duration of the instruments for non-optional derivatives and standard option pricing models such as Black-Scholes and other valuation models for derivatives with options.

The Group periodically reviews its valuation techniques including the adopted methodologies and model calibrations. However, the base models may not fully capture all factors relevant to the valuation of the Group's financial instruments such as credit risk and funding costs. Therefore, the Group applies various techniques to estimate the credit risk associated with its financial instruments measured at fair value, which include a portfolio-based approach that estimates the expected net exposure per counterparty over the full lifetime of the individual assets, in order to reflect the credit risk of the individual counterparties for non-collateralised financial instruments. Credit valuation adjustment is calculated by applying Monte-carlo simulation models.

Collateral and netting arrangements are taken into account where applicable. The Group applies credit value adjustments to all relevant OTC positions with the exception of positions settled through central clearing houses.

Funding value adjustment (FVA) reflects the impact of funding associated with collateralised and partly collateralised OTC positions. The Group calculates the FVA by applying estimated future funding costs to the expected future exposure that the Group will be required to fund as a result of the uncollateralised component of the OTC portfolio (i.e. the uncollateralised component of a collateralised portfolio and the entire uncollateralised portfolio).

Valuation techniques using significant unobservable inputs - Level 3

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). A valuation input is considered observable if it can be directly observed from transactions in an active market.

Unobservable input levels are generally determined based on observable inputs of a similar nature, historical observations, or other analytical techniques. This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

Financial instruments under this category mainly include private equity instruments, funds and loans and advances to customers mandatorily measured at FVTPL. The carrying values of these investments are adjusted as follows:

a) Private equity instruments - using the latest available net book value;

b) Funds - based on the net asset value provided by the fund manager; and

c) Loans and advances to customers mandatorily measured at FVTPL - using valuation provided by external consultants as per discounted cash flow methodology.

The fair value of loans and advances mandatorily measured at FVTPL would be higher by AED 282,010 thousand had the discount rate used in the assumption been lower by 0.50% and the fair value would be lower by AED 244,394 thousand had the discount rate used in the assumption been higher by 0.50%.

Investment properties are classified as Level 3 as their valuation incorporates significant unobservable inputs. The significant unobservable inputs used in the fair value measurement of the Group's investment properties are rental income and capitalisation rates. Significant decrease in rental income, or increase in capitalisation rates, in isolation would result in a significant lower fair value measurement. Generally, a change in the assumption used for rental income should be accompanied by a change in the assumption for capitalisation rates in the same direction as increase in rental income raises the expectations of the seller to earn from the investment property. Therefore, the effects of these changes partially offset each other. Refer note 13 in respect of valuation methodology used for investment properties.

Except as detailed in the following table, the Management considers that the carrying amounts of financial assets and liabilities recognised in the consolidated financial statements do not materially differ from their fair values.

	Note	Level 1 Quoted market prices AED'000	Level 2 Observable inputs AED'000	Level 3 Significant unobservable inputs AED'000	Total fair value AED'000	Carrying value AED'000
As at December 31, 2023						
Assets at fair value						
Financial assets at fair value through profit or loss	8	1,419,562	8,643,458	-	10,063,020	10,063,020
Derivative financial instruments	9	7,804	13,851,282	-	13,859,086	13,859,086
Investment securities, net	10					
— At fair value through other comprehensive income		39,243,131	2,067,949	110,288	41,421,368	41,421,368
— At amortised cost		84,402,121	201,140	-	84,603,261	86,847,029
Loans and advances to customers mandatorily measured at FVTPL	11	-	-	3,249,938	3,249,938	3,249,938
Investment properties	13	-	-	1,741,460	1,741,460	1,741,460
Total		125,072,618	24,763,829	5,101,686	154,938,133	157,181,901
Liabilities at fair value						
Derivative financial instruments	9	4,257	16,235,238	-	16,239,495	16,239,495
Liabilities at amortised cost						
Euro commercial paper	19	-	7,786,619	-	7,786,619	7,777,655
Borrowings	20	11,496,614	63,328,708	-	74,825,322	76,653,334
Total		11,500,871	87,350,565	-	98,851,436	100,670,484
As at December 31, 2022						
Assets at fair value						
Financial assets at fair value through profit or loss	8	751,911	3,890,352	-	4,642,263	4,642,263
Derivative financial instruments	9	10,525	15,172,013	-	15,182,538	15,182,538
Investment securities, net	10					
— At fair value through other comprehensive income		47,561,877	8,135,308	154,084	55,851,269	55,851,269
— At amortised cost		52,896,175	185,885	-	53,082,060	56,159,414
Loans and advances to customers mandatorily measured at FVTPL	11	-	-	3,104,073	3,104,073	3,104,073
Investment properties	13	-	-	1,691,890	1,691,890	1,691,890
Total		101,220,488	27,383,558	4,950,047	133,554,093	136,631,447
Liabilities at fair value						
Derivative financial instruments	9	9,510	16,215,875	-	16,225,385	16,225,385
Liabilities at amortised cost						
Euro commercial paper	19	-	5,997,173	-	5,997,173	5,994,279
Borrowings	20	17,522,401	50,719,629	-	68,242,030	69,875,733
Total		17,531,911	72,932,677	-	90,464,588	92,095,397

The Group's OTC derivatives in the trading book are classified as Level 2 as they are valued using inputs that can be observed in the market.

Reconciliation showing the movement in fair values of Level 3 investments designated at FVTOCI and loans and advances to customers mandatorily measured at FVTPL is as follows:

	As at December 31 2023 AED'000	As at December 31 2022 AED'000
Opening balance	3,258,157	164,469
Net additions during the year	145,978	3,110,766
Disposals including capital refunds during the year	(64,000)	(19,826)
Adjustment through other comprehensive income during the year	20,091	2,748
Closing balance	3,360,226	3,258,157

Net loss of AED 36,072 thousand (2022 - net gain of AED 1,526 thousand) was realised on disposal of Level 3 equity investments designated at FVTOCI and were transferred to retained earnings.

There were no significant transfers between Level 1 and Level 2 investments and no change in valuation techniques used during the year.

42. Risk management

Risk governance structure emphasises and balances strong central oversight and control of risk with clear accountability for ownership of risk within each business unit. Group has a documented risk governance policy which sets out the framework for risk management. Under the Group's approach to risk governance, the business primarily owns the risk that it generates and is the first line of defence for assessing risk, designing, and implementing controls and monitoring and reporting their ongoing effectiveness to safeguard the Group from exceeding its risk appetite.

Ultimate responsibility for setting out risk appetite and effective management of risk rests with the Board. This is managed through various Board level committees, namely Board Risk Management Committee (BRC) and Board Executive Committee (BEC), which ensure that risk taking authority and policies are cascaded down from the Board to the appropriate business units.

Acting within the authority delegated by the Board, the BRC has overall responsibility for oversight and review of all areas of risks. It periodically reviews and monitors compliance with the Group's overall risk appetite and makes recommendations thereon to the Board.

Its responsibilities also include reviewing the appropriateness and effectiveness of the Group's risk management systems and controls, overseeing the management risk committees, and ensuring that the Group's risk governance is supportive of prudent risk taking at all levels in the Group. The BRC receives on a regular basis, portfolio level briefings from the Group Chief Risk Officer (GCRO) along with regular reports on risk management, including portfolio trends, policy parameters, key risk indicators, results of stress testing and changes to the assumptions, liquidity measures, capital adequacy and planning, and also is authorised to investigate or seek any information relating to any activity within its terms of reference. The BRC also conducts 'deep dive' reviews on a rolling basis of different sections of the consolidated group risk information report. The Board Executive Committee (BEC) will be responsible for approving high value credits beyond the management delegated lending limits.

The Management Executive Committee (MEC) has primary responsibility for implementing, overseeing, and taking ownership for the enforcement of risk strategy and internal control directives laid down by the Board and Board committees.

In addition to MEC, other management level committees that actively manage risk include:

- Assets and Liabilities Management Committee (ALCO),
- Risk Management Committee (RMC),
- Model Risk Management Committee (MRMC),
- Management Recoveries Committee (MRC),
- Management Credit Committee (MCC), and
- Management Compliance Committee.

The Risk Management function headed by the GCRO reports independently to BRC and administratively to the Group Chief Executive Officer (GCEO). The risk function is independent of the origination, trading, and sales function to ensure balance in risk reward decision is not compromised and to ensure transparency of decisions in accordance with laid down standards and policies. The risk function is also independent of the credit underwriting division which is headed by the Group Chief Credit Officer. The risk function exercises control over all areas of risks. These includes credit, market, liquidity, operational, fraud, Shari'ah, reputational, data management, information security, ESG (Environment, Social Governance) and model risk.

The risk function also oversees Group's international branches and subsidiaries.

Board Audit Committee (BAC) provides assistance to the Board to fulfil its duties to ensure and oversee the Group's financial statements, independence and performance of the Group's external and internal auditors, adherence with legal and regulatory requirements and internal policies and internal control over financial reporting. BAC also has oversight of the Bank's compliance activities (financial crime prevention, anti-money laundering, know your customer requirements, etc.) and CBUAE standards and regulations that affect the operations of the Bank.

The Internal Audit division (IAD) aims to apply a systematic and disciplined approach to evaluating and improving the effectiveness of the Group's risk management, control, and governance processes. The IAD reports directly to BAC. The IAD consists of a team of auditors, whose tasks are, among other things, to evaluate the quality of the Group's lending portfolio, controls in operational processes and the integrity of the Group's information systems and databases. The IAD auditors, alongside the compliance department, also ensure that transactions undertaken by the Group are conducted in compliance with applicable legal and regulatory requirements and in accordance with the Group's internal procedures, thereby minimising the risk of fraudulent, improper, or illegal practices.

43. Credit risk management

Credit risk is the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's main income generating activity is lending to customers and therefore credit risk is a principal risk. Credit risk mainly arises from loans and advances to customers and other banks (including related commitments to lend such as loan or credit card facilities), investments in debt securities and derivatives that are an asset position. The Group considers all elements of credit risk exposure such as counterparty default risk, geographical risk and sector risk for risk management purposes.

The GCRO together with GCCO are responsible for managing the Group's credit risk by:

- Ensuring that the Group has appropriate credit risk practices, including an effective system of internal control, to consistently determine adequate allowances in accordance with the Group's stated policies and procedures, IFRS and relevant supervisory guidance.
- Identifying, assessing and measuring credit risk across the Group.
- Formulating credit policies to protect the Group against the identified risks including the requirements to obtain collateral from borrowers, to perform robust ongoing credit assessment of borrowers and to continually monitor exposures against internal risk limits.
- Limiting concentrations of exposure by type of asset, counterparties, industry, credit rating, geographic location, etc.
- Establishing a robust control framework regarding the authorisation structure for the approval and renewal of credit facilities.
- Developing and maintaining the Group's risk grading to categorise exposures according to the degree of risk of default. Risk grades are subject to regular reviews.
- Developing and maintaining the Group's processes for measuring ECL including monitoring of credit risk, incorporation of forward looking information and the method used to measure ECL.
- Ensuring that the Group has policies and procedures in place to appropriately maintain and validate models used to assess and measure ECL.
- Establishing a sound credit risk assessment and measurement process that provides it with a strong basis for common systems, tools and data to assess credit risk and to account for ECL. Providing advice, guidance and specialist skills to business units to promote best practice throughout the Group in the management of credit risk.
- Managing the credit exposure relating to its trading activities by entering into master netting agreements and collateral arrangements with counterparties in appropriate circumstances and limiting the duration of exposure. In certain cases, the Group may also close out transactions or assign them to other counterparties to mitigate credit risk.

The Group wide credit policies and standards are approved by BRC. These govern all delegated lending authorities and include policies, standards, metrics, strategies and procedures specific to each of the different business segments and are decided based on the macro economic conditions, the risk appetite of the Group, market data and internal skill sets and capabilities. They are regularly reviewed and modified to ensure they stay current, relevant and protect the Group's interest in changing operating conditions. In addition to Group wide policies, there are underwriting standards set for each portfolio segment. The internal audit function performs regular audits making sure that the established controls and procedures are adequately designed and implemented.

Risk ratings

Internal credit risk ratings

In order to measure credit risk, Group Risk Management has developed credit risk grading to categorise exposures according to their degree of risk of default. The Group's credit risk grading framework comprises of ten categories and 21 risk grades. The credit rating information is based on a range of data that is determined to be predictive of the risk of default and applying experienced credit judgement. The Group uses various qualitative and quantitative factors such as borrower financial strength, industry risk factors, management quality, operational efficiency, company standing, liquidity, capital structure, peer group analysis, etc. The nature of the exposure and type of borrower are taken into account in the analysis. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. The Group uses several internal rating models to effecttively rate customers based on the customer segment. These rating models have been developed internally and validated on a regular basis by both internal and external validation teams. The rating models have been calibrated based on ADCB's default rate history. The Group also has an LGD rating scale and assigns LGD rating to each of its corporate customers.

The credit risk grades are designed and calibrated to reflect the risk of default as credit risk deteriorates.

As the credit risk increases the difference in risk of default between grades changes. Each exposure is allocated to a credit risk grade at initial recognition, based on the available information about the counterparty. All exposures are monitored and the credit risk grade is updated to reflect current information. The monitoring procedures followed are both general and tailored to the type of exposure. The following data are typically used to monitor the Group's exposures:

- Financial ratios - absolute values, peer analyis;
- Industry risk;
- Qualitative factors such as management strength, concentrations, etc.;
- Payment record, including payment ratios and ageing analysis;
- Changes in business, financial and economic conditions;
- Credit rating information supplied by external rating agencies;
- For retail exposures: internally generated data of customer behaviour, affordability metrics, etc.; and
- For corporate exposures: information obtained by periodic review of customer files including review of audited financial statements and market data.

The Group collects performance and default information about its credit risk exposures analysed by jurisdiction or region and by type of product and borrower as well as by credit risk grading. The information used is both internal and external depending on the portfolio assessed. The table below provides an indicative mapping of the Group's internal credit risk grades to external ratings.

Rating category	Moody's	S&P	Fitch	Description
1	Aaa	AAA	AAA	Investment grade
2	Aa1 - Aa3	AA+ - AA-	AA+ - AA-	Investment grade
3	A1 - A3	A+ - A-	A+ - A-	Investment grade
4	Baa1 - Baa3	BBB+ - BBB-	BBB+ - BBB-	Investment grade
5	Ba1 - Ba3	BB+ - BB-	BB+ - BB-	Non-investment grade
6	B1 - B3	B+ - B-	B+ - B-	Non-investment grade
7	Caa1 - Caa3	CCC - CCC-	CCC - C	Watch list
8-10	Default	Default	Default	Default

Some of these grades are further sub-classified with a plus or a minus sign. Lower grades are indicative of a lower likelihood of default. Credit grades 1-7 are assigned to performing customers or accounts while credit grades 8-10 are assigned to non-performing or defaulting customers.

Credit ratings are used by the Group to decide the maximum lending amount per customer group and also to set minimum pricing thresholds. The Bank also uses these internal ratings as an input to the IFRS 9 ECL model and these ratings are also used to determine the staging of the customer.

Retail customers or individual borrowers are not assigned a credit rating under this structure. However, retail banking division uses behaviour scoring for its customers.

The internal credit grade system is not intended to replicate external credit grades but factors used to grade a borrower may be similar, a borrower rated poorly by an external rating agency is typically assigned a higher internal credit grade. The basis for determining ECL is as follows:

IFRS 9 Staging	Basis for determining ECL
Stage 1	12 months ECL
Stage 2	Lifetime ECL
Stage 3 including POCI	Lifetime ECL and credit impairment based on discounted cash flow model

The quality of credit risk exposure is disclosed in note 43.2.

External credit risk ratings

The table below presents the external credit ratings of the Group's deposits and balances due from banks and debt securities based on S&P's rating scale. Debt issuer level ratings are used in case ratings are not available at issuance level. Wherever S&P's ratings are not available, comparable Fitch or Moody's equivalent ratings scale is used. Internal ratings are used for structured funding arrangements that are part of the financial assets at fair value through profit and loss (FVTPL).

	As at December 31, 2023				As at December 31, 2022			
Ratings	Deposits and balances due from banks, gross AED'000	Debt securities at FVTPL AED'000	Debt securities at amortised cost, gross AED'000	Debt securities designated at FVTOCI AED'000	Deposits and balances due from banks, gross AED'000	Debt securities at FVTPL AED'000	Debt securities at amortised cost, gross AED'000	Debt securities designated at FVTOCI AED'000
AAA to AA-	**2,861,715**	**1,391,038**	**43,172,896**	**18,226,348**	2,192,583	700,419	29,913,315	19,939,742
A+ to A-	**14,751,687**	**-**	**32,020,296**	**11,469,732**	14,573,848	-	17,427,330	20,231,083
BBB+ to BBB-	**5,992,954**	**-**	**10,078,258**	**5,489,186**	6,207,554	24,086	6,665,661	7,204,035
BB+ to B-	**12,981,919**	**781,866**	**1,311,974**	**5,105,071**	12,138,660	747,425	1,895,148	6,517,011
CCC+ to C-	**91,825**	**-**	**-**	**-**	125,429	-	-	-
UAE Sovereigns	**-**	**-**	**287,070**	**236,625**	-	-	284,828	975,640
Unrated	**1,070,271**	**-**	**-**	**-**	228,621	-	-	-
	37,750,371	**2,172,904**	**86,870,494**	**40,526,962**	35,466,695	1,471,930	56,186,282	54,867,511

Internal ratings of UAE Sovereigns debt securities with comparable external ratings are as follows:

	Internal rating	External rating	2023 AED'000	2022 AED'000
UAE Sovereigns	Grade 2 to 3	AA to A-	**523,695**	1,260,468

Structured funding arrangements amounting to AED 7,890,116 thousand (December 31, 2022 - AED 3,170,333 thousand) carried at fair value through profit or loss are internally rated as grade 6.

Significant increase in credit risk (SICR)

As explained in note 3.8(h), the Group monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL. The Group uses different criteria to determine whether credit risk has increased significantly. The criteria used are qualitative as well as quantitative such as significant increase in point-in-time (PIT) PD since origination, 30 days past due (DPD) and restructured in the last 12 months.

The SICR indicators per type of asset and the rating deterioration that are determined to be significant are summarised below.

SICR - from stage 1 to stage 2 for non-retail loans and advances, debt instruments and money market instruments

Grade/facility status	SICR indicators
All grades	Annualised lifetime PD is 3 times or more than the PD at origination
Credit restructured	Restructured for credit reasons in the last 12 months
Watch list	Accounts that are more than 30 days past due (DPD)
Others	All other criteria as per UAE Central Bank

However, low credit risk exposure, defined as rated 3 and better for corporate and financial institutions and rated 4- and better for sovereign, are classified as stage 1.

SICR - from stage 1 to stage 2 for retail loans and advances and credit cards

Criteria to determine whether credit risk has increased significantly are as follows:

- greater than 30 DPD;
- at least three times 30 DPD or more in the last 12 months;
- at least two times 60 DPD or more in the last 12 months.

In addition to above rating deterioration criteria, the Group also considers other qualitative SICR indicators as suggested in IFRS 9 and CBUAE guideline

For retail loans and advances and credit cards, SICR is assessed at a portfolio level through metrics such as:

- the extent of salary credits into customer accounts who have a borrowing (currently a portfolio threshold of 80% or lower will trigger a SICR review); and
- Al Etihad Credit Bureau (AECB) alerts pertaining to occurrence of delinquency with other banks, but regular with ADCB, (currently a portfolio threshold of 3.5% or higher will trigger a SICR review).

Default - Stage 3

	Default indicators
Non retail loans and advances	Sub-standard, doubtful or loss flagging - this includes all accounts that are over 90 days past due
Debt instruments and money market instruments	Sub-standard, doubtful or loss flagging
Retail loans and advances and credit cards	90 days past due

Loan commitments are assessed along with the category of loan the Group is committed to provide, i.e. commitments to provide mortgages are assessed using similar criteria to mortgage loans while commitments to provide a corporate loan are assessed using similar criteria to corporate loans.

In addition, the Group also follows a probation period for backward transition of staging:

An account has to be in stage 2 for a minimum of 12 months (cure period) for it to move to stage 1 and an account in stage 3 has to move to stage 2 before moving to stage 1.

The Group also employes customer level staging for high risk customers i.e if a customer is rated 6+ or worse, all the accounts of the customer are assigned the worse staging subject to a materiality threshold. The top 70% of the non retail exposures are individually assesssed for staging.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group has monitoring procedures in place to make sure that the criteria used to identify significant increases in credit risk are effective, meaning that significant increase in credit risk is identified before the exposure is defaulted. The Group performs periodic back-testing on the models used to ensure that the models are still performing and predict well the default and loss rates for the Bank and take action in a timely manner in case of non-performance.

Incorporation of forward-looking information

The Group uses forward-looking macro-economic variables in its measurement of ECL. The Group Chief Economist provides the macro-economic forecasts and scenarios which are also supplemented by external feed of other variables by Moody's.

The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and has macro-economic models that forecast relationships between macro-economic variables and credit losses.

During the year, the Group changed its macro-economic variables forecast in line with the prevailing market conditions. The Group has multiple macroeconomic models to cater the portfolio size and ensure homogeneity within the segments.

The table below summarises the principal macro-economic indicators included in the economic scenarios used at December 31, 2023 for the years 2024 to 2026, for UAE which is the country where the Group primarily operates and therefore is the country that has a material impact on ECLs. The base case economic scenario is having a weightage of 60% while the other two scenarios have a weightage of 20% each.

List of macro-economic variables used	Definition	Scenario	2024	2025	2026
Oil price, Brent USD	Price per barrel	Base	88	82	79
		Upside	95	97	95
		Downside	81	65	64
Real GDP growth	% change	Base	4	3.9	4
		Upside	5.3	5	4.7
		Downside	2.5	2.3	1.9
Real non-oil GDP growth	% change	Base	4.2	4.4	3.8
		Upside	4.5	4.6	4.4
		Downside	2.8	2.5	2.3
Consumer inflation	% annual average	Base	2.7	1.7	1.4
		Upside	3.5	3	3
		Downside	1.2	0.7	0
Dubai real estate sale prices	% change	Base	7	5	2
		Upside	11	8	5
		Downside	0	0	-1

Predicted relationships between the key indicators and default rates on various portfolios of financial assets have been developed based on analysing historical data of more than five years.

Measurement of ECL

The key inputs used for measuring ECL are:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

These figures are generally derived from internally developed statistical models and other historical data and they are adjusted to reflect probability-weighted forward-looking information.

PD is an estimate of the likelihood of default over a given time horizon. It is estimated as at a point in time. The calculation is based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on market data (where available), as well as internal data comprising both quantitative and qualitative factors. PDs are estimated based on customer risk profile, adjusted to take into account the future economic conditions that will impact PD.

LGD is an estimate of the loss arising on default. It is either based on Basel LGD for low default portfolio or on internal ADCB experience in term of workout process and recovery data. The internal models take into consideration all the collected amounts, the time to recovery, the discount rate, the exposure at default and all direct and indirect costs. The seniority of the facility and the type of collateral are important criteria and are considered in the LGD calculation. For ECL calculation, the LGD are converted to point-in time to reflect the economic forecast in each scenario.

EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest and expected drawdowns on committed facilities. The Group's modelling approach for EAD reflects expected changes in the balance outstanding over the lifetime of the loan exposure that are permitted by the current contractual terms, such as amortisation profiles, early repayment or overpayment, changes in utilisation of undrawn commitments and credit mitigation actions taken before default. The Group uses EAD models that reflect the characteristics of the portfolios.

The Group measures ECL considering the risk of default over the maximum contractual period (including extension options) over which the entity is exposed to credit risk. However, for financial instruments such as credit cards, revolving credit facilities and overdraft

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facilities that include both a loan and an undrawn commitment component, the Group's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Group's exposure to credit losses to the contractual notice period. For such financial instruments the Group measures ECL over the period that it is exposed to credit risk and ECL would not be mitigated by credit risk management actions, even if that period extends beyond the maximum contractual period. These financial instruments do not have a fixed term or repayment structure and have a short contractual cancellation period. However, the Group does not enforce in the normal day-to-day management the contractual right to cancel these financial instruments. This is because these financial instruments are managed on a collective basis and are cancelled only when the Group becomes aware of an increase in credit risk at the facility level.

The ECL calculation for accounting purposes is different to the provision calculation for regulatory purposes, although many inputs used are similar. The Group has ensured that the appropriate methodology is used when calculating ECL for both accounting and regulatory purposes.

43.1 Maximum exposure to credit risk

The gross exposure to credit risk for on balance sheet items is their carrying value. For financial guarantees recorded off balance sheet, the gross exposure to credit risk is the maximum amount that the Group would have to pay if the guarantees were to be called upon. For loans and other credit related commitments that are irrevocable over the life of the respective facilities, the gross exposure to credit risk is the full amount of the committed facilities.

The following table presents the maximum exposure to credit risk for amortised cost financial instruments, derivative financial instruments, investment securities (bonds), financial instruments at fair value through profit or loss and off-balance sheet financial instruments as at December 31, 2023 and 2022, after allowance for impairment and netting where appropriate and after taking into account any collateral held or other credit risk mitigants (CRMs).

	On-balance sheet AED'000	Off-balance sheet AED'000	Gross credit risk exposure AED'000	Gross CRMs AED'000	Maximum credit risk exposure AED'000
As at December 31, 2023					
Cash and balances with central banks, net	**45,375,462**	**-**	**43,116,285**	**-**	**43,116,285**
Deposits and balances due from banks, net	**37,624,694**	**-**	**37,624,694**	**-**	**37,624,694**
Financial assets at fair value through profit or loss	**10,063,020**	**-**	**10,063,020**	**7,890,116**	**2,172,904**
Derivative financial instruments	**13,859,086**	**-**	**13,859,086**	**11,826,434**	**2,032,652**
Investment securities, net	**128,268,397**	**-**	**127,373,991**	**-**	**127,373,991**
Loans and advances to customers, net(*)	**301,994,599**	**125,027,366**	**427,021,965**	**142,846,531**	**284,175,434**
Other assets, net	**18,960,358**	**-**	**18,805,714**	**7,578,122**	**11,227,592**
Total	**556,145,616**	**125,027,366**	**677,864,755**	**170,141,203**	**507,723,552**
As at December 31, 2022					
Cash and balances with central banks, net	39,429,308	-	37,025,841	-	37,025,841
Deposits and balances due from banks, net	35,339,202	-	35,339,202	584,400	34,754,802
Financial assets at fair value through profit or loss	4,642,263		4,642,263	3,170,333	1,471,930
Derivative financial instruments	15,182,538	-	15,182,538	13,521,902	1,660,636
Investment securities, net	112,010,683	-	111,026,925	-	111,026,925
Loans and advances to customers, net(*)	258,492,870	94,355,683	352,848,553	123,594,849	229,253,704
Other assets, net	21,711,189	-	21,575,530	12,267,142	9,308,388
Total	486,808,053	94,355,683	577,640,852	153,138,626	424,502,226

(*) includes loans and advances to customers mandatorily measured at FVTPL (Note 11)

43.2 Gross exposure

An analysis of the Group's credit risk exposure per class of financial asset, internal rating and "stage" without taking into account the effects of any collateral or other credit enhancements is provided in the following tables. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	POCI AED'000	Total AED'000
As at December 31, 2023					
Balances with central banks (Note 6)	**43,116,554**	**-**	**-**	**-**	**43,116,554**
Deposits and balances due from banks (Note 7)	**37,474,192**	**276,179**	**-**	**-**	**37,750,371**
Investment securities at amortised cost (Note 10)	**86,870,494**	**-**	**-**	**-**	**86,870,494**
Investment securities designated at FVTOCI (Note 10)	**40,526,962**	**-**	**-**	**-**	**40,526,962**
Loans and advances to customers (Note 11)(*)	**280,397,613**	**17,966,876**	**9,486,051**	**1,582,963**	**309,433,503**
Other assets (Note 14)	**18,410,072**	**399,633**	**9,410**	**4,319**	**18,823,434**
Letters of credit, guarantees and other commitments (Note 38)	**113,615,353**	**11,217,210**	**-**	**194,803**	**125,027,366**
Total gross exposure	**620,411,240**	**29,859,898**	**9,495,461**	**1,782,085**	**661,548,684**
As at December 31, 2022					
Balances with central banks (Note 6)	37,027,415	-	-	-	37,027,415
Deposits and balances due from banks (Note 7)	35,263,253	203,442	-	-	35,466,695
Investment securities at amortised cost (Note 10)	56,186,282	-	-	-	56,186,282
Investment securities designated at FVTOCI (Note 10)	54,856,972	10,539	-	-	54,867,511
Loans and advances to customers (Note 11)(*)	235,550,671	16,688,102	12,481,812	2,426,214	267,146,799
Other assets (Note 14)	21,306,940	257,254	20,039	6,918	21,591,151
Letters of credit, guarantees and other commitments (Note 38)	87,830,847	6,301,431	-	223,405	94,355,683
Total gross exposure	528,022,380	23,460,768	12,501,851	2,656,537	566,641,536

(*) excludes loans and advances to customers mandatorily measured at FVTPL

The table below summarises gross exposure as at year end per class of exposure/asset, internal rating and stage:

As at December 31, 2023	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	POCI AED'000	Total AED'000
Financial instruments carried at amortised cost					
Grades 1 - 4	**290,841,392**	**648,733**	**-**	**-**	**291,490,125**
Grades 5 - 6	**110,816,970**	**7,845,532**	**1,991**	**-**	**118,664,493**
Grade 7	**3,381,009**	**8,819,199**	**-**	**-**	**12,200,208**
Grades 8 - 10	**-**	**-**	**8,790,448**	**1,523,497**	**10,313,945**
Unrated	**61,229,554**	**1,329,224**	**703,022**	**63,785**	**63,325,585**
Gross financial instruments carried at amortised cost	**466,268,925**	**18,642,688**	**9,495,461**	**1,587,282**	**495,994,356**
Debt instruments designated at FVTOCI					
Grades 1 - 4	**33,741,800**	**-**	**-**	**-**	**33,741,800**
Grades 5 - 6	**6,785,162**	**-**	**-**	**-**	**6,785,162**
Gross debt instruments designated at FVTOCI	**40,526,962**	**-**	**-**	**-**	**40,526,962**
Commitments and contingent liabilities					
Grades 1 - 4	**73,226,290**	**563,373**	**-**	**-**	**73,789,663**
Grades 5 - 6	**39,085,922**	**5,107,682**	**-**	**-**	**44,193,604**
Grade 7	**976,295**	**5,546,155**	**-**	**-**	**6,522,450**
Grades 8 - 10	**-**	**-**	**-**	**194,803**	**194,803**
Unrated	**326,846**	**-**	**-**	**-**	**326,846**
Total commitments and contingent liabilities	**113,615,353**	**11,217,210**	**-**	**194,803**	**125,027,366**

Unrated exposure in financial instruments carried at amortised cost comprising mainly of retail loans and credit card exposures can be further classified as below:

As at December 31, 2023	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	POCI AED'000	Total AED'000
Performing (Grades 1 - 6)	**61,229,554**	**882,517**	**-**	**-**	**62,112,071**
Watch list (Grade 7)	**-**	**446,707**	**-**	**-**	**446,707**
Non-performing (Grades 8 - 10)	**-**	**-**	**703,022**	**63,785**	**766,807**
Total	**61,229,554**	**1,329,224**	**703,022**	**63,785**	**63,325,585**

As at December 31, 2022	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	POCI AED'000	Total AED'000
Financial instruments carried at amortised cost					
Grades 1 - 4	232,236,680	453,389	-	-	232,690,069
Grades 5 - 6	96,796,786	7,882,071	3,911	-	104,682,768
Grade 7	4,849,268	7,730,313	6,469	-	12,586,050
Grades 8 - 10	-	-	11,804,243	2,354,841	14,159,084
Unrated	51,451,827	1,083,025	687,228	78,291	53,300,371
Gross financial instruments carried at amortised cost	385,334,561	17,148,798	12,501,851	2,433,132	417,418,342
Debt instruments designated at FVTOCI					
Grades 1 - 4	46,685,481	-	-	-	46,685,481
Grades 5 - 6	8,171,491	10,539	-	-	8,182,030
Gross debt instruments designated at FVTOCI	54,856,972	10,539	-	-	54,867,511
Commitments and contingent liabilities					
Grades 1 - 4	58,367,307	108,645	-	-	58,475,952
Grades 5 - 6	27,840,896	1,434,882	-	-	29,275,778
Grade 7	1,206,740	4,757,904	-	-	5,964,644
Grades 8 - 10	-	-	-	223,405	223,405
Unrated	415,904	-	-	-	415,904
Total commitments and contingent liabilities	87,830,847	6,301,431	-	223,405	94,355,683

Unrated exposure in financial instruments carried at amortised cost comprising mainly of retail loans and credit card exposures can be further classified as below:

As at December 31, 2022	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	POCI AED'000	Total AED'000
Performing (Grades 1 - 6)	51,451,827	493,928	-	-	51,945,755
Watch list (Grade 7)	-	589,097	-	-	589,097
Non-performing (Grades 8 - 10)	-	-	687,228	78,291	765,519
Total	51,451,827	1,083,025	687,228	78,291	53,300,371

The movement of gross exposure is as follows:

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	POCI AED'000	Total AED'000
Financial instruments carried at amortised cost					
Balance as at January 1, 2023	385,334,561	17,148,798	12,501,851	2,433,132	417,418,342
- Transfer from stage 1 to stage 2	(4,938,681)	4,938,681	-	-	-
- Transfer from stage 1 to stage 3	(469,868)	-	469,868	-	-
- Transfer from stage 2 to stage 1	1,470,434	(1,470,434)	-	-	-
- Transfer from stage 2 to stage 3	-	(3,425,274)	3,425,274	-	-
- Transfer from stage 3 to stage 2	-	500,324	(500,324)	-	-
Other movements within the same stage	(956,230)	63,392	(1,388,255)	(702,994)	(2,984,087)
New financial assets originated/purchased	218,107,220	2,253,999	365,862	-	220,727,081
Financial assets derecognised	(130,803,411)	(1,275,241)	(431,912)	(175,817)	(132,686,381)
Adjustments to gross carrying value due to changes in estimated cash flows	-	-	-	95,198	95,198
Net amounts written-off	-	-	(4,895,478)	(62,237)	(4,957,715)
Impact of currency translation	(1,475,100)	(91,557)	(51,425)	-	(1,618,082)
Balance as at December 31, 2023	466,268,925	18,642,688	9,495,461	1,587,282	495,994,356
Debt instruments designated at FVTOCI					
Balance as at January 1, 2023	54,856,972	10,539	-	-	54,867,511
Other movements within the same stage	944,561	-	-	-	944,561
New financial assets purchased	5,207,875	-	-	-	5,207,875
Financial assets derecognised	(19,569,080)	(10,539)	-	-	(19,579,619)
Impact of currency translation	(913,366)	-	-	-	(913,366)
Balance as at December 31, 2023	40,526,962	-	-	-	40,526,962
Commitments and contingent liabilities					
Balance as at January 1, 2023	87,830,847	6,301,431	-	223,405	94,355,683
- Transfer from stage 1 to stage 2	(4,752,207)	4,752,207	-	-	-
- Transfer from stage 2 to stage 1	190,342	(190,342)	-	-	-
Other movements within the same stage	(693,579)	(314,072)	-	(1,091)	(1,008,742)
New financial assets originated/purchased	68,143,756	1,539,893	-	-	69,683,649
Financial assets derecognised	(36,727,055)	(868,840)	-	(27,511)	(37,623,406)
Impact of currency translation	(376,751)	(3,067)	-	-	(379,818)
Balance as at December 31, 2023	113,615,353	11,217,210	-	194,803	125,027,366

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	POCI AED'000	Total AED'000
Financial instruments carried at amortised cost					
Balance as at January 1, 2022	322,633,583	20,823,148	14,956,902	4,074,876	362,488,509
- Transfer from stage 1 to stage 2	(3,003,671)	3,003,671	-	-	-
- Transfer from stage 1 to stage 3	(582,939)	-	582,939	-	-
- Transfer from stage 2 to stage 1	4,074,699	(4,074,699)	-	-	-
- Transfer from stage 2 to stage 3	-	(2,885,993)	2,885,993	-	-
- Transfer from stage 3 to stage 2	-	395,221	(395,221)	-	-
Other movements within the same stage	(1,895,702)	(111,972)	(748,462)	(770,955)	(3,527,091)
New financial assets originated/purchased	190,479,592	2,025,001	638,719	-	193,143,312
Financial assets derecognised	(123,070,704)	(1,757,721)	(3,085,129)	(904,237)	(128,817,791)
Adjustments to gross carrying value due to changes in estimated cash flows	-	-	-	346,269	346,269
Net amounts written-off	-	-	(2,220,273)	(312,821)	(2,533,094)
Impact of currency translation	(3,300,297)	(267,858)	(113,617)	-	(3,681,772)
Balance as at December 31, 2022	385,334,561	17,148,798	12,501,851	2,433,132	417,418,342
Debt instruments designated at FVTOCI					
Balance as at January 1, 2022	64,678,283	1,024,906	30,853	-	65,734,042
Other movements within the same stage	(4,870,031)	(12,824)	20,950	-	(4,861,905)
New financial assets purchased	21,709,838	-	-	-	21,709,838
Financial assets derecognised	(24,772,420)	(1,001,543)	-	-	(25,773,963)
Net amounts written-off	-	-	(51,803)	-	(51,803)
Impact of currency translation	(1,888,698)	-	-	-	(1,888,698)
Balance as at December 31, 2022	54,856,972	10,539	-	-	54,867,511
Commitments and contingent liabilities					
Balance as at January 1, 2022	75,796,968	6,613,976	-	424,885	82,835,829
- Transfer from stage 1 to stage 2	(1,524,991)	1,524,991	-	-	-
- Transfer from stage 2 to stage 1	507,151	(507,151)	-	-	-
Other movements within the same stage	(971,099)	(173,709)	-	(25,643)	(1,170,451)
New financial assets originated/purchased	39,383,970	196,157	-	-	39,580,127
Financial assets derecognised	(24,612,610)	(1,346,951)	-	(175,837)	(26,135,398)
Impact of currency translation	(748,542)	(5,882)	-	-	(754,424)
Balance as at December 31, 2022	87,830,847	6,301,431	-	223,405	94,355,683

43.3 Expected credit losses

Impairment allowance is as follows:

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	POCI AED'000	Total AED'000
As at December 31, 2023					
Balances with central banks (Note 6)	**269**	**-**	**-**	**-**	**269**
Deposits and balances due from banks (Note 7)	**121,970**	**3,707**	**-**	**-**	**125,677**
Investment securities at amortised cost (Note 10)	**23,465**	**-**	**-**	**-**	**23,465**
Investment securities designated at FVTOCI (Note 10)(*)	**53,981**	**-**	**-**	**-**	**53,981**
Loans and advances to customers (Note 11)	**1,908,231**	**3,486,925**	**4,784,708**	**508,978**	**10,688,842**
Other assets (Note 14)	**8,257**	**1,027**	**8,436**	**-**	**17,720**
Letters of credit, guarantees and other commitments (Note 21)	**126,008**	**322,344**	**-**	**75,684**	**524,036**
Total allowance for impairment	**2,242,181**	**3,814,003**	**4,793,144**	**584,662**	**11,433,990**
As at December 31, 2022					
Balances with central banks (Note 6)	1,574	-	-	-	1,574
Deposits and balances due from banks (Note 7)	124,277	3,216	-	-	127,493
Investment securities at amortised cost (Note 10)	26,868	-	-	-	26,868
Investment securities designated at FVTOCI (Note 10)(*)	69,581	35	-	-	69,616
Loans and advances to customers (Note 11)	1,283,509	3,444,757	6,592,820	436,916	11,758,002
Other assets (Note 14)	6,210	139	9,272	-	15,621
Letters of credit, guarantees and other commitments (Note 21)	83,055	261,985	-	78,902	423,942
Total allowance for impairment	1,595,074	3,710,132	6,602,092	515,818	12,423,116

(*) recognised under "Revaluation reserve of investments designated at FVTOCI".

The table below summarises impairment allowance as at year end per class of exposure/asset, internal rating and stage:

As at December 31, 2023	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	POCI AED'000	Total AED'000
Financial instruments carried at amortised cost					
Grades 1 - 4	65,283	1,593	-	-	66,876
Grades 5 - 6	1,232,259	397,247	4	-	1,629,510
Grade 7	152,932	2,884,426	-	-	3,037,358
Grades 8 - 10	-	-	4,289,343	502,191	4,791,534
Unrated(*)	611,718	208,393	503,797	6,787	1,330,695
Allowance for impairment	2,062,192	3,491,659	4,793,144	508,978	10,855,973
Debt instruments designated at FVTOCI					
Grades 1-4	4,818	-	-	-	4,818
Grade 5-6	49,163	-	-	-	49,163
Allowance for impairment	53,981	-	-	-	53,981
Commitments and contingent liabilities					
Grades 1 - 4	16,403	1,237	-	-	17,640
Grades 5 - 6	100,994	13,779	-	-	114,773
Grade 7	8,582	307,328	-	-	315,910
Grades 8 - 10	-	-	-	75,684	75,684
Unrated	29	-	-	-	29
Allowance for impairment	126,008	322,344	-	75,684	524,036

(*) Stage 2 expected credit losses include AED 123,829 thousand towards performing exposure

As at December 31, 2022	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	POCI AED'000	Total AED'000
Financial instruments carried at amortised cost					
Grades 1 - 4	30,965	6,745	-	-	37,710
Grades 5 - 6	833,664	766,695	268	-	1,600,627
Grade 7	120,569	2,523,028	1,695	-	2,645,292
Grades 8 - 10	-	-	6,091,579	427,229	6,518,808
Unrated(*)	457,240	151,644	508,550	9,687	1,127,121
Allowance for impairment	1,442,438	3,448,112	6,602,092	436,916	11,929,558
Debt instruments designated at FVTOCI					
Grades 1 - 4	3,040	-	-	-	3,040
Grades 5 - 6	66,541	35	-	-	66,576
Allowance for impairment	69,581	35	-	-	69,616
Commitments and contingent liabilities					
Grades 1 - 4	9,339	440	-	-	9,779
Grades 5 - 6	67,396	4,028	-	-	71,424
Grade 7	6,217	257,517	-	-	263,734
Grades 8 - 10	-	-	-	78,902	78,902
Unrated	103	-	-	-	103
Allowance for impairment	83,055	261,985	-	78,902	423,942

(*) Stage 2 expected credit losses include AED 67,406 thousand towards performing exposure

The movement in impairment allowances is as follows:

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	POCI AED'000	Total AED'000
Financial instruments carried at amortised cost					
Balance as at January 1, 2023	1,442,438	3,448,112	6,602,092	436,916	11,929,558
- Transfer from stage 1 to stage 2	(44,712)	44,712	-	-	-
- Transfer from stage 1 to stage 3	(13,085)	-	13,085	-	-
- Transfer from stage 2 to stage 1	119,126	(119,126)	-	-	-
- Transfer from stage 2 to stage 3	-	(607,317)	607,317	-	-
- Transfer from stage 3 to stage 2	-	80,353	(80,353)	-	-
Other movements within the same stage	372,049	539,665	2,611,077	41,144	3,563,935
New financial assets originated/purchased	455,860	97,435	227,775	-	781,070
Financial assets derecognised	(283,375)	(52,564)	(265,830)	(2,190)	(603,959)
Changes to methodologies, assumptions, and risk parameters(*)	16,708	65,231	2,314	147	84,400
Gross charge for the year	622,571	48,389	3,115,385	39,101	3,825,446
Recoveries	-	-	(431,969)	-	(431,969)
Net charge for the year	622,571	48,389	2,683,416	39,101	3,393,477
Adjustments to gross carrying value	-	-	-	95,198	95,198
Net amounts written-off	-	-	(4,463,509)	(62,237)	(4,525,746)
Impact of currency translation	(2,817)	(4,842)	(28,855)	-	(36,514)
Balance as at December 31, 2023	2,062,192	3,491,659	4,793,144	508,978	10,855,973
Debt instruments designated at FVTOCI					
Balance as at January 1, 2023	69,581	35	-	-	69,616
Other movements within the same stage	2,316	-	-	-	2,316
New financial assets originated/purchased	19,331	-	-	-	19,331
Financial assets derecognized	(46,297)	(35)	-	-	(46,332)
Changes to methodologies, assumptions, and risk parameters(*)	8,282	-	-	-	8,282
Gross release for the year	(16,368)	(35)	-	-	(16,403)
Recoveries	-	-	(775)	-	(775)
Net release for the year	(16,368)	(35)	(775)	-	(17,178)
Net amounts written-off	-	-	775	-	775
Impact of currency translation	768	-	-	-	768
Balance as at December 31, 2023	53,981	-	-	-	53,981
Commitments and contingent liabilities					
Balance as at January 1, 2023	83,055	261,985	-	78,902	423,942
- Transfer from stage 1 to stage 2	(5,695)	5,695	-	-	-
- Transfer from stage 2 to stage 1	589	(589)	-	-	-
Other movements within the same stage	(7,247)	102,265	-	(359)	94,659
New financial assets originated/purchased	44,679	4,287	-	-	48,966
Financial assets derecognised	(10,463)	(53,587)	-	(2,867)	(66,917)
Changes to methodologies, assumptions, and risk parameters(*)	21,443	2,660	-	8	24,111
Net charge/(release) for the year	43,306	60,731		(3,218)	100,819
Impact of currency translation	(353)	(372)	-	-	(725)
Balance as at December 31, 2023	126,008	322,344	-	75,684	524,036

(*) included in 'Recoveries/modifications during the year' (Note 33)

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	POCI AED'000	Total AED'000
Financial instruments carried at amortised cost					
Balance as at January 1, 2022	787,435	3,273,267	6,372,506	478,372	10,911,580
- Transfer from stage 1 to stage 2	(20,699)	20,699	-	-	-
- Transfer from stage 1 to stage 3	(24,187)	-	24,187	-	-
- Transfer from stage 2 to stage 1	96,138	(96,138)	-	-	-
- Transfer from stage 2 to stage 3	-	(180,979)	180,979	-	-
- Transfer from stage 3 to stage 2	-	68,483	(68,483)	-	-
Other movements within the same stage	416,726	454,912	2,896,761	(39,542)	3,728,857
New financial assets originated/purchased	370,760	83,194	151,017	-	604,971
Financial assets derecognised	(187,648)	(156,676)	(653,467)	(35,326)	(1,033,117)
Changes to methodologies, assumptions, and risk parameters(*)	4,464	(4,480)	101	(36)	49
Gross charge/(release) for the year	655,554	189,015	2,531,095	(74,904)	3,300,760
Recoveries	-	-	(453,065)	-	(453,065)
Net charge/(release) for the year	655,554	189,015	2,078,030	(74,904)	2,847,695
Adjustments to gross carrying value	-	-	-	346,269	346,269
Net amounts written-off	-	-	(1,767,208)	(312,821)	(2,080,029)
Impact of currency translation	(551)	(14,170)	(81,236)	-	(95,957)
Balance as at December 31, 2022	1,442,438	3,448,112	6,602,092	436,916	11,929,558
Debt instruments designated at FVTOCI					
Balance as at January 1, 2022	77,415	8,198	22,038	-	107,651
Other movements within the same stage	14,024	1,049	29,765	-	44,838
New financial assets originated/purchased	36,171	-	-	-	36,171
Financial assets derecognised	(25,713)	(8,039)	-	-	(33,752)
Changes to methodologies, assumptions, and risk parameters(*)	(18,662)	(1,173)	-	-	(19,835)
Gross charge/(release) for the year	5,820	(8,163)	29,765	-	27,422
Recoveries	-	-	(18,661)	-	(18,661)
Net charge/(release) for the year	5,820	(8,163)	11,104	-	8,761
Net amounts written-off	-	-	(33,142)	-	(33,142)
Impact of currency translation	(13,654)	-	-	-	(13,654)
Balance as at December 31, 2022	69,581	35	-	-	69,616
Commitments and contingent liabilities					
Balance as at January 1, 2022	64,953	348,937	-	89,335	503,225
- Transfer from stage 1 to stage 2	(3,448)	3,448	-	-	-
- Transfer from stage 2 to stage 1	18,947	(18,947)	-	-	-
Other movements within the same stage	8,054	(35,284)	-	1,596	(25,634)
New financial assets originated/purchased	11,974	596	-	-	12,570
Financial assets derecognised	(19,579)	(38,850)	-	(12,081)	(70,510)
Changes to methodologies, assumptions, and risk parameters(*)	3,114	2,865	-	52	6,031
Net charge/(release) for the year	19,062	(86,172)	-	(10,433)	(77,543)
Impact of currency translation	(960)	(780)	-	-	(1,740)
Balance as at December 31, 2022	83,055	261,985	-	78,902	423,942

(*) included in 'Recoveries/modifications during the year' (Note 33)

43.4 Concentration of credit risk

Concentration of credit risk arises when a number of counterparties or exposures have comparable economic characteristics or such counterparties are engaged in similar activities or operate in the same geographical areas or economic sectors that would impact their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The analysis of credit risk concentrations presented below are based on the location of the counterparty or customer or country of risk in which they are engaged.

(a) Credit risk concentration by geographical sector

	Domestic (UAE) AED'000	Other GCC countries AED'000	Asia AED'000	Europe AED'000	USA AED'000	Rest of the world AED'000	Total AED'000
As at December 31, 2023							
Balances with central banks, net	**40,524,831**	**-**	**188,900**	**-**	**-**	**2,402,554**	**43,116,285**
Deposits and balances due from banks, net	**1,337,401**	**7,986,238**	**9,831,005**	**9,195,240**	**3,454,213**	**5,820,597**	**37,624,694**
Financial assets at fair value through profit or loss	**1,419,562**	**753,343**	**3,084,836**	**-**	**-**	**4,805,279**	**10,063,020**
Derivative financial instruments	**1,273,607**	**12,106**	**14,122**	**12,204,678**	**52,387**	**302,186**	**13,859,086**
Investment securities - bonds, net	**41,328,971**	**27,331,009**	**27,607,774**	**8,464,776**	**12,974,192**	**9,667,269**	**127,373,991**
Loans and advances to customers, net	**241,714,772**	**13,293,038**	**9,215,054**	**11,298,498**	**934,662**	**25,538,575**	**301,994,599**
Other assets, net	**7,773,368**	**735,227**	**4,428,493**	**2,947,832**	**166,448**	**2,754,346**	**18,805,714**
Total	**335,372,512**	**50,110,961**	**54,370,184**	**44,111,024**	**17,581,902**	**51,290,806**	**552,837,389**
Commitment and contingent liabilities	**93,566,991**	**6,785,773**	**10,233,563**	**9,444,775**	**1,642,618**	**3,353,646**	**125,027,366**
As at December 31, 2022							
Balances with central banks, net	34,033,625	-	64,541	-	-	2,927,675	37,025,841
Deposits and balances due from banks, net	1,986,531	10,786,548	7,778,743	8,621,758	1,178,627	4,986,995	35,339,202
Financial assets at fair value through profit or loss	733,566	720,019	968,257	-	-	2,220,421	4,642,263
Derivative financial instruments	1,586,106	32,930	2,284	13,157,418	-	403,800	15,182,538
Investment securities - bonds, net	40,498,640	25,937,050	19,338,213	6,105,281	8,371,646	10,776,095	111,026,925
Loans and advances to customers, net	212,367,088	8,223,498	10,267,242	7,467,348	290,775	19,876,919	258,492,870
Other assets, net	8,767,544	592,844	4,562,773	5,646,574	52,179	1,953,616	21,575,530
Total	299,973,100	46,292,889	42,982,053	40,998,379	9,893,227	43,145,521	483,285,169
Commitment and contingent liabilities	69,374,053	5,684,368	8,564,167	6,203,204	680,484	3,849,407	94,355,683

(b) Credit risk concentration by economic/industry sector

The economic activity sector composition of the loans and advances to customers is as follows:

	As at December 31, 2023			As at December 31, 2022		
	Within the UAE AED'000	Outside the UAE AED'000	Total AED'000	Within the UAE AED'000	Outside the UAE AED'000	Total AED'000
Economic activity sector						
Agriculture	**168,950**	**155,880**	**324,830**	161,730	170,156	331,886
Energy	**844,387**	**14,829,569**	**15,673,956**	1,226,669	13,605,745	14,832,414
Trading	**11,820,768**	**11,192,465**	**23,013,233**	7,222,359	6,141,184	13,363,543
Real estate investment	**51,965,652**	**1,891,605**	**53,857,257**	58,107,673	2,042,155	60,149,828
Hospitality	**8,229,044**	**444,039**	**8,673,083**	9,096,528	497,788	9,594,316
Transport and communication	**2,308,976**	**3,491,711**	**5,800,687**	1,541,809	1,428,122	2,969,931
Personal	**63,083,264**	**1,118,892**	**64,202,156**	54,369,336	1,354,235	55,723,571
Government and public sector entities	**73,549,548**	**5,245,487**	**78,795,035**	55,465,449	6,018,575	61,484,024
Financial institutions(*)	**12,783,943**	**12,478,213**	**25,262,156**	13,706,939	7,457,918	21,164,857
Manufacturing	**4,854,119**	**5,866,006**	**10,720,125**	4,551,598	5,052,793	9,604,391
Services(**)	**8,562,194**	**385,768**	**8,947,962**	5,538,091	261,836	5,799,927
Others	**13,811,101**	**3,601,860**	**17,412,961**	12,869,966	2,362,218	15,232,184
Gross loans and advances to customers	**251,981,946**	**60,701,495**	**312,683,441**	223,858,147	46,392,725	270,250,872
Less: Allowance for impairment (Note 43.3)			**(10,688,842)**			(11,758,002)
Total loans and advances to customers, net			**301,994,599**			258,492,870

(*) includes investment companies
(**) includes loans and advances to customers mandatorily measured at FVTPL

The industry sector composition of other exposures is as follows:

	Commercial and business AED'000	Personal AED'000	Public sector AED'000	Government AED'000	Banks and financial institutions AED'000	Total AED'000
As at December 31, 2023						
Balances with central banks, net	**-**	**-**	**-**	**43,116,285**	**-**	**43,116,285**
Deposits and balances due from banks, net	**-**	**-**	**-**	**-**	**37,624,694**	**37,624,694**
Financial assets at fair value through profit or loss	**28,524**	**-**	**519,527**	**5,327,101**	**4,187,868**	**10,063,020**
Derivative financial instruments	**336,877**	**61,320**	**343,261**	**141,695**	**12,975,933**	**13,859,086**
Investment securities - bonds, net	**6,794,307**	**-**	**24,874,399**	**83,699,591**	**12,005,694**	**127,373,991**
Other assets, net	**11,375,105**	**428,548**	**997,844**	**727,918**	**5,276,299**	**18,805,714**
Total	**18,534,813**	**489,868**	**26,735,031**	**133,012,590**	**72,070,488**	**250,842,790**
Contingent liabilities	**68,602,654**	**1,725,505**	**34,478,164**	**1,351,111**	**18,869,932**	**125,027,366**
As at December 31, 2022						
Balances with central banks, net	-	-	-	37,025,841	-	37,025,841
Deposits and balances due from banks, net	-	-	-	-	35,339,202	35,339,202
Financial assets at fair value through profit or loss	9,060	-	504,402	958,468	3,170,333	4,642,263
Derivative financial instruments	438,100	140,062	179,743	196,377	14,228,256	15,182,538
Investment securities - bonds, net	4,713,194	-	20,529,008	75,050,703	10,734,020	111,026,925
Other assets, net	15,571,143	469,076	452,887	553,390	4,529,034	21,575,530
Total	20,731,497	609,138	21,666,040	113,784,779	68,000,845	224,792,299
Contingent liabilities	48,467,578	2,077,410	24,991,362	2,361,651	16,457,682	94,355,683

43.5 Credit risk measurement and mitigation policies

Loans and advances to customers is the main source of credit risk although the Group can also be exposed to other forms of credit risk through, for example, loans to banks, loan commitments and debt securities. The Group's risk management policies and processes are designed to identify and analyse risk, to set appropriate risk appetite and to monitor the risks and adherence to limits by means of reliable and timely data. The Group assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparties.

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing the lending limits where appropriate.

Collateral

The Group holds collateral against various credit risk exposures in the form of mortgage interests over property, other registered securities over assets, fixed deposits and guarantees. Estimates of fair value of the collateral (including shares) are updated on a regular basis. Collateral generally is not held over loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowing activity. The principal collateral types for loans and advances are:

- Cash and marketable securities;
- Mortgages over residential and commercial properties;
- Charges over business assets such as premises, inventory and accounts receivable;
- Charges over financial instruments such as debt securities and equities; and
- Guarantees.

The estimated fair value of collateral and other security enhancements held against various credit risk exposures for the year ended December 31, 2023 was AED 257,019,807 thousand (December 31, 2022 - AED 227,175,417 thousand).

Collateral held as security against impaired loans primarily relates to commercial and residential properties and securities. Where the estimated fair value of collateral held exceeds the outstanding loan, any excess on realisation is paid back to the customers and is not available for offset against other loans.

As at December 31, 2023, out of total credit impaired loans (Stage 3 and POCI), AED 2,983,347 thousand (December 31, 2022 - AED 3,810,591 thousand) are collateralised over 100%.

Write-off

Financial assets are written off when a debtor fails to engage in a repayment plan and the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group categorises a loan or receivable for write off when a debtor fails to make contractual payments more than 180 days past due for retail and SME loans. Where loans or receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made susbequently, these are recognised as deduction from impairment charge in the consolidated income statement (Note 33).

Reversal of impairment

If the amount of an impairment loss decreases in a subsequent period, and the decrease can be related objectively to an event occurring after the impairment was recognised, the excess is written back by reducing the loan impairment allowance account accordingly. The write-back is recognised in the consolidated income statement in the period in which it occurs.

Derivatives

The Group maintains strict control limits on net open derivative positions (i.e. the difference between purchase and sale contracts), by both amount and term. At any time, the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Group (i.e. positive fair value of assets), which in relation to derivatives is a small fraction of the contract or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers together with potential exposures from market movements.

Settlement risk arises in any situation where a payment in cash, securities or equities is made in the expectation of a corresponding receipt in cash, securities or equities. Daily settlement limits are established for each counterparty to cover the aggregate of all settlement risks arising from the Group's market transactions on any single day.

The following table represents internal credit ratings of derivative financial instruments:

	As at December 31 2023 AED'000	As at December 31 2022 AED'000
Internal risk grades		
Grades 1 to 4	**13,132,428**	14,482,661
Grades 5 to 6	**717,836**	688,092
Unrated	**8,822**	11,785
	13,859,086	15,182,538

Master netting arrangements

The Group further restricts its exposure to credit losses by entering into master netting arrangements with counterparties with which it undertakes a significant volume of transactions. Master netting arrangements do not generally result in an offset of statement of financial position assets and liabilities, as transactions are usually settled on a gross basis, hence the impact of netting in practice is immaterial.

However, the credit risk associated with favourable contracts is reduced by a master netting arrangement to the extent that if a default occurs, all amounts with the counterparty are terminated and settled on a net basis. The Group's overall exposure to credit risk on derivative instruments subject to master netting arrangements can change substantially within a year, as it is affected by each transaction subject to the arrangement.

Derivative related credit risk

Credit risk in respect of derivative financial instruments arises from the potential for a counterparty to default on its contractual obligations and is limited to the positive fair value of instruments that are favourable to the Group. The Group enters into derivative contracts with financial institutions and corporates which are of satisfactory credit standing as per the Group's independent credit assessment. Credit risk in derivatives is mitigated through limit control and master netting arrangements.

Off-balance sheet

The Group applies the same risk management policies for off-balance sheet risks as it does for its on-balance sheet risks with the exception that the worse staging for off-balance sheet exposures is stage 2. In the case of commitments to lend, customers and counterparties will be subject to the same credit management policies as for loans and advances. Collateral may be sought depending on the strength of the counterparty and the nature of the transaction.

44. Interest rate risk framework, measurement, and monitoring

Interest rate risk arises from interest bearing financial instruments and reflects the possibility that changes in interest rates will adversely affect the value of the financial instruments and the related income. The Group manages this risk principally through monitoring of interest rate gaps, economic value of equity and earnings at risk and by matching the re-pricing profile of assets and liabilities.

Interest rate risk in banking book (IRRBB) refers to the current or prospective risk to the Group's capital and earnings arising from adverse movements in interest rates that affect the Group's banking book positions. Excessive IRRBB can pose significant threat to a Group's capital base and/or earnings if not managed prudently. Changes in interest rates affect the underlying economic value of the Group's banking book assets, liabilities, and off balance sheet instruments by changing the present value of future cash flows. Changes in interest rates also affect Group's earnings by increasing or decreasing its earnings at risk (EaR)/net interest income (NII). The Group manages IRRBB through both economic value and earnings-based measures. In general, the sources of interest rate risk can include gap risk, yield curve risk, basis risk and option risk.

Overall interest rate risk positions are managed by the Group's Treasury division, where the objective of managing IRRBB is to manage the exposure to interest rate risk in the Banking Book within acceptable limits using approved products within the mandates available to the first line functions. Where possible, risks are managed via on balance sheet matching of assets and liabilities and central aggregation of risk. However, Treasury also hedges specific transactions and residual exposures through the use of derivatives.

Financial assets and liabilities exposed to interest rate risk are assets and liabilities with either a fixed or a floating contractual rate of interest. A significant portion of the Group's loans and advances, deposits, and balances due from banks, investment securities, deposits from customers, due to banks, and borrowings fall under this category. Interest rate sensitivity position of floating rate financial instruments is based on either repricing date or maturity date while that of fixed rate financial instruments is based on maturity date.

Derivative financial instruments (other than those designated in a hedge relationship) and trading book assets and liabilities (excluding non-interest bearing) are included in the 'less than 3 months' column at their fair value. Derivative financial instruments designated in a hedge relationship are included according to their contractual next re-pricing date or maturity date if floating rate and maturity date if fixed rate instrument.

Financial assets that are considered as non-rate sensitive mainly comprise of investments in equity and mutual funds, commodity and currency derivatives and cash and balances with central banks excluding overnight and certificate of deposits. Likewise, financial liabilities that are considered as non-rate sensitive mainly comprise of equity, non-interest-bearing liabilities, and non-remunerated, indeterminate maturing deposits.

The off-balance sheet gap represents the net notional amounts of the off-balance sheet financial instruments, such as interest rate and cross currency interest rate swaps which are used to manage interest rate risk.

The Group uses financial simulation tools to periodically measure and monitor interest rate sensitivity. The results are analysed and monitored by the Asset and Liability Committee (ALCO).

The Group's interest rate sensitivity position based on contractual repricing arrangements as at December 31, 2023, is as follows:

	Less than 3 months AED'000	3 months to less than 6 months AED'000	6 months to less than 1 year AED'000	1 year to less than 3 years AED'000	Over 3 years AED'000	Non-interest bearing items AED'000	Total AED'000
Assets							
Cash and balances with central banks, net	21,228,507	-	-	-	-	24,146,955	45,375,462
Deposits and balances due from banks, net	27,564,398	5,942,155	3,267,995	-	-	850,146	37,624,694
Financial assets at fair value through profit or loss	10,063,020	-	-	-	-	-	10,063,020
Derivative financial instruments	11,759,992	177,753	1,349	161,745	38,212	1,720,035	13,859,086
Investment securities, net	7,133,153	9,445,389	8,052,389	33,839,388	68,903,672	894,406	128,268,397
Loans and advances to customers, net	244,655,458	12,003,845	10,344,218	9,409,315	37,013,367	(11,431,604)	301,994,599
Investment in associates	-	-	-	-	-	370,622	370,622
Investment properties	-	-	-	-	-	1,741,460	1,741,460
Other assets, net	351,668	-	-	-	-	18,608,690	18,960,358
Property and equipment, net	-	-	-	-	-	1,887,596	1,887,596
Intangible assets, net	-	-	-	-	-	7,049,191	7,049,191
Total assets	322,756,196	27,569,142	21,665,951	43,410,448	105,955,251	45,837,497	567,194,485
Liabilities and equity							
Due to banks	6,920,270	-	-	-	-	1,874,698	8,794,968
Derivative financial instruments	14,609,562	-	-	553	9,326	1,620,054	16,239,495
Deposits from customers	151,932,029	25,584,057	78,245,718	5,007,125	8,401,146	93,734,964	362,905,039
Euro commercial paper	5,048,393	2,036,897	692,365	-	-	-	7,777,655
Borrowings	45,610,890	823,355	1,500,515	1,935,702	26,782,872	-	76,653,334
Other liabilities	-	-	-	-	-	23,570,527	23,570,527
Equity	-	-	-	-	-	71,253,467	71,253,467
Total liabilities and equity	224,121,144	28,444,309	80,438,598	6,943,380	35,193,344	192,053,710	567,194,485
On-balance sheet gap	98,635,052	(875,167)	(58,772,647)	36,467,068	70,761,907	(146,216,213)	-
Off-balance sheet gap	1,685,945	(3,237,109)	24,182,400	(12,548,724)	(10,082,512)	-	-
Total interest rate sensitivity gap	100,320,997	(4,112,276)	(34,590,247)	23,918,344	60,679,395	(146,216,213)	-
Cumulative interest rate sensitivity gap	100,320,997	96,208,721	61,618,474	85,536,818	146,216,213	-	-

Non-interest bearing items include mainly impairment allowances under loans and advances to customers.

The Group's interest rate sensitivity position based on contractual repricing arrangements as at December 31, 2022, was as follows:

	Less than 3 months AED'000	3 months to less than 6 months AED'000	6 months to less than 1 year AED'000	1 year to less than 3 years AED'000	Over 3 years AED'000	Non-interest bearing items AED'000	Total AED'000
Assets							
Cash and balances with central banks, net	22,564,227	-	-	-	-	16,865,081	39,429,308
Deposits and balances due from banks, net	22,321,794	9,181,549	2,859,285	549,376	-	427,198	35,339,202
Financial assets at fair value through profit or loss	4,642,263	-	-	-	-	-	4,642,263
Derivative financial instruments	10,773,197	1,652,640	298,340	130,686	845,518	1,482,157	15,182,538
Investment securities, net	12,623,079	7,905,510	9,689,935	25,458,078	55,350,323	983,758	112,010,683
Loans and advances to customers, net	202,342,954	17,257,147	5,973,816	7,626,571	37,587,591	(12,295,209)	258,492,870
Investment in associates	-	-	-	-	-	252,525	252,525
Investment properties	-	-	-	-	-	1,691,890	1,691,890
Other assets, net	393,757	-	-	-	-	21,317,432	21,711,189
Property and equipment, net	-	-	-	-	-	1,937,503	1,937,503
Intangible assets, net	-	-	-	-	-	7,152,194	7,152,194
Total assets	275,661,271	35,996,846	18,821,376	33,764,711	93,783,432	39,814,529	497,842,165
Liabilities and equity							
Due to banks	6,117,363	-	679,385	-	-	2,922,445	9,719,193
Derivative financial instruments	12,890,838	711,377	740,784	61,716	627,593	1,193,077	16,225,385
Deposits from customers	135,162,030	19,618,164	62,117,295	3,151,934	7,636,733	81,244,543	308,930,699
Euro commercial paper	3,669,336	2,324,943	-	-	-	-	5,994,279
Borrowings	40,160,509	1,946,775	1,950,077	2,226,125	23,592,247	-	69,875,733
Other liabilities	-	-	-	-	-	25,670,739	25,670,739
Equity	-	-	-	-	-	61,426,137	61,426,137
Total liabilities and equity	198,000,076	24,601,259	65,487,541	5,439,775	31,856,573	172,456,941	497,842,165
On-balance sheet gap	77,661,195	11,395,587	(46,666,165)	28,324,936	61,926,859	(132,642,412)	-
Off-balance sheet gap	(13,512,139)	(1,252,091)	24,183,878	(6,311,346)	(3,108,302)	-	-
Total interest rate sensitivity gap	64,149,056	10,143,496	(22,482,287)	22,013,590	58,818,557	(132,642,412)	-
Cumulative interest rate sensitivity gap	64,149,056	74,292,552	51,810,265	73,823,855	132,642,412	-	-

Non-interest bearing items include mainly impairment allowances under loans and advances to customers.

45. Liquidity risk framework, measurement, and monitoring

Liquidity risk is the risk that the Group will be unable to meet its payment obligations associated with its financial liabilities when they fall due and to replenish funds when they are withdrawn. The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Liquidity risk management process

The Group's Board of Directors (BOD) (via the BRC) approved liquidity risk appetite framework establishes the minimum liquidity required to survive a stress environment for a stipulated time horizon. The BOD has delegated to MEC the responsibility of liquidity management which is overseen on their behalf by ALCO on a day-to-day basis. ALCO monitors liquidity ratios and other indicators and regularly revises and calibrates the liquidity management policies to ensure that the Group is in a position to meet its obligations as they fall due. ALCO also ensures that the Bank remains compliant with all regulatory and internal policy guidelines pertaining to liquidity risk.

The Group's liquidity management process, as carried out within the Group and monitored by the Group's Treasury division, includes:

- Monitoring of liquidity position on a daily, weekly, and monthly basis. This entails forecasting of cash inflows/outflows and ensuring that the Group can meet the required outflows;
- Conducting regular liquidity stress testing of the Group's liquidity position under a variety of scenarios covering both normal and more severe market conditions with triggers and suggested actions;
- Ensuring compliance with the liquidity ratios such as Net Stable Funding Ratio (NSFR) and Liquidity Coverage Ratio (LCR) as stipulated by CBUAE and internally approved management triggers for liquidity risk;
- Conducting regular enterprise-wide liquidity stress test which estimates liquidity requirements under idiosyncratic and systemic stress conditions. The enterprise-wide stress test incorporates diverse liquidity triggers linked to the Bank's Early Warning Indicator (EWI) framework like currency de-peg, failure of a major local bank, credit rating downgrades as model inputs; and
- Monitoring of depositor concentration to ensure that the Group's deposit funding is well diversified.

Monitoring composition of funding sources at a granular level includes setting triggers for avoiding concentration of funding by product. Some of the ratios monitored are as follows:

- Euro commercial paper to total liabilities and equity
- Wholesale funds to total liabilities and equity
- Money market deposits to total liabilities and equity
- Core deposits to customer deposits
- Offshore funds to total liabilities and equity

The Group has established several early warning indicators for liquidity risk in line with the CBUAE requirements and monitors them regularly. Some of the key early warning indicators are as follows:

- Credit rating downgrade
- Widening credit-default-swap levels
- Rising retail/wholesale funding costs
- Qualitative/event driven factors

The Group has also an established liquidity Contingency Funding Plan which is routinely tested.

Tools for liquidity management

The Group through its Treasury division ensures that it has access to diverse sources of funding ranging from local customer deposits from its retail, corporate and institutional customers as well as international sovereign wealth funds and central banks to long term funding such as debt securities and subordinated liabilities issued under the global medium term note program.

Whilst the Group's debt securities and sub-debt typically are issued with maturities of greater than one year, deposits from banks and customers generally have shorter maturities which increases the liquidity risk of the Group. The Group's Treasury division manages this risk by:

- Diversification of funding sources and balancing between long term and short-term funding sources through borrowing under its global medium term notes issue programs;
- Monitoring the stickiness of liability portfolio and rewarding business units for sticky deposits through the fund transfer pricing process; and
- Investing in various short-term or medium term but highly marketable assets in line with Basel-III guidelines for High Quality Liquid Assets (HQLA) such as certificate of deposit with Central Bank, investment grade bonds that can be repurchased at short notices, etc.

The Bank has in place a contingent funding plan which lists out the trigger points to be monitored for invoking the contingent funding plan. The trigger points are based on market observable data points such as credit spreads and internal and external events such as decline in customer deposits and drying up of wholesale markets. The contingent funding plan clearly defines the roles and responsibilities and is updated with changing market conditions by ALCO.

The table below summarises the maturity profile of the Group's assets and liabilities. The contractual maturities of assets and liabilities have been determined on the basis of the remaining period at the end of the reporting period date to the contractual maturity date and do not take into account the effective maturities as indicated by the Group's deposit retention history and the availability of liquid funds. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

Derivative financial instruments (other than those designated in a hedge relationship) and trading portfolio assets and liabilities are included in 'less than 3 months' at their fair value. Liquidity risk on these items is not managed on the basis of remaining maturity since they are not held for settlement according to such maturity and will frequently be settled before remaining maturity at fair value. Derivatives designated in a hedge relationship are included according to their remaining maturity at fair value. Investment securities in equities and mutual funds with no maturity are included in 'over 3 years'.

The maturity profile of the assets and liabilities as at December 31, 2023, was as follows:

	Less than 3 months AED'000	3 months to less than 6 months AED'000	6 months to less than 1 year AED'000	1 year to less than 3 years AED'000	Over 3 years AED'000	Total AED'000
Assets						
Cash and balances with central banks, net	45,375,462	-	-	-	-	45,375,462
Deposits and balances due from banks, net	15,929,682	8,463,062	7,034,810	6,197,140	-	37,624,694
Financial assets at fair value through profit or loss	10,063,020	-	-	-	-	10,063,020
Derivative financial instruments	10,102,783	317,484	246,352	459,732	2,732,735	13,859,086
Investment securities, net	6,770,457	9,452,635	8,060,846	33,955,433	70,029,026	128,268,397
Loans and advances to customers, net	55,734,700	12,869,325	25,360,818	51,063,043	156,966,713	301,994,599
Investment in associates	-	-	-	-	370,622	370,622
Investment properties	-	-	-	1,741,460	-	1,741,460
Other assets, net	6,746,397	1,891,188	10,259,652	31,740	31,381	18,960,358
Property and equipment, net	-	-	-	-	1,887,596	1,887,596
Intangible assets, net	-	-	-	105,445	6,943,746	7,049,191
Total assets	150,722,501	32,993,694	50,962,478	93,553,993	238,961,819	567,194,485
Liabilities and equity						
Due to banks	6,416,568	541,900	1,836,500	-	-	8,794,968
Derivative financial instruments	9,392,103	966	63,163	379,891	6,403,372	16,239,495
Deposits from customers	245,419,767	25,597,484	78,344,523	4,873,128	8,670,137	362,905,039
Euro commercial paper	5,048,393	2,036,897	692,365	-	-	7,777,655
Borrowings	13,471,536	13,595,058	12,436,588	6,447,981	30,702,171	76,653,334
Other liabilities	12,008,340	840,522	9,660,706	202,255	858,704	23,570,527
Equity	-	-	-	-	71,253,467	71,253,467
Total liabilities and equity	291,756,707	42,612,827	103,033,845	11,903,255	117,887,851	567,194,485
Balance sheet liquidity gap	(141,034,206)	(9,619,133)	(52,071,367)	81,650,738	121,073,968	-
Off balance sheet						
Financial guarantees and irrevocable commitments(*)	8,475,813	3,510,194	13,551,815	11,112,846	15,120,475	51,771,143
Derivatives held for hedging purpose (notional)	10,080,062	6,174,951	31,873,862	20,241,137	82,897,443	151,267,455

(*) due to the nature of the financial guarantees and irrevocable commitments, these instruments could be called earlier than the bucket under which reported.

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FOR THE YEAR ENDED DECEMBER 31, 2023

The maturity profile of the assets and liabilities as at December 31, 2022, was as follows:

	Less than 3 months AED'000	3 months to less than 6 months AED'000	6 months to less than 1 year AED'000	1 year to less than 3 years AED'000	Over 3 years AED'000	Total AED'000
Assets						
Cash and balances with central banks, net	39,429,308	-	-	-	-	39,429,308
Deposits and balances due from banks, net	15,649,416	9,431,049	5,682,718	4,576,019	-	35,339,202
Financial assets at fair value through profit or loss	4,642,263	-	-	-	-	4,642,263
Derivative financial instruments	10,586,110	198,581	133,317	503,604	3,760,926	15,182,538
Investment securities, net	12,348,190	7,905,510	9,964,823	25,458,078	56,334,082	112,010,683
Loans and advances to customers, net	58,298,269	10,056,078	21,867,079	37,872,496	130,398,948	258,492,870
Investment in associates	-	-	-	-	252,525	252,525
Investment properties	-	-	-	1,691,890	-	1,691,890
Other assets, net	7,044,331	3,674,160	10,964,550	15,143	13,005	21,711,189
Property and equipment, net	-	-	-	-	1,937,503	1,937,503
Intangible assets, net	-	-	-	65,500	7,086,694	7,152,194
Total assets	147,997,887	31,265,378	48,612,487	70,182,730	199,783,683	497,842,165
Liabilities and equity						
Due to banks	9,039,808	679,385	-	-	-	9,719,193
Derivative financial instruments	9,932,358	19,468	351,119	83,993	5,838,447	16,225,385
Deposits from customers	212,882,228	20,197,190	62,822,152	5,072,690	7,956,439	308,930,699
Euro commercial paper	3,669,336	2,324,943	-	-	-	5,994,279
Borrowings	18,561,051	4,774,691	5,777,683	16,078,280	24,684,028	69,875,733
Other liabilities	10,852,995	3,069,201	10,668,731	254,112	825,700	25,670,739
Equity	-	-	-	-	61,426,137	61,426,137
Total liabilities and equity	264,937,776	31,064,878	79,619,685	21,489,075	100,730,751	497,842,165
Balance sheet liquidity gap	(116,939,889)	200,500	(31,007,198)	48,693,655	99,052,932	-
Off balance sheet						
Financial guarantees and irrevocable commitments(*)	4,670,761	2,166,385	12,071,567	8,723,372	7,340,384	34,972,469
Derivatives held for hedging purpose (notional)	18,922,808	5,647,651	37,413,848	14,385,058	65,723,460	142,092,825

(*) due to the nature of the financial guarantees and irrevocable commitments, these instruments could be called earlier than the bucket under which reported

The table below summarises the maturity profile of the Group's financial liabilities as at December 31, 2023, and 2022 based on contractual undiscounted repayment obligations. As interest payments up to contractual maturity are included in the table, totals do not match with the consolidated statement of financial position. The contractual maturities of liabilities other than derivatives have been determined based on the remaining period at the consolidated statement of financial position date to the contractual maturity date and do not take into account the effective expected maturities. Derivative financial instruments held for trading are included in "less than 3 months" bucket at their fair value while the cash flows for derivative financial instruments held for hedging are classified based on their contractual cash flows or next call date. The Group expects that many customers will not request repayment on the earliest date the Group could be required to pay, and the table does not reflect the expected cash flows indicated by the Group's deposit retention history.

	Carrying amount AED'000	Gross outflow AED'000	Less than 3 months AED'000	3 months to less than 6 months AED'000	6 months to less than 1 year AED'000	1 year to less than 3 years AED'000	Over 3 years AED'000
As at December 31, 2023							
Due to banks	**8,794,968**	**8,996,758**	**6,441,749**	**559,488**	**1,995,521**	**-**	**-**
Derivative financial instruments	**16,239,495**	**10,024,610**	**9,167,674**	**266,105**	**79,082**	**348,870**	**162,879**
Deposits from customers	**362,905,039**	**372,857,708**	**249,213,090**	**26,080,802**	**81,514,036**	**5,196,829**	**10,852,951**
Euro commercial paper	**7,777,655**	**7,875,253**	**5,085,038**	**2,073,407**	**716,808**	**-**	**-**
Borrowings	**76,653,334**	**146,643,666**	**14,406,045**	**14,803,435**	**12,436,673**	**8,107,107**	**96,890,406**
Total financial liabilities	**472,370,491**	**546,397,995**	**284,313,596**	**43,783,237**	**96,742,120**	**13,652,806**	**107,906,236**
As at December 31, 2022							
Due to banks	9,719,193	9,753,120	9,043,405	709,715	-	-	-
Derivative financial instruments	16,225,385	10,585,146	9,986,374	645,622	(276,127)	359,657	(130,380)
Deposits from customers	308,930,699	315,651,975	187,061,547	16,602,876	52,639,180	48,977,119	10,371,253
Euro commercial paper	5,994,279	6,041,004	3,686,841	2,354,163	-	-	-
Borrowings	69,875,733	140,013,770	19,718,765	5,830,654	5,938,335	17,000,265	91,525,751
Total financial liabilities	410,745,289	482,045,015	229,496,932	26,143,030	58,301,388	66,337,041	101,766,624

46. Market risk framework, measurement, and management

The Group's activities expose it primarily to market risk which is defined as the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates, commodity prices and credit spreads (not relating to changes in the obligor's/issuer's credit standing) which will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

- Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.
- Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.
- Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or by factors affecting all similar financial instruments traded in the market.

The Group separates its exposure to market risk between trading and banking book as defined below:

Market risk arising from trading book

Trading positions are held by the Treasury division and include positions arising from market making and proprietary position taking, together with financial assets and liabilities that are managed on a fair value basis. Realised and unrealised gains and losses on these positions are reported in consolidated income statement.

Market risk arising from banking book

Market risk from banking book arises from execution of the Group's core business strategies, products, and services to its customers, that invariably create interest rate risk and open currency positions that the Group endeavours to manage through strategic positions to mitigate the inherent risk caused by these positions.

Banking book includes all positions that are not held for trading such as but not limited to the Group's investments in instruments designated at FVTOCI and amortised cost, loans and advances carried at amortised cost, derivatives used for hedging and other financial assets held for long term.

These exposures can result from a variety of factors including but not limited to re-pricing of gaps in assets, liabilities and off-balance sheet instruments and changes in the level and shape of market interest rate curves.

Risk identification and classification

The RMC and BRC approves market risk policies for the Group. All business segments are responsible for the comprehensive identification and verification of market risks within their business units. Regular meetings are held between market risk management and heads of risk-taking businesses to discuss and decide on risk exposures in the context of the market environment.

Management of market risk

The Board of Directors (via the BRC) have set risk limits based on the Value-at Risk (VaR), Stressed Value at Risk (SVaR), Greeks, sensitivity/stress analysis and foreign exchange open position limits which are closely monitored by the risk management division and reported regularly to the senior management, ALCO and BRC.

Treasury, Market and Liquidity Risk is responsible for the independent second line oversight of Market risk. It is overseen by GCRO and BRC and performs the following primary functions:

- establishment of a comprehensive mark-to-market valuation policy framework;
- establishment of a comprehensive market risk policy framework;
- independent measurement, monitoring, and control of market risk;
- setting and monitoring of limits; and
- hedge effectiveness methodology.

Risk measurement

The following are the metrics used to measure the market risk, because no single measure can reflect all aspects of market risk. The Group uses various measurements, both statistical and non-statistical, including sensitivity analysis.

Statistical risk measures

The Group measures the risk of loss arising from future potential adverse movements in market rates, prices and volatilities using VaR methodology. The VaR that the Group measures is an estimate, using a confidence level of 99% of the potential loss that is not expected to be exceeded if the current market positions were to be held unchanged for one day. This confidence level suggests that potential daily losses in excess of the VaR measure are likely to be experienced, once every hundred days. The Board has set limits for the acceptable level of risks in managing the trading and banking book.

The Group uses simulation models to assess the possible changes in the market value of the trading and banking book based on historical data. VaR models are usually designed to measure the market risk in a normal market environment and therefore the use of VaR has limitations because it is based on historical correlations and volatilities in market prices and assumes that the future movements will follow a statistical distribution. It provides a measurement of losses that could be expected under a typical range of market conditions. Also VaR does not typically provide an indication of potential losses under periods of stressed conditions. To supplement this measurement, a "Stressed" VaR (SVaR) is calculated based upon assessing the VaR over a historical period of market stress.

The Group's VaR for the year ended December 31, 2023, is as below:

Daily value at risk (VaR at 99% - 1 day)	2023 AED'000	2022 AED'000
Overall risk	**(40,886)**	(32,460)

Non-statistical risk measures

Non-statistical risk measures, other than stress/sensitivity testing, include independent market valuations to ensure that the Group's valuations are correct and Risk Greeks to ensure that trading is within the risk appetite thresholds. These measures provide additional information of the Group's exposures to non-linear risks.

Sensitivity analysis

To complement VaR, the Group also carries out stress tests/sensitivity analysis of its portfolio to assess potential risks that may arise from extreme market events that are severe but plausible. The results of the stress tests are reported to the Group's ALCO and BRC.

Interest rate risk - trading book

The following table depicts the sensitivity of fair valuations in the trading book to hypothetical and instantaneous changes in the level of interest rates - with other market risk factors held constant - which would have an impact on the Group's consolidated income statement:

Relative instantaneous rate move shifts for all tenors:

	2023		2022	
	+25bps AED'000	-25bps AED'000	+25bps AED'000	-25bps AED'000
AED	**2,697**	**(260)**	11,512	(9,719)
USD	**(1,331)**	**2,854**	(4,754)	4,358

Interest rate risk - non-trading book

The following table depicts the sensitivity of fair valuations in the non-trading book to hypothetical and instantaneous changes in the level of interest rates - with other market risk factors held constant - which would have an impact on the Group's consolidated income statement:

	2023		2022	
	+25 bps AED'000	-25 bps AED'000	+25 bps AED'000	-25 bps AED'000
Sensitivity of net interest income	**191,217**	**(188,325)**	127,530	(124,805)

The sensitivity on the consolidated income statement is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate non-trading financial assets and financial liabilities, including the effect of hedging instruments.

Currency risk

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates and arises from financial instruments denominated in a foreign currency. The Bank's functional currency is the UAE Dirham. The Board of Directors has set limits on delta notional positions by currency. Positions are closely monitored and hedging strategies are used to ensure positions are maintained within established limits. As at December 31, 2023, the Group's net delta notional positions in major currencies are as below:

	Net currency position long/(short)	
Currency	2023 AED'000	2022 AED'000
USD	**63,184,146**	75,658,206
EUR	**205,245**	624
GBP	**4,298**	2,797
JPY	**118,170**	15,126
INR	**261,439**	92,912
SAR	**(964,656)**	746,451
EGP	**272,795**	166,707
AUD	**34,347**	2,176
CHF	**(200,694)**	(6,492)

The following table depicts the sensitivity of fair valuations in the trading and banking book to hypothetical, instantaneous changes in the level of foreign currency exchange rates - with other market risk factors held constant (including the USD-AED currency pair which is pegged) - which would have an impact on the Group's consolidated income statement:

	2023		2022	
Price shock in percentage	+5% AED'000	-5% AED'000	+5% AED'000	-5% AED'000
USD-AUD	**6,249**	**(1,207)**	69	(13)
EUR-USD	**3,054**	**6,671**	31	(31)
GBP -USD	**4,569**	**281**	(35)	64
USD-JPY	**10,633**	**(3,500)**	(328)	635
USD-INR	**13,072**	**(11,827)**	4,765	(4,311)
USD-EGP	**37,671**	**(33,444)**	14,466	(12,642)
USD-SAR	**(30,739)**	**30,869**	56,591	(67,106)
USD-CHF	**(10,290)**	**10,221**	(356)	323

47. Operational risk management

Overview

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

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

The Board (via the BRC) is accountable for the effective management of operational risk. This includes defining the risk appetite for operational risk, approval of the Operational Risk Management Framework (ORMF), oversight of senior management to ensure that strategies, policies, and processes are reviewed and implemented effectively at all levels.

The objective of the Group is to manage and control operational risk in a proactive and cost-effective manner within targeted levels of operational risk consistent with a defined risk appetite. Group primarily aims at early identification and assessment of operational risks allowing timely mitigation, as well as meaningful management reporting and continuous improvement of the control environment.

The strategy, approach, and design of the Group's ORMF is owned by the Group Operational Risk Management (GORM). In addition, this is overseen by a dedicated Operational Risk Working Group (ORWG) and MEC as applicable. The implementation of the ORMF is assigned to a decentralised community of Risk and Control Champions (RCCs) who execute this role either as a dedicated full-time responsibility or dual role in line with the inherent materiality of the exposure and complexity of operations of their specific organisational units.

The GORM function continues to lead the effort to enforce adoption of the ORMF for consistent management approaches. The aim is to inculcate operational resilience through executing with a 'safe hands' mind-set and promote transparent dialogue on areas of improvement across the Group.

Practically, the focus is on the consistency in the use of the Operational Risk Management System (ORMS) and application of the core tools such as Risk and Control Self-Assessment (RCSAs), Key Risk Indicators (KRIs), timely operational risk event reporting, and effective implementation of action plans identified to mitigate known issues. The functionality of the first phase of the new ORMS has been fully adopted.

The ORMF enables a comprehensive and effective approach to managing inherent operational risk exposures, facilitating focus on the risks and associated controls that are critical to achieving the Group's strategic objectives and expected operational resilience outcomes. It provides a platform to drive forward-looking risk awareness and assist management focus.

Three lines of defence

To create a robust control environment to manage risks, the Group uses an activity-based three lines of defence model. This model delineates management accountabilities and responsibilities for risk management and the control environment. The model underpins the Group's approach to risk management by clarifying responsibility, encouraging collaboration, and enabling efficient coordination of risk and control activities.

The three lines of defence are summarised below:

- First line of defence (Organisational Units): owns the risks and is responsible for identifying, recording, reporting, and managing them, and ensuring that appropriate controls and assessments are in place to mitigate them.
- The second line of defence (Group Operational Risk Management, Group Compliance, Fraud Risk Management, Information and Physical Security

Governance, Data Management, Treasury Liquidity & Market Risk, Islamic Internal control, Credit Policy, etc.): define their specific frameworks, policies and guidelines for managing specific risk areas, provide advice and guidance in relation to the risk, and challenges the first line of defence on effective risk management.

- The third line of defence (Group Internal Audit function): provides independent assurance of the adequacy of the design and operational effectiveness of the ORMF.

Risk identification, monitoring, and reporting

The risk identification and assessment process involve risk assessment of operational risks inherent to the group's licensed activities. Risk assessment methodology employs a structured Risk Assessment Framework (RAF) which comprises a series of a risk and control libraries, linked taxonomies, which enable consistent understanding of risks and related controls and ongoing review.

The identification and early reporting of issues and operational risk events is a critical component and ensures transparency of the Group's operational risk management process. The escalation process ensures that relevant information is received by the impacted areas of the group and decision makers in a timely manner so that appropriate actions are taken.

Monitoring and reporting processes are in place for periodic monitoring of key operational risks. The reports are submitted to the BRC and Board (as part of Group Chief Risk Officer update) and to Group Heads for information and resolution.

Fraud risk

Proactive fraud-risk management is a key success factor in combating the increasing number of frauds perpetrated against financial institutions around the globe. The Group continued to strengthen its anti-fraud activities by centralizing its fraud management capabilities, increased fraud awareness to the employees and customers, as well as initiating various projects to drive fraud prevention through use of technology and systems (e.g. Emirates Facial ID recognition). The projects are at various levels of maturity.

Business continuity management

The safety of employees and the ability to recover from a crisis in a timely fashion are of utmost importance to the Group. To appropriately handle crisis situations, emergency response procedures and business continuity plans (BCPs) were significantly enhanced.

ADCB's ISO22301:2012 certified business continuity framework for the UAE has been designed to ensure that the Bank can continue to achieve its business objectives in the face of an unexpected disruptive event. The plans identify the teams, and list critical processes and systems, evacuation procedures and the respective recovery sites where the teams will report to in the event of a disaster. Emergency response procedures contain evacuation guidelines, response measures, and roles and responsibilities in dealing with various threats.

The plans are tested periodically and involve mobilising staff from a primary site to a recovery site and enabling them to carry out critical activities.

Risk management

For operational risk measurement and determination of the amount that the Group needs to hold to absorb potential operational losses, Group follows the standardised approach under Basel III. As at December 31, 2023, the capital charge including buffer requirements was AED 3,026,340 thousand (December 31, 2022 - AED 2,906,544 thousand).

48. Trust activities

As at December 31, 2023, the net asset value of the funds under the management of the Group amounted to AED 4,069,448 thousand (December 31, 2022 - AED 3,773,249 thousand).

49. Subsidiaries

The following is the list of subsidiaries of the Bank as at December 31, 2023:

		Incorporation		
Name of subsidiary	**Ownership interest**	**Year**	**Country**	**Principal activities**
ADCB Securities LLC	100%	2005	UAE	Agent in trading of financial instruments and stocks.
Kinetic Infrastructure Development LLC	100%	2006	UAE	Financial investments.
Abu Dhabi Commercial Property Development LLC (1)	100%	2006	UAE	Property development.
Abu Dhabi Commercial Engineering Services LLC	100%	2007	UAE	Engineering services.
ADCB Finance (Cayman) Limited	100%	2008	Cayman Islands	Treasury financing activities.
ADCB Markets (Cayman) Limited	100%	2008	Cayman Islands	Treasury related activities.
ACB LTIP (IOM) Limited	Controlling Interest	2008	Isle of Man	Trust activities.
Abu Dhabi Commercial Bank (UK Representative Office) Limited (2)	100%	2008	United Kingdom	UK representative office and process service agent.
ITMAM Services FZ LLC	100%	2010	UAE	Transaction processing and back-office support for the Group.
AD NAC Ventures WLL	99.75%	2012	Bahrain	Trust activities.
ITMAM Services LLC	100%	2013	UAE	Transaction processing and back-office support for the Group.
ADCB Asset Management Limited	100%	2018	UAE	Wealth management and private banking.
Al Wifaq Investment Properties PrJSC	90.08%	2006	UAE	Investment in real estate properties and earning rental income.
Abu Dhabi Commercial Bank - Egypt SAE (formerly known as Union National bank - Egypt SAE)	99.90%	1981	Egypt	Commercial banking services.
Al Hilal Bank PJSC	100%	2007	UAE	Islamic banking activities.
Al Hilal Islamic Bank JSC	100%	2010	Kazakhstan	Islamic banking activities.
Al Hilal Leasing LLP	100%	2011	Kazakhstan	Shari'ah compliant leasing operations.
AHB Sukuk Company Limited	Controlling Interest	2011	Cayman Islands	Treasury financing activities.
Al Hur 1 Holding Limited	100%	2022	UAE	Real estate investment activities.
Al Hur 2 Holding Limited	100%	2022	UAE	Real estate investment activities.
ADCB Sukuk Company Limited	Controlling Interest	2023	Cayman Islands	Treasury financing activities.
Meedaf Investment - Sole Proprietorship LLC	100%	2023	UAE	Enterprise and service support.

(1) dormant
(2) under liquidation

The Group does not have any subsidiary with material non-controlling interests.

50. Capital adequacy ratio and capital management

Capital management process

The Group's objectives when managing capital, which is a broader concept than the 'equity' on the face of statement of financial position, are:

- to comply with the capital requirements set by the CBUAE;
- to safeguard the Group's ability to continue as a going concern and increase the returns for the shareholders; and
- to maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored on a regular basis by the Bank's management employing techniques based on the guidelines developed by the Basel Committee and the CBUAE.

CBUAE issued an update on Capital Adequacy Standards on November 12, 2020, vide notice number CBUAE/BSD/N/2020/4980 replacing the earlier issued standards. The updated standards include new requirements on internal and external review, additional guidelines on credit, market and operational risk and details for Pillar 2 requirements. The regulations ensure compliance with Basel III Capital Standards set out by the Basel Committee on Banking Supervision (BCBS).

CBUAE has issued an updated Pillar 2 - Internal Capital Adequacy Assessment (ICAAP) reporting guidelines on December 30, 2022, vide notice number CBUAE/BSD/2022/5280 for implementation and banks are required to comply and report Pillar 2 - ICAAP assessment based on updated guidelines. For operational risk, the CBUAE has given banks the option to use the basic indicator approach, or the standardised approach and the Group has chosen to use the standardised approach.

The Bank currently uses the approach defined below for Pillar 1 reporting:

Credit risk: Standardised approach is used by the Group in calculating its capital requirements for credit risk. This approach allows the use of external ratings from designated credit rating agencies, wherever available, in determining the appropriate risk weights. The risk weight is determined by the asset class and the external rating of the counterparty. The net exposure incorporates off balance sheet exposures after applying the credit conversion factors (CCF) and credit risk mitigants (CRM).

Market risk: For the regulatory market risk capital requirement, the Group uses the standardised approach.

Operational risk: Basel III includes a capital requirement for operational risk, again utilising three levels of sophistication. The capital required under the basic indicator approach is a simple percentage of gross revenues, whereas under the standardised approach it is one of three different percentages of total operating income under each of eight defined business lines. Both these approaches use an average of the last three financial years' revenues. The Group has adopted the standardised approach in determining the operational risk capital requirements.

The Group also prepares an annual comprehensive ICAAP document. This document is a detailed assessment by the Group of its risk profile, approaches to assess and measure various material risks, capital planning under regular and stress scenarios.

The Group's capital management is driven by long/short term strategies and organisational requirements with due consideration to the regulatory, economic, and commercial environment in which the Bank operates.

Capital supply

As per Basel III requirements, total regulatory capital comprises of the following:

a) Tier 1 capital, composed of:

(i) Common equity tier 1 (CET1) and

(ii) Additional tier 1 (AT1).

b) Tier 2 capital.

CET1 capital includes paid-up share capital, share premium, retained earnings, legal reserves, statutory reserves, accumulated other comprehensive income, other disclosed reserves and non-controlling interest.

The following regulatory deductions and adjustments are applied in the calculation of CET1:

a) goodwill and other intangible assets;
b) cash flow hedge reserve;
c) employee's incentive plan shares
d) revaluation reserve of investments designated at FVTOCI

AT1 capital comprises of instruments eligible for inclusion in AT1 capital (paragraph 55 of Basel III Accord).

Tier 2 capital includes collective provisions per Basel guidelines and CBUAE rules, perpetual equity instruments issued by the Bank or its subsidiaries and not included in Tier 1 and their premium and instruments eligible for inclusion in Tier 2 capital such as hybrid (debt/equity) capital instruments and subordinated term loan.

Capital allocation

The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital and the Group's business strategy, but in some cases the regulatory requirements do not reflect fully the varying degree of risk associated with different activities. In such cases the capital requirements may be flexed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes. The process of allocating capital to specific operations and activities is undertaken independently of those responsible for the operation by the Bank's risk and credit and finance functions and is subject to review by the ALCO as appropriate.

Capital adequacy ratio

The Bank's capital adequacy ratio calculated in accordance with guidelines issued by the CBUAE after deducting proposed dividends from retained earnings is as below:

	As at December 31 2023 AED'000	As at December 31 2022 AED'000
Common equity tier 1 (CET1) capital		
Share capital (Note 22)	**7,319,947**	6,957,379
Share premium	**17,878,882**	17,878,882
Other reserves (Note 23)	**11,455,178**	8,922,931
Retained earnings	**26,602,908**	22,884,994
Regulatory deductions and adjustments		
Intangible assets, net (Note 16)	**(7,049,191)**	(7,152,194)
Cash flow hedge reserve (Note 23)	**116,742**	80,900
Employee's incentive plan shares, net (Note 23)	**(78,869)**	(68,824)
Revaluation reserve of investments designated at FVTOCI (Note 23)	**(1,086,185)**	(1,404,540)
Other deduction	**(457,820)**	(416,056)
Proposed cash dividend (Note 22)	**(4,099,170)**	(1,252,328)
Total CET1 capital	**50,602,422**	46,431,144
Additional tier 1 (AT1) capital		
Capital notes (Note 26)	**8,754,750**	6,000,000
Total AT1 capital	**8,754,750**	6,000,000
Total tier 1 capital	**59,357,172**	52,431,144
Tier 2 capital		
Eligible general provision	**4,470,704**	4,034,067
Subordinated notes (Note 20)	**-**	39,224
Total tier 2 capital	**4,470,704**	4,073,291
Total regulatory capital	**63,827,876**	56,504,435
Risk-weighted assets		
Credit risk	**357,656,333**	322,725,321
Market risk	**13,436,625**	13,983,513
Operational risk	**22,334,610**	21,529,955
Total risk-weighted assets	**393,427,568**	358,238,789
CET1 ratio	**12.86%**	12.96%
AT1 ratio	**2.23%**	1.68%
Tier 1 ratio	**15.09%**	14.64%
Tier 2 ratio	**1.13%**	1.13%
Capital adequacy ratio	**16.22%**	15.77%

As per Basel guidelines and in accordance with IAS 10 'Events after the Reporting Period', which does not allow proposed dividends to be recognised as a liability, the Bank's capital adequacy ratio before deducting proposed cash dividends from retained earnings is as below:

	2023	2022
CET1 ratio	**13.90%**	13.31%
Tier 1 ratio	**16.13%**	14.99%
Capital adequacy ratio	**17.27%**	16.12%

In December 2010 (revised in June 2011), the Basel Committee on Banking Supervision issued Basel III, a global regulatory framework, to enhance international capital standards. Basel III is designed to materially improve the quality of regulatory capital and introduces a new minimum common equity capital requirement. Basel III also raises the minimum capital requirements and introduces capital conservation and countercyclical buffers to induce banking organisations to hold capital in excess of regulatory minimums. In November 2020, CBUAE issued an update to the Capital Adequacy Standards vide notice number CBUAE/BSD/N/2020/4980 superseding the previous notices. All requirements of revised guidelines are effective for capital reporting.

To achieve broader macro-prudential goal of protecting the banking sector from the periods of excess aggregate credit growth and in addition to the capital conservation buffer (CCB) requirement, banks may be required to implement the countercyclical buffer (CCyB). Banks must meet CCB and CCyB requirement by using CET1 capital. The level of CCyB requirement will vary between 0% - 2.5% of risk weighted assets and will be communicated by CBUAE with adequate notice period. Further, to reduce risks related to the failure of domestic systemically relevant institutions, CBUAE has introduced domestic systematically important banks (D-SIB) buffer of 0.5% for ADCB.

The Bank is required to meet the following minimum capital ratios:

Capital ratios	
CET1 including buffers	
- CET1	**7.00%**
- CCB	**2.50%**
- D-SIB buffer	**0.50%**
- CCyB buffer	**0.05%**
CET1 including buffers	**10.05%**
Tier 1	**11.55%**
Minimum capital requirement	**13.55%**

Common equity tier 1 (CET1) capital resources

(a) Ordinary shareholders' funds, which include the cumulative proceeds from the issuance of ordinary shares at their nominal value net of treasury shares. These instruments confer a share of ownership in the Bank and carry no obligations.

(b) Statutory and Legal reserves:

(i) **Statutory reserve:** As required by Article 241 of the UAE Federal Decree Law No. (32) of 2021 (as amended), 10% of the net profit for the year is transferred to the statutory reserve. The Bank may resolve to discontinue such annual transfers when the reserve equals 50% of the nominal value of the paid-up share capital. Accordingly, an amount of AED 181,284 thousand has been transferred to statutory reserve during the year (2022 - AED nil). The statutory reserve is not available for distribution.

(ii) **Legal reserve:** In accordance with the Articles of Association of the Bank and Decretal Federal Law No. (14) of 2018, 10% of the net profit for the year is transferred to the legal reserve. The Bank may resolve to discontinue such annual transfers when the reserve equals 50% of the nominal value of the paid-up share capital. Accordingly, an amount of AED 181,284 thousand has been transferred to legal reserve during the year (2022 - AED nil). The legal reserve is not available for distribution.

(c) General and Contingency reserves:

(i) **General reserve:** In accordance with the Articles of Association of the Bank, a further percentage of net profit for the year can be transferred to the general reserve based on the recommendation of the Board of Directors. This reserve may only be used for the purposes recommended by the Board of Directors and approved by the shareholders.

(ii) **Contingency reserve:** The contingency reserve is established to cover unforeseen future risks or contingencies which may arise from general banking risks.

(iii) **Retained earnings** which represent the cumulative profits not distributed to shareholders, and other eligible reserves.

(d) Regulatory deductions and adjustments:

(i) **Goodwill and other intangible assets.**

(ii) **Cash flow hedge reserve:** The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income and accumulated in equity. However, it is limited to 45% of positive balance of cash flow hedge reserve relating to financial instruments that are carried at fair value.

(iii) **Employees' incentive plan shares:** The Bank grants equity-settled share-based payments to employees. These shares are acquired by the Bank for its employees and are deducted from capital.

(iv) **Revaluation reserve of investments designated at FVTOCI:** This includes the cumulative net change in the fair value of investments measured at fair value through other comprehensive income. However, it is limited to 45% if the balance is positive.

Additional tier 1 (AT1) capital resources

This represents Tier 1 regulatory capital notes issued by the Bank and subscribed mainly by the Department of Finance, Government of Abu Dhabi (Note 26).

Tier 2 capital resources

(a) Collective impairment on loans and advances limited to 1.25% of credit risk-weighted assets.

(b) Eligible subordinated notes (Note 20).

51. Social contributions

The Group made the following social contributions during the year:

	2023 AED'000	2022 AED'000
Donations	**1,683**	2,056
Sponsorships	**8,590**	1,937
Total social contributions	**10,273**	3,993

52. Legal proceedings

The Group is involved in various legal proceedings and claims arising in the ordinary course of business. While the outcome of these matters cannot be predicted with certainty, management does not believe that these matters will have a material adverse effect on the Group's consolidated financial statements, if disposed unfavourably.