

ABU DHABI COMMERCIAL BANK PJSC

# Pillar 3 Report

31 December 2023



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# 1. Introduction and basis of preparation

## 1.1 Scope of Basel 3 Pillar 3 disclosures

The Basel Committee on Banking Supervision (BCBS) Basel 3 capital adequacy framework consists of three pillars. Pillar 1 provides a framework for measuring minimum capital requirements for credit, market and operational risks faced by banks. Pillar 2 allows banks and supervisors to take a view on whether the bank should hold additional capital to cover the three Pillar 1 risk types and/or to cover other risks. Pillar 3 requires banks to publish a range of disclosures, mainly covering risk, capital, leverage, liquidity and remuneration.

This report provides Pillar 3 disclosures for Abu Dhabi Commercial Bank PJSC and its subsidiaries together referred to as “ADCB” or the “Bank” or the “Group”.

ADCB is considered a Domestic Systemically Important Bank (D-SIB) under Central Bank laws/regulations and is required to comply with the Standards and Guidance re Capital Adequacy in the UAE – December 2022 as applicable to UAE D-SIBs on a consolidated basis. Capital and other regulatory information of the Bank as at December 2023 are provided in our audited consolidated financial statements – [FinancialStatements-FY-2023.pdf \(adcb.com\)](#)

## 1.2 Significant Pillar 3 disclosure requirements and regulations

Capital adequacy, liquidity, funding and remuneration related disclosures in Pillar 3 report have been prepared in accordance with the following regulations:

- Central Bank of UAE Pillar 3 disclosure requirements as stipulated in Standards and Guidance re Capital Adequacy in the UAE – December 2022 and Explanatory Notes on Pillar 3 disclosure requirements (May 2022),
- BCBS guidance Revised Pillar 3 disclosure requirements issued in January 2015,
- Frequently asked questions on the revised Pillar 3 disclosure requirements issued in August 2016,
- Pillar 3 disclosure requirements – consolidated and enhanced framework issued in March 2017 and
- Subsequent Technical Amendment – Pillar 3 disclosure requirements – regulatory treatment of accounting provisions issued in August 2018.

## 2. Overview of Basel 3 requirements

The Bank complies with the Basel 3 standards and guidance notes (December 2022) which have been implemented in the UAE.

Basel requirements are structured around three 'pillars' which are outlined below:

**Pillar 1** - deals with maintenance of regulatory capital calculated for three major components of risk that a bank faces: credit risk, market risk and operational risk. Other risks are not considered fully quantifiable at this stage;

**Pillar 2** - allows banks and supervisors to take a view on whether the bank should hold additional capital to cover the three Pillar 1 risk types and/or to cover other risks. A bank's own internal models and assessments support this process. The second pillar deals with the regulatory response to the first pillar giving regulators much-improved tools over those available to them under Pillar 1. It also provides a framework for dealing with all the other risks a bank may face such as systemic risk, concentration risk, strategic risk, reputational risk, liquidity risk and legal risk. This risk and capital assessment is commonly referred to as the Internal Capital Adequacy Assessment Process (ICAAP);

**Pillar 3** - covers external communication of risk and capital information by banks as specified in the Basel rules. The aim of Pillar 3 is to provide a consistent and comprehensive disclosure framework by requiring institutions to disclose details on the scope of application, capital, risk exposures, risk assessment processes, capital adequacy, liquidity and funding position and leverage of the institution. It must be consistent with how the senior management including the Board assess and manage the risks of the institution.

This report should be read in conjunction with the risk disclosures in the audited consolidated financial statements.

**Basel 3** also provides for different approaches to calculating capital requirements for credit risk exposures as follows:

**Standardised approach** — under this approach, the assets (including off-balance-sheet post-CCF) are classified into asset types to enable better risk sensitivity. The risk weights used to assess capital requirements against credit exposures are consistent across the industry.

**Internal-ratings-based approach (IRB)** — under this approach, the risk weights are derived from the bank's internal models. The IRB approach is further sub-divided into two alternative applications- Foundation and Advanced:

- **Foundation IRB (FIRB)** — Under this approach, banks are allowed to develop their own models to estimate the PD (probability of default) for individual counterparties or groups of counterparties and use supervisory values for LGD (loss given default) and EAD (exposure at default) estimates. Banks can use this approach only subject to approval from their local regulators.
- **Advanced IRB (AIRB)** — under this approach, banks are allowed to develop their own models to quantify required capital for credit risk. PD, LGD and EAD used for computing capital is determined using the bank's internal models. Banks can use this approach only subject to approval from their local regulators.

### 2.1 ADCB's approach to Pillar 1

**Credit risk** - the bank uses the standardised approach for calculating its capital requirements for credit risk. This approach allows the use of external ratings from designated credit-rating agencies wherever available in determining the appropriate risk weights. The risk weights are determined by the asset class and the external rating of the counterparty. The net exposure incorporates off-balance-sheet exposures after applying the credit conversion (CCF) and credit risk mitigation (CRM) factors.

**Market risk** - the bank uses the standardised approach for calculating regulatory market risk capital requirements.

**Operational risk** - the bank uses the standardised approach for computing capital requirements for operational risk.

### 2.2 Minimum capital requirement

To achieve broader macro-prudential goal of protecting the banking sector from the periods of excess aggregate credit growth and in addition to the capital conservation buffer (CCB) requirement, banks are required to maintain the counter - cyclical buffer (CCyB). Banks must meet CCB and CCyB requirement by using Common Equity Tier 1 (CET1) capital. The level of CCB requirement is set to 2.5% of risk weighted assets. Banks will also be subject to CCyB that varies between zero and 2.5% of total risk weighted assets and

is currently at 0.05% for ADCB with respect to relevant credit exposures in jurisdictions attracting counter-cyclical buffer. CCyB buffer applicable to each bank will reflect the geographic composition of its portfolio of relevant credit exposures.

Further, to reduce risks related to the failure of D-SIBs, the Central Bank of UAE has introduced D-SIB buffer. ADCB has been listed as a D-SIB and is required to maintain a D-SIB buffer of 0.5%

## 2.3 Leverage and liquidity ratios

Basel 3 introduced a 3% minimum leverage ratio and two liquidity ratios viz; Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). LCR requires a bank to hold sufficient high quality liquid assets to cover its total net cash outflows over 30 days and NSFR requires the available amount of stable funding to exceed the required amount of stable funding over a one-year period of extended stress.

In May 2015, the Central Bank of UAE published “Regulations relating to Liquidity at Banks” circular number 33/2015 which is in effect till date. The regulations require banks to maintain LCR and NSFR of 100% at minimum. Further, CBUAE standards issued in December 2022 requires D-SIB banks to maintain minimum leverage ratio of 3.5%.

The methodology for estimating the liquidity coverage ratio (LCR) and Net Stable Funding Ratio (NSFR) is based on an interpretation of the Basel standards and includes a number of assumptions.

As at 31 December 2023, ADCB’s leverage ratio was 9.57%, LCR was 158.12% and NSFR 107.73% which are well above the minimum requirement.

ADCB monitors its position against LCR, NSFR and leverage requirements to ensure the Bank’s ability to comply with the standards.

## 2.4 Standards for Standalone Capital Adequacy Ratio

In November 2020, the Central Bank of UAE issued draft standards and guidance on standalone capital adequacy requirements following industry consultation. The Central Bank of UAE requires banks subject to standalone CAR to apply prudential requirements at the legal entity level on a solo basis. The bank’s legal entity standalone capital adequacy ratio requirements measure the capital adequacy of a bank based on its standalone capital strength and risk profile by focusing solely on the standalone assets and liabilities.

Further, the Central Bank of UAE has mandated reporting standalone capital adequacy ratio on a quarterly basis effective from 31 December 2023. The Bank and its banking subsidiaries meet the capital adequacy requirements on a standalone basis.

## 2.5 Revised Standards for Pillar 3 disclosures

Basel 3 standards and guidance notes (December 2022) which have been implemented in the UAE lay out the revised disclosure requirements. These revised requirements are an integral part of the Basel framework and they complement other disclosure requirements issued separately by the Central Bank of UAE. Pillar 3 Disclosure requirements apply to all banks in the UAE at consolidated level for local banks and all branches of foreign banks.

## 2.6 Impact on ADCB

The Central Bank of UAE has set a total capital adequacy ratio (CAR) of 13.50% and CET 1 ratio of 10% (including CCB – 2.5% and D-SIB buffers – 0.50%). Further, the Bank is also required to maintain counter - cyclical buffer (CCyB) based on its relevant credit exposures in jurisdictions where CCyB add-on rates are applicable. Currently, the CCyB buffer in the UAE is zero.

As at 31 December 2023, the CCyB requirement for the Bank was 0.05%. At the end of 2023, ADCB met the minimum requirements with a CAR of 16.22 % and CET1 ratio of 12.86%. Additionally, the composition of the Bank’s capital is of high-quality equity base with lesser reliance on Tier 2 capital supply (i.e. hybrid instruments).

ADCB monitors its position against the capital adequacy requirements to ensure the Bank’s ability to comply with the regulatory guidelines.

## 2.7 Basis of consolidation

The Bank’s Pillar 3 disclosures are presented on a consolidated basis incorporating all its subsidiaries and excluding commercial entities.

In accordance with 10.17 of DIS – Disclosure Requirements principles issued by BCBS effective from 1 January 2023, approaches to disclosure adopted by the Bank are sufficiently flexible to reflect how senior management and the Board of Directors internally assess and manage risks and strategy, helping users to better understand the Bank's risk tolerance/appetite.

Further, in accordance with paragraph 825 of International Convergence of Capital Measurement and Capital Standards issued by the BCBS in 2006, general disclosures of credit risk provided in this report have a wide range of information about overall credit exposure and may not be necessarily based on information prepared for regulatory purposes.

Certain disclosure notes/numbers have been reclassified and rearranged from the Group's prior period Pillar 3 report to conform to the current period's presentation.

## 2.8 Internal controls and verification

The key features of internal controls around Pillar 3 reporting are as follows:

- Segregation of duties – maker-checker process is strictly followed in compiling the Pillar 3 report;
- Data-sourcing and reconciliation – data is sourced from multiple systems which are reconciled with the general ledger, sub-ledgers and audited consolidated financial statements;
- Reviews – Pillar 3 report undergoes rigorous reviews by Finance and Risk functions;
- Internal audit – Internal auditors provide independent and objective assurance on disclosures in the Pillar 3 report and
- Attestation – Attestation is obtained from Board members that the Pillar 3 report has been prepared in accordance with the Board-agreed internal control processes.

The management and internal auditor of the Bank have appropriately reviewed Pillar 3 disclosures for the year ended 31 December 2023.

## 2.9 Ownership

The Government of Abu Dhabi indirectly owns 60.20 % of the Bank's issued share capital via One Hundred and Fourteenth Investment Company – Sole Proprietorship LLC, a fully owned subsidiary of Mubadala Investment Company. ADCB enjoys strong Government support as evidenced by historical capital, liquidity and strategic support by the Government of Abu Dhabi.

### 3. Summary of differences between Pillar 3 disclosures and risk review in the audited consolidated financial statements

The details included in this report on certain aspects of credit, market and operational risk are from a regulatory perspective. The quantitative disclosures will not be directly comparable with the audited consolidated financial statements, as the former are largely based on the Basel 3 approach rules whereas quantitative risk disclosures in the audited consolidated financial statements are based on International Financial Reporting Standards (IFRS). This is most pronounced for the credit risk disclosures, where credit exposure is defined as the maximum exposure at default the Bank has estimated under specified Basel 3 rules. This differs from similar information in the audited consolidated financial statements such as the off-balance-sheet exposures which are disclosed pre-credit conversion factors (CCFs).

Topic	Risk review in the audited consolidated financial statements	Pillar 3 disclosures
<b>Basis of requirements</b>	The Bank's audited consolidated financial statements is prepared in accordance with the requirements of IFRS and UAE Federal Law No. 2 of 2015.	<p>The Bank's Pillar 3 disclosures provide detail on risk from a regulatory perspective as required by the Basel 3 standardised approach requirements in accordance with standards/guidelines issued by the Central Bank of UAE in December 2022.</p> <p>The capital supply is determined based on Basel 3 requirements, which have been implemented in the UAE through the Central Bank of UAE guidelines issued in February 2017 and standards/guidance issued by the Central Bank of UAE in December 2022.</p>
<b>Basis of preparation</b>	<p>The quantitative credit risk disclosures in the credit risk management section are set out based on IFRS.</p> <p>Loans and advances are analyzed net of impairment, interest in suspense and off-balance-sheet exposures are considered at maximum exposure levels.</p> <p>Market risk disclosures are presented using VaR methodology and sensitivity analysis for the trading and non-trading books.</p>	<p>Provides details from a regulatory perspective on credit, market and operational risk. The capital calculation and the disclosures are based on the standardised approach as recommended by the Central Bank of UAE.</p> <p>Loans and advances are analyzed at gross levels and off-balance-sheet exposures are disclosed at post-CCF levels.</p> <p>Market risk and operational risk disclosures are based on the capital required calculated based on standards/guidance issued by the Central Bank of UAE in December 2022.</p>

## 4. Summary of cross-references between Pillar 3 disclosures and risk review in the audited consolidated financial statements

Topic	Risk review in the audited consolidated financial statements	Pillar 3 disclosures
<b>Credit, liquidity and market risk management and measurement and risk-grading</b>	<p>An overview of credit, liquidity and market risk management and measurement along with the quantitative disclosures are set out in Notes 43, 45 and 46 to the audited consolidated financial statements respectively.</p> <p>Maximum exposure to credit risk and credit risk concentration are provided in Notes 43.1 and 43.4 to the audited consolidated financial statements.</p> <p>Internal credit risk grading analysis provided by business for loans neither past due nor impaired and investment securities (bonds) is provided in Note 43.3 to the audited consolidated financial statements.</p> <p>Note 50 to the audited consolidated financial statements provides the overall capital adequacy of the Bank split into Tier 1 and Tier 2 ratios.</p>	<p>A detailed analysis of credit risk exposures and risk-weighted assets (RWAs) calculated according to the standardised approach is set out in sections 10 and 7 of this report. Liquidity ratios and market risk capital requirements are disclosed in section 9 and 12 of this report.</p> <p>A more detailed analysis of credit risk exposure pre- and post-credit risk mitigants (CRMs) and after applying credit conversion factors (CCFs) to the off-balance-sheet exposure is disclosed in sections 10.6 of this report.</p> <p>Section 10.7 of this report provides an indicative mapping of the Bank's rated and unrated exposures.</p> <p>Minimum regulatory capital requirements for credit, market and operational risk are set out in sections 7, 12 and 16 of this report.</p>
<b>Credit risk mitigation</b>	<p>An overview of CRM is provided in Note 43.5 to the audited consolidated financial statements.</p>	<p>Section 12 of this report provide quantitative disclosures of capital requirements for market risk.</p>
<b>Concentration of credit risk</b>	<p>Disclosures on concentration of credit risk by geography, economic and industry sector are provided in Note 43.4 to the audited consolidated financial statements.</p>	<p>Disclosures on concentration of credit risk by currency, geography, residual maturity and economic sector calculated based on the Basel rules are provided in section 10 of this report.</p>
<b>Credit risk management and impairment allowance</b>	<p>Provisioning approach and financial assets by stages with expected credit loss are set out in Note 43.3 to the audited consolidated financial statements.</p>	<p>Disclosures of impaired loans, impairment balance and interest in suspense by geography and economic sector are set out in section 10.13 of this report. Qualitative and quantitative disclosures are disclosed in Note 43 to the audited consolidated financial statements which are in line with Pillar 3 quantitative guidelines.</p>

<b>Market risk</b>	A description of market risk management and measurement, along with quantitative disclosures on VaR and interest rate sensitivity analysis, is set out in Note 46 to the audited consolidated financial statements.	Section 12 of this report provide quantitative disclosures of capital requirements for market risk.
<b>Liquidity risk</b>	A description on liquidity risk framework, measurement and monitoring is set out in Note 45 to the audited consolidated financial statements.	Quantitative disclosure in the format required by Pillar 3 guidelines is set out in section 9 of this report.
<b>Operational risk</b>	Description of operational risk management is set out in Note 47 to the audited consolidated financial statements.	A description of operational risk faced by the Bank is set out in section 16 of this report.
<b>Key management compensation</b>	Disclosures on remuneration to executive management/key management personnel are set out in annual report corporate governance section and Note 37 to the audited consolidated financial statements.	Quantitative disclosure in the format required by Pillar 3 guidelines is set out in section 17 of this report.
<b>List of subsidiaries</b>	List of subsidiaries included in accounting consolidation is listed in note 49 to the audited consolidated financial statements.	List of subsidiaries included in regulatory consolidation are listed in note 49 of the audited consolidated financial statements except Abu Dhabi Commercial Property Development LLC, Abu Dhabi Commercial Engineering Services LLC, Al Hur 1 Holding Limited, Al Hur 2 Holding Limited and Al Wifaq Investment Properties PJSC as these are commercial entities.

## 5. Comparison of accounting balance sheet and exposure at default

The differences between the financial and regulatory consolidated balance sheets arise primarily from differences in the basis of consolidation and the requirement to not consolidate for regulatory purposes commercial entities which are subject to full consolidation for financial purposes. Further, acceptances included in other assets are treated as off-balance sheet exposure for regulatory purpose and have been excluded from on-balance sheet disclosures. The regulatory risk category drives the approach applied in the calculation of regulatory exposures and RWA. Differences between accounting and regulatory scopes of consolidation and the mapping of financial statement categories with regulatory risk categories is disclosed in the following page.

## 5.1 Linkages between financial statements and regulatory exposures (LI1):

31 December 2023

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	Carrying values of items							Not subject to capital requirements or subject to deduction from capital
	Carrying values as reported in audited consolidated financial statements	Carrying values under scope of regulatory consolidation	Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisation framework	Subject to market risk framework/ Equity risk		
<b>Assets</b>								
Cash and balances with central banks, net	45,375,462	45,375,460	45,375,460	-	-	-	-	-
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	-	-	-	10,063,020	-	-
Derivative financial instruments	13,859,086	13,859,086	-	13,859,086	-	10,041,345	-	-
Investment securities	128,268,397	128,268,397	127,373,992	-	-	894,405	-	-
Loans and advances to customers, net	301,994,599	301,994,599	296,712,628	-	2,032,033	3,249,938	-	-
Investment in associates	370,622	370,622	370,622	-	-	-	-	-
Investment properties	1,741,460	956,629	956,629	-	-	-	-	-
Other assets, net	18,960,358	6,637,951	6,637,951	-	-	-	-	-
Property and equipment, net	1,887,596	1,885,505	1,427,685	-	-	-	-	457,820
Intangible assets, net	7,049,191	7,049,191	-	-	-	-	-	7,049,191
<b>Total Assets</b>	<b>567,194,485</b>	<b>554,085,154</b>	<b>516,479,661</b>	<b>13,859,086</b>	<b>2,032,033</b>	<b>24,248,708</b>		<b>7,507,011</b>
<b>Liabilities</b>								
Due to banks	8,794,968	8,794,968	-	-	-	-	-	8,794,968
Derivative financial instruments	16,239,495	16,239,495	-	16,239,495	-	9,374,387	-	-
Deposits from customers	362,905,039	362,905,039	-	-	-	-	-	362,905,039
Euro commercial paper	7,777,655	7,777,655	-	-	-	-	-	7,777,655
Borrowings	76,653,334	76,653,334	-	-	-	-	-	76,653,334
Other liabilities	23,570,527	10,545,693	-	-	-	-	-	23,570,527
<b>Total Liabilities</b>	<b>495,941,018</b>	<b>482,916,184</b>	<b>-</b>	<b>16,239,495</b>	<b>-</b>	<b>9,374,387</b>		<b>479,701,523</b>
<b>Shareholders' equity</b>								
Share capital	7,319,947	7,319,947	-	-	-	-	-	-
Share premium	17,878,882	17,878,882	-	-	-	-	-	-
Other reserves	10,591,907	10,591,907	-	-	-	-	-	-
Retained earnings	26,701,111	26,616,615	-	-	-	-	-	-
Capital notes (Basel III compliant capital instrument)	8,754,750	8,754,750	-	-	-	-	-	-
Non-controlling interests	6,870	6,870	-	-	-	-	-	-
<b>Total shareholders' equity</b>	<b>71,253,467</b>	<b>71,168,971</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>-</b>
<b>Total shareholders' equity and liabilities</b>	<b>567,194,485</b>	<b>554,085,155</b>	<b>-</b>	<b>16,239,495</b>	<b>-</b>	<b>9,374,387</b>		<b>479,701,523</b>

31 December 2022

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	Carrying values of items						
	Carrying values as reported in audited consolidated financial statements	Carrying values under scope of regulatory consolidation	Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisation framework	Subject to market risk framework/ Equity risk	Not subject to capital requirements or subject to deduction from capital
<b>Assets</b>							
Cash and balances with central banks, net	39,429,308	39,429,236	39,429,236	-	-	-	-
Deposits and balances due from banks, net	35,339,202	35,339,202	35,339,202	-	-	-	-
Financial assets at fair value through profit or loss	4,642,263	4,642,263	-	-	-	4,642,263	-
Derivative financial instruments	15,182,538	15,182,538	-	15,182,538	-	10,705,976	-
Investment securities	112,010,683	112,010,683	111,026,925	-	-	983,758	-
Loans and advances to customers, net	258,492,870	258,492,870	255,388,797	-	-	3,104,073	-
Investment in associates	252,525	252,525	252,525	-	-	-	-
Investment properties	1,691,890	916,994	916,994	-	-	-	-
Other assets, net	21,711,189	5,586,708	5,586,708	-	-	-	-
Property and equipment, net	1,937,503	1,930,736	1,514,680	-	-	-	416,057
Intangible assets, net	7,152,194	7,152,194	-	-	-	-	7,152,194
<b>Total Assets</b>	<b>497,842,165</b>	<b>480,935,948</b>	<b>449,455,066</b>	<b>15,182,538</b>	<b>-</b>	<b>19,436,070</b>	<b>7,568,251</b>
<b>Liabilities</b>							
Due to banks	9,719,193	9,719,193	-	-	-	-	9,719,193
Derivative financial instruments	16,225,385	16,225,385	-	16,225,385	-	9,892,772	-
Deposits from customers	308,930,699	308,930,699	-	-	-	-	308,930,699
Euro commercial paper	5,994,279	5,994,279	-	-	-	-	5,994,279
Borrowings	69,875,733	69,875,733	-	-	-	-	69,875,733
Other liabilities	25,670,739	8,860,245	-	-	-	-	25,670,739
Liabilities related to assets held for sale	-	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>436,416,028</b>	<b>419,605,534</b>	<b>-</b>	<b>16,225,385</b>	<b>-</b>	<b>9,892,772</b>	<b>420,190,643</b>
<b>Shareholders' equity</b>							
Share capital	6,957,379	6,957,379	-	-	-	-	-
Share premium	17,878,882	17,878,882	-	-	-	-	-
Other reserves	7,546,743	7,546,743	-	-	-	-	-
Retained earnings	23,035,375	22,939,652	-	-	-	-	-
Capital notes (Basel III compliant capital instrument)	6,000,000	6,000,000	-	-	-	-	-
Non-controlling interests	7,758	7,758	-	-	-	-	-
<b>Total shareholders' equity</b>	<b>61,426,137</b>	<b>61,330,414</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total shareholders' equity and liabilities</b>	<b>497,842,165</b>	<b>480,935,948</b>	<b>-</b>	<b>16,225,385</b>	<b>-</b>	<b>9,892,772</b>	<b>420,190,643</b>

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

The below table shows the effect of regulatory adjustments required to derive the Banks's exposure at default (EAD) for the purposes of calculating its capital requirements. The differences between the carrying values under regulatory scope of consolidation and amounts considered for regulatory purposes shown in section 5.1 are mainly provisions, collateral, off-balance sheet exposures and netting benefits on derivatives as detailed below:

31 December 2023		AED '000			
	Total	Items subject to			Market risk framework/ Equity risk
		Credit risk framework	Counterparty credit risk framework	Securitisation framework	
<b>Total assets amount under regulatory scope of consolidation (as per LI1)</b>	<b>556,619,488</b>	<b>516,479,661</b>	<b>13,859,086</b>	<b>2,032,033</b>	<b>24,248,708</b>
Off-balance sheet amounts recognised in regulatory exposure (post-CCF) including acceptances	67,184,098	67,184,098	-	-	-
Differences due to consideration of provisions and IIS	13,297,752	13,297,752	-	-	-
Total Potential Future Exposure (PFE), collateral mitigation, netting agreements and alpha factor (1.4) under standardized approach	(4,819,728)	-	(4,819,728)	-	-
Others	-	-	-	-	-
<b>Gross exposures before credit risk mitigation</b>	<b>632,281,610</b>	<b>596,961,511</b>	<b>9,039,358</b>	<b>2,032,033</b>	<b>24,248,708</b>
Credit risk mitigation excluding guarantees	(40,582,244)	(40,582,244)	-	-	-
<b>Gross regulatory exposures</b>	<b>591,699,366</b>	<b>556,379,267</b>	<b>9,039,358</b>	<b>2,032,033</b>	<b>24,248,708</b>

31 December 2022		AED '000			
	Total	Items subject to			Market risk framework / Equity risk
		Credit risk framework	Counterparty credit risk framework	Securitisation framework	
<b>Total assets amount under regulatory scope of consolidation (as per LI1)</b>	<b>484,073,674</b>	<b>449,455,066</b>	<b>15,182,538</b>	<b>-</b>	<b>19,436,070</b>
Off-balance sheet amounts recognised in regulatory exposure (post-CCF) including acceptances	61,698,958	61,698,958	-	-	-
Differences due to consideration of provisions and IIS	14,835,431	14,835,431	-	-	-
Total Potential Future Exposure (PFE), collateral mitigation, netting agreements and alpha factor (1.4) under standardized approach	(6,650,465)	-	(6,650,465)	-	-
Others	-	-	-	-	-
<b>Gross exposures before credit risk mitigation</b>	<b>553,957,598</b>	<b>525,989,455</b>	<b>8,532,073</b>	<b>-</b>	<b>19,436,070</b>
Credit risk mitigation excluding guarantees	(42,060,814)	(42,060,814)	-	-	-
<b>Gross regulatory exposures</b>	<b>511,896,784</b>	<b>483,928,641</b>	<b>8,532,073</b>	<b>-</b>	<b>19,436,070</b>

## 6. Key Prudential Regulatory Metrics (at consolidated level)

### 6.1 Key metrics for the Group (KM1)

	31-Dec-23	30-Sep-23	30-Jun-23	31-Mar-23	AED '000 31-Dec-22
<b>Available capital (amounts)</b>					
Common Equity Tier 1 (CET1)	50,602,421	51,445,225	49,879,061	47,969,777	46,431,144
Tier 1	59,357,173	57,445,225	55,879,061	53,969,777	52,431,144
Total capital	63,827,877	61,727,852	60,034,438	58,114,216	56,504,435
<b>Risk-weighted assets</b>					
<b>Total risk-weighted assets (RWA)</b>	<b>393,427,568</b>	<b>382,075,115</b>	<b>372,538,270</b>	<b>370,868,246</b>	<b>358,238,789</b>
<b>Risk-based capital ratios as a percentage of RWA</b>					
Common Equity Tier 1 ratio (%)	12.86%	13.46%	13.39%	12.93%	12.96%
Tier 1 ratio (%)	15.09%	15.04%	15.00%	14.55%	14.64%
Total capital ratio (%)	16.22%	16.16%	16.11%	15.67%	15.77%
<b>Additional CET1 buffer requirements as a percentage of RWA</b>					
Capital conservation buffer requirement (2.5% from 2019) (%)	2.50%	2.50%	2.50%	2.50%	2.50%
Counter - cyclical buffer requirement (%)	0.05%	0.06%	0.04%	0.02%	0.02%
Bank D-SIB additional requirements (%)	0.50%	0.50%	0.50%	0.50%	0.50%
Total bank CET1 specific buffer requirements (%)	3.05%	3.06%	3.04%	3.02%	3.02%
CET1 available for the buffer requirement (%)	5.72%	5.66%	5.61%	5.17%	5.27%
<b>Basel III Leverage Ratio</b>					
Total Basel III leverage ratio measure	620,191,117	583,441,380	572,180,179	551,431,387	536,412,290
Basel III leverage ratio (%)	9.57%	9.85%	9.77%	9.79%	9.77%
<b>Liquidity Coverage Ratio*</b>					
Total HQLA	118,084,547	100,944,047	99,993,203	93,270,089	102,734,591
Total net cash outflow	74,682,535	77,425,766	76,657,537	70,155,131	73,965,705
LCR ratio (%)	158.12%	130.38%	130.44%	132.95%	138.89%
<b>Net Stable Funding Ratio</b>					
Total available stable funding	345,394,720	335,449,076	324,242,888	313,017,253	306,279,014
Total required stable funding	320,615,241	319,222,142	302,637,040	289,419,699	277,811,875
NSFR ratio (%)	107.73%	105.08%	107.14%	108.15%	110.25%

\* LCR is calculated as at the end of each period rather than using average values. For average LCR, refer to table LIQ1.

## 6.2 Capital management

The Bank's capital management aims to guarantee solvency and maximize profitability, while complying with regulatory requirements and internal objectives. It is a key strategic tool for decision making, enabling us to set a common framework of actions, criteria, policies, functions, metrics and processes. Our active capital management applies strategies on efficient capital allocation to business lines. Our capital allocation model aims to ensure our capital allocation is right for the risks inherent in our operations and risk appetite to optimize value creation for our group and business units.

The capital and leverage ratios of this report are calculated by applying the Central Bank of UAE capital standards and guidelines as mentioned in section 2 of this report.

- At year-end, the CET1 ratio was 12.86% (post proposed dividend) which is 281bps above the regulatory minimum and CAR was 16.22% which is 267bps above the regulatory minimum.
- The leverage ratio stood at 9.57% against a regulatory minimum of 3.5%.

### 6.3 Capital resources (CC1)

All capital instruments included in the capital base meet the requirements set out in the Central Bank of UAE capital standards and guidelines (December 2022), except for those that are subject to a grandfathering period. Grandfathered capital instruments (T2 Note) was fully phased out by March 2023.

	31-Dec-23	AED '000 31-Dec-22
<b>Common Equity Tier 1 (CET 1) capital: instruments and reserves</b>		
Share capital and share premium	25,198,829	24,836,261
Retained earnings	22,517,028	21,633,619
Accumulated other comprehensive income (and other reserves)	10,368,992	7,518,392
<b>Common Equity Tier 1 capital before regulatory deductions</b>	<b>58,084,850</b>	<b>53,988,272</b>
<b>Common Equity Tier 1 capital regulatory adjustments</b>		
Goodwill and other intangible assets*	(7,507,011)	(7,568,250)
Deferred tax assets	(13,289)	(953)
Cash flow hedge reserve	116,742	80,900
Investments in own CET1	(78,869)	(68,824)
<b>Total regulatory adjustments to Common Equity Tier 1</b>	<b>(7,482,427)</b>	<b>(7,557,127)</b>
<b>Common Equity Tier 1 capital (CET1)</b>	<b>50,602,422</b>	<b>46,431,144</b>
<b>Additional Tier 1 capital: instruments (AT1)</b>		
Eligible Additional Tier I capital	8,754,750	6,000,000
<b>Tier 1 capital (T1= CET1 + AT1)</b>	<b>59,357,172</b>	<b>52,431,144</b>
<b>Tier 2 capital: instruments and provisions</b>		
Tier 2 capital (T2)	4,470,704	4,073,291
<b>Total regulatory capital (TC = T1 + T2)</b>	<b>63,827,876</b>	<b>56,504,436</b>
<b>Total risk-weighted assets</b>	<b>393,427,568</b>	<b>358,238,789</b>
<b>Capital ratios</b>		
<b>Capital Adequacy ratio including buffers</b>	<b>16.22%</b>	15.77%
<b>CET 1 ratio</b>	<b>12.86%</b>	12.96%
<b>Tier 1 ratio</b>	<b>15.09%</b>	14.64%
<b>Institution specific buffer requirement</b>	<b>3.05%</b>	3.02%
Of which: capital conservation buffer requirement	2.50%	2.50%
Of which: bank-specific counter -cyclical buffer requirement	0.05%	0.02%
Of which: D-SIB	0.50%	0.50%
CET1 available for the buffer requirement	5.72%	5.27%
<b>National minima (if different from Basel III)</b>		
National Common Equity Tier 1 minimum ratio	7.00%	7.00%
National Tier 1 minimum ratio	8.50%	8.50%
National total capital minimum	10.50%	10.50%
<b>Amounts below the thresholds for deduction (before risk weighting)</b>		
Significant investments in common stock of financial entities	-	-
Mortgage servicing rights	-	-
Deferred tax assets arising from temporary differences	-	-
<b>Applicable caps on the inclusion of provisions in Tier 2 (under standardised approach)</b>		
Provisions eligible for inclusion in Tier 2	6,056,184	5,305,205
Cap on inclusion of provisions in Tier 2	4,470,704	4,034,067
<b>Capital instruments subject to phase-out arrangements</b>		
Current cap on T2 instruments subject to phase-out arrangements	-	39,224
Amount excluded from T2 due to cap (excess after redemptions and maturities)	-	-

\* Includes software amounting to AED 457,820 thousand as at 31 December 2023 (31 December 2022 - AED 416,056 thousand)

## 6.4 Reconciliation of regulatory capital to balance sheet (CC2)

The following table shows the reconciliation between balance sheet prepared for audited consolidated financial statements with that prepared for regulatory reporting. The amount shown under the regulatory scope of consolidation is not a RWA measure as it is based on accounting measure and cannot be directly reconciled to other disclosures in this report which are prepared applying Basel 3 rules.

	31-Dec-23		31-Dec-22	
	Balance sheet as per audited consolidated financial statements	Under regulatory scope of consolidation	Balance sheet as per audited consolidated financial statements	Under regulatory scope of consolidation
<b>AED '000</b>				
<b>Assets</b>				
Cash and balances with central banks, net	45,375,462	45,375,460	39,429,308	39,429,236
Deposits and balances due from banks, net	37,624,694	37,624,694	35,339,202	35,339,202
Financial assets at fair value through profit or loss	10,063,020	10,063,020	4,642,263	4,642,263
Derivative financial instruments	13,859,087	13,859,086	15,182,538	15,182,538
Investment securities	128,268,397	128,268,397	112,010,683	112,010,683
Loans and advances to customers, net	301,994,599	301,994,599	258,492,870	258,492,870
Investment in associates	370,622	370,622	252,525	252,525
Investment properties	1,741,460	956,629	1,691,890	916,994
Other assets, net	18,960,358	6,637,951	21,711,189	5,586,707
<i>Of which: acceptances treated as off-balance sheet exposure</i>	13,202,764	-	17,131,510	-
<i>Of which: other assets</i>	5,757,594	6,637,951	4,579,679	5,586,707
Property and equipment, net	1,887,596	1,885,505	1,937,503	1,930,736
Intangible assets, net	7,049,191	7,049,191	7,152,194	7,152,194
<i>Of which: goodwill</i>	6,753,517	6,753,517	6,753,517	6,753,517
<i>Of which: other intangibles</i>	295,674	295,674	398,677	398,677
<b>Total assets</b>	<b>567,194,485</b>	<b>554,085,154</b>	<b>497,842,165</b>	<b>480,935,948</b>
<b>Liabilities</b>				
Due to banks	8,794,968	8,794,968	9,719,193	9,719,193
Derivative financial instruments	16,239,495	16,239,495	16,225,385	16,225,385
Deposits from customers	362,905,039	362,905,039	308,930,699	308,930,699
Euro commercial paper	7,777,655	7,777,655	5,994,279	5,994,279
Borrowings	76,653,334	76,653,334	69,875,733	69,875,733
<i>Of which: subordinated liability considered in Tier 2 capital (before grandfathering and amortisation)*</i>	-	-	2,743,626	2,802,267
<i>Of which: other borrowed funds</i>	76,653,334	76,653,334	67,132,107	67,073,466
<b>Other liabilities</b>	<b>23,570,527</b>	<b>10,545,692</b>	<b>25,670,739</b>	<b>8,860,245</b>
<b>Total liabilities</b>	<b>495,941,018</b>	<b>482,916,183</b>	<b>436,416,028</b>	<b>419,605,534</b>
<b>Shareholders' equity</b>				
Share capital	7,319,947	7,319,947	6,957,379	6,957,379
Share premium	17,878,882	17,878,882	17,878,882	17,878,882
Other reserves	10,591,907	10,591,907	7,546,743	7,546,743
Retained earnings	26,701,111	26,616,615	23,035,375	22,939,652
Capital notes (Basel III-compliant capital instrument)**	8,754,750	8,754,750	6,000,000	6,000,000
<i>Of which: included in AT1</i>	8,754,750	8,754,750	6,000,000	6,000,000
Non-controlling interests	6,870	6,870	7,758	7,758
<b>Total shareholders' equity</b>	<b>71,253,467</b>	<b>71,168,971</b>	<b>61,426,137</b>	<b>61,330,414</b>
<b>Total shareholders' equity and liabilities</b>	<b>567,194,485</b>	<b>554,085,154</b>	<b>497,842,165</b>	<b>480,935,948</b>

\* Eligible amount included in Tier 2 capital post grandfathering and amortisation is Nil for the period ended 31 December 2023 (31 December 2022 - AED 39,224 thousand)

\*\* Details of material features of regulatory capital instruments are published in note 26 of audited consolidated financial statement

## 6.5 Main features of regulatory capital instruments (CCA)

31 December 2023	Share capital and share premium	Additional Tier-1 Notes	Additional Tier-1 Notes	Additional Tier-1 Notes
Issuer	Abu Dhabi Commercial Bank PJSC	Abu Dhabi Commercial Bank PJSC	Abu Dhabi Commercial Bank PJSC	Abu Dhabi Commercial Bank PJSC
Unique identifier (eg CUSIP, ISIN, etc)	AEA000201011	-	-	XS2725803162
Governing law(s) of the instrument	Laws of Emirate of Abu Dhabi	Laws of Emirate of Abu Dhabi	Laws of Emirate of Abu Dhabi	English law
Transitional Basel III rules	CET1	AT-1	AT-1	AT-1
Post-transitional Basel III rules	CET1	AT-1	AT-1	AT-1
Eligible at solo/group/group and solo	Group	Group	Group	Group
Instrument type (types to be specified by each jurisdiction)	Ordinary Share	Equity	Equity	Equity
Amount recognised in regulatory capital (AED mn)	25,198	4,000	2,000	2,755
Par value of instrument (AED mn)	7,320	4,000	2,000	2,755
Accounting classification	Equity	Equity	Equity	Equity
Original date of issuance	29-Apr-85	23-Feb-09	24-Feb-09	27-Nov-23
Perpetual or dated	Perpetual	Perpetual	Perpetual	Perpetual
Original maturity date	-	N.A	N.A	N.A
Issuer call subject to prior supervisory approval	-	Yes	Yes	Yes
Optional call date, contingent call dates and redemption amount	-	23-Feb-27	24-Feb-27	27-Nov-28
Subsequent call dates, if applicable	-	Any coupon payment date on or after 23 February 2027	Any coupon payment date on or after 24 February 2027	Any day between first call date and first reset date, then every coupon date thereafter
Coupons / dividends	Dividends	Coupon	Coupon	Coupon
Fixed or floating dividend/coupon	Floating	Floating	Floating	Fixed
Coupon rate and any related index	-	6M EIBOR +2.3%	6M EIBOR	8%
Existence of a dividend stopper	-	Yes	Yes	Yes
Existence of step-up or other incentive to redeem	-	No	No	No
Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
If writedown, writedown trigger(s)	-	Non-Viability	Non-Viability	Non-Viability
If writedown, full or partial	-	Determined by Financial Regulator	Determined by Financial Regulator	Determined by Financial Regulator
If writedown, permanent or temporary	-	Permanent	Permanent	Permanent

## 6.6 Counter - cyclical capital buffer (CCyB)

The Bank's counter - cyclical capital buffer (CCyB) requirement is determined by applying various country-specific CCyB rates to the Bank's qualifying credit exposures in the relevant country (based on the jurisdiction of the obligor) on a weighted average basis.

The Group's current CCyB requirement is 5 bps:

31 December 2023

AED '000

Geographical breakdown	Counter - cyclical capital buffer rate	Exposure values and/or risk-weighted assets used in the computation of the counter - cyclical capital buffer		Bank-specific counter - cyclical capital buffer rate	Counter - cyclical buffer amount
		Exposure values	Risk-weighted assets		
France	0.50%	207,547	207,548	0.00%	1,038
Germany	0.75%	1,549,613	1,549,613	0.00%	11,622
Hong Kong	1.00%	60,237	60,237	0.00%	602
Luxembourg	0.50%	4,445,865	2,549,034	0.01%	12,745
Netherlands	1.00%	368,790	368,790	0.00%	3,688
United Kingdom	2.00%	4,520,847	4,695,452	0.04%	93,909
<b>Total</b>		<b>11,152,899</b>	<b>9,430,674</b>	<b>0.05%</b>	<b>123,604</b>

31 December 2022

AED '000

Geographical breakdown	Counter - cyclical capital buffer rate	Exposure values and/or risk-weighted assets used in the computation of the counter - cyclical capital buffer		Bank-specific counter - cyclical capital buffer rate	Counter - cyclical buffer amount
		Exposure values	Risk-weighted assets		
Sweden	1.00%	148,869	59,481	0.00%	595
Luxembourg	0.50%	4,643,200	3,764,664	0.01%	18,823
HongKong	1.00%	919,499	459,754	0.00%	4,598
Norway	2.00%	49,284	26,709	0.00%	534
United Kingdom	1.00%	9,015,536	4,862,588	0.01%	48,626
<b>Total</b>		<b>14,776,388</b>	<b>9,173,197</b>	<b>0.02%</b>	<b>73,176</b>

## 7. Risk Weighted Assets

### 7.1 Our approach to measuring risk exposure and risk-weighted assets

Depending on the intended purpose, the reporting of risk exposure may differ under International Financial Reporting Standards (IFRS) when compared to reporting for regulatory capital purposes. Our Pillar 3 disclosures are generally based on risk exposure used to derive the regulatory capital required under Pillar 1. Our risk-weighted assets (RWA) are calculated according to the BCBS Basel 3 framework, as implemented by the Central Bank of UAE.

### 7.2 RWA development in 2023

The OV1 table on the next page provides an overview of our RWA and the related minimum capital requirements by risk type. During the year 2023, RWA increased by AED 35 bn to AED 393 bn (2022 – AED 358bn), primarily due to increase in credit risk weighted assets (CRWA) corresponding to increase in Bank's balance sheet.

### 7.3 Overview of risk weighted assets (OV1)

	AED '000									
	RWA					Minimum capital requirements*				
	31-Dec-23	30-Sep-23	30-Jun-23	31-Mar-23	31-Dec-22	31-Dec-23	30-Sep-23	30-Jun-23	31-Mar-23	31-Dec-22
<b>Credit risk (excluding counterparty credit risk)</b>	<b>342,797,555</b>	328,131,503	317,662,794	317,237,799	310,485,796	<b>46,449,069</b>	44,494,632	43,011,542	42,888,933	41,979,004
Of which: standardised approach (SA)	342,797,555	328,131,503	317,662,794	317,237,799	310,485,796	46,449,069	44,494,632	43,011,542	42,888,933	41,979,004
Of which: foundation internal ratings-based (F-IRB) approach	-	-	-	-	-	-	-	-	-	-
Of which: supervisory slotting approach	-	-	-	-	-	-	-	-	-	-
Of which: advanced internal ratings-based (A-IRB) approach	-	-	-	-	-	-	-	-	-	-
<b>Counterparty credit risk (CCR)</b>	<b>14,858,778</b>	14,478,687	14,767,356	14,317,301	12,239,525	<b>2,013,365</b>	1,963,310	1,999,501	1,935,626	1,654,836
Of which: standardised approach for counterparty credit risk	6,094,077	5,987,499	6,154,385	6,084,760	5,402,126	825,747	811,905	833,304	822,629	730,391
Of which: Internal Model Method (IMM)	-	-	-	-	-	-	-	-	-	-
Of which: other CCR	-	-	-	-	-	-	-	-	-	-
Credit valuation adjustment (CVA)	7,718,899	8,003,087	8,135,602	7,786,322	6,358,119	1,045,911	1,085,219	1,101,561	1,052,671	859,645
Equity positions under the simple risk weight approach	-	-	-	-	-	-	-	-	-	-
Equity investments in funds - look-through approach	498,486	488,101	477,369	446,219	479,280	67,545	66,186	64,636	60,327	64,801
Equity investments in funds - mandate-based approach	-	-	-	-	-	-	-	-	-	-
Equity investments in funds - fall-back approach	-	-	-	-	-	-	-	-	-	-
Settlement risk	-	-	-	-	-	-	-	-	-	-
Securitisation exposures in the banking book	-	-	-	-	-	-	-	-	-	-
Of which: securitisation internal ratings-based approach (SEC-IRBA)	-	-	-	-	-	-	-	-	-	-
Of which: securitisation external ratings-based approach (SEC-ERBA), including internal assessment approach	-	-	-	-	-	-	-	-	-	-
Of which: securitisation standardised approach (SEC-SA)	547,316	-	-	-	-	74,161	-	-	-	-
<b>Market risk</b>	<b>13,436,625</b>	17,130,315	17,773,510	16,978,536	13,983,513	<b>1,820,663</b>	2,322,871	2,406,533	2,295,411	1,890,631
Of which: standardised approach (SA)	13,436,625	17,130,315	17,773,510	16,978,536	13,983,513	1,820,663	2,322,871	2,406,533	2,295,411	1,890,631
Of which: internal model approaches (IMA)	-	-	-	-	-	-	-	-	-	-
Capital charge for switch between trading book and banking book	-	-	-	-	-	-	-	-	-	-
<b>Operational risk</b>	<b>22,334,610</b>	22,334,610	22,334,610	22,334,610	21,529,955	<b>3,026,340</b>	3,028,573	3,024,106	3,019,525	2,910,942
Amounts below thresholds for deduction (subject to 250% risk weight)	-	-	-	-	-	-	-	-	-	-
Floor adjustment	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>393,427,568</b>	382,075,115	372,538,270	370,868,246	358,238,789	<b>53,309,435</b>	51,809,386	50,441,682	50,139,495	48,435,412

\* Minimum capital requirement is arrived at by using capital adequacy ratio including all regulatory buffers on RWA for respective reporting periods ( 31 December 2023 -13.55% ).

## 8. Leverage Ratio

The Basel 3 leverage ratio is calculated by dividing the period-end tier 1 capital by the period-end leverage ratio denominator (LRD), as summarized in the tables below.

### 8.1 Summary comparison of accounting assets versus leverage ratio exposure measure (LR1)

	AED '000				
Summary comparison of accounting assets vs leverage ratio exposure measure	31-Dec-23	30-Sep-23	30-Jun-23	31-Mar-23	31-Dec-22
Total consolidated assets as per published financial statements	567,194,485	536,888,749	521,300,547	501,423,440	497,842,165
Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(52,967)	(72,982)	(86,795)	(97,218)	(101,302)
Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-	-	-	-	-
Adjustments for derivative financial instruments	(660,549)	(6,158,083)	(1,430,754)	1,634,389	(3,803,109)
Adjustment for securities financing transactions (ie repos and similar secured lending)	-	-	-	(598,839)	(584,416)
Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	68,015,142	63,516,324	67,093,175	67,895,930	62,749,980
Other adjustments*	(14,304,996)	(10,732,629)	(14,695,995)	(18,826,317)	(19,691,029)
<b>Leverage ratio exposure measure</b>	<b>620,191,115</b>	<b>583,441,379</b>	<b>572,180,178</b>	<b>551,431,385</b>	<b>536,412,290</b>

\*Includes adjustments for acceptances and intangible assets. Acceptances are treated as off-balance sheet exposure.

The LRD consists of IFRS on-balance sheet assets and off-balance sheet exposures. Derivative exposures are adjusted for a number of items, including replacement value and eligible cash variation margin netting, the current exposure method add-on and net notional amounts for written credit derivatives.

The table on the next page shows the reconciliation between total IFRS assets and the BCBS total on-balance sheet exposures. IFRS assets are the starting point for calculating the BCBS LRD, as shown in the LR2 table in this section. The difference is due to the application of the regulatory scope of consolidation for the purpose of the BCBS calculation. In addition, carrying amounts for derivative financial instruments and securities financing transactions (SFTs) are deducted from IFRS total assets. They are measured differently under BCBS leverage ratio rules and are therefore added back in separate exposure line items in the LR2 table.

## 8.2 Leverage ratio common disclosure (LR2)

	AED '000				
	31-Dec-23	30-Sep-23	30-Jun-23	31-Mar-23	31-Dec-22
<b>On-balance sheet</b>					
On-balance sheet items (excluding derivatives and SFTs)	546,484,447	512,881,693	498,117,810	475,644,677	469,851,130
Asset amounts deducted in determining Basel III Tier 1 capital	(7,507,011)	(7,526,150)	(7,514,121)	(7,527,436)	(7,568,250)
<b>Total on-balance sheet exposures, excluding derivatives and SFTs</b>	<b>538,977,436</b>	<b>505,355,543</b>	<b>490,603,689</b>	<b>468,117,241</b>	<b>462,282,880</b>
<b>Derivative exposures (c + d)</b>	<b>13,198,537</b>	<b>14,569,513</b>	<b>14,483,313</b>	<b>15,418,217</b>	<b>11,379,431</b>
Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting) - (a)	1,668,275	1,989,513	1,904,368	2,332,074	1,989,065
Add-on amounts for PFE associated with all derivatives transactions - (b)	5,448,654	5,752,569	5,735,734	5,478,401	5,008,023
<b>CCR exposure for derivatives transactions[(1.4 times (a) + (b)) = (c)]</b>	<b>9,963,700</b>	<b>10,838,915</b>	<b>10,696,143</b>	<b>10,934,667</b>	<b>9,795,923</b>
Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	-	-	-	-	-
<b>Adjusted effective notional amount of written credit derivatives - (d)</b>	<b>3,234,837</b>	<b>3,730,598</b>	<b>3,787,170</b>	<b>4,483,549</b>	<b>1,583,508</b>
Deductions of receivables assets for cash variation margin provided in derivatives transactions	-	-	-	-	-
Exempted CCP leg of client-cleared trade exposures	-	-	-	-	-
Adjusted effective notional offsets and add-on deductions for written credit derivatives	-	-	-	-	-
<b>Securities financing transaction exposures</b>					
Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	-	-	-	-	-
CCR exposure for SFT assets	-	-	-	-	-
Agent transaction exposures	-	-	-	-	-
Netted amounts of cash payables and cash receivables of gross SFT assets	-	-	-	-	-
<b>Other off-balance sheet exposures</b>	<b>68,015,142</b>	<b>63,516,324</b>	<b>67,093,176</b>	<b>67,895,929</b>	<b>62,749,979</b>
Other off-balance sheet exposure at gross notional amount	157,609,982	139,222,398	137,107,643	132,714,816	127,710,587
Reduction in exposure due to conversion to credit equivalent amounts	(89,594,840)	(75,706,074)	(70,014,467)	(64,818,887)	(64,960,608)
<b>Capital and total exposures</b>					
<b>Tier 1 capital</b>	<b>59,357,173</b>	<b>57,445,226</b>	<b>55,879,061</b>	<b>53,969,777</b>	<b>52,431,144</b>
<b>Total exposures</b>	<b>620,191,117</b>	<b>583,441,380</b>	<b>572,180,179</b>	<b>551,431,387</b>	<b>536,412,290</b>
<b>Leverage ratio</b>	<b>9.57%</b>	<b>9.85%</b>	<b>9.77%</b>	<b>9.79%</b>	<b>9.77%</b>

## 9. Funding and liquidity risk

We monitor the liquidity coverage ratio (LCR) in all significant currencies in order to manage any currency mismatch between high quality liquid assets (HQLA) and the net expected cash outflows in times of stress.

### 9.1 High-quality liquid assets

HQLA must be easily and immediately convertible into cash at little or no loss of value, especially during a period of stress. HQLA are assets that are of low risk and are unencumbered. Other characteristics of HQLA are ease and certainty of valuation, low correlation with risky assets, listing of the assets on a developed and recognized exchange, existence of an active and sizeable market for the assets and low volatility. Our HQLA predominantly consist of assets that qualify as Level 1 in the liquidity coverage ratio (LCR) framework, including cash, central bank reserves and government bonds.

## 9.2 Liquidity Coverage Ratio (LCR) (LIQ1)

The LCR is designed to promote short-term resilience of 30 calendar day liquidity profile, by ensuring that banks have sufficient HQLA to meet potential outflows in a stressed environment.

	31-Dec-23		30-Sep-23		30-Jun-23		31-Mar-23		31-Dec-22	
	Total unweighted value (90 days-average)	Total weighted value (90 days-average)	Total unweighted value (90 days-average)	Total weighted value (90 days-average)	Total unweighted value (90 days-average)	Total weighted value (90 days-average)	Total unweighted value (90 days-average)	Total weighted value (90 days-average)	Total unweighted value (90 days-average)	Total weighted value (90 days-average)
<b>High-quality liquid assets</b>										
<b>Total HQLA</b>	<b>112,793,177</b>	<b>105,110,390</b>	105,713,231	99,408,702	109,629,523	102,517,469	101,852,610	94,683,248	101,721,998	94,913,805
<b>Cash outflows</b>										
<b>Retail deposits and deposits from small business customers, of which:</b>										
Stable deposits	69,998,937	3,499,947	67,451,265	3,372,563	67,167,979	3,358,399	65,408,969	3,270,448	65,424,678	3,271,234
Less stable deposits	44,179,158	1,474,588	42,802,572	1,427,299	39,374,826	1,406,523	34,860,319	1,264,598	30,630,604	1,013,546
<b>Unsecured wholesale funding, of which:</b>										
Operational deposits (all counterparties) and deposits in networks of cooperative banks	19,032,181	4,758,045	19,043,668	4,760,917	20,179,405	5,044,851	20,133,703	5,033,426	19,580,287	4,895,072
Non-operational deposits (all counterparties)	103,125,572	49,978,055	98,963,854	48,769,803	95,075,251	46,900,681	98,341,096	49,289,179	98,869,959	47,887,922
Unsecured debt	-	-	-	-	-	-	-	-	-	-
<b>Secured wholesale funding</b>	<b>2,399,593</b>	<b>1,341,621</b>	5,026,470	3,619,169	4,475,990	3,542,955	3,542,094	2,620,167	1,771,633	1,095,918
<b>Additional requirements, of which:</b>										
Outflows related to derivative exposures and other collateral requirements	7,099,269	5,819,450	7,003,301	5,698,462	9,227,231	7,911,403	9,091,702	7,785,761	11,828,236	10,513,929
Outflows related to loss of funding of debt products	42,530	42,530	8,645	8,646	14,801	14,801	35,587	35,587	17,570	17,570
Credit and liquidity facilities	141,964,829	24,947,089	128,488,569	23,608,885	124,151,264	21,650,394	117,430,819	20,506,287	107,756,757	18,177,718
<b>Other contractual funding obligations</b>	<b>-</b>	<b>-</b>	-	-	-	-	-	-	-	-
<b>Total cash outflows</b>	<b>387,842,069</b>	<b>91,861,325</b>	368,788,344	91,265,744	359,666,747	89,830,007	348,844,289	89,805,453	335,879,724	86,872,908
<b>Cash inflows</b>										
<b>Secured lending (eg reverse repo)</b>	<b>85,387</b>	<b>48,815</b>	411,638	385,384	66,756	-	773,056	5,472	984,681	388,090
<b>Inflows from fully performing exposures</b>	<b>10,475,047</b>	<b>8,426,006</b>	10,427,645	7,901,486	15,811,991	12,175,406	13,825,477	10,965,214	13,531,784	11,526,053
<b>Other cash inflows</b>	<b>6,636,747</b>	<b>6,636,747</b>	6,627,940	6,627,940	8,847,405	8,847,405	7,901,844	7,901,844	10,165,970	10,165,970
<b>Total cash inflows</b>	<b>17,197,181</b>	<b>15,111,568</b>	17,467,223	14,914,811	24,726,152	21,022,811	22,500,377	18,872,530	24,682,435	22,080,113
		<b>Total adjusted value</b>		<b>Total adjusted value</b>		<b>Total adjusted value</b>		<b>Total adjusted value</b>		<b>Total adjusted value</b>
<b>Total HQLA</b>		<b>105,110,390</b>		<b>99,408,702</b>		<b>102,517,469</b>		<b>94,683,248</b>		<b>94,913,805</b>
<b>Total net cash outflows</b>		<b>76,749,756</b>		<b>76,331,492</b>		<b>68,807,195</b>		<b>70,932,923</b>		<b>64,792,795</b>
<b>Liquidity coverage ratio (%)</b>		<b>137.50%</b>		<b>130.32%</b>		<b>149.34%</b>		<b>133.58%</b>		<b>147.53%</b>

### 9.3 Net Stable Funding Ratio (NSFR) (LIQ2)

31 December 2023

AED '000

	Unweighted value by residual maturity (90 days-average)			Weighted value (90 days- average)
	<6 months	6 months to <1 year	more than/equal to 1 year	
<b>Available stable funding (ASF) item</b>				
<b>Capital:</b>				
Regulatory capital before deduction	-	-	69,874,271	69,874,271
Other capital instruments	-	-	-	-
<b>Retail deposits and deposits from small business customers:</b>				
Stable deposits	83,261,996	8,668,891	2,799,645	90,133,988
Less stable deposits	16,658,936	1,593,732	1,427,387	17,854,788
<b>Wholesale funding:</b>				
Operational deposits	18,846,908	-	-	9,423,454
Other wholesale funding	189,722,175	72,042,582	46,422,261	148,499,683
<b>Liabilities with matching interdependent assets</b>	-	-	-	-
<b>Other liabilities:</b>				
NSFR derivative liabilities (gross)	-	-	9,197,459	-
All other liabilities and equity not included in the above categories	16,704,809	876	1,201	2,451
<b>Total ASF</b>	<b>325,194,824</b>	<b>82,306,081</b>	<b>129,722,224</b>	<b>335,788,635</b>
Total NSFR high-quality liquid assets (HQLA)	54,858,194	14,467,882	68,158,211	21,284,647
Deposits held at other financial institutions for operational purposes	-	-	-	-
<b>Performing loans and securities:</b>				
Performing loans to financial institutions secured by Level 1 HQLA	-	-	-	-
Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	28,869,210	12,536,600	6,788,620	17,387,301
<b>Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereign, central banks and PSEs, of which:</b>	<b>61,709,426</b>	<b>22,436,627</b>	<b>173,776,442</b>	<b>189,929,048</b>
With a risk weight of less than or equal to 35% under the standardised approach for credit risk	-	-	6,696,518	4,352,737
<b>Performing residential mortgages, of which:</b>				
With a risk weight of less than or equal to 35% under the standardised approach for credit risk	11	14	14,127,945	9,184,396
Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	9,392,040	4,844,113	4,633,976	14,311,202
Assets with matching interdependent liabilities	-	-	-	-
<b>Other assets:</b>				
Physical traded commodities, including gold	-	-	-	-
Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	-	-	1,566,395	1,566,395
NSFR derivative assets	6,865,622	-	1,993,016	1,839,492
NSFR derivative liabilities before deduction of variation margin posted	9,197,459	-	-	-
All other assets not included in the above categories	7,782,362	-	36,583,378	44,365,739
<b>Off-balance sheet items</b>	<b>139,591,816</b>	<b>-</b>	<b>-</b>	<b>15,650,857</b>
<b>Total RSF</b>	<b>318,266,140</b>	<b>54,285,236</b>	<b>314,324,501</b>	<b>319,871,814</b>
<b>Net Stable Funding Ratio (%)</b>				<b>104.97%</b>

31 December 2022

AED '000

	Unweighted value by residual maturity (90 days-average)			Weighted value (90 days- average)
	<6 months	6 months to <1 year	more than/equal to 1 year	
Available stable funding (ASF) item				
Capital:				
Regulatory capital before deduction	-	-	62,108,321	62,108,321
Other capital instruments	-	-	-	-
Retail deposits and deposits from small business customers:				
Stable deposits	65,550,366	158,353	13,247	62,436,529
Less stable deposits	14,327,770	7,465,370	2,870,034	22,483,860
Wholesale funding:				
Operational deposits	19,581,064	-	-	9,790,532
Other wholesale funding	177,259,391	54,383,876	54,206,306	143,595,059
Liabilities with matching interdependent assets	-	-	-	-
Other liabilities:				
NSFR derivative liabilities (gross)	-	-	7,007,401	-
All other liabilities and equity not included in the above categories	11,188,576	992	863	4,396
<b>Total ASF</b>	<b>287,907,167</b>	<b>62,008,591</b>	<b>126,206,172</b>	<b>300,418,698</b>
Total NSFR high-quality liquid assets (HQLA)	49,314,893	9,810,842	59,355,466	18,250,376
Deposits held at other financial institutions for operational purposes	-	-	-	-
Performing loans and securities:				
Performing loans to financial institutions secured by Level 1 HQLA	536,534	-	-	53,653
Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	32,219,585	14,902,236	4,329,327	16,613,383
Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:				
With a risk weight of less than or equal to 35% under the standardised approach for credit risk	-	-	11,654,705	7,575,558
Performing residential mortgages, of which:				
With a risk weight of less than or equal to 35% under the standardised approach for credit risk	458	667	11,079,142	7,212,738
Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	10,195,792	4,932,146	5,909,136	14,577,938
Assets with matching interdependent liabilities	-	-	-	-
Other assets:				
Physical traded commodities, including gold	-	-	-	-
Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	-	-	1,228,369	1,228,369
NSFR derivative assets	7,050,124	-	2,012,671	1,401,480
NSFR derivative liabilities before deduction of variation margin posted	7,007,401	-	-	-
All other assets not included in the above categories	7,729,029	-	36,994,871	44,723,900
Off-balance sheet items	106,115,233	-	-	12,396,832
<b>Total RSF</b>	<b>270,306,187</b>	<b>49,708,133</b>	<b>269,879,382</b>	<b>276,011,223</b>
<b>Net Stable Funding Ratio (%)</b>				<b>108.78%</b>

## 10. Credit Risk Management

### 10.1 Credit quality of assets (CR1)

31 December 2023

AED '000

	Gross carrying values of			Of which ECL accounting provisions for credit losses		Net values
	Defaulted exposures	Non-defaulted exposures	Allowances/ Impairments	Allocated in regulatory category of Specific	Allocated in regulatory category of General	
Loans*	11,069,014	298,364,489	10,688,842	5,293,686	5,395,156	298,744,661
Debt securities**	-	127,397,457	77,446	-	77,446	127,373,992
Gross off-balance sheet exposures***	194,803	166,454,538	524,036	75,684	448,352	166,649,340
<b>Total</b>	<b>11,263,817</b>	<b>592,216,484</b>	<b>11,290,324</b>	<b>5,369,370</b>	<b>5,920,954</b>	<b>592,767,993</b>

31 December 2022

AED '000

	Gross carrying values of			Of which ECL accounting provisions for credit losses		Net values
	Defaulted exposures	Non-defaulted exposures	Allowances/ Impairments	Allocated in regulatory category of Specific	Allocated in regulatory category of General	
Loans**	14,908,026	252,238,773	11,758,002	7,029,737	4,728,265	255,388,797
Debt securities***	-	111,053,793	96,484	-	96,484	111,026,925
Gross off-balance sheet exposures****	223,406	136,019,255	423,942	78,902	345,040	136,242,661
<b>Total</b>	<b>15,131,432</b>	<b>499,311,821</b>	<b>12,278,428</b>	<b>7,108,639</b>	<b>5,169,789</b>	<b>502,658,383</b>

\* The exposures stated here are net of interest in suspense (IIS)

\*\* Bond securities are carried at fair value (FVOCI) as such the net value is not derived by deducting impairment from exposure. Amortised cost bonds net value is arrived by deducting impairment

\*\*\* (a) Expected credit losses (ECL) on off-balance sheet is shown under other liabilities as such the net values are not arrived by deducting the impairment amount and (b) Post-CCF off-balance sheet exposures for the period ended 31 December, 2023 amounted to AED 76,223,457 thousand (31 December 2022 - AED 70,231,032 thousand)

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

31 December 2023	AED '000
Defaulted loans and debt securities as at 1 January 2023	14,908,026
Loans and debt securities that have defaulted since the last reporting period	2,540,667
Returned to non-default status	(38,845)
Amounts written-off	(80,060)
Other changes	(2,740,227)
<b>Defaulted loans and debt securities as at 30 June 2023</b>	<b>14,589,561</b>
Loans and debt securities that have defaulted since the last reporting period	1,354,271
Returned to non-default status	(465,991)
Amounts written-off	(4,876,662)
Other changes	467,835
<b>Defaulted loans and debt securities as at 31 December 2023</b>	<b>11,069,014</b>
31 December 2022	AED '000
Defaulted loans and debt securities as at 1 January 2022	19,024,653
Loans and debt securities that have defaulted since the last reporting period	1,958,195
Returned to non-default status	(351,867)
Amounts written-off	(911,015)
Other changes	(4,052,075)
Defaulted loans and debt securities as at 30 June 2022	15,667,891
Loans and debt securities that have defaulted since the last reporting period	1,510,737
Returned to non-default status	(43,354)
Amounts written-off	(1,673,882)
Other changes	(553,366)
Defaulted loans and debt securities as at 31 December 2022	14,908,026

## 10.3 Credit risk mitigation techniques – (CR3)

31 December 2023	AED '000			
	Exposures unsecured: carrying amount (net of IIS & provisions)	Exposures partially/fully secured carrying amount (net of IIS & provisions)	Exposures secured by collaterals	Exposures secured by financial guarantees
Loans	260,597,853	38,146,808	28,650,073	9,496,735
Debt securities	126,986,719	387,273	-	387,273
<b>Total</b>	<b>387,584,572</b>	<b>38,534,081</b>	<b>28,650,073</b>	<b>9,884,008</b>
Of which defaulted	5,774,910	400	-	400
31 December 2022	AED '000			
	Exposures unsecured: carrying amount (net of IIS & provisions)	Exposures partially/fully secured carrying amount (net of IIS & provisions)	Exposures secured by collaterals	Exposures secured by financial guarantees
Loans	226,296,664	29,092,133	25,387,825	3,704,308
Debt securities	107,778,970	3,247,955	-	3,247,955
<b>Total</b>	<b>334,075,634</b>	<b>32,340,088</b>	<b>25,387,825</b>	<b>6,952,263</b>
Of which defaulted	14,842,584	65,442	65,030	412

Note - The above table is prepared based on Basel eligible collaterals. Total collateral value is significantly higher and is detailed in section 10.12 of this report

## 10.4 Credit risk exposure and Credit Risk Mitigation (CRM) effects (CR4)

31 December 2023

AED '000

Asset classes	Exposures pre-CCF and before adjusting SP & IIS* and CRM		Exposures post-CCF and net of SP & IIS and CRM		RWA and RWA density	
	On-balance sheet amount**	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
Claims on sovereigns***	160,992,161	2,107,670	158,504,589	592,190	33,060,464	20.8%
Claims on non-commercial public sector enterprises (PSEs)	2,696,532	303,266	2,679,266	254,186	1,466,726	50.0%
Claims on multilateral development banks	5,904,397	184,317	5,904,397	36,864	2,489,839	41.9%
Claims on financial institutions****	68,261,036	33,086,472	56,710,206	16,095,550	44,422,422	61.0%
Claims on government-related entities (GREs)	69,599,089	27,506,716	69,213,092	10,465,340	54,929,756	68.9%
Claims on Corporate	94,368,468	90,648,360	83,884,249	35,924,069	113,015,968	94.3%
Claims included in the regulatory retail portfolio	48,507,635	12,568,392	45,588,325	1,357,272	36,971,088	78.8%
Claims secured by residential property	15,647,964	244,146	15,633,638	122,073	6,175,339	39.2%
Claims secured by commercial real estate	45,521,649	-	44,130,963	-	44,130,963	100.0%
Past due loans	13,547,378	-	5,787,224	-	6,574,422	113.6%
Other assets	4,731,102	-	4,731,102	-	4,932,391	104.3%
<b>Total</b>	<b>529,777,413</b>	<b>166,649,339</b>	<b>492,767,052</b>	<b>64,847,543</b>	<b>348,169,378</b>	

31 December 2022

AED '000

Asset classes	Exposures pre-CCF and before adjusting SP & IIS* and CRM		Exposures post-CCF and net of SP & IIS and CRM		RWA and RWA density	
	On-balance sheet amount**	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
Claims on sovereigns***	139,473,048	3,580,410	138,601,745	600,944	35,951,326	25.8%
Claims on non-commercial public sector enterprises (PSEs)	3,119,004	1,851,035	3,119,004	343,824	1,731,414	50.0%
Claims on multilateral development banks	2,529,221	-	2,529,221	-	1,134,407	44.9%
Claims on financial institutions****	64,122,545	24,655,686	56,783,635	8,497,812	41,358,391	63.4%
Claims on government-related entities (GREs)	53,629,740	19,357,389	53,543,765	8,986,863	43,263,279	69.2%
Claims on Corporate	75,687,022	73,261,222	65,759,795	29,379,195	90,749,062	95.4%
Claims included in the regulatory retail portfolio	43,393,640	13,190,506	39,517,469	2,438,386	33,835,997	80.6%
Claims secured by residential property	12,201,850	280,246	12,181,975	233,072	4,913,153	39.6%
Claims secured by commercial real estate	48,437,210	5,172	48,000,720	1,035	48,001,754	100.0%
Past due loans	16,933,017	-	7,181,449	-	9,169,591	127.7%
Other assets	4,764,199	60,995	4,764,199	60,995	4,986,663	103.3%
<b>Total</b>	<b>464,290,496</b>	<b>136,242,661</b>	<b>431,982,976</b>	<b>50,542,126</b>	<b>315,095,037</b>	

\* Includes SP & IIS amounting to AED 7,804,030 thousand as at 31 December, 2023 (31 December, 2022 - AED 9,935,611 thousand).

\*\* Excludes equity investments as they carry equity/residual risk.

\*\*\* UAE sovereign guarantees and exposures with internal rating that are comparable to external ratings of AA are included in claims on sovereigns.

\*\*\*\* Claims on financial institutions include exposure to all credit institutions, investment firms and finance companies.

CCF – Credit conversion factor, CRM – Credit risk mitigants, SP - Specific provision and IIS - Interest in suspense

## 10.5 Exposures by asset classes and risk weights (CR5)

31 December 2023

Asset classes	0%	20%	35%	50%	75%	85%	100%	150%	Others	AED '000
										Total credit exposures amount (post - CCF / IIS & SP/ CRM)*
Claims on sovereigns**	97,763,803	30,289,699	-	8,081,505	-	-	22,961,772	-	-	159,096,779
Claims on non-commercial public sector enterprises (PSEs)	-	-	-	2,933,452	-	-	-	-	-	2,933,452
Claims on multilateral development banks	1,496,974	446,685	-	3,194,200	-	-	803,402	-	-	5,941,261
Claims on financial institutions***	-	12,406,214	-	35,616,970	-	-	23,959,641	95,984	726,947	72,805,756
Claims on government-related entities (GREs)	-	25,122,402	-	9,301,508	-	-	45,254,522	-	-	79,678,432
Claims on Corporate	-	3,847,810	-	7,463,340	-	3,359,254	104,095,002	1,042,912	-	119,808,318
Claims included in the regulatory retail portfolio	-	-	-	-	39,898,037	-	7,047,560	-	-	46,945,597
Claims secured by residential property	-	-	14,600,610	-	359,900	-	795,201	-	-	15,755,711
Claims secured by commercial real estate	-	-	-	-	-	-	44,130,963	-	-	44,130,963
Past due loans	-	-	-	-	-	-	4,212,827	1,574,397	-	5,787,224
Other assets	-	-	-	-	-	-	4,328,524	402,578	-	4,731,102
<b>Total</b>	<b>99,260,777</b>	<b>72,112,810</b>	<b>14,600,610</b>	<b>66,590,975</b>	<b>40,257,937</b>	<b>3,359,254</b>	<b>257,589,414</b>	<b>3,115,871</b>	<b>726,947</b>	<b>557,614,595</b>

31 December 2022

Asset classes	0%	20%	35%	50%	75%	85%	100%	150%	Others	AED '000
										Total credit exposures amount (post - CCF / IIS & SP/ CRM)*
Claims on sovereigns**	80,782,423	23,709,113	-	7,003,301	-	-	27,707,853	-	-	139,202,690
Claims on non-commercial public sector enterprises (PSEs)	-	-	-	3,462,828	-	-	-	-	-	3,462,828
Claims on multilateral development banks	260,407	-	-	2,268,814	-	-	-	-	-	2,529,221
Claims on financial institutions***	-	7,645,831	-	34,488,396	-	-	22,588,389	214	558,618	65,281,448
Claims on government-related entities (GREs)	-	18,680,826	-	8,697,429	-	-	35,152,374	-	-	62,530,629
Claims on Corporate	-	2,457,124	-	4,567,239	-	3,312,138	84,090,065	712,423	-	95,138,989
Claims included in the regulatory retail portfolio	-	-	-	-	32,479,429	-	9,476,425	-	-	41,955,854
Claims secured by residential property	-	-	11,353,947	-	487,312	-	573,787	-	-	12,415,046
Claims secured by commercial real estate	-	-	-	-	-	-	48,001,754	-	-	48,001,754
Past due loans	-	-	-	-	-	-	3,205,167	3,976,282	-	7,181,449
Other assets	-	-	-	-	-	-	4,502,257	322,937	-	4,825,194
<b>Total</b>	<b>81,042,830</b>	<b>52,492,894</b>	<b>11,353,947</b>	<b>60,488,007</b>	<b>32,966,741</b>	<b>3,312,138</b>	<b>235,298,071</b>	<b>5,011,856</b>	<b>558,618</b>	<b>482,525,102</b>

\* Excludes equity investments as they carry equity/residual risk

\*\* UAE sovereign guarantees and exposures with internal rating that are comparable to external ratings of AA are included in claims on sovereigns

\*\*\* Claims on financial institutions include exposure to all credit institutions, investment firms and finance companies.

CCF – Credit conversion factor, CRM – Credit risk mitigants, SP - Specific provision and IIS - Interest in suspense

## 10.6 Gross and net credit risk exposure by asset class

31 December 2023							AED'000
Asset class	Gross exposure		EAD post CCF	EAD post CCF & CRM		CRWA	
	On-balance sheet	Off-balance sheet (post CCF)	Gross exposure (on- & off- balance-sheet post CCF)	Exposure pre-CRM (net of specific provision and IIS)	Credit risk mitigation (CRM)*	Net exposure post-CCF, CRM and other adjustments	Credit risk-weighted assets
Claims on sovereigns**	160,992,161	594,055	161,586,216	161,586,216	11,073,085	159,096,779	33,060,464
Claims on non-commercial public sector enterprises (PSEs)	2,696,532	254,338	2,950,870	2,950,870	1,007,179	2,933,452	1,466,726
Claims on multilateral development banks	5,904,397	36,864	5,941,261	5,941,261	36,863	5,941,261	2,489,839
Claims on financial institutions***	68,261,036	16,713,002	84,974,038	84,974,033	12,580,549	72,805,756	44,422,422
Claims on government-related entities (GREs)	69,599,089	14,647,956	84,247,045	84,247,045	4,678,462	79,678,432	54,929,756
Claims on Corporate	94,368,468	41,692,243	136,060,711	136,048,966	16,241,960	119,808,318	113,015,968
Claims included in the regulatory retail portfolio	48,507,635	2,162,927	50,670,562	50,639,196	3,693,599	46,945,597	36,971,088
Claims secured by residential property	15,647,964	122,073	15,770,038	15,769,469	13,758	15,755,711	6,175,339
Claims secured by commercial real estate	45,521,649	-	45,521,649	45,521,474	1,390,510	44,130,963	44,130,963
Past due loans	13,547,378	-	13,547,378	5,787,208	-	5,787,224	6,574,422
Other assets	4,731,102	-	4,731,102	4,731,102	-	4,731,102	4,932,391
<b>Total</b>	<b>529,777,412</b>	<b>76,223,457</b>	<b>606,000,869</b>	<b>598,196,840</b>	<b>50,715,965</b>	<b>557,614,595</b>	<b>348,169,378</b>

31 December 2022							AED'000
Asset class	Gross exposure		EAD post CCF	EAD post CCF & CRM		CRWA	
	On-balance sheet	Off-balance sheet (post CCF)	Gross exposure (on- & off- balance-sheet post CCF)	Exposure pre-CRM (net of specific provision and IIS)	Credit risk mitigation (CRM)*	Net exposure post-CCF, CRM and other adjustments	Credit risk-weighted assets
Claims on sovereigns**	139,473,048	687,751	140,160,799	140,160,799	3,810,499	139,202,690	35,951,326
Claims on non-commercial public sector enterprises (PSEs)	3,119,004	343,976	3,462,980	3,462,980	152	3,462,828	1,731,414
Claims on multilateral development banks	2,529,221	-	2,529,221	2,529,221	252,941	2,529,221	1,134,407
Claims on financial institutions***	64,122,545	13,348,996	77,471,541	77,471,541	15,238,951	65,281,448	41,358,391
Claims on government-related entities (GREs)	53,629,740	9,011,151	62,640,891	62,640,891	1,237,955	62,530,629	43,263,279
Claims on Corporate	75,687,022	43,990,901	119,677,923	119,488,564	24,632,049	95,138,989	90,749,062
Claims included in the regulatory retail portfolio	43,393,640	2,552,870	45,946,510	45,913,884	3,958,029	41,955,854	33,835,997
Claims secured by residential property	12,201,850	233,357	12,435,207	12,433,106	18,059	12,415,046	4,913,153
Claims secured by commercial real estate	48,437,210	1,035	48,438,245	48,413,412	411,658	48,001,754	48,001,754
Past due loans	16,933,017	-	16,933,017	7,246,325	64,876	7,181,449	9,169,591
Other assets	4,764,199	60,995	4,825,194	4,825,194	-	4,825,194	4,986,663
<b>Total</b>	<b>464,290,496</b>	<b>70,231,032</b>	<b>534,521,528</b>	<b>524,585,917</b>	<b>49,625,169</b>	<b>482,525,102</b>	<b>315,095,037</b>

\* Eligible guarantees used to substitute credit risk weights are included in CRM.

\*\* UAE sovereign guarantees and exposures with internal rating that are comparable to external ratings of AA are included in claims on sovereigns

\*\*\* Claims on financial institutions include exposure to all credit institutions, investment firms and finance companies.

EAD – Exposure at default, CCF – Credit conversion factor and CRM – Credit risk mitigants

## 10.7 Gross and net credit risk exposure by externally rated/unrated

31 December 2023

Asset class	Gross exposure		EAD post CCF	EAD post CCF & CRM		CRWA	
	Rated	Unrated	Gross exposure (on- & off- balance- sheet post CCF)	Exposure pre-CRM (net of specific provision and IIS)	Credit risk mitigation (CRM) <sup>†</sup>	Net exposure post-CCF, CRM and other adjustments	Credit risk- weighted assets
Claims on sovereigns **	149,179,012	12,407,204	161,586,216	161,586,216	11,073,085	159,096,779	33,060,464
Claims on non-commercial public sector enterprises (PSEs)	953,980	1,996,890	2,950,870	2,950,870	1,007,179	2,933,452	1,466,726
Claims on multilateral development banks	5,941,261	-	5,941,261	5,941,261	36,863	5,941,261	2,489,839
Claims on financial institutions***	63,738,038	21,236,000	84,974,038	84,974,033	12,580,549	72,805,756	44,422,422
Claims on government-related entities (GREs)	41,060,631	43,186,413	84,247,045	84,247,045	4,678,462	79,678,432	54,929,756
Claims on Corporate	27,961,271	108,099,440	136,060,711	136,048,966	16,241,960	119,808,318	113,015,968
Claims included in the regulatory retail portfolio	-	50,670,562	50,670,562	50,639,196	3,693,599	46,945,597	36,971,088
Claims secured by residential property	-	15,770,038	15,770,038	15,769,469	13,758	15,755,711	6,175,339
Claims secured by commercial real estate	-	45,521,649	45,521,649	45,521,474	1,390,510	44,130,963	44,130,963
Past due loans	-	13,547,378	13,547,378	5,787,208	-	5,787,224	6,574,422
Other assets	-	4,731,102	4,731,102	4,731,102	-	4,731,102	4,932,391
<b>Total</b>	<b>288,834,193</b>	<b>317,166,676</b>	<b>606,000,869</b>	<b>598,196,840</b>	<b>50,715,965</b>	<b>557,614,595</b>	<b>348,169,378</b>

31 December 2022

Asset class	Gross exposure		EAD post CCF	EAD post CCF & CRM		CRWA	
	Rated	Unrated	Gross exposure (on- & off- balance- sheet post CCF)	Exposure pre-CRM (net of specific provision and IIS)	Credit risk mitigation (CRM) <sup>†</sup>	Net exposure post-CCF, CRM and other adjustments	Credit risk- weighted assets
Claims on sovereigns **	128,064,225	12,096,574	140,160,799	140,160,799	3,810,499	139,202,690	35,951,326
Claims on non-commercial public sector enterprises (PSEs)	560,745	2,902,235	3,462,980	3,462,980	152	3,462,828	1,731,414
Claims on multilateral development banks	2,529,221	-	2,529,221	2,529,221	252,941	2,529,221	1,134,407
Claims on financial institutions***	59,258,572	18,212,969	77,471,541	77,471,541	15,238,951	65,281,448	41,358,391
Claims on government-related entities (GREs)	32,530,769	30,110,122	62,640,891	62,640,891	1,237,955	62,530,629	43,263,279
Claims on Corporate	20,400,344	99,277,579	119,677,923	119,488,564	24,632,049	95,138,989	90,749,062
Claims included in the regulatory retail portfolio	-	45,946,510	45,946,510	45,913,884	3,958,029	41,955,854	33,835,997
Claims secured by residential property	-	12,435,207	12,435,207	12,433,106	18,059	12,415,046	4,913,153
Claims secured by commercial real estate	-	48,438,245	48,438,245	48,413,412	411,658	48,001,754	48,001,754
Past due loans	-	16,933,017	16,933,017	7,246,325	64,876	7,181,449	9,169,591
Other assets	-	4,825,194	4,825,194	4,825,194	-	4,825,194	4,986,663
<b>Total</b>	<b>243,343,876</b>	<b>291,177,651</b>	<b>534,521,528</b>	<b>524,585,917</b>	<b>49,625,169</b>	<b>482,525,102</b>	<b>315,095,037</b>

\* Eligible guarantees used to substitute credit risk weights are included in CRM.

\*\* UAE sovereign guarantees and exposures with internal rating that are comparable to external ratings of AA are included in claims on sovereigns

\*\*\* Claims on financial institutions include exposure to all credit institutions, investment firms and finance companies.

EAD – Exposure at default, CCF – Credit conversion factor and CRM – Credit risk mitigants

## Use of external ratings

The standardised approach allows banks to use risk assessments prepared by External Credit Assessment Institutions (ECAI) to determine the risk weightings applied to rated counterparties. The Bank uses CBUAE-recognised ECAI risk assessments to determine the risk weight for certain counterparties according to the BIS defined exposure segments.

ADCB uses three CBUAE-recognised ECAI for this purpose: Moody's Investors Service, Standard & Poor's and Fitch Ratings. The mapping of external ratings to the standardised approach risk weights is determined by CBUAE (as published in Standards and Guidance for Capital Adequacy of Banks in the UAE dated December 2022).

## 10.8 Gross credit risk by currency

	Loans	Investment securities	Other assets	Total funded	Commitments (post-CCF)	OTC derivatives	Other off-balance sheet exposures (post-CCF)	Total non-funded	Total
AED'000									
<b>31 December 2023</b>									
AED	199,742,475	2,028,468	47,776,113	249,547,056	10,006,065	642,526	19,907,006	30,555,597	280,102,653
USD	103,588,345	114,319,496	51,992,965	269,900,806	8,797,496	6,548,577	22,856,941	38,203,014	308,103,820
EUR	849,595	4,045,329	745,987	5,640,911	-	368,098	2,008,680	2,376,778	8,017,689
CHF	-	-	61,923	61,923	-	-	33,159	33,159	95,082
GBP	11	419	244,306	244,736	98,106	269,530	17,010	384,646	629,382
MYR	-	-	4,816	4,816	-	-	-	-	4,816
Other	5,647,268	7,003,745	4,928,916	17,579,929	297,852	1,210,627	3,161,784	4,670,263	22,250,192
Less: Acceptances	-	-	(13,202,764)	(13,202,764)	-	-	-	-	(13,202,764)
<b>Total</b>	<b>309,827,694</b>	<b>127,397,457</b>	<b>92,552,261</b>	<b>529,777,412</b>	<b>19,199,518</b>	<b>9,039,358</b>	<b>47,984,580</b>	<b>76,223,457</b>	<b>606,000,869</b>
<b>31 December 2022</b>									
AED	178,595,691	2,403,519	40,538,687	221,537,897	7,063,245	767,989	17,803,615	25,634,849	247,172,746
USD	85,042,307	89,411,349	54,439,867	228,893,523	5,216,452	4,842,575	27,549,139	37,608,165	266,501,688
EUR	1,230,959	5,233,309	972,167	7,436,435	-	634,316	1,435,372	2,069,688	9,506,123
CHF	-	91,551	28,621	120,172	-	-	7,672	7,672	127,844
GBP	3,573	-	97,641	101,214	-	330,313	18,283	348,596	449,810
MYR	-	-	4,816	4,816	-	-	75	75	4,891
Other	5,180,143	13,914,065	4,233,741	23,327,949	-	1,956,881	2,605,106	4,561,987	27,889,936
Less: Acceptances	-	-	(17,131,510)	(17,131,510)	-	-	-	-	(17,131,510)
<b>Total</b>	<b>270,052,673</b>	<b>111,053,793</b>	<b>83,184,030</b>	<b>464,290,496</b>	<b>12,279,697</b>	<b>8,532,073</b>	<b>49,419,262</b>	<b>70,231,032</b>	<b>534,521,528</b>

## 10.9 Gross credit risk by geography

	Loans	Investment securities	Other assets	Total funded	Commitments (post-CCF)	OTC derivatives	Other off-balance sheet exposures (post-CCF)	Total non-funded	Total
AED'000									
31 December 2023									
Domestic (UAE)	251,139,352	41,352,437	55,588,084	348,079,874	15,298,489	5,559,759	32,570,982	53,429,230	401,509,104
Other GCC countries	13,495,891	27,331,009	8,721,465	49,548,365	1,988,105	225,843	1,578,109	3,792,057	53,340,421
Asia	9,222,701	27,607,774	14,448,398	51,278,873	263,665	11,231	5,904,699	6,179,595	57,458,468
Europe	11,307,650	8,464,776	12,143,072	31,915,498	954,487	3,216,324	6,183,904	10,354,715	42,270,213
USA	934,784	12,974,192	3,620,661	17,529,637	210,085	602	642,163	852,850	18,382,487
Rest of the world	23,727,316	9,667,269	11,233,345	44,627,930	484,688	25,599	1,104,724	1,615,010	46,242,941
Less: Acceptances	-	-	(13,202,764)	(13,202,764)	-	-	-	-	(13,202,764)
<b>Total</b>	<b>309,827,694</b>	<b>127,397,457</b>	<b>92,552,261</b>	<b>529,777,412</b>	<b>19,199,518</b>	<b>9,039,358</b>	<b>47,984,580</b>	<b>76,223,457</b>	<b>606,000,869</b>
31 December 2022									
Domestic (UAE)	223,926,891	40,525,508	50,882,463	315,334,862	10,454,942	4,526,163	32,220,346	47,201,451	362,536,313
Other GCC countries	8,223,498	25,937,050	11,379,392	45,539,940	1,335,954	513,778	1,484,311	3,334,043	48,873,983
Asia	10,112,014	19,338,213	12,367,669	41,817,896	159,129	27,970	7,165,855	7,352,954	49,170,850
Europe	7,467,348	6,105,281	14,268,332	27,840,961	219,412	3,082,805	6,678,856	9,981,073	37,822,034
USA	290,775	8,371,646	1,230,806	9,893,227	-	21	356,025	356,046	10,249,273
Rest of the world	20,032,147	10,776,095	10,186,878	40,995,120	110,260	381,336	1,513,869	2,005,465	43,000,585
Less: Acceptances	-	-	(17,131,510)	(17,131,510)	-	-	-	-	(17,131,510)
<b>Total</b>	<b>270,052,673</b>	<b>111,053,793</b>	<b>83,184,030</b>	<b>464,290,496</b>	<b>12,279,697</b>	<b>8,532,073</b>	<b>49,419,262</b>	<b>70,231,032</b>	<b>534,521,528</b>

## 10.10 Gross credit risk by residual maturity

	Loans	Investment securities	Other assets	Total funded	Commitments (post-CCF)	OTC derivatives	Other off-balance sheet exposures (post-CCF)	Total non-funded	Total
<b>AED'000</b>									
<b>31 December 2023</b>									
Less than 3 months	65,599,828	6,793,923	68,328,792	140,722,543	796,622	1,114,134	7,234,687	9,145,443	149,867,986
3 months to less than 6 months	12,869,325	9,452,635	10,369,801	32,691,761	2,114,851	431,979	4,002,854	6,549,684	39,241,445
6 months to less than 1 year	25,360,818	8,060,846	17,294,462	50,716,126	2,522,569	895,531	6,861,942	10,280,042	60,996,168
1 year to 3 years	49,031,010	33,955,433	7,930,191	90,916,634	10,122,925	2,573,574	26,574,285	39,270,784	130,187,418
Over 3 years	156,966,713	69,134,620	1,831,779	227,933,112	3,642,551	4,024,140	3,310,812	10,977,504	238,910,616
Less: Acceptances	-	-	(13,202,764)	(13,202,764)	-	-	-	-	(13,202,764)
<b>Total</b>	<b>309,827,694</b>	<b>127,397,457</b>	<b>92,552,261</b>	<b>529,777,412</b>	<b>19,199,518</b>	<b>9,039,358</b>	<b>47,984,580</b>	<b>76,223,457</b>	<b>606,000,869</b>
<b>31 December 2022</b>									
Less than 3 months	69,858,072	12,375,058	62,267,744	144,500,874	1,363,130	1,848,928	7,229,288	10,441,346	154,942,220
3 months to less than 6 months	10,056,078	7,905,510	13,105,209	31,066,797	580,073	689,978	6,977,555	8,247,606	39,314,403
6 months to less than 1 year	21,867,079	9,964,823	16,647,268	48,479,170	4,010,764	658,317	15,066,480	19,735,561	68,214,731
1 year to 3 years	37,872,496	25,458,078	6,387,470	69,718,044	4,200,769	857,885	18,287,525	23,346,179	93,064,223
Over 3 years	130,398,948	55,350,324	1,907,849	187,657,121	2,124,961	4,476,965	1,858,414	8,460,340	196,117,461
Less: Acceptances	-	-	(17,131,510)	(17,131,510)	-	-	-	-	(17,131,510)
<b>Total</b>	<b>270,052,673</b>	<b>111,053,793</b>	<b>83,184,030</b>	<b>464,290,496</b>	<b>12,279,697</b>	<b>8,532,073</b>	<b>49,419,262</b>	<b>70,231,032</b>	<b>534,521,528</b>

## 10.11 Gross credit risk by economic sector

	Loans	Investment securities	Other assets	Total funded	Commitments (post-CCF)	OTC derivatives	Other off-balance sheet exposures (post-CCF)	Total non-funded	Total
<b>AED'000</b>									
<b>31 December 2023</b>									
Agriculture	324,830	-	-	324,830	377	-	4,568	4,945	329,775
Energy	15,673,956	2,187,430	-	17,861,386	1,200,672	42,761	831,601	2,075,034	19,936,420
Trading	23,013,233	562,766	-	23,575,999	1,352,248	80,705	5,437,553	6,870,506	30,446,505
Real estate	53,857,257	859,589	956,629	55,673,475	3,026,305	178,142	19,150,464	22,354,911	78,028,386
Hospitality	8,673,083	-	-	8,673,083	51	-	156,664	156,715	8,829,798
Transport & communication	5,800,687	553,534	-	6,354,221	20,977	50,783	528,633	600,393	6,954,615
Personal	64,202,156	-	428,548	64,630,704	500,704	767,753	985,274	2,253,731	66,884,435
Government & PSEs	78,795,035	108,586,196	45,375,731	232,756,962	6,799,626	2,160,258	6,554,043	15,513,927	248,270,889
Financial institutions	23,230,105	12,240,861	37,750,371	73,221,337	1,277,338	5,423,011	10,073,652	16,774,001	89,995,338
Manufacturing	10,720,125	1,401,821	-	12,121,946	1,054,799	148,888	2,472,219	3,675,905	15,797,851
Services	5,698,024	384,911	-	6,082,935	426,173	17,088	1,122,143	1,565,404	7,648,339
Others	17,412,979	620,349	21,243,746	39,277,074	3,540,248	169,969	667,766	4,377,985	43,655,058
Add: Interest in suspense	2,426,224	-	-	2,426,224	-	-	-	-	2,426,224
Less: Acceptances	-	-	(13,202,764)	(13,202,764)	-	-	-	-	(13,202,764)
<b>Total</b>	<b>309,827,694</b>	<b>127,397,457</b>	<b>92,552,261</b>	<b>529,777,412</b>	<b>19,199,518</b>	<b>9,039,358</b>	<b>47,984,580</b>	<b>76,223,457</b>	<b>606,000,869</b>
<b>31 December 2022</b>									
Agriculture	331,886	-	-	331,886	-	-	13,057	13,057	344,943
Energy	14,832,414	2,259,954	-	17,092,368	1,398,872	44,789	564,152	2,007,813	19,100,181
Trading	13,363,543	215,490	-	13,579,033	1,091,795	265,005	16,135,066	17,491,866	31,070,899
Real estate	60,149,828	1,049,093	916,994	62,115,915	1,716,984	292,109	16,114,508	18,123,601	80,239,516
Hospitality	9,594,316	-	-	9,594,316	771	-	156,224	156,995	9,751,311
Transport & communication	2,969,931	124,994	-	3,094,925	68,830	258,000	541,826	868,656	3,963,581
Personal	55,723,571	-	-	55,723,571	628,364	1,100,616	782,403	2,511,383	58,234,954
Government & PSEs	61,484,024	95,601,283	39,430,883	196,516,190	6,097,351	1,175,036	2,773,868	10,046,255	206,562,445
Financial institutions	21,164,857	10,735,333	35,466,695	67,366,885	769,613	4,979,319	8,646,641	14,395,573	81,762,458
Manufacturing	9,604,391	579,820	-	10,184,211	1,478	125,861	2,050,283	2,177,622	12,361,833
Services	2,695,854	-	-	2,695,854	191,989	82,402	738,675	1,013,066	3,708,920
Others	15,232,184	487,826	24,500,968	40,220,978	313,650	208,936	902,559	1,425,145	41,646,123
Add: Interest in suspense	2,905,874	-	-	2,905,874	-	-	-	-	2,905,874
Less: Acceptances	-	-	(17,131,510)	(17,131,510)	-	-	-	-	(17,131,510)
<b>Total</b>	<b>270,052,673</b>	<b>111,053,793</b>	<b>83,184,030</b>	<b>464,290,496</b>	<b>12,279,697</b>	<b>8,532,073</b>	<b>49,419,262</b>	<b>70,231,032</b>	<b>534,521,528</b>

## 10.12 Credit risk measurement and mitigation policies

Loans and advances and commitments to customers, investment in bonds and derivatives are the main sources of credit risk for the Bank. The Bank's risk management policies and processes are designed to identify, analyse and measure risk, to set appropriate risk appetite, limits and controls, and to monitor the risks and adherence to limits by means of reliable and timely data review. The Bank assesses the probability of default of each counterparty using internal rating tools tailored for 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 these lending limits or taking pre-emptive action through additional collateral/margin calls, structural enhancements etc., where appropriate.

The Bank's Credit Risk Management Group has policies and procedures in place setting out the circumstances where acceptable and appropriate collateral is to be secured to mitigate credit risk, including valuation parameters, review frequency and independence of valuation. The acceptable collateral types are set out in the credit policy of the Bank, which is approved by the BRC (erstwhile BREC). The type, liquidity and realisation costs on collateral held are key determinants of the LGD percentage that is assigned to a credit risk exposure. The Bank primarily has the following categories of collateral:

### Loans and advances

- a) **Real estate collateral** — The Bank accepts real estate collateral (residential, commercial and mixed use) to either back corporate exposures or as income-producing real estate as the repayment source for the facility. Both of these segments are treated separately and governed by separate policies. In all cases, real estate collaterals are subject to regular re-evaluation by Bank-approved valuers and mortgage registration with the appropriate regulatory authorities. In lending new facilities, the Bank has a policy to obtain multiple valuations (based on the facility size) to ensure conservatism in determining Loan to Value (LTV) ratio. As at 31 December 2023, the Bank had total mortgage collateral of AED 134,235 mn (includes assignment over lease-hold properties and selected secondary mortgages of AED 4,698 mn) (2022: AED 127,143 mn) almost all of it is in the UAE and over 50% in Abu Dhabi with the rest across other Emirates.
- b) **Financial instruments collateral** — only publicly listed company shares are accepted as collateral for corporate and high-net-worth individual facilities. There is a process to evaluate mark to market on a daily basis and this affects the drawing power against these facilities. All share and bond collaterals are pledged either at the market or at the broker level. These would also include a small amount of mutual funds. As at 31 December 2023, the Bank had total share collateral of AED 55,678 mn (2022: AED 42,330 mn), predominantly listed on the Abu Dhabi Stock Exchange.
- c) **Cash collateral** — The Bank also takes cash collateral primarily from commercial banking and mid-corporate customers and as trade margins for trade finance transactions. As at 31 December 2023, the Bank had AED 34,210 mn in cash and near-cash collaterals (2022: AED 29,296 mn).
- d) **Guarantees from highly rated banks, corporate and government entities** — In addition to collaterals, the Bank regularly accepts guarantees from highly rated corporates, banks and government entities and transfers the risk of the exposure to the better-rated entities. Almost all company loans have corporate guarantee of the parent. Most of our guarantees are executed using the Bank's standard legal documentation to ensure they are unconditional guarantees to qualify as credit risk mitigants. As at 31 December 2023, the guarantee accepted by the Bank amounted to AED 10,134 mn (2022: AED 7,564 mn).
- e) **Charge over company's assets, including stock debtors and work in progress** — The Bank regularly obtains the company's assets inventory and stock debtors as collateral whilst extending working capital facilities to them.
- f) **Charge over assets being financed (e.g. vehicles, equipment)** — for asset-backed financing, the asset being financed is usually secured as a collateral. The total value of such collateral was AED 22,762 mn as at 31 December 2023 (2022: AED 20,841 mn).

## Treasury products

The Bank has counterparty limits in place to mitigate its credit exposure for Treasury products and in the process enters into master netting arrangements with counterparties with which it undertakes a significant volume of transactions. Counterparty risk is reduced by a master netting arrangement to the extent that if an event of default occurs, all amounts with the counterparty are terminated and settled on a net basis. The Bank mitigates its counterparty credit risk exposure from dealing in global markets products through the use of Credit Support Annexes (CSAs). CSAs require the counterparty (or the Group) to post collateral when mark-to-market positions exceed threshold and minimum transfer amounts. Most of our Treasury counterparties are covered by International Swaps and Derivatives Association (ISDA) and/or CSA agreements. There is a regular mark-to-market process and all valuation methodologies are approved by the Market Risk department. As at 31 December 2023, the Bank held AED 4,885 mn and posted AED 6,505 mn of collaterals (cash and bonds) for CSA/GMRA purposes (2022 – AED 7,418 mn)).

## Eligible collaterals

As per the standardised approach the following CRMs are considered eligible for capital calculation purposes:

- Netting — applicable only with legally enforceable netting agreements in place. However, to use this mitigant, the ability to systematically calculate net exposure must be demonstrated.
- Collateral — either the simple or comprehensive approaches may be applied. ADCB uses the comprehensive approach. For ADCB, collateral primarily includes share and cash collaterals.
- Guarantees and credit derivatives — these mitigants can be used provided they are direct, explicit, irrevocable and unconditional.

The Central Bank of UAE must be satisfied that the Bank has suitable risk management tools in place to adopt the use of such mitigants.

## 10.13 Impairment analysis

The Banks's Risk function monitors the portfolio through system- generated MIS and periodic reviews giving due consideration to industry and general economic trends, market feedback and media reports. Movement of the individual and collective impairment allowance on credit risk exposure were as follows:

### Impaired loans by geography

	AED '000				
	Impaired exposures (gross of interest in suspense & individual impairment)	Impairment allowance		Interest in suspense	Total impaired exposures (net of interest in suspense & individual impairment)
		90 days and above/ Stage 3 and POCI	Individual*		
<b>31 December 2023</b>					
Domestic (UAE)	13,187,697	5,070,010	-	2,373,404	5,744,283
Other GCC countries	244,307	120,080	-	52,603	71,624
Asia	88	30	-	58	-
Europe	10,056	8,206	-	49	1,801
Rest of the world	277,173	179,480	-	110	97,583
<b>Total</b>	<b>13,719,321</b>	<b>5,377,806</b>	<b>6,056,184</b>	<b>2,426,224</b>	<b>5,915,291</b>
<b>31 December 2022</b>					
Domestic (UAE)	17,677,491	6,911,786	-	2,858,128	7,907,577
Other GCC countries	123,607	19,736	-	35,500	68,371
Asia	88	22	-	66	-
Europe	8,229	8,181	-	6	42
Rest of the world	254,846	178,185	-	12,174	64,487
<b>Total</b>	<b>18,064,261</b>	<b>7,117,910</b>	<b>5,305,206</b>	<b>2,905,874</b>	<b>8,040,477</b>

\*Stage 3 and POCI expected credit losses (ECL)

\*\*Stage 1 and 2 expected credit losses (ECL) and includes impairment allowance on banks, central bank balances, investments, other assets, letter of credit, guarantees and other commitments

## Impaired loans by economic sector

	Impaired exposures (gross of interest in suspense & individual impairment)  90 days and above/ Stage 3 and POCI	Impairment allowance		Interest in suspense	Total impaired exposures (net of interest in suspense & individual impairment)
		Individual*	Collective**		
		AED '000			
<b>31 December 2023</b>					
Agriculture	142,535	51,488	-	388	90,659
Energy	163	92	-	71	-
Trading	76,434	41,383	-	8,193	26,858
Real estate	7,501,547	3,158,163	-	1,257,489	3,085,895
Hospitality	2,213,355	663,844	-	160,706	1,388,805
Transport	248,496	65,593	-	16,512	166,391
Personal	2,438,298	1,082,490	-	634,457	721,351
Government & PSE	-	-	-	-	-
Financial institutions	555,276	91,444	-	298,708	165,124
Manufacturing	464,817	181,756	-	39,631	243,430
Services	74,131	37,788	-	9,812	26,531
Others	4,269	3,765	-	257	247
<b>Total</b>	<b>13,719,321</b>	<b>5,377,806</b>	<b>6,056,184</b>	<b>2,426,224</b>	<b>5,915,291</b>
<b>31 December 2022</b>					
Agriculture	37,743	22,906	-	3,343	11,494
Energy	133	68	-	51	14
Trading	146,095	68,014	-	11,429	66,652
Real estate	11,453,975	5,416,240	-	1,558,630	4,479,105
Hospitality	1,014,583	124,918	-	226,628	663,037
Transport	276,667	81,746	-	24,598	170,323
Personal	2,536,081	1,000,945	-	665,806	869,330
Government & PSE	-	-	-	-	-
Financial institutions	1,432,659	32,112	-	346,200	1,054,347
Manufacturing	576,298	272,654	-	49,760	253,884
Services	555,154	95,311	-	19,210	440,633
Others	34,873	2,996	-	219	31,658
<b>Total</b>	<b>18,064,261</b>	<b>7,117,910</b>	<b>5,305,206</b>	<b>2,905,874</b>	<b>8,040,477</b>

\*Stage 3 and POCI expected credit losses (ECL)

\*\*Stage 1 and 2 expected credit losses (ECL) and includes impairment allowance on banks, central bank balances, investments, other assets, letter of credit, guarantees and other commitments

## 11. Securitization

The Group has applied securitisation framework for determining regulatory capital requirements on certain exposures arising from specific revolving credit facilities (RCFs) to Special Purpose Vehicles (SPVs). Since securitisations may be structured in many different ways, the capital treatment of the securitisation exposure has been determined on the basis of its economic substance rather than its legal form. The Group exposure is part of traditional securitisation structure where the cash flow from the underlying pool of exposures are used to service two different stratified risk positions / tranches reflecting different degrees of credit risk. The Group exposure is part of "lender tranche" which is protected by "equity tranche" which will absorb initial losses during the life of the transactions. Accordingly, the Group exposure is collateralized / protected by underlying loans of the SPV as well as equity tranche funded by the sponsor. The Group, on an ongoing basis, has a comprehensive understanding of the risk characteristics of its on-balance sheet securitisation exposures, as well as the risk characteristics and performance of the pool of loans underlying the securitisation exposures. The Group has a robust monitoring mechanism of all structural features of the securitisation transaction that may materially impact the performance of its exposures to the transaction, such as the contractual waterfall and waterfall related triggers, credit enhancements, liquidity enhancements, market value triggers, and deal-specific definitions of default.

The Group uses Securitisation – Standardised Approach (SEC-SA) to calculate its Standardised Approach (SA) capital charge for the securitisation exposure. Under SEC-SA, the primary factors that determine the risk weights include the asset class of the underlying loans, the seniority of the position, the level of credit enhancements, and historical delinquency rates. Irrespective of the approach being used to determine the risk weights, all exposures are assigned an internal risk rating based on the Bank's assessment, which is reviewed periodically. The capital charge calculated based on SEC-SA approach is subject to a floor risk weight of 15%.

### 11.1 Securitization carrying value of exposure in banking book (SEC1)

31 December 2023	AED '000		
	Bank acts as investor		Total
	On-balance sheet	Off-balance sheet *	
<b>Retail (total) - of which</b>			
residential mortgage	-	-	-
credit card	-	-	-
other retail exposures	-	-	-
Re-securitisation	-	-	-
<b>Wholesale (total) - of which</b>	<b>2,032,033</b>	<b>66,131</b>	<b>2,098,164</b>
loans to corporates	2,032,033	66,131	2,098,164
commercial mortgages	-	-	-
lease and receivables	-	-	-
other wholesale	-	-	-
re-securitisation	-	-	-

\* After application of credit conversion factor

### 11.2 Securitization exposure and associated capital requirements in banking book (SEC4)

31 December 2023	AED '000			
	Exposure values (by RW bands)	Exposure values (by regulatory approach)	RWA (by regulatory approach)	Capital charge after cap
	>20% to 50% RW	SEC-SA	SEC-SA	SEC-SA
<b>Traditional securitisation</b>	<b>2,098,164</b>	<b>2,098,164</b>	<b>547,316</b>	<b>74,161</b>
Of which securitisation	-	-	-	-
Of which retail underlying	-	-	-	-
Of which STC	-	-	-	-
Of which wholesale	2,098,164	2,098,164	547,316	74,161

## 12. Market Risk

### 12.1 Market risk capital requirement

Capital is allocated in respect of market risk under the frameworks set out in the Standards and Guidance issued by the Central Bank of UAE in December 2022. These standards/guidance articulates specific requirements for the calculation of the market risk capital requirement for banks in the UAE. It is based closely on requirements of the framework for capital adequacy developed by the Basel Committee on Banking Supervision (BCBS), specifically as articulated in Basel 2: International Convergence of Capital Measurement and Capital Standards, June 2006, and subsequent revisions and clarifications thereto.

The market risks subject to a capital charge are as follows:

- interest rate risk;
- foreign exchange risk;
- equity exposure risk;
- commodity risk; and
- options risk.

#### Capital requirement for market risk under standardised approach

	AED'000	
	31-Dec-23	31-Dec-22
Interest rate risk	1,418,718	1,575,241
Equity position risk	-	-
Foreign exchange risk	278,213	183,516
Commodity risk	-	-
Options risk	123,732	131,874
<b>Total Capital Requirement</b>	<b>1,820,664</b>	<b>1,890,631</b>

	AED'000			
	31-Dec-23		31-Dec-22	
	Risk-weighted assets	Capital requirements	Risk-weighted assets	Capital requirements
<b>Interest rate risk — trading book</b>				
Specific risk	5,164,908	699,845	4,767,581	644,597
General risk — maturity-based	-	-	-	-
General risk — duration-based	5,305,334	718,873	6,883,240	930,643
<b>Foreign exchange risk</b>	<b>2,053,233</b>	<b>278,213</b>	<b>1,357,323</b>	<b>183,516</b>
<b>Equity exposure risk- trading book</b>	-	-	-	-
General risk	-	-	-	-
Specific risk	-	-	-	-
<b>Commodity risk- trading book</b>	-	-	-	-
<b>Options risk</b>	-	-	-	-
Simplified approach	-	-	-	-
Intermediate approach	913,150	123,732	975,369	131,874
<b>Total market risk capital charge</b>	<b>13,436,625</b>	<b>1,820,664</b>	<b>13,983,513</b>	<b>1,890,631</b>

Note : Capital requirements calculated based on minimum CAR ratio (i.e 13.55% including regulatory buffers)

## 13. Counterparty credit risk

Counterparty credit risk (CCR) is the risk that the Group's exposure in a foreign exchange, interest rate, commodity, equity or credit derivative defaults prior to the maturity date of the contract and that the Group at the time has a claim on the counterparty.

CCR limits are set for individual counterparties, including central clearing counterparties. Individual limits are set on Potential Future Exposure (PFE).

The Group reduces its credit exposures to counterparties by entering into contractual netting agreements which result in a single amount owed by or to the counterparty. The amount is calculated by netting the mark-to-market (MTM) owed by the counterparty to the Group and the MTM owed by the Group to the counterparty on the transactions covered by the netting agreement. In line with the International Accounting Standard (IAS) 32 principles, the Group's balance sheet will present assets and liabilities on a net basis provided there is a legally enforceable right to set off assets and liabilities, and the Group intends to settle on a net basis or realise the asset and liability simultaneously.

The below table shows all types of collateral posted or received by banks to support or reduce the counterparty credit risk exposures related to derivative transactions or to SFTs, whether or not the transactions are cleared through a CCP and whether or not the collateral is posted to a CCP.

### 13.1 Composition of collateral for CCR exposure (CCR 5)

31 December 2023	Collateral used in derivative transactions				Collateral used in SFTs		AED '000
	Fair value of collateral received		Fair value of collateral posted		Fair value of collateral received	Fair value of collateral posted	
	Segregated	Unsegregated	Segregated	Unsegregated			
Cash - domestic currency	-	-	-	-	-	-	-
Cash - other currencies	-	4,176,625	-	2,740,429	-	-	-
Domestic sovereign debt	-	-	-	7,033	-	-	-
Government agency debt	-	290,823	1,331,222	1,690,928	-	-	-
Other bonds	-	-	-	94,604	-	-	-
Corporate bonds	-	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-	-
<b>Total</b>	-	<b>4,467,448</b>	<b>1,331,222</b>	<b>4,532,994</b>	-	-	-

31 December 2022	Collateral used in derivative transactions				Collateral used in SFTs		AED '000
	Fair value of collateral received		Fair value of collateral posted		Fair value of collateral received	Fair value of collateral posted	
	Segregated	Unsegregated	Segregated	Unsegregated			
Cash - domestic currency	-	1,042	-	-	-	-	-
Cash - other currencies	-	6,066,848	-	2,475,826	-	-	-
Domestic sovereign debt	-	-	-	7,567	-	-	-
Government agency debt	-	390,766	1,196,840	870,820	-	-	-
Other bonds	-	-	-	856,203	-	-	-
Corporate bonds	-	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-	-
<b>Total</b>	-	<b>6,458,656</b>	<b>1,196,840</b>	<b>4,210,416</b>	-	-	-

### 13.2 Analysis of CCR exposure by approach (CCR1)

The following table specifies the methods used by the Bank to calculate counterparty credit risk regulatory requirements.

31 December 2023							AED '000
	Replacement cost	Potential future exposure	EEPE	Alpha used for computing regulatory EAD	EAD post-CRM	RWA	
SA-CCR (for derivatives)	1,740,089	4,716,595	-	1.4	9,039,358	6,094,077	
Internal Model Method (for derivatives and SFTs)	-	-	-	-	-	-	
Simple Approach for credit risk mitigation (for SFTs)	-	-	-	-	-	-	
Comprehensive Approach for credit risk mitigation (for SFTs)	-	-	-	-	-	-	
VaR for SFTs	-	-	-	-	-	-	
<b>Total</b>	<b>1,740,089</b>	<b>4,716,595</b>	<b>-</b>	<b>-</b>	<b>9,039,358</b>	<b>6,094,077</b>	

31 December 2022							AED '000
	Replacement cost	Potential future exposure	EEPE	Alpha used for computing regulatory EAD	EAD post-CRM	RWA	
SA-CCR (for derivatives)	1,868,420	4,225,918	-	1.4	8,532,073	5,402,126	
Internal Model Method (for derivatives and SFTs)	-	-	-	-	-	-	
Simple Approach for credit risk mitigation (for SFTs)	-	-	-	-	-	-	
Comprehensive Approach for credit risk mitigation (for SFTs)	-	-	-	-	-	-	
VaR for SFTs	-	-	-	-	-	-	
<b>Total</b>	<b>1,868,420</b>	<b>4,225,918</b>	<b>-</b>	<b>-</b>	<b>8,532,073</b>	<b>5,402,126</b>	

### 13.3 Credit valuation adjustment (CVA) capital charge (CCR2)

	31-Dec-23		31-Dec-22		AED '000
	EAD post-CRM	RWA	EAD post-CRM	RWA	
Total portfolios subject to the Advanced CVA capital charge:	-	-	-	-	-
(i) VaR component (including the 3x multiplier)	-	-	-	-	-
(ii) Stressed VaR component (including the 3x multiplier)	-	-	-	-	-
All portfolios subject to the Standardised CVA capital charge	9,039,358	7,718,899	8,532,073	6,358,119	
<b>Total subject to the CVA capital charge</b>	<b>9,039,358</b>	<b>7,718,899</b>	<b>8,532,073</b>	<b>6,358,119</b>	

## 13.4 Exposures to central counterparties (CCR8)

The following table demonstrates the risk-weighted exposure amounts to central counterparties by derivative types.

31 December 2023	EAD (post-CRM)	AED '000 RWA
<b>Exposures to QCCPs (total)</b>		
Exposures for trades at QCCPs (excluding initial margin and default fund contribution); of which:		
(i) OTC derivatives	726,947	29,078
(ii) Exchange-traded derivatives	-	-
(iii) Securities financing transactions	-	-
(iv) Netting sets where cross-product netting has been approved	-	-
Segregated initial margin	1,331,222	-
Non-segregated initial margin	-	-
Pre-funded default fund contributions	-	-
Unfunded default fund contributions	-	-
<b>Exposures to non-QCCPs (total)</b>		
Exposures for trades at non-QCCPs (excluding initial margin and default fund contribution); of which:		
(i) OTC derivatives	-	-
(ii) Exchange-traded derivatives	-	-
(iii) Securities financing transactions	-	-
(iv) Netting sets where cross-product netting has been approved	-	-
Segregated initial margin	-	-
Non-segregated initial margin	-	-
Pre-funded default fund contributions	-	-
Unfunded default fund contributions	-	-
31 December 2022		AED '000
	EAD (post-CRM)	RWA
Exposures to QCCPs (total)		
Exposures for trades at QCCPs (excluding initial margin and default fund contribution); of which:		
(i) OTC derivatives	558,618	22,345
(ii) Exchange-traded derivatives	-	-
(iii) Securities financing transactions	-	-
(iv) Netting sets where cross-product netting has been approved	-	-
Segregated initial margin	1,196,840	-
Non-segregated initial margin	-	-
Pre-funded default fund contributions	-	-
Unfunded default fund contributions	-	-
Exposures to non-QCCPs (total)	-	-
Exposures for trades at non-QCCPs (excluding initial margin and default fund contribution); of which:		
(i) OTC derivatives	-	-
(ii) Exchange-traded derivatives	-	-
(iii) Securities financing transactions	-	-
(iv) Netting sets where cross-product netting has been approved	-	-
Segregated initial margin	-	-
Non-segregated initial margin	-	-
Pre-funded default fund contributions	-	-
Unfunded default fund contributions	-	-

### 13.5 Credit derivatives exposures (CCR6)

The following table indicates the notional amounts of credit derivative transactions segregated between protection bought and sold within each product type.

31 December 2023	AED '000	
	Protection bought	Protection sold
<b>Notionals</b>		
Single-name credit default swaps	-	-
Index credit default swaps	-	-
Total return swaps	-	7,802,540
Credit options	-	-
Other credit derivatives	-	-
<b>Total notionals</b>	-	<b>7,802,540</b>
<b>Fair values</b>		
Positive fair value (asset)	-	477,112
Negative fair value (liability)	-	-
 31 December 2022		AED '000
	Protection bought	Protection sold
<b>Notionals</b>		
Single-name credit default swaps	-	-
Index credit default swaps	-	-
Total return swaps	-	3,122,032
Credit options	-	-
Other credit derivatives	-	-
<b>Total notionals</b>	-	<b>3,122,032</b>
<b>Fair values</b>		
Positive fair value (asset)	-	79,492
Negative fair value (liability)	-	-

### 13.6 CCR exposures by regulatory portfolio and risk weights (CCR3)

Table below depicts EAD after the effect of collateral associated with each risk weight.

31 December 2023	Risk weights							Total credit exposure
	0%	20%	50%	75%	100%	150%	Others	
Claims on sovereigns	114,354	-	-	-	-	-	-	114,354
Claims on non-commercial public sector enterprises (PSEs)	-	-	247,029	-	-	-	-	247,029
Claims on multilateral development banks	-	-	-	-	-	-	-	-
Claims on financial institutions*	-	597,701	3,128,588	-	968,751	-	726,947	5,421,987
Claims on government-related entities (GREs)	-	8,620	182	-	1,790,073	-	-	1,798,875
Claims on Corporate	-	-	-	-	577,691	88,161	16,951	682,803
Claims included in the regulatory retail portfolio	-	-	-	6,555	767,753	-	-	774,308
Claims secured by residential property	-	-	-	-	-	-	-	-
Claims secured by commercial real estate	-	-	-	-	-	-	-	-
Past due loans	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-
<b>Total</b>	<b>114,354</b>	<b>606,321</b>	<b>3,375,799</b>	<b>6,555</b>	<b>4,104,268</b>	<b>88,161</b>	<b>743,898</b>	<b>9,039,356</b>

  

31 December 2022	Risk weights							Total credit exposure
	0%	20%	50%	75%	100%	150%	Others	
Claims on sovereigns	160,037	-	-	-	-	-	-	160,037
Claims on non-commercial public sector enterprises (PSEs)	-	-	336,717	-	-	-	-	336,717
Claims on multilateral development banks	-	-	-	-	-	-	-	-
Claims on financial institutions*	-	1,078,238	2,943,579	-	381,122	-	558,618	4,961,557
Claims on government-related entities (GREs)	-	8,834	604	-	668,844	-	-	678,282
Claims on Corporate	-	-	-	-	1,023,104	186,794	70,789	1,280,687
Claims included in the regulatory retail portfolio	-	-	-	25,231	1,089,562	-	-	1,114,793
Claims secured by residential property	-	-	-	-	-	-	-	-
Claims secured by commercial real estate	-	-	-	-	-	-	-	-
Past due loans	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-
<b>Total</b>	<b>160,037</b>	<b>1,087,072</b>	<b>3,280,900</b>	<b>25,231</b>	<b>3,162,632</b>	<b>186,794</b>	<b>629,407</b>	<b>8,532,073</b>

\* Claims on financial institutions include exposure to all credit institutions, investment firms and finance companies.

## 14. Interest rate risk in the banking book (IRRBB)

Interest Rate Risk in the Banking Book (IRRBB) refers to the current or prospective risk to the Bank's capital and earnings arising from adverse movements in interest rates that affect the Bank's banking book positions. Excessive IRRBB can pose significant threat to a Bank's capital base and/or earnings if not managed prudently. Changes in interest rates affect the underlying economic value of the Bank's banking book assets, liabilities and off balance sheet instruments by changing the present value of future cash flows. Changes in interest rates also affect Bank's earnings by increasing or decreasing its EaR (Earnings at Risk) / NII (Net Interest Income). The Bank manages IRRBB through both economic value and earnings based measures. The three main sub-types of IRRBB are as follows:

- **Gap Risk:** arises from the term structure of banking book instruments and describes the risk arising from the timing of instruments' rate changes.
- **Basis Risk:** arises from financial instruments having similar tenors but are priced using different interest rate indices.
- **Option Risk:** arises from Bank's assets, liabilities and/or off balance sheet items where the bank or its customers can alter the level and timing of their cash flows.

The Bank's IRRBB policy sets guidelines and framework to identify, measure, evaluate, monitor, report and control or mitigate material sources of IRRBB on a timely basis. IRRBB policy aims to define the risk governance framework and IRRBB risk tolerance limits.

IRRBB measures Economic Value of Equity (EVE) and Earnings at Risk (EaR) and are calculated, reported and monitored on a monthly basis against prescribed limits.

### Roles and Responsibilities

**Board:** the overall responsibility for establishing, maintaining and overseeing a robust IRRBB risk governance framework lies with the Board. The Board may delegate monitoring and management of IRRBB to senior management committees or an asset and liability management committee (ALCO). Specifically, the Board's roles and responsibilities include:

- Understanding the nature and level of Bank's IRRBB exposure;
- Defining risk tolerance limits;
- Approve and Review Bank's IRRBB strategy, policy and process;
- Establishing adequate systems and standards for measuring IRRBB;
- Monitoring compliance with all internal policies and procedures and
- Delegating monitoring and management of IRRBB to competent senior management committees or ALCO.

**ALCO:** senior executives of the Bank constitute the Assets & Liability Committee. ALCO operates as the functional unit for monitoring and managing Bank's IRRBB exposure within the risk tolerance limits established by the Board and delegated management by the Management Executive Committee (MEC)

**Treasury, Market and Liquidity Risk Management functions:** responsible for policies, procedures and systems for monitoring and reporting to ensure that IRRBB exposures are aligned with the Board approved risk tolerance limits. Specifically, Market Risk team's roles and responsibilities include:

- Determination of appropriate stress scenarios;
- Review of methodologies, models for measurement of IRRBB;
- Recommend appropriate risk limits for IRRBB;
- Independently oversee calculation of IRRBB exposures and monitor against Board approved limits and
- Report IRRBB exposures both internally to the Board/ALCO and externally to the CBUAE in the prescribed format and frequency.

**Internal Audit:** Internal Audit function independently reviews controls and processes around IRRBB.

**Treasury:** the primary responsibility of Treasury function is to undertake risk mitigation actions on Board's/ALCO's directive in case the Bank has excessive IRRBB exposure against prescribed risk tolerance limits. Treasury is also responsible for:

- Managing the Group IRRBB on a day-to-day basis within the parameters/limit/warning levels set by the ALCO
- Measure, review and monitor the overall Group's reported IRRBB regularly as reported to ALCO against approved limits
- Develop methodologies, models for measurement of IRRBB and
- Actively participating in the regular stress testing, including the review of results and recommending countermeasures to mitigate identified risks

### **Economic Value of Equity (EVE)**

Measurement of Bank's IRRBB through economic value measures involves the steps below:

- a) Interest rate sensitive banking book positions are allocated to one of the three categories i.e. amenable to standardization, less amenable to standardization and not amenable to standardization.
- b) Determination of slotting of notional re-pricing cash flows based on the above categorization of banking book positions. Commercial margins are not included in the cash flows and discounting curves.
- c) Determination of delta EVE for six Basel prescribed interest rate shock scenarios for each currency as shown below. Currencies where exposure is less than 5% of total banking book assets or liabilities need not have a separate delta EVE computation.
  - (i) Parallel shock up;
  - (ii) Parallel shock down;
  - (iii) Steepener shock (short rates down and long rates up);
  - (iv) Flattener shock (short rates up and long rates down);
  - (v) Short rates shock up and
  - (vi) Short rates shock down.
- d) Add-ons for changes in the value of options are added to the delta EVE computed above.

### **Earnings at Risk (EaR)**

Measurement of Bank's IRRBB through earnings based measures is similar to economic value measures except that earnings based measures are limited up-to a shorter time horizon. Following steps are involved in measurement of earnings based IRRBB:

- a) Interest rate sensitive banking book positions are allocated to one of the three categories i.e. amenable to standardisation, less amenable to standardization and not amenable to standardisation;
- b) Determination of slotting of notional re-pricing cash flows based on the above categorization of banking book positions;
- c) All notional re-pricing cash flows are slotted into respective time buckets. Within a given time bucket, all notional re-pricing cash flows are netted to form a single long or short position. The process is followed for all time buckets;
- d) Delta NII for each stress scenario and currency is computed as product of long or short position (as calculated in step c) by the assumed change in interest rate.

Following points are factored in IRRBB measurements:

- a) Banking book positions without a fixed maturity are replicated with different maturity profiles. The re-fixing of interest rate is performed according to the respective maturity profile;
- b) Early withdrawal risk on Term Deposits and Prepayment Risk on Fixed Rate Loans the banking book are not material and
- c) Interest rate swaps are used to manage the interest rate risk in the banking book.

## 14.1 Repricing maturity assigned to non-maturity deposits (NMDs) (IRRBBA1)

	31-Dec-23	31-Dec-22
<b>Average and Longest maturity assigned in years</b>		
Weighted average maturity	1.3	2.2
Longest maturity	6.5	3.5

## 14.2 Quantitative information on IRRBB (IRRBB1)

31 December 2023		AED '000	
	Δ EVE	Δ NII	
Parallel up	1,712,057	(1,530,623)	
Parallel down	(2,312,241)	1,960,359	
Steeper	329,188	-	
Flattener	(349,367)	-	
Short rate up	850,116	-	
Short rate down	(9,872)	-	
<b>Maximum</b>	<b>1,712,057</b>	<b>-</b>	
<b>Period</b>	<b>31-Dec-23</b>	<b>-</b>	
<b>Tier 1 capital</b>	<b>59,357,172</b>	<b>-</b>	
31 December 2022		AED '000	
	Δ EVE	Δ NII	
Parallel up	2,791,312	(1,023,108)	
Parallel down	(5,099,815)	1,821,131	
Steeper	3,267,231	-	
Flattener	(2,941,683)	-	
Short rate up	(846,309)	-	
Short rate down	1,098,183	-	
<b>Maximum</b>	<b>3,267,231</b>	<b>-</b>	
<b>Period</b>	<b>31-Dec-22</b>	<b>-</b>	
<b>Tier 1 capital</b>	<b>52,431,144</b>	<b>-</b>	

Note: Positive numbers indicate loss

## 15. Prudential valuation adjustments (PVAs)

The provisions on prudential valuation require banks to quantify several valuation uncertainties pertaining to the mark-to-market or mark-to-model valuation of derivative assets and liabilities recorded at fair value for accounting purposes. Valuation provisions results from market prices, close-out costs, model risk, unearned credit spreads, investing and funding costs, concentrated positions, future administrative costs, early terminations and operational risks.

31 December 2023

AED '000

	Equity	Interest rates	FX	Credit	Commodities	Total	Of which: In the trading book	Of which: In the banking book
Closeout uncertainty, of which:								
Mid-market value	-	-	-	-	-	-	-	-
Closeout cost	-	12,133	1,956	2,936	-	17,025	14,089	2,936
Concentration	-	-	-	-	-	-	-	-
Early termination	-	-	-	-	-	-	-	-
Model risk	-	-	751	-	-	751	751	-
Operational risk	-	-	-	-	-	-	-	-
Investing and funding costs	-	3,580	-	80,560	-	84,140	84,140	-
Unearned credit spreads	-	-	-	-	-	-	-	-
Future administrative costs	-	-	-	-	-	-	-	-
Other	-	84,999	-	303,180	-	388,179	388,179	-
<b>Total adjustment</b>	-	<b>100,712</b>	<b>2,707</b>	<b>386,676</b>	-	<b>490,095</b>	<b>487,159</b>	<b>2,936</b>

31 December 2022

AED '000

	Equity	Interest rates	FX	Credit	Commodities	Total	Of which: In the trading book	Of which: In the banking book
Closeout uncertainty, of which:								
Mid-market value	-	-	-	-	-	-	-	-
Closeout cost	-	14,440	8,515	4,738	-	27,694	22,956	4,738
Concentration	-	-	-	-	-	-	-	-
Early termination	-	-	-	-	-	-	-	-
Model risk	-	-	987	-	-	987	987	-
Operational risk	-	-	-	-	-	-	-	-
Investing and funding costs	-	29,974	-	13,382	-	43,357	43,357	-
Unearned credit spreads	-	-	-	-	-	-	-	-
Future administrative costs	-	-	-	-	-	-	-	-
Other	-	42,906	-	17,808	-	60,714	60,714	-
<b>Total adjustment</b>	-	<b>87,320</b>	<b>9,502</b>	<b>35,929</b>	-	<b>132,752</b>	<b>128,013</b>	<b>4,738</b>

## 16. Operational risk

### 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 involves assessment of operational risks inherent in the group's licensed activities. Risk assessment methodology employs a structured Risk Assessment Framework (RAF) which comprises a series of 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 2,910,942 thousand).

## 17. Remuneration

### 17.1 Remuneration awarded during the financial year (REM 1)

		AED '000			
		Remuneration			
		31-Dec-2023		31-Dec-2022	
		Executive management <sup>1</sup>	Other material risk-takers	Executive management	Other material risk-takers
	Number of employees <sup>1</sup>	12 <sup>1</sup>	53 <sup>2</sup>	14	44
	<b>Total fixed remuneration (A)</b>	<b>38,953</b>	<b>73,719</b>	39,057	66,377
Fixed Remuneration	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	-	-	-	-
	Of which: other forms [Benefits, including Leave airfare, Education Allowance, Club Membership Allowance, Leave Encashment and Premium for the Life and Medical Insurance, Gratuity provision and Pension contribution (for UAE Nationals)]	6,620	11,565	6,812	9,013
	Number of employees	12 <sup>1</sup>	53 <sup>2</sup>	14	44
	<b>Total variable remuneration (B)<sup>3</sup></b>	<b>56,431</b>	<b>55,002</b>	72,950	36,147
Variable Remuneration	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
	<b>Total Remuneration (A+B)</b>	<b>95,385</b>	<b>128,721</b>	112,007	102,524

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 and Group Treasurer

2 - This includes 46 currently active employees and 7 employee 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.

## 17.2 Special payments (REM2)

31 December 2023

	Guaranteed Bonuses		Sign on Awards		Severance Payments		Retention award	
	Number of employees	Total amount (AED '000)	Number of employees	Total amount (AED '000)	Number of employees	Total amount (AED '000)	Number of employees	Total amount (AED '000)
Executive Management	-	-	1	703	-	-	7	6,904
Other material risk takers	-	-	5	1,709	-	-	-	-
	-	-	6	2,411	-	-	7	6,904

31 December 2022

	Guaranteed Bonuses		Sign on Awards		Severance Payments		Retention award	
	Number of employees	Total amount (AED '000)	Number of employees	Total amount (AED '000)	Number of employees	Total amount (AED '000)	Number of employees	Total amount (AED '000)
Executive Management	-	-	-	-	-	-	-	-
Other material risk takers	-	-	2	550	-	-	-	-
	-	-	2	550	-	-	-	-

### 17.3 Deferred remuneration (REM 3)

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 adjustment	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
					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	-	-	-	-
<b>Total</b>	<b>Executive Management</b>	<b>22,684</b>	<b>22,684</b>		<b>20,790</b>
	<b>Other Material Risk Takers</b>	<b>15,408</b>	<b>15,408</b>		<b>13,003</b>

31 December 2022

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 adjustment	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
					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	-	-	-	-
<b>Total</b>	<b>Executive Management</b>	<b>21,486</b>	<b>21,486</b>		<b>26,637</b>
	<b>Other Material Risk Takers</b>	<b>10,429</b>	<b>10,429</b>		<b>9,837</b>