

Pillar III Disclosures

31 March 2022

Section	#	Tables and templates	Applicable
1. Overview of Risk Management and RWA	KM1	Key Metrics (at consolidated group level)	Yes
	OVA	Bank risk management approach	No
	OV1	Overview of RWA	Yes
2. Linkages Between Financial Statements and Regulatory Exposures	LI1	Differences between accounting and regulatory scopes of consolidation and mapping of financial statements with regulatory risk categories	No
	LI2	Main sources of differences between regulatory exposure amounts and carrying values in financial statements	
	LIA	Explanations of differences between accounting and regulatory exposure amounts	
3. Prudential valuation adjustments	PV1	Prudential valuation adjustments	No
4. Composition of Capital	CC1	Composition of regulatory capital	No
	CC2	Reconciliation of regulatory capital to balance sheet	No
	CCA	Main features of regulatory capital instruments	No
5. Macroprudential Supervisory measures	CCyB1	Geographical distribution of credit exposures used in the countercyclical buffer	No
6. Leverage Ratio	LR1	Summary comparison of accounting assets vs leverage ratio exposure	Yes
	LR2	Leverage ratio common disclosure template	Yes
7. Liquidity	LIQA	Liquidity risk management	No
	LIQ1	Liquidity Coverage Ratio	No
	LIQ2	Net Stable Funding Ratio	No
	ELAR	Eligible Liquid Assets Ratio	Yes
	ASRR	Advances to Stable Resources Ratio	Yes
	8. Credit Risk	CRA	General qualitative information about credit risk
CR1		Credit quality of assets	
CR2		Changes in stock of defaulted financing and sukuk	
CRB		Additional disclosure related to the credit quality of assets	
CRC		Qualitative disclosure requirements related to credit risk mitigation techniques	
CR3		Credit risk mitigation techniques – overview	
CRD		Qualitative disclosures on Banks' use of external credit ratings under the standardised approach for credit risk	
CR4		Standardised approach – credit risk exposure and Credit Risk Mitigation (CRM) effects	
9. Counterparty Credit Risk	CCR5	Standardised approach of CCR exposures by regulatory portfolio and risk weights	No
	CCR3	Standardised approach of CCR exposures by regulatory portfolio and risk weights	
	CCR1	Analysis of counterparty credit risk (CCR) exposure by approach	
	CCR6	Credit derivatives exposures	No
	CCR8	Exposures to central counterparties	
	CCR2	Changes in stock of defaulted financing and sukuk	
10. Securitisation	SECA	Qualitative disclosure requirements related to securitisation exposures	No
	SEC1	Securitisation exposures in the Banking book	
	SEC2	Securitisation exposures in the trading book	
	SEC3	Securitisation exposures in the Banking book and associated regulatory capital requirements – Bank acting as originator or as sponsor	
	SEC4	Securitisation exposures in the Banking book and associated capital requirements – Bank acting as investor	
11. Market Risk	MRA	General qualitative disclosure requirements related to market risk	No
	MR1	Market risk under standardised approach	No
12. Profit Rate Risk in the Banking Book	PRRBBA	PRRBB risk management objective and policies	No
	PRRBB1	Quantitative information on PRRBB	No
13. Operational Risk Qualitative Disclosure	OR1	Qualitative disclosure on operational risk	No
14. Remuneration policy	REMA	Remuneration policy	No
	REM1	Remuneration awarded during the 2021	No
	REM2	Special payments	No
	REM3	Deferred remuneration	No

Introduction

The Central Bank of the UAE sets and monitors capital requirements for the Group as a whole. The CBUAE issued Basel III capital regulations, which came into effect from 1 February 2017 introducing minimum capital requirements at three levels, namely Common Equity Tier 1 (“CET1”), Additional Tier 1 (“AT1”) and Total Capital.

The additional capital buffers (Capital Conservation Buffer (“CCB”) and Countercyclical Capital Buffer (“CCyB”) maximum up to 2.5% for each buffer) introduced are over and above the minimum CET1 requirement of 7%.

For 2021 and onwards, CCB will be required to be maintained at 2.5% of the Capital base. CCyB is not yet in effect and is not required to be maintained for 2021.

The Basel III framework is based on three pillars:

- **Pillar I – Minimum capital requirements:** defines rules for the calculation of minimum capital for credit, market and operational risk. The framework allows for different approaches, which can be selected depending on size, sophistication and other considerations. These comprise for Credit Risk: Standardised, Foundation Internal Rating Based (FIRB), Advanced Internal Rating Based (AIRB); for Market Risk: Standardised and Internal Models Approach; and for Operational Risk: Basic Indicator Approach and Standardised Approach.
- **Pillar II – Provides the framework for an enhanced supervisory review process** with the objective of assessing the adequacy of the Bank’s capital to cover not only the three primary risks (Credit, Market and Operational), but in addition a series of other risks that the Bank may be exposed to; for example, concentration risk, residual risk, business risk, liquidity risk etc. It includes the requirement for banks to undertake an Internal Capital Adequacy Assessment Process (ICAAP) on an annual basis, which is subject to the Central Bank review and inspection.
- **Pillar III – Market discipline:** requires expanded disclosures, which allow regulators, investors and other market participants to more fully understand the risk profiles of individual banks. The requirements of Pillar III in the case of ADIB are fulfilled in this annual report.

The requirements of the Central Bank of the UAE act as the framework for the implementation of the Basel III Accord in the UAE. In November 2020, CBUAE issued revised standards and guidelines for Capital Adequacy in UAE via Circular 4980/2020. The revised version of the Standards also includes additional Guidance on the topics of Credit Risk, Market Risk, and Operational Risk.

Following are the changes in the revised standards which have been adopted either prior to or during 2021:

- The Tier Capital Supply Standard
- Tier Capital Instruments Standard
- Pillar 2 Standard: Internal Capital Adequacy Assessment Process (ICAAP)
- Credit Risk, Market Risk and Operational Risk
- Equity Investment in Funds, Securitisation, Counterparty Credit Risk, Leverage Ratio

In addition, Credit Value Adjustment (CVA) for Pillar 1 and 3 will be effective from 30 June 2022.

The purpose of Pillar 3 - Market Discipline is to complement the minimum capital requirements (Pillar 1) and the supervisory review process (Pillar 2). The CBUAE supports the enhanced market discipline by developing a set of disclosure requirements which will allow market participants to assess key information on the scope of application, capital, risk exposure, risk assessment process and hence the capital adequacy of the Group. The revised Pillar 3 disclosures, based on a common framework, are an effective means of informing the market about the risks faced by the Group, and provide a consistent and understandable disclosure framework that enhances transparency and improves comparability and consistency.

1. Overview of Risk Management and RWA

KM1: Key metrics (at consolidated group level): Overview of risk management, key prudential metrics and RWA categories

AED '000s		a	b	c
		31 March 2022	31 December 2021	30 September 2021
Available capital (amounts)				
1	Common Equity Tier 1 (CET1)	13,937,230	13,500,957	14,172,625
1a	Fully loaded ECL accounting model	13,928,094	13,414,700	14,092,025
2	Tier 1	18,691,605	18,255,332	18,927,000
2a	Fully loaded accounting model Tier 1	18,682,469	18,169,075	18,846,400
3	Total capital	19,896,772	19,393,282	20,043,767
3a	Fully loaded ECL accounting model total capital	19,887,610	19,306,779	19,962,937
Risk-weighted assets (amounts)				
4	Total risk-weighted assets (RWA)	110,084,229	104,443,131	102,951,372
Risk-based capital ratios as a percentage of RWA				
5	Common Equity Tier 1 ratio (%)	12.66%	12.93%	13.77%
5a	Fully loaded ECL accounting model CET1 (%)	12.65%	12.85%	13.69%
6	Tier 1 ratio (%)	16.98%	17.48%	18.38%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	16.97%	17.40%	18.31%
7	Total capital ratio (%)	18.07%	18.57%	19.47%
7a	Fully loaded ECL accounting model total capital ratio (%)	18.07%	18.49%	19.39%
Additional CET1 buffer requirements as a percentage of RWA				
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.50%	2.50%	2.50%
9	Countercyclical bugger requirement (%)	0.00%	0.00%	0.00%
10	Bank D-SIB additional requirements (%)	0.00%	0.00%	0.00%
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9+ row 10)	2.50%	2.50%	2.50%
12	CET1 available after meeting the bank's minimum capital requirements (%)	5.66%	5.93%	6.77%
Leverage Ratio				
13	Total leverage ratio measure	143,881,980	141,905,698	N/A
14	Leverage ratio (%) (row 2/row 13)	12.99%	12.86%	N/A
14a	Fully loaded ECL accounting model leverage ratio (%) (row 2A/row 13)	12.98%	12.80%	N/A
14b	Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	12.99%	12.86%	N/A
Liquidity Coverage Ratio				
15	Total HQLA	N/A	N/A	N/A
16	Total net cash outflow	N/A	N/A	N/A
17	LCR ratio (%)	N/A	N/A	N/A
Net Stable Funding Ratio				
18	Total available stable funding	N/A	N/A	N/A
19	Total required stable funding	N/A	N/A	N/A
20	NSFR ratio (%)	N/A	N/A	N/A
Eligible Liquidity Asset Ratio (ELAR)				
21	Total HQLA	18,803,666	22,623,159	22,366,626
22	Total liabilities	117,444,454	114,755,556	112,281,473
23	Eligible Liquid Assets Ratio (ELAR) (%)	16.0%	19.7%	19.9%
Advances to Stable Resources Ratio (ASRR)				
24	Total available stable funding	107,719,287	107,236,387	107,184,325
25	Total Advances	94,311,967	93,071,118	88,792,837
26	Advances to Stable Resources Ratio (ASRR) (%)	87.6%	86.8%	82.8%

OVA: Bank risk management approach – Required Annually

OV1: Overview of RWA

AED '000s		A	b	c	d
		RWA			Minimum capital requirements
		31 March 2022	31 Decmeber 2021	30 September 2021	31 March 2022
1	Credit risk (excluding counterparty credit risk) (CCR)	95,491,373	90,416,878	89,341,382	10,026,594
2	Of which standardised approach (SA)	95,491,373	90,416,878	89,341,382	10,026,594
3					
4					
5					
6	Counterparty credit risk (CCR)	913,762	617,238	-	95,945
7	Of which standardised approach for counterparty credit risk	913,762	617,238	-	95,945
8					
9					
10					
11					
12	Equity investments in funds – look-through approach	-	-	-	-
13	Equity investments in funds – mandate-based approach	-	-	-	-
14	Equity investments in funds – fall-back approach	8,248	1,900	-	866
15	Settlement risk	-	-	-	-
16	Securitisation exposures in banking book	-	-	-	-
17					
18	Of which: securitisation external ratings-based approach (SEC-ERBA)	-	-	-	-
19	Of which: securitisation standardised approach (SEC-SA)	-	-	-	-
20	Market risk	3,276,716	2,893,484	3,096,359	344,055
21	Of which standardised approach (SA)	3,276,716	2,893,484	3,096,359	344,055
22					
23	Operational risk	10,394,131	10,513,631	10,513,631	1,091,384
24					
25					
26	Total (1+6+10+11+12+13+14+15+16+20+23)	110,084,230	104,443,131	102,951,372	11,558,844

- The minimum capital requirements applied in column C is 10.5%.

2. Linkages between Financial Statements and Regulatory Exposures

Required Annually

3. Prudential Valuation Adjustments

PV1: Prudential valuation adjustments (PVAs)

Not applicable

4. Composition of Capital

Required Semi-Annually

5. Macroprudential Supervisory measures

Required Annually

6. Leverage Ratio

LR1: Summary comparison of accounting assets vs leverage ratio exposure

		31 March 2022	31 December 2021
Summary comparison of accounting assets versus leverage ratio exposure measure		a	b
Item		AED '000s	AED '000s
1	Total consolidated assets as per published financial statements	138,583,455	136,868,349
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(267,243)	(429,884)
3	Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference	-	-
4	Adjustments for temporary exemption of central bank reserves (if applicable)	-	-
5	Adjustment for fiduciary assets recognized on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-	-
6	Adjustments for regular-way purchases and sales of financial assets subject to trade date accounting	-	-
7	Adjustments for eligible cash pooling transactions	-	-
8	Adjustments for derivative financial instruments	1,831,285	1,260,771
9	Adjustment for securities financing transactions (i.e. repos and similar secured financing)	-	-
10	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	4,499,688	4,860,706
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	(765,205)	(654,244)
12	Other adjustments	-	-
13	Leverage ratio exposure measures	143,881,980	141,905,698

LR2: Leverage ratio common disclosure template

	AED '000s	a	b
		Mar 22	Dec 21
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	138,583,455	136,868,349
2	Gross-up for derivatives collateral provided where deducted from balance sheet assets pursuant to the operative accounting framework	-	-
3	(Deductions of receivable assets for cash variation margin provided in derivatives transactions)	-	-
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	-	-
5	(Specific and general provisions associated with on-balance sheet exposures that are deducted from Tier 1 capital)	(765,205)	(654,244)
6	(Asset amounts deducted in determining Tier 1 capital)	(267,243)	(429,884)
7	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)	137,551,007	135,784,221
Derivative Exposures			
8	Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	603,250	94,230
9	Add-on amounts for PFE associated with all derivatives transactions	1,228,035	1,166,542
10	(Exempted CCP leg of client-cleared trade exposures)	-	-
11	Adjusted effective notional amount of written credit derivatives	-	-
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
13	Total derivative exposures (sum of rows 8 to 12)	1,831,285	1,260,771
Securities financing transaction exposures			
14	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	-	-
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
16	Credit Conversion Factor (CCR) exposure for Security Financing Transaction (SFT) assets	-	-
17	Agent transaction exposures	-	-
18	Total securities financing transaction exposures (sum of lines 14 to 17)	-	-
Other off-balance sheet exposures			
19	Off-balance sheet exposure at gross notional amount	10,218,547	11,690,694
20	(Adjustments for conversion to credit equivalent amounts)	(5,718,859)	(6,829,988)
21	(Specific and general provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital)	-	-
22	Off-balance sheet items (sum of lines 19 to 21)	4,499,688	4,860,706
Capital and total exposures			
23	Tier 1 capital	18,691,605	18,255,332
24	Total exposures (sum of lines 7, 13, 18 and 22)	143,881,980	141,905,698
Leverage ratio			
25	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)	12.99%	12.86%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	12.99%	12.86%
26	CBUAE minimum leverage ratio requirement	3.00%	3.00%
27	Applicable leverage buffers	0.00%	0.00%

7. Liquidity

LIQA: Liquidity risk management – Required Annually

LIQ1: Liquidity Coverage Ratio (LCR) – Not applicable for ADIB Group

LIQ2: Net Stable Funding Ratio (NSFR) – Not applicable for ADIB Group

ELAR: Eligible Liquid Assets Ratio* (UAE operation only)

AED '000s		31 March 2022	
		Nominal amount	Eligible Liquid Asset
1	High Quality Liquid Assets		
1.1	Physical cash in hand at the bank + balances with the CBUAE	16,072,198	
1.2	UAE Federal Government Sukuks	-	
	Sub Total (1.1 to 1.2)	16,072,198	16,072,198
1.3	UAE local governments publicly traded debt securities	2,731,468	
1.4	UAE Public sector publicly traded debt securities	-	
	Sub Total (1.3 to 1.4)	2,731,468	2,731,468
1.5	Foreign Sovereign debt instruments or instruments issued by their respective central banks	-	-
1.6	Total	18,803,666	18,803,666
2	Total liabilities		117,444,454
3	Eligible Liquid Assets Ratio (ELAR)		16.0%

*as per BRF 8.

ASRR: Advances to Stable Resources Ratio* (UAE operation only)

AED '000s		31 March 2022	
		Amount	
1	Computation of Advances		
1.1	Net financing (gross financing - specific and profit in suspense)		88,992,396
1.2	Placement with non-banking financial institutions		1,899,157
1.3	Net Financial Guarantees & Stand-by LC (issued - received)		772,016
1.4	Interbank Placements		2,648,398
1.5	Total Advances		94,311,967
2	Computation of Net Stable Resources		
2.1	Total capital + general provisions		20,317,596
	Deduct:		
2.1.1	Goodwill and other intangible assets		132,839
2.1.2	Fixed Assets		2,232,315
2.1.3	Funds allocated to branches abroad		242,963
2.1.5	Unquoted Investments		72,045
2.1.6	Investment in subsidiaries, associates and affiliates		2,143,515
2.1.7	Total deduction		4,823,677
2.2	Net Free Capital Funds		15,493,919
2.3	Other Stable resources:		
2.3.1	Funds from the head office		-
2.3.2	Interbank deposits with remaining life of more than 6 months		20,926
2.3.3	Refinancing of Housing financing		-
2.3.4	Financing from non-Banking Financial Institutions		187,500
2.3.5	Customer Deposits		2,610,350
2.3.6	Capital market funding/ term financing maturing after 6 months from reporting date		89,406,592
2.3.7	Total other stable resources		92,225,368
2.4	Total Stable Resources (2.2+2.3.7)		107,719,287
3	Advances TO STABLE RESOURCES RATIO (1.6/ 2.4*100)		87.6%

*as per BRF 7.

8. Credit Risk

Required Semi-annually

9. Counterparty Credit Risk

Required Semi-Annually

10. Securitisation

SECA: Qualitative disclosure requirements related to securitisation exposures

Not applicable

SEC1: Securitisation exposures in the banking book

Not applicable

SEC2: Securitisation exposures in the trading book

Not applicable

SEC3: Securitisation exposures in the banking book and associated regulatory capital requirements - bank acting as originator or as sponsor

Not applicable

SEC4: Securitisation exposures in the banking book and associated capital requirements - bank acting as investor

Not applicable

11. Market Risk

Required Semi-Annually

12. Profit Rate Risk in the Banking Book (PRRBB)

Required Annually

13. Operational Risk

Required Annually

14. Remuneration Policy

Required Annually