Pillar III Disclosures

31 December 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	
	OV1	Overview of RWA	
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	Yes
	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	Yes
	CC2	Reconciliation of regulatory capital to balance sheet	Yes
	CCA	Main features of regulatory capital instruments	Yes
5. Macroprudential Supervisory measures	CCyB1	Geographical distribution of credit exposures used in the countercyclical buffer	Yes
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	Yes
	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	Yes
	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	
	CR5	Standardised approach – exposures by asset classes and risk weights	
9. Counterparty Credit Risk	CCRA	Qualitative disclosure related to counterparty credit risk	Yes
	CCR1	Analysis of counterparty credit risk (CCR) exposure by approach	
	CCR2	Credit valuation adjustment capital charge	
	CCR3	Standardised approach of CCR exposures by regulatory portfolio and risk weights	
	CCR5	Composition of collateral for CCR exposure	
	CCR6	Credit derivatives exposures	No
	CCR8	Exposures to central counterparties	
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	Yes
	MR1	Market risk under standardised approach	Yes
12. Profit Rate Risk in the Banking Book	PRRBBA	PRRBB risk management objective and policies	Yes
	PRRBB1	Quantitative information on PRRBB	Yes
13. Operational Risk Qualitative Disclosure	OR1	Qualitative disclosure on operational risk	Yes
14. Remuneration policy	REMA	Remuneration policy	Yes
	REM1	Remuneration awarded during the 2022	Yes
	REM2	Special payments	Yes
	REM3	Deferred remuneration	Yes

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 2022 and onwards, CCB will be required to be maintained at 2.5% (2021: 2.5%) of the Capital base. CCyB is not yet in effect and is not required to be maintained for 2022 (2021: Nil).

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 2022:

- 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.
- Credit Value Adjustment (CVA) for Pillar 1 and 3.

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.

In compliance with the CBUAE Basel III standards and guidelines, these disclosures include qualitative and quantitative information on the Group’s risk management objectives and policies, risk assessment processes, capital management and capital adequacy. Many of these requirements have already been satisfied in note 42 to the 2022 ADIB Consolidated Financial Statements, which covers in detail the risk and capital management processes of the Bank and its compliance with the Basel III Accord in this regard

The following Pillar III disclosures provide additional qualitative and quantitative information over and above that contained in note 42 to the 2022 ADIB Consolidated Financial Statements and together with the information contained in note 42, meet the full disclosure requirements of Pillar III.

Verification

The Pillar 3 Disclosures for the year 2022 have been reviewed by the Group's internal and external auditors.

Information On Subsidiaries And Significant Investment As On 31 December 2022

	Country of Incorporation	% Ownership	Description	Treatment - Regulatory	Treatment - Accounting
SUBSIDIARIES					
Abu Dhabi Islamic Securities Company LLC	UAE	95	Equity Brokerage Services	Fully consolidated	Fully consolidated
ADIB Invest 1	BVI	100	Equity Brokerage Services	Fully consolidated	Fully consolidated
Burooj Properties LLC **	UAE	100	Real Estate Investments	Not consolidated	Fully consolidated
MPM Properties LLC **	UAE	100	Real Estate Services	Not consolidated	Fully consolidated
Kawader Services LLC **	UAE	100	Manpower Supply	Not consolidated	Fully consolidated
ADIB (UK) Limited	United Kingdom	100	Other services	Fully consolidated	Fully consolidated
ADIB Capital Ltd	UAE	100	Funds Services	Fully consolidated	Fully consolidated
Abu Dhabi Islamic Bank – Egypt (S.A.E.)	Egypt	53	Islamic banking	Fully consolidated	Fully consolidated
ADIB Sukuk Company Ltd.* (under liquidation)	Cayman Islands	-	Special Purpose Vehicle	Fully consolidated	Fully consolidated
ADIB Sukuk Company II Ltd.*	Cayman Islands	-	Special Purpose Vehicle	Fully consolidated	Fully consolidated
ADIB Capital Invest 1 Ltd.* (under liquidation)	Cayman Islands	-	Special Purpose Vehicle	Fully consolidated	Fully consolidated
ADIB Capital Invest 2 Ltd.*	Cayman Islands	-	Special Purpose Vehicle	Fully consolidated	Fully consolidated
ADIB Alternatives Ltd.*	Cayman Islands	-	Special Purpose Vehicle	Fully consolidated	Fully consolidated
SIGNIFICANT INVESTMENT					
The Residential REIT (IC) Limited	UAE	29	Real Estate Fund	Deduction treatment	Equity Method
Abu Dhabi National Takaful PJSC	UAE	42	Islamic insurance	Deduction treatment	Equity Method
Bosnia Bank International D.D	Bosnia	27	Islamic banking	Deduction treatment	Equity Method
Saudi Finance Company CSJC	Kingdom of Saudi Arabia	51	Islamic Retail Finance	Deduction treatment	Equity Method
Arab Link Money Transfer PSC (under liquidation)	UAE	51	Currency Exchange	Deduction treatment	Equity Method
Abu Dhabi Islamic Merchant Acquiring Company LLC	UAE	51	Merchant acquiring	Deduction treatment	Equity Method

* The Bank does not have any direct holding in these entities and they are considered to be a subsidiary by virtue of control.

** In accordance with the Circular No. 52/2017 and the Capital Supply standard, the consolidated entity includes all subsidairies except commercial entities for the purpose of Basel III calculations and is subject to treatment outlined section 5 of "Tier Capital Supply Standard" related to "Significant investment in commercial entities"

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 31 Dec 2022	b 30 Sept 2022	c 30 June 2022	d 31 Mar 2022	e 31 Dec 2021
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1)	14,480,430	15,293,743	14,590,177	13,937,230	13,500,957
1a	Fully loaded ECL accounting model	14,332,387	15,251,594	14,517,360	13,928,094	13,414,700
2	Tier 1	19,234,805	20,048,118	19,344,552	18,691,605	18,255,332
2a	Fully loaded accounting model Tier 1	19,086,762	20,005,969	19,271,735	18,682,469	18,169,075
3	Total capital	20,578,904	21,376,398	20,609,589	19,896,772	19,393,282
3a	Fully loaded ECL accounting model total capital	20,430,860	21,334,249	20,536,571	19,887,610	19,306,779
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	119,856,782	119,432,225	114,227,651	110,084,229	104,443,131
	Risk-based capital ratios as a percentage of RWA					
5	Common Equity Tier 1 ratio (%)	12.08%	12.81%	12.77%	12.66%	12.93%
5a	Fully loaded ECL accounting model CET1 (%)	11.96%	12.77%	12.71%	12.65%	12.85%
6	Tier 1 ratio (%)	16.05%	16.79%	16.94%	16.98%	17.48%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	15.92%	16.75%	16.87%	16.97%	17.40%
7	Total capital ratio (%)	17.17%	17.90%	18.04%	18.07%	18.57%
7a	Fully loaded ECL accounting model total capital ratio (%)	17.05%	17.86%	17.98%	18.07%	18.49%
	Additional CET1 buffer requirements as a percentage of RWA					
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.50%	2.50%	2.50%	2.50%	2.50%
9	Countercyclical buffer requirement (%)	0.00%	0.00%	0.00%	0.00%	0.00%
10	Bank D-SIB additional requirements (%)	0.00%	0.00%	0.00%	0.00%	0.00%
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9+ row 10)	2.50%	2.50%	2.50%	2.50%	2.50%
12	CET1 available after meeting the bank's minimum capital requirements (%)	5.08%	5.81%	5.77%	5.66%	5.93%
	Leverage Ratio					
13	Total leverage ratio measure	166,035,554	159,742,767	152,037,410	146,608,100	141,905,698
14	Leverage ratio (%) (row 2/row 13)	11.58%	12.55%	12.72%	12.75%	12.86%
14a	Fully loaded ECL accounting model leverage ratio (%) (row 2A/row 13)	11.50%	12.52%	12.68%	12.74%	12.80%
14b	Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	11.58%	12.55%	12.72%	12.75%	12.86%
	Liquidity Coverage Ratio					
15	Total HQLA	N/A	N/A	N/A	N/A	N/A
16	Total net cash outflow	N/A	N/A	N/A	N/A	N/A
17	LCR ratio (%)	N/A	N/A	N/A	N/A	N/A
	Net Stable Funding Ratio					
18	Total available stable funding	N/A	N/A	N/A	N/A	N/A
19	Total required stable funding	N/A	N/A	N/A	N/A	N/A
20	NSFR ratio (%)	N/A	N/A	N/A	N/A	N/A
	Eligible Liquidity Asset Ratio (ELAR)					
21	Total HQLA	24,386,707	19,889,775	20,916,061	18,803,666	22,623,159
22	Total liabilities	128,737,717	125,002,931	120,241,024	117,444,454	114,755,556
23	Eligible Liquid Assets Ratio (ELAR) (%)	18.94%	15.9%	17.4%	16.0%	19.7%
	Advances to Stable Resources Ratio (ASRR)					
24	Total available stable funding	138,871,454	118,338,051	113,578,670	107,719,287	107,236,387
25	Total Advances	113,977,207	101,907,869	96,704,956	94,311,967	93,071,118
26	Advances to Stable Resources Ratio (ASRR) (%)	82.07%	86.1%	85.1%	87.6%	86.8%

- Decrease in CET1 ratio for December 2022 due to adjustment of proposed dividend for 2022 as required by CB UAE regulation, standard and guidance for Basel III.

OVA: Bank risk management approach

a) Business model determination and interaction with the overall Risk profile

Abu Dhabi Islamic Bank (“ADIB” or “the Bank”) and its subsidiaries create a leading regional Shari’a compliant financial services group (“the Group”) to carry out full banking services, financing and investing activities through various Islamic financial instruments such as Murabaha, Istisna’a, Mudaraba, Musharaka, Ijara, Wakalah, Sukuk, etc.

The activities of the Bank are conducted in accordance with Islamic Shari’a, as determined by the Internal Shari’a Supervisory Committee, and supervised by the Board of Directors (“the Board”) in line with Central Bank of UAE (“CBUAE”) regulations.

The primary objective of Risk Management approach is to protect the Bank’s assets from the various risks the Bank is exposed to and maximize shareholders value. The Bank undertakes a wide variety of businesses with risks inherent in such activities. Accordingly, the risk is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls in accordance with regulatory and Board requirements. The important aspects of the Bank’s risk management are risk governance, risk architecture, approval mechanism, processes, guidelines, and an elaborate internal control mechanism.

The key risks that the Bank is exposed to are: credit risk, liquidity risk, market risk and operational risk. Besides these, the Bank is also exposed to other risks such as reputational risk, conduct risk, legal risk, Sharia’h non-compliance risk, and other risks. These risks are regularly monitored and actively managed.

A well-defined risk governance framework is in place with the overall responsibility of risk management vested with the Board of Directors managed through various Board-level risk committees.

b) The Risk Governance Structure

The summary of ADIB's Risk Governance model is as follows:

Risk Identification	Risk Measurement	Control Mitigation	Monitoring Reporting
Risk Culture: Principles and Policies			
Risk Appetite: Statement and Limits			
Risk Governance: Roles and Responsibilities			
Risk Management: Risk Organization, Tools, and Processes			

The primary goal of risk management approach is to ensure that the outcome of risk-taking activities is consistent with the Bank's strategies and its risk appetite, and that there is an appropriate balance between risk and reward to maximize shareholder returns. The Bank's Risk Governance Framework provides the foundation for achieving these goals and consists of four key elements: Risk Culture, Risk Appetite, Risk Governance, and Risk Management functions. It is a set of principles, processes and organization arrangement to ensure that risks are adequately managed throughout the Bank.

The risk environment in which the Bank operates changes continuously, caused by a range of factors, from the transactional level to macroeconomic events. The risk environment therefore requires continuous monitoring and assessment. The risk governance framework institutionalized across the Bank is subject to constant evaluation to ensure that it meets the challenges and requirements of the markets in which the Bank operates, including regulatory standards and industry best practices.

The Risk Governance Framework is designed to ensure that key risk types are managed in a consistent and efficient way and that decisions to accept or mitigate risks are taken expediently and transparently. This includes ensuring risk tolerance levels are set, exceptions and incidents are monitored, and that decisions and actions are taken where necessary.

The Framework is based on the 'three lines of defence' concept – risk taking business units, risk control units like Risk, Compliance and Internal Audit. The framework identifies the roles and responsibilities of key parties in the risk management process, the policies for how risks are managed, the tools and processes used and the reporting outputs that are generated.

Effective Risk Governance Framework demands active involvement of the Board and senior management in the formulation and oversight of risk management processes. The Board also ensures that senior management is fully capable of managing the activities that ADIB undertakes. Executive management has the responsibility for day-to-day operations as delegated by the Board.

The Board has overall responsibility for the establishment and oversight of the Bank's risk governance framework, as well as for approving the Bank's overall risk appetite, and ensuring that business is conducted within this framework. The Board approves the Bank's risk management policies which define the Bank's risk strategy and is backed by appropriate qualitative and quantitative parameters, delegation of authorities to the Board committees, and Executives to approve financing exposures. The risk governance framework is in line with the international best practices, Basel Committee, and Central Bank of UAE guidelines.

The Group Risk Management (GRM) function is handled by an experienced team of risk professionals, under the leadership of Group Chief Risk Officer. Special units are also established to handle Fraud Prevention & Monitoring and Information Security.

GRM is an independent risk organization that works in close partnership with the business units to support their activities, whilst safeguarding the risk profile of the Bank as the second line of defense. The role of the GRM is to develop and implement the risk policies associated specifically with both quantifiable and non-quantifiable risks arising from the activities of the Bank and manage the day-to-day risks. GRM provides independent assurance that all types of risk are being managed in accordance with the policies set by the Board. Independent review of the Risk Governance Framework is carried out by the Internal Audit and Compliance functions.

The table below summarizes main Board and Management Committees, and key roles that have risk-related responsibilities:

Board of Directors

(having overall responsibility for risk oversight)

Board-level committees with specific risk-related roles and responsibilities:

- Strategy Committee (SC)
- Credit and Investment Committee (CIC)
- Risk Committee (RC)
- Audit Committee

Management-level committees with key risk-related roles and responsibilities:

- Enterprise Risk Committee (ERC)
- Asset and Liability Management Committee (ALCO)
- Control and Compliance Committee (CCC)
- Management Credit Committee (MCC)

Business Units:

- The risk-taking units are responsible as the first line of defence for the development and execution of business plans that are aligned with the Bank's Risk Governance Framework and are accountable for the risks inherent in their business activities.

Group Risk Management (GRM):

- Provides risk oversight and advisory to all lines of business for the key risk types.
- Responsible for setting-up the risk management frameworks and developing tools and methodologies for the identification, measurement, monitoring, control and testing of risk.
- Ensures that the core risk policies of the Bank are consistent and current and, sets the risk tolerance level through the approved Risk Appetite Statement.
- Responsible for the execution of various risk policies and related business decisions empowered by the Board.
- Responsible for generating and submitting timely and accurate risk reports to senior management for effective monitoring and business decisions.

Internal Audit:

- Independently reviews control design, operations, and effectiveness of risk management process.

- Provide independent assurance to the Board and senior management on effective oversight of and adherence to the risk appetite.

In addition to a functionally and organizationally independent Risk Management at group-level, following functions also have key risk-related roles and responsibilities:

- Global Credit Management (GCM)
- Finance and strategy
- Compliance
- Sharia compliance

c) Channels to communicate, decline, and enforce the Risk culture

The Bank seeks to maintain a strong risk culture through the adoption of the following core principles:

- The Board involvement
- Strong Corporate and Risk Governance
- Application and monitoring of a Risk Appetite Statement
- Independent Risk Management with adequate resources, tools and processes
- Risk Awareness across the Group
- Preservation of reputation by ensuring Shari'a and regulatory compliance

The comprehensive Governance structure is divided into following two levels, which provide adequate opportunity to communicate the risk culture:

- Management-level committees
- Board-level committees

d) The scope and main features of Risk measurement systems

The integrity of the risk measurement systems is a key to monitor the risk profile relative to the risk appetite. The Bank has structured various Islamic financial instruments to meet the customers' needs and demand. All these products are classified as financing assets in the Bank's consolidated financial statements.

Credit risk measurement:

The credit risk is measured in terms of expected credit loss (ECL). The Bank has developed a range of statistical and judgmental models to estimate ECL through a proprietary risk methodology.

The Bank has designed a master rating scale, which has 22 risk grades reflecting assessment of default probability of the customer. The master rating scale, based on quantitative and qualitative factors, comprises 19 performing grades and 3 non-performing grades. The risk rating process is intended to advise the various independent approval authorities of the inherent risks associated with the counterparty and assist in determining suitable pricing commensurate with the associated risk.

Market risk measurement:

The Bank uses appropriate models for the valuation of its positions and receives regular market information to regulate market risk. Market risk arises from changes in market rates such as profit rates, foreign exchange rates and equity prices, as well as in their correlation and implied volatilities. The Bank is exposed to diverse financial instruments including securities, foreign currencies, equities, and commodities.

Profit Rate Risk arises from the possibility that the changes in profit rates will affect either the fair values or the future cash flows of the financial instruments. The Bank has established commission rate gap limits for stipulated periods. The Bank monitors its structural daily positions about profit rate risk and its impact on earnings as well as the economic value of its shareholders' equity, and it also uses gap management strategies to ensure maintenance of positions within the established gap limits.

Operational risk measurement:

The Bank has implemented a detailed Operational risk framework in accordance with Basel guidelines. The Operational Risk management processes are designed to function in a mutually reinforcing manner, and it encompasses Risk & Control Self-Assessment, Loss Data Management, Key Risk Indicators, control testing, Issues & Actions Management and Reporting.

e) Process of Risk information reporting provided to the Board and Senior Management

Detailed reporting of industry, customer and geographic risks acquired takes place frequently. These reports are examined and discussed closely in a series of quarterly portfolio reviews held with senior business and risk managers. Decisions on risk appetite, adjustments to financing criteria and other initiatives are taken as a result of these meetings. Risk reports are presented to the Chief Executive Officer, Enterprise Risk Committee, the Board Risk Committee, and the Board regularly.

Reporting to Enterprise Risk Committee (ERC):

The primary objective of the ERC is to ensure the Bank's enterprise Risk Governance Framework, related policies, systems and practices are fully aligned with the Board approved strategy and risk appetite. The ERC also ensures risk governance of the Bank is sufficiently robust to meet the needs of the business.

ERC has membership from Group Heads of all business functions and Risk and is chaired by the Group CEO. The Committee reviews and monitors key enterprise risk profiles, trends, and exceptions on a periodic basis.

Reporting to Board Risk Committee (BRC):

BRC is appointed by the Board to assist it in fulfilling its Risk Management oversight responsibilities across the Bank.

f) Qualitative information on stress testing

The Bank uses various techniques to gauge its vulnerability to exceptional but plausible stress events. The Bank adopts an Integrated Stress Testing approach to evaluate potential effects of different stressed events and/or movement in a set of economic variables on the Bank's financial condition and their impact on the key financial and regulatory ratios. The approach determines the financial impact of both systemic risk and idiosyncratic risk scenarios on Bank's capital adequacy simultaneously across three stress severity levels – Mild, Moderate and Severe.

Stress testing is based on the concept of 'proportionality and complexity' and its applicability to the activities of the Bank. Relevant factors include size, sophistication and diversification of activities, materiality of different risk types and the Bank's vulnerability to them, etc. Stress testing is an important part of the risk management function in the Bank.

Besides, the Bank has comprehensive Liquidity Stress Testing in line with the guidelines issued by CBUAE. The Bank has comprehensive and specific Management Action Plans to ensure that capital and leverage ratios are managed well within the Risk Appetite thresholds if the key ratios come under unexpected pressure.

g) The strategies and processes to manage, hedge, and mitigate Risks

On an annual basis, the Risk Governance Framework is updated where key risks are identified, and actions are listed out to mitigate those risks. The identification of Key Risks and related mitigation plans are discussed in ERC and presented to GRPC, and to the Board of Directors on a regular basis. The mitigation plans are reviewed regularly, and the implementation of the required actions are monitored.

Also refer to "Risk Management-Introduction" Note 42.1 of the audited consolidated financial statements as of 31 December 2022.

OV1: Overview of RWA

		a	b	c
AED '000s		RWA		Minimum capital requirements
		31 December 2022	30 September 2022	31 December 2022
1	Credit risk (excluding counterparty credit risk) (CCR)	107,051,601	105,680,129	11,240,418
2	Of which standardised approach (SA)	107,051,601	105,680,129	11,240,418
3				
4				
5				
6	Counterparty credit risk (CCR)	450,910	559,570	47,346
7	Of which standardised approach for counterparty credit risk	450,910	559,570	47,346
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 – fallback approach	25,375	22,672	2,664
15	Settlement risk	-	-	-
16	Securitisation exposures in banking book	-	-	-
17				
18	Of which: securitistion external ratings-based approach (SEC-ERBA)	-	-	-
19	Of which: securitistion standarised approach (SEC-SA)	-	-	-
20	Market risk	1,934,765	2,775,723	203,150
21	Of which standardised approach (SA)	1,934,765	2,775,723	203,150
22				
23	Operational risk	10,394,131	10,394,131	1,091,384
24				
25				
26	Total (1+6+10+11+12+13+14+15+16+20+23)	**119,856,782**	**119,432,225**	**12,584,962**

- The minimum capital requirements applied in column C is 10.5%.
- Market risk decreased by 30.2% as compared to last period. The overall Market risk declined due to decrease in foreign exchange risk and general profit rate risk.

2. Linkages between Financial Statements and Regulatory Exposures

LI1: Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

AED '000s	31 December 2022						
	a	b	c	d	e	f	g
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items: Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Assets							
Cash and balances with central banks	24,229,302	24,229,082	24,229,082	-	-	-	-
Balance and wakala deposits with Islamic banks and other financial institutions	2,921,094	2,888,462	2,888,462	-	-	-	-
Murabaha and mudaraba with financial institution	4,519,436	4,519,436	4,519,436	-	-	-	-
Murabaha, Ijara and other Islamic financing	107,716,907	108,798,812	108,798,812	-	-	-	-
Investment in sukuk at amortised cost	14,370,291	14,370,291	14,370,291	-	-	-	-
Investment measured at fair value	5,061,994	5,654,347	3,989,242	-	-	1,661,275	3,830
Investment in associates and joint ventures	776,084	776,084	776,084	-	-	-	-
Investment properties	1,277,943	325,633	325,633	-	-	-	-
Development properties	713,701	-	-	-	-	-	-
Other assets	3,239,346	3,266,925	3,243,031	-	-	-	23,894
Property and equipment	2,904,973	2,771,330	2,771,330	-	-	-	-
Goodwill and intangibles	786,020	786,020	338,066	-	-	-	786,020
Total assets	**168,517,091**	**168,386,422**	**166,249,469**	**-**	**-**	**1,661,275**	**813,744**
Liabilities							
Due to financial institutions	2,834,242	-	-	-	-	-	-
Depositors' accounts	138,136,603	-	-	-	-	-	-
Other liabilities	4,085,576	-	-	-	-	-	-
Total liabilities	**145,056,421**	**-**	**-**	**-**	**-**	**-**	**-**

- Variance between the financial statements and the regulatory consolidation is due to non-consoldiation of commercial entities of the ADIB Group in regulatory consolidation i.e Burooj Properties LLC, MPM roperties LLC & Kawader Services LLC.

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

		31 December 2022				
		a	b	c	d	e
		Total	Items subject to:			
AED '000s			Credit risk framework	Securitisation framework	Counterparty credit risk framework	Market risk framework
1	Asset carrying value amount under scope of regulatory consolidation (as per template LI1)	168,386,422	166,249,469	-	-	1,661,275
2	Liabilities + Shares carrying value amount under regulatory scope of consolidation (as per template LI1)	-	-	-	-	-
3	Total net amount under regulatory scope of consolidation	168,386,422	166,249,469	-	-	1,661,275
4	Off-balance sheet amounts	12,331,270	12,331,270	-		
5	Derivatives	1,059,096	-	-	1,059,096	-
6	Differences in valuations	-	-	-	-	-
7	Differences due to different netting rules, other than those already included in row 2	-	-	-	-	-
8	Differences due to consideration of provisions	1,135,932	-	-	-	-
9	Differences due to prudential filters	-	-	-	-	-
10	Goodwill, Deferred tax and threshold deductions	(809,914)	-	-	-	-
11	**Exposure amounts considered for regulatory purposes**	**182,102,806**	**178,580,739**	**-**	**1,059,096**	**1,661,275**

LIA: Explanations of differences between accounting and regulatory exposure amounts

a) **Explanation of significant differences between the amounts in columns (a) and (b) in LI1**
Variance between the financial statements and the regulatory consolidation is due to non-consoldiation of commercial entities of the ADIB Group in regulatory consolidation i.e Burooj Properties LLC, MPM roperties LLC & Kawader Services LLC.

b) **Explanation of the origins of differences between carrying values and amounts considered for regulatory purposes shown in LI2**
In on-balance sheet and off-balance sheet amounts. there are no differences between carrying values as reported in published financial statements and carrying values under scope of regulatory consolidation. However, derivatives amounts have been reported as credit equivalent amounts under both (a) and (d).

c) **i. Valuation methodologies, including an explanation of how far mark-to-market and mark-to-model methodologies are used.**
ii. Description of the independent price verification process.
iii. Procedures for valuation adjustments or reserves (including a description of the process and the methodology for valuing trading positions by type of instrument).

Please refer note 4, 22 and 43 of the audited consolidated financial statements as of 31 December 2022.

d) **Banks with insurance subsidiaries**
ADIB Group does not have any insurance subsidiary.

3. Prudential Valuation Adjusments

PV1: Prudential valuation adjustments (PVAs)

Not applicable

4. Composition of Capital

CC1: Composition of regulatory capital

	AED '000s	31 December 2022 a Amounts	b Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
	Common Equity Tier 1 capital: instruments and reserves		
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	3,632,000	Same as (a) from CC2 template
2	Retained earnings	6,857,083	
3	Accumulated other comprehensive income (and other reserves)	4,635,418	
4	Directly issued capital subject to phase-out from CET1 (only applicable to non-joint stock companies)	-	
5	Common share capital issued by third parties (amount allowed in group CET1)	-	
6	Common Equity Tier 1 capital before regulatory deductions	**15,124,501**	
	Common Equity Tier 1 capital regulatory adjustments		
7	Prudent valuation adjustments	-	
8	Goodwill (net of related tax liability)	(447,954)	
9	Other intangibles including mortgage servicing rights (net of related tax liability)	-	
10	Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of related tax liability)	(15,533)	
11	Cash flow hedge reserve	-	
12	Securitisation gain on sale	-	
13	Gains and losses due to changes in own credit risk on fair valued liabilities	-	
14	Defined benefit pension fund net assets	-	
15	Investments in own shares (if not already subtracted from paid-in capital on reported balance sheet)	-	
16	Reciprocal cross-holdings in CET1, AT1, Tier 2	-	
17	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
18	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	(180,584)	
19	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	
20	Amount exceeding 15% threshold	-	
21	Of which: significant investments in the common stock of financials	-	
22	Of which: deferred tax assets arising from temporary differences	-	
23	CBUAE specific regulatory adjustments	-	
24	**Total regulatory adjustments to Common Equity Tier 1**	(644,071)	
25	**Common Equity Tier 1 capital (CET1)**	**14,480,430**	
	Additional Tier 1 capital: instruments		
26	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	4,754,375	CC2 (b)
27	OF which: classified as equity under applicable accounting standards	4,754,375	
28	Of which: classified as liabilities under applicable accounting standards	-	
29	Directly issued capital instruments subject to phase-out from additional Tier 1	-	
30	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in AT1)	-	
31	Of which: instruments issued by subsidiaries subject to phase-out	-	
32	Additional Tier 1 capital before regulatory adjustments	**4,754,375**	
	Additional Tier 1 capital: regulatory adjustments		
33	Investments in own additional Tier 1 instruments		
34	Investments in capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation		
35	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation		
36	CBUAE specific regulatory adjustments		

37	Total regulatory adjustments to additional Tier 1 capital	-	
38	**Additional Tier 1 capital (AT1)**	4,754,375	
39	**Tier 1 capital (T1= CET1 + AT1)**	**19,234,805**	
	Tier 2 capital: instruments and provisions		
40	Directly issued qualifying Tier 2 instruments plus related stock surplus	-	
41	Directly issued capital instruments subject to phase-out from Tier 2	-	
42	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 30) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	-	
43	Of which: instruments issued by subsidiaries subject to phase-out	-	
44	Provisions	1,344,099	
45	**Tier 2 capital before regulatory adjustments**	**1,344,099**	
	Tier 2 capital: regulatory adjustments		
46	Investments in own Tier 2 instruments	-	
47	Investments in capital, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	
48	Significant investments in the capital, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
49	CBUAE specific regulatory adjustments	-	
50	**Total regulatory adjustments to Tier 2 capital**	-	
51	**Tier 2 capital (T2)**	1,344,099	
52	**Total regulatory capital (TC = T1 + T2)**	20,578,904	
53	**Total risk-weighted assets**	**119,856,782**	
	Capital ratios and buffers		
54	**Common Equity Tier 1 (as a percentage of risk-weighted assets)**	**12.08%**	
55	**Tier 1 (as a percentage of risk-weighted assets)**	**16.05%**	
56	**Total capital (as a percentage of risk-weighted assets)**	**17.17%**	
57	**Institution specific buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus higher loss absorbency requirement, expressed as a percentage of risk-weighted assets)**	2.50%	
58	**Of which: capital conservation buffer requirement**	2.50%	
59	**Of which: bank-specific countercyclical buffer requirement**	0.00%	
60	**Of which: higher loss absorbency requirement (e.g. DSIB)**	0.00%	
61	**Common Equity Tier 1 (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirement.**	**5.08%**	
	The CBUAE Minimum Capital Requirement		
62	Common Equity Tier 1 minimum ratio	9.50%	
63	Tier 1 minimum ratio	11.00%	
64	Total capital minimum ratio	13.00%	
	Amounts below the thresholds for deduction (before risk weighting)		
66	Significant investments in common stock of financial entities	-	
67	Deferred tax assets arising from temporary differences (net of related tax liability)	-	
	Applicable caps on the inclusion of provisions in Tier 2		
69	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	1,344,099	
70	Cap on inclusion of provisions in Tier 2 under standardised approach	-	
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
73	Current cap on CET1 instruments subject to phase-out arrangements	-	
74	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	
75	Current cap on AT1 instruments subject to phase-out arrangements	-	
76	Amount excluded from AT1 due to cap (excess after redemptions and maturities)	-	
77	Current cap on T2 instruments subject to phase-out arrangements	-	
78	Amount excluded from T2 due to cap (excess after redemptions and maturities)	-	

CC2: Reconciliation of regulatory capital to balance sheet

AED ‘000s	a Balance sheet as in published financial statements Dec-22	B Under regulatory scope of consolidation Dec-22	c Reference
Assets			
Cash and balances with central banks	24,229,302	24,229,082	
Balance and wakala deposits with Islamic banks and other financial institutions	2,921,094	2,888,462	
Murabaha and mudaraba with financial institution	4,519,436	4,519,436	
Murabaha, Ijara and other Islamic financing	107,716,907	108,798,812	
Investment in sukuk at amortised cost	14,370,291	14,370,291	
Investment measured at fair value	5,061,994	5,654,347	
Investment in associates and joint ventures	776,084	776,084	
Investment properties	1,277,943	325,633	
Development properties	713,701	-	
Other assets	3,239,346	3,266,925	
Property and equipment	2,904,973	2,771,330	
Goodwill and intangibles	786,020	786,020	
Total assets	**168,517,091**	**168,386,422**	
Liabilities			
Due to financial institutions	2,834,242	-	
Depositors’ accounts	138,136,603	-	
Other liabilities	4,085,576	-	
Total liabilities	**145,056,421**	-	
Equity			
Share capital	3,632,000	3,632,000	
Of which: amount eligible for CET1	3,632,000	3,632,000	(a)
Of which: amount eligible for AT1	-	-	
Legal reserve	2,640,705	2,624,028	
General reserve	2,975,819	2,953,858	
Credit risk reserve	400,000	400,000	
Retained earnings	8,642,250	6,924,396	
Other reserves	(564,647)	(1,202,644)	
Tier 1 sukuk	4,754,375	4,754,375	(b)
Equity attributable to the equity and Tier 1 sukuk holders of the Bank	**22,480,502**	**20,086,013**	
Non-controlling interest	980,168	-	
Total equity	**23,460,670**	**20,086,013**	

CCA: Main features of regulatory capital instruments

		Quantitative / Qualitative information		
1	Issuer	Abu Dhabi Islamic Bank	Abu Dhabi Islamic Bank & Subsidiaries	Abu Dhabi Islamic Bank
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	N/A	XS1870373443	N/A
3	Governing law(s) of the instrument	UAE Law	English Law	UAE Law
	Regulatory treatment			
4	Transitional arrangement rules (i.e. grandfathering)	Common Equity Tier 1	N/A	N/A
5	Post-transitional arrangement rules (i.e. grandfathering)	Common Equity Tier 1	Additional Tier 1	Additional Tier 1
6	Eligible at solo/group/group and solo	Solo and Group	Solo and Group	Solo and Group
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares	Sukuk	Sukuk
8	Amount recognised in regulatory capital (currency in millions, as of most recent reporting date)	AED 3,632 million	USD 750 million	AED 2 million
9	Nominal amount of instrument	N/A	USD 750 million	AED 2 million
9a	Issue price	N/A	100%	100%
9b	Redemption price	N/A	Refer point 15 below	Refer to point 15 below
10	Accounting classification	Equity	Equity	Equity
11	Original date of issuance	Various	20 September 2018	16 April 2009
12	Perpetual or dated	Perpetual	Perpetual	Perpetual

13	Original maturity date	N/A	N/A	N/A
14	Issuer call subject to prior supervisory approval	No	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	N/A	On the First Call Date, 20 September 2023 (at par); following a Tax Event (at par) (at any time); and following a Capital Event (at 101%) (at any time).	On the Call Date, 16 April 2027 (at par); following a Tax Event (at par) (at any time); and following a Capital Event (at par) (at any time).
16	Subsequent call dates, if applicable	N/A	Any period distribution date after the first call date.	Any period distribution date after the call date.
	Coupons / dividends			
17	Fixed or floating dividend/coupon	N/A	Expected mudaraba profit rate for initial period of 5 years and for every 5th year thereafter resets to new Expected mudaraba profit rate.	Expected mudaraba profit rate for initial period of 5 years and after the initial period bear an Expected variable mudaraba profit rate.
18	Coupon rate and any related index	N/A	7.125% (expected mudaraba profit rate for initial period of 5 years) and resets the then 5 years US treasury rate plus expected margin of 4.270%	6.0% (expected mudaraba profit rate for initial period of 5 years) and after initial period of 5 years bear as expected variable mudaraba profit rate payable of 6month Eibor plus expected margin of 2.3%
19	Existence of a dividend stopper	N/A	Yes	Yes
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully Discretionary	Fully Discretionary	Fully Discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully Discretionary	Fully Discretionary	Fully Discretionary
21	Existence of step-up or other incentive to redeem	No	No	No
22	Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	N/A	Non-convertible	Non-convertible
24	Writedown feature	N/A	Yes	Yes
25	If writedown, writedown trigger(s)	N/A	Contractual Non-Viability Loss Absorption as detailed in the issue prospectus.	Contractual Non-Viability Loss Absorption as detailed in the issue documents.
26	If writedown, full or partial	N/A	Full or partial write down.	Full or partial write down.
27	If writedown, permanent or temporary	N/A	Permanent	Permanent
28	If temporary write-own, description of writeup mechanism	N/A	N/A	N/A
28a	Type of subordination	N/A	Contractual	Contractual
29	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned).	N/A	Senior only to share capital	Senior only to share capital
30	Non-compliant transitioned features	N/A	No	No
31	If yes, specify non-compliant features	N/A	N/A	N/A

5. Macroprudential Supervisory measures

CCyB1: Geographical distribution of credit exposures used in the countercyclical capital buffer

AED '000s	31 December 2022				
	a	b	c	d	e
Geographical breakdown	Countercyclical capital buffer rate	Exposure values and/or risk-weighted assets used in the computation of the countercyclical capital buffer		Bank-specific countercyclical capital buffer rate	Countercyclical buffer amount
		Exposure values	Risk-weighted assets		
Hong Kong	1%	209	42		
Norway	2%	173	35		
United Kingdom	1%	1,925,019	1,883,901		
Sweden	1%	1,022	204		
Bulgaria	1%	10	5		
Czech Republic	2%	34,186	6,837		
Denmark	2%	368	184		
Sum		1,960,989	1,891,209		
Total		**172,694,584**	**107,051,601**	**0.02%**	**18,948**

6. Leverage Ratio

LR1: Summary comparison of accounting assets vs leverage ratio exposure

	Summary comparison of accounting assets versus leverage ratio exposure measure	31 December 2022
		a
	Item	AED '000s
1	Total consolidated assets as per published financial statements	168,517,091
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(8,138,146)
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	1,053,810
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)	5,650,179
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	(599,427)
12	Other adjustments	(447,954)
13	**Leverage ratio exposure measures**	**166,035,554**

LR2: Leverage ratio common disclosure template

	AED '000s	a 31 December 22	b 30 September 22
	On-balance sheet exposures		
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	160,378,946	154,134,711
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)	(599,427)	(867,921)
6	(Asset amounts deducted in determining Tier 1 capital)	(447,954)	(134,181)
7	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)**	**159,331,565**	**153,132,609**
	Derivative Exposures		
8	Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	369,587	376,372
9	Add-on amounts for PFE associated with all derivatives transactions	684,223	963,828
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)**	**1,053,810**	**1,340,200**
	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	10,766,946	11,071,391
20	(Adjustments for conversion to credit equivalent amounts)	(5,116,766)	(5,801,433)
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)**	**5,650,179**	**5,269,959**
	Capital and total exposures		
23	Tier 1 capital	**19,234,805**	**20,048,118**
24	**Total exposures (sum of lines 7, 13, 18 and 22)**	**166,035,554**	**159,742,767**
	Leverage ratio		
25	**Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)**	**11.58%**	**12.55%**
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	11.58%	12.55%
26	CBUAE minimum leverage ratio requirement	3.00%	3.00%
27	**Applicable leverage buffers**	0.00%	0.00%

7. Liquidity

LIQA: Liquidity risk management

a) Governance of liquidity risk management, including: risk tolerance; structure and responsibilities for liquidity risk management; internal liquidity risk strategy, policies and practices across business lines and with the board of directors.

Liquidity risk is the risk that the Bank will be unable to meet its payment obligations when they fall due under normal or stress circumstances. This risk arises from the inability of the Bank to anticipate and provide for unforeseen decreases or changes in funding sources which could have adverse consequences on the Bank's ability to meet its obligations when they fall due.

Under the overall Risk Governance Framework, ALCO is a key component of risk management within ADIB. It is mandated by the Board or its delegate, the GRPC, to manage and implement the Assets & Liabilities Management (ALM) policy as approved by the Board and other applicable policies. ALCO is a management decision-making committee for all matters relating to ALM including balance sheet structure, funding, liquidity, pricing, hedging and investment and setting accrual limits.

Treasury is responsible for day-to-day management of the mismatch between the Bank's assets and liabilities and in conjunction with the Group Finance, the overall financial structure of the balance sheet. It is also primarily responsible for managing the funding and liquidity risks of the Bank. Group Finance and Market Risk also monitor liquidity requirements and related ratios.

b) Funding strategy, including policies on diversification in the sources of funding (both products and counterparties)

The Bank, to limit the Liquidity risk, has arranged diversified funding sources in addition to its core retail deposit base, manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. The Bank also maintains committed lines of credit that it can access to meet liquidity needs. The current account deposits are assessed as stable, based on various behavioral analysis conducted by both external consultants and internal teams. The top 20 deposit concentration level is significantly below the market levels.

c) Liquidity risk mitigation techniques.

An ALM framework has been put in place to monitor and mitigate the Liquidity risk. A maturity mismatch analysis, under normal and stressed conditions is, the primary tool for monitoring Liquidity risk, performed to monitor successive time bands across functional currencies. In addition, the Bank monitors various Liquidity risk ratios and maintains an up-to-date contingency funding plan.

The Board approved Risk Appetite Statement (RAS) defines Liquidity risk tolerance thresholds. The key Liquidity risk measures include gaps and ratios such as ELAR and ASRR. All these Liquidity measures are reported to ALCO on a monthly basis and to management and the Board committees (ERC/GRPC) at frequent intervals.

d) An explanation of how stress testing is used.

The Bank applies various stress scenarios to assess and manage the Liquidity position, considering both the market in general and specifically to the Group. The Bank identifies historical and hypothetical events that can lead to a material impact on its liquidity positions. The impact of stress scenarios is assessed on gap positions and all regulatory ratios. Accordingly, management action plans are devised to enable the Bank plan for its liquidity actions under such stressed liquidity situations.

e) An outline of the bank's contingency funding plans.

In order to manage its liquidity risk, the bank has in place a Contingency Funding Plan, which outlines roles and responsibilities of each concerned department, trigger points and protocols to invoke a liquidity crisis event and initiate deployment of a set of management mitigating actions to counter a potential liquidity squeeze.

The Funding Plan includes various stress scenarios, both of general and idiosyncratic natures, which are discussed and approved at management and Board levels and are meant to simulate various severe but plausible sources of a liquidity crisis.

Also refer to "Risk Management- Liquidity risk and funding management" Note 42.3 of the audited consolidated financial statements as of 31 December 2022.

f) Customized measurement tools or metrics that assess the structure of the bank's balance sheet or that project cash flows and future liquidity positions, taking into account off-balance sheet risks which are specific to that bank.

	On Balance Sheet Exposures – 31 December 2022				
AED '000s	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Cash and balances with central banks	16,884,794	5,959,803	1,384,705	-	24,229,302
Balance and wakala deposits with Islamic banks and other financial institutions	2,535,837	131,712	110,175	143,370	2,921,094
Murabaha and mudaraba with financial institution	1,910,946	654,004	1,954,486	-	4,519,436
Murabaha, Ijara and other Islamic financing	9,277,630	16,439,027	53,593,408	28,406,842	107,716,907
Investment in sukuk at amortised cost	114,483	68,927	6,181,146	8,005,735	14,370,291
Investment measured at fair value	1,717,797	187,237	1,428,232	1,728,728	5,061,994
Investment in associates and joint ventures	-	-	-	776,084	776,084
Other assets	1,409,911	247,137	527,620	14,385	2,199,053
Financial assets	**33,851,398**	**23,687,847**	**65,179,772**	**39,075,144**	**161,794,161**
Non-financial assets					6,722,930
Total assets					**168,517,091**
Liabilities					
Due to financial institutions	2,834,242	-	-	-	2,834,242
Depositors' accounts	117,574,321	12,193,948	8,368,334	-	138,136,603
Other liabilities	1,574,916	307,901	2,174,119	28,640	4,085,576
Total Liabilities	**121,983,479**	**12,501,849**	**10,542,453**	**28,640**	**145,056,421**

	Off Balance Sheet Exposures – 31 December 2022				
AED '000s	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Contingent liabilities	6,028,454	2,752,776	2,801,239	980	11,583,449
Commitments	-	-	120,778	-	120,778
Total	**6,028,454**	**2,752,776**	**2,922,017**	**980**	**11,704,227**

g) Concentration limits on collateral pools and sources of funding (both products and counterparties.

ADIB mainatains a strong liquidity under current market conditions by having a stable source of funding through its sticky customers deposits, therefore Wholesale funding reliance remains minimal. It however, has concentration limit on overall Wholelsale funding and maintains limits at the counterparty level.

Given its strong liquidity positions and current local market practice and evolution in terms of Sharia-compliant netting structures, ADIB seldom relies on collateral to raise liquidity aside from available collateralized Murabaha facility with the Central of UAE.

h) Liquidity exposures and funding needs at the level of individual legal entities, foreign branches and subsidiaries, taking into account legal, regulatory and operational limitations on the transferability of liquidity.

There may be legal and regulatory restrictions on the bank's ability to use liquid assets held at one legal entity to support the liquidity requirements of another legal entity.

i) Balance sheet and off-balance sheet items broken down into maturity buckets and the resultant liquidity gaps.

Please refer to point f) above for details.

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 December 2022	
		Nominal amount	Eligible Liquid Asset
1	**High Quality Liquid Assets**		
1.1	Physical cash in hand at the bank + balances with the CBUAE	21,292,025	
1.2	UAE Federal Government Sukuks	-	
	Sub Total (1.1 to 1.2)	21,292,025	21,292,025
1.3	UAE local governments publicly traded debt securities	3,094,682	
1.4	UAE Public sector publicly traded debt securities	-	
	Sub Total (1.3 to 1.4)	3,094,682	3,094,682
1.5	Foreign Sovereign debt instruments or instruments issued by their respective central banks	-	-
1.6	**Total**	24,386,707	24,386,707
2	Total liabilities		128,737,717
3	**Eligible Liquid Assets Ratio (ELAR)**		**18.94%**

as per BRF 8.

ASRR: Advances to Stable Resources Ratio*

		AED '000s	31 December 2022
			Amount
1		**Computation of Advances**	
	1.1	Net financing (gross financing - specific and profit in suspense)	106,109,438
	1.2	Placement with non-banking financial institutions	1,315,297
	1.3	Net Financial Guarantees & Stand-by LC (issued - received)	1,214,579
	1.4	Interbank Placements	5,337,893
	1.5	**Total Advances**	**113,977,207**
2		**Computation of Net Stable Resources**	
	2.1	Total capital + general provisions	24,735,797
		Deduct:	
	2.1.1	Goodwill and other intangible assets	786,020
	2.1.2	Fixed Assets	2,873,234
	2.1.3	Funds allocated to branches abroad	-
	2.1.5	Unquoted Investments	121,818
	2.1.6	Investment in subsidiaries, associates and affiliates	1,325,964
	2.1.7	**Total deduction**	5,107,036
	2.2	**Net Free Capital Funds**	19,628,761
	2.3	**Other Stable resources:**	
	2.3.1	Funds from the head office	-
	2.3.2	Interbank deposits with remaining life of more than 6 months	-
	2.3.3	Refinancing of Housing financing	-
	2.3.4	Fincnaing from non-Banking Financial Institutions	1,391,099
	2.3.5	Customer Deposits	117,851,594
	2.3.6	Capital market funding/ term financing maturing after 6 months from reporting date	-
	2.3.7	**Total other stable resources**	**119,242,693**
	2.4	**Total Stable Resources (2.2+2.3.7)**	**138,871,454**
3		**Advances TO STABLE RESOURCES RATIO (1.6/ 2.4*100)**	**82.07%**

as per BRF 54.

8. Credit Risk

CRA: General qualitative information about Credit Risk

a) Business model translation into the components of the Bank's credit risk profile.

Credit risk is the most significant and pervasive risk for the Bank. The Bank is exposed to different types of Credit risk. The most common Credit risk, inherent in a wide range of ADIB's businesses, arise from adverse changes in the credit quality and recoverability of financings (credit facilities provided to customers), advances and amounts due from counterparties, and cash and deposits held with other Banks. Further, there is credit risk in certain off-balance sheet financial instruments, including guarantees, letters of credit, contracts relating to purchase and sale of foreign currencies, acceptances, and commitments to extend credit.

In addition, the Bank also faces Concentration and Cross-Border risks. Concentration risk arises from any single exposure or a group of exposures with common risk factors with potential to produce large losses. Cross-border risk is the risk that the Bank will be unable to obtain as agreed and on time payment from its customers [or party on behalf of the customers] of their obligations or transactions with the Bank often as a result of certain actions taken by foreign governments or government-related entities. Cross-Border Risk is chiefly relating to the availability, convertibility and transferability of such foreign currency at transparent, free & acceptable FX rates. These actions taken by foreign governments may include the imposition of exchange controls and restrictions on remittance of funds or goods and services, often accompanied by debt moratoria or impediments to freely transfer currency.

GRM monitors and control Credit risk through sets of parameters and thresholds for the Bank's financing activities.

The Bank has adopted the Standardized Approach for measuring minimum capital requirement for credit risk.

b) Criteria and approach used for defining credit risk management policy and for setting credit risk limits.

The overall credit process including approval, disbursements, administration, classification, recoveries, and write-offs are governed by the Bank's Credit Risk Policy. It is reviewed by the GRM and approved by the BRC and the Board.

The Credit Risk Policy has been prepared with the broad objective of meeting the following goals:

- Adhere to CBUAE regulations and best practices; and
- Maintain a diversified high credit quality financing portfolio through risk-based financing.

The Bank seeks to manage its credit risk exposure through diversification of financing activities, maintaining limits, to avoid undue concentrations of risks with individuals or groups of customers or in specific locations or businesses. It also obtains security when appropriate, and actively uses collateral to reduce its credit risks. The Bank also follows prudential exposure ceilings set by the Board in line with Central Bank of the UAE (CBUAE) guidelines.

c) Structure and organization of the Credit risk management and control function.

Credit risk management for the financing portfolio begins with initial underwriting and continues throughout an obligor's credit cycle. The Bank monitors credit quality of its financing portfolio based on primary credit quality indicators.

All Corporate credit proposals are independently reviewed and approved by appropriate authority as defined in the Credit Risk Policy, which includes Management-level Credit Committee and Board-level Committee. For Retail, the Bank has in place comprehensive product program manuals highlighting requirements of every aspect of retail financing.

Credit Approval process is independent from GRM and reporting directly to CEO of the Bank.

d) The Credit Operations and disbursements functions

Credit Control function is responsible for controlling, managing the portfolio, and reporting exceptions post the approval process. The function role is to ensure full adherence to the Credit Risk Policy, Banks' and Sharia policies and procedure. Any exceptions are timely reported to the approving authorities as stipulated in the Credit Risk Policy. The Credit Control function is independent from the approval process and directly reporting to the Group Chief Risk Officer.

e) Relationships between the Credit risk management, risk control, compliance, and internal audit functions.

An independent global credit management (GCM) function reviews all Corporate credit proposals before they are approved by the appropriate authority as defined in the Credit Risk Policy. Compliance group ensures that the Bank complies all regulations and guidelines issued by CBUAE. As part of Internal Audit plan, Internal Audit team reviews the Credit Approval Process and submits its findings to Board Audit Committee for its review.

f) Scope and main content of the reporting on Credit risk exposure and management function to the executive management and to the board of directors.

Comprehensive Portfolio reports covering both Wholesale and Retail portfolios are presented to Business units, management and the Board committees (ERC and BRC) on a regular basis. The report highlights the status of the exposure, recoveries, early-warning signals, collaterals details, provisions movements, and the action plan to address issues, if any.

CR1: Credit quality of assets

		31 December 2022					
		a	b	c	d	e	f
		Gross carrying values of		Allowances/ impairments	Of which ECL accounting provisions for credit losses		Net values (a+b-c)
	AED '000s	Defaulted exposures	Non-defaulted exposures		Allocated in regulatory category of Specific	Allocated in regulatory category of General	
1	Customer Financing	8,981,792	101,059,709	5,438,693	4,282,366	1,156,327	**104,602,809**
2	Sukuk	124,591	17,646,843	161,773	97,793	63,980	**17,609,661**
3	Off-balance sheet exposures	652,747	11,168,009	168,185	103,175	65,010	**11,652,571**
4	**Total**	**9,759,130**	**129,874,561**	**5,768,650**	**4,483,334**	**1,285,317**	**133,865,041**

Definition of defaulted exposures

Accounts are considered in default for regulatory purposes after failure to meet the obligations by 90 days.

CR2: Changes in stock of defaulted customer financing and sukuk

AED '000s		a
1	**Defaulted customer financing and sukuk at the end of 31 December 2021**	**8,716,407**
2	Customer financing and sukuk that have defaulted since the last reporting period	1,599,245
3	Returned to non-defaulted status	(818,602)
4	Amounts written off	(217,622)
5	Other changes	(173,045)
6	**Defaulted customer financing and sukuk at the end of 31 December 2022 (1+2-3-4±5)**	**9,106,383**

CRB: Additional disclosure related to the credit quality of assets

Qualitative disclosures

a) **The scope and definitions of past due and impaired exposures used for accounting purposes and the differences, if any, between the definition of past due and default for accounting and regulatory purposes.**

Common definitions are used for both accounting and regulatory purposes. Financing past due for over 90 days is treated as impaired unless an exception is approved by an appropriate authority. The Bank considers that the obligor is unlikely to pay its credit obligations in full, without recourse by the Bank to actions such as releasing collateral (if held).

b) **The extent of past-due exposures (>90 days) that are not considered to be impaired and the reasons for this.**

Bank considers the past due exposures for more than 90 days as impaired unless approved by the appropriate authority. There should be no such exposures greater than 90 days which are not considered impaired and not approved by the appropriate authority.

c) **Description of methods used for determining accounting provisions for credit losses**

ADIB's Expected Credit Loss (ECL) calculation, methodology, and IFRS9 ECL disclosures are available in "Risk Management-Credit risk" Note 42.2 of the audited consolidated financial statements as of 31 December 2022.

d) **The Bank's own definition of a restructured approach.**

The Bank follows regulatory definition for restructured exposures. A restructured account is one where the Bank, for economic or legal reasons relating to the obligor's financial difficulty, grants to the obligor concessions that the bank would not otherwise consider.

Quantitative disclosures

e) **Breakdown of exposures by geographic distribution, industry segment and residual contractual maturity.**

AED '000s	31 December 2022								
Geographic Distribution of Gross Credit Exposure	**Customer Financings**	**Balances & placements with Banks & FI**	**Sukuk**	**Others**	**Total Funded**	**Commitments**	**Other Off-Balance Sheet exposures**	**Total Non-Funded**	**Total**
United Arab Emirates	87,319,774	365,542	11,501,520	28,308,587	127,495,423	848,875	9,083,641	9,932,516	**137,427,939**
Rest of Middle east	8,347,395	1,223,822	5,783,720	1,658,034	17,012,971	-	112,279	112,279	**17,125,250**
Europe	2,831,606	93,778	-	113,015	3,038,399	-	-	-	**3,038,399**
Others	6,940,258	2,894,092	2,021,985	1,575,906	13,432,241	1,061	1,671,725	1,672,785	**15,105,026**
Total	**105,439,033**	**4,577,234**	**19,307,225**	**31,655,541**	**160,979,033**	**849,936**	**10,867,645**	**11,717,581**	**172,696,614**

AED '000s	31 December 2022								
Industry Segment of Gross Credit Exposure	**Customer Financings**	**Balances & placements with Banks & FI**	**Sukuk**	**Others**	**Total Funded**	**Commitments**	**Other Off-Balance Sheet exposures**	**Total Non-Funded**	**Total**
Agriculture, Fishing & related activities	184,118	-	-	-	184,118	-	3,410	3,410	**187,528**
Crude Oil, Gas, Mining & Quarrying	1,278,814	-	-	-	1,278,814	226	30,349	30,575	**1,309,389**
Manufacturing	1,447,093	-	-	-	1,447,093	36,345	768,950	805,295	**2,252,388**
Electricity & Water	369,822	-	1,864,814	-	2,234,636	28,417	60,941	89,358	**2,323,993**
Construction	8,559,416	-	1,886,016	31,882	10,477,314	10,292	3,570,636	3,580,928	**14,058,242**
Trade	2,096,572	-	1,171,961	-	3,268,533	162,442	520,414	682,856	**3,951,389**
Transport, Storage & Communication	1,962,677	-	-	-	1,962,677	220,005	113,299	333,304	**2,295,981**
Financial Institutions	6,013,579	4,577,234	4,887,999	1,138,561	16,617,372		2,124,887	2,124,887	**18,742,259**
Services	4,617,514	-	-	-	4,617,514	42,342	809,816	852,158	**5,469,672**
Government /Public Sector	19,253,185	-	8,720,966	21,483,344	49,457,495		2,263,070	2,263,070	**51,720,565**
Retail/Consumer banking	58,546,914	-	-	409,465	58,956,379	204,701	256,115	460,816	**59,417,195**
All Others	1,109,329	-	775,469	8,592,289	10,477,090	145,166	345,759	490,925	**10,968,014**
Total	**105,439,033**	**4,577,234**	**19,307,225**	**31,655,541**	**160,979,033**	**849,936**	**10,867,645**	**11,717,581**	**172,696,614**

AED '000s	31 December 2022								
Residual Contractual Maturity of Gross Credit Exposure	**Customer Financings**	**Balances & placements with Banks & FI**	**Sukuk**	**Others**	**Total Funded**	**Commitments**	**Other Off-Balance Sheet exposures**	**Total Non-Funded**	**Total**
Less than 3 months	6,999,757	2,920,535	100,416	19,587,799	29,608,507	246,946	5,839,100	6,086,046	**35,694,554**
3 months to one year	16,439,027	425,911	3,248,680	7,316,834	27,430,452	483,272	2,176,324	2,659,596	**30,090,047**
One to five years	53,593,408	1,087,418	7,874,863	2,478,469	65,034,158	119,718	2,793,560	2,913,277	**67,947,435**
Over five years	28,406,841	143,369	8,083,266	2,272,439	38,905,917	-	58,661	58,661	**38,964,578**
Total	**105,439,033**	**4,577,234**	**19,307,225**	**31,655,541**	**160,979,033**	**849,936**	**10,867,645**	**11,717,580**	**172,696,614**

f) Breakdown of impaired exposures, provisions and write-offs by geographic distribution, industry segment and ageing analysis.

AED '000s	31 December 2022							
	Impaired Financing expsoures*			**ECL**		**Write-offs & write-backs**		
Geographic Distribution of Impaired Financing Assets	**Less than 90 Days**	**90 Days and above**	**Total**	**Stage 3**	**Stage 1 & 2**	**Write-offs**	**Write-backs**	**Net Impaired Financing Assets**
United Arab Emirates	799,798	7,121,511	7,921,309	3,717,713	-	-	-	**4,203,596**
Rest of Middle east	304	467,789	468,093	310,828	-	-	-	**157,265**
Europe	-	201,348	201,348	201,126	-	-	-	**222**
Others	-	114,132	114,132	114,132	-	-	-	**-**
Total	**800,102**	**7,904,780**	**8,704,882**	**4,343,799**	**1,306,452**	**-**	**-**	**4,361,083**

"Impaired financing exposure" as disclosed in the audited consolidated financial statements as of 31 December 2022.

AED '000s	31 December 2022							
	Impaired Financing expsoures*			ECL		Write-offs & write-backs		Net Impaired Financing Assets
Industry Segment of Impaired Financing Assets	**Less than 90 Days**	**90 Days and above**	**Total**	**Stage 3**	**Stage 1 & 2**	**Write-offs**	**Write-backs**	
Agriculture, Fishing & related activities	-	-	-	-	-	-	-	**-**
Crude Oil, Gas, Mining & Quarrying	1	125,269	125,270	102,279	-	-	-	**22,991**
Manufacturing	-	399,567	399,567	325,910	-	-	-	**73,657**
Electricity & Water	-	149	149	132	-	-	-	**17**
Construction	244,382	1,974,335	2,218,717	910,875	-	-	-	**1,307,842**
Trade	31,739	790,626	822,365	653,173	-	-	-	**169,192**
Transport, Storage & Communication	-	96,987	96,987	85,405	-	-	-	**11,582**
Financial Institutions	-	2,764	2,764	2,301	-	-	-	**463**
Services	30,907	1,855,172	1,886,079	1,239,241	-	-		**646,839**
Government /Public Sector	-	-	-	-		-	-	**-**
Retail/Consumer banking	493,073	2,659,911	3,152,985	1,024,484	-	-	-	**2,128,501**
All Others	-	-	-	-	-	-	-	**-**
Total	**800,102**	**7,904,780**	**8,704,882**	**4,343,799**	**1,306,452**	**-**	**-**	**4,361,083**

** "Impaired financing exposure" as disclosed in the audited consolidated financial statements as of 31 December 2022.*

CRC: Qualitative disclosure requirements related to credit risk mitigation techniques

a) Core features of policies and processes for, and an indication of the extent to which the Bank makes use of, on- and off-balance sheet netting.

Not Applicable.

b) Core features of policies and processes for collateral evaluation and management.

The Bank obtains security when appropriate, and actively uses collateral to reduce its Credit risk in financing. This collateral mostly includes customer deposits and other cash deposits, inventories, corporate and bank financial guarantees, local and international equities, real estate and other property and equipment.

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

Management regularly monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and assesses the market value of collateral obtained during its review of the adequacy of the provision for impairment losses. The fair value of collateral is based on valuation performed by the independent experts, quoted prices (wherever available) and the valuation techniques.

c) Information about market or credit risk concentrations under the credit risk mitigation instruments used (i.e. by guarantor type, collateral and credit derivative providers).

Concentration of Credit risk arises from any single exposure or a group of exposures with common risk factors and potential to produce large losses. This risk commonly arises when a number of customers are engaged in similar business activities,

activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

The Bank seeks to manage its credit risk exposure through diversification of financing activities, maintaining limits, to avoid undue concentrations of risks with individuals or groups of customers or in specific locations or businesses, which is achieved through Risk Appetite thresholds, Target Market Criteria and Risk Acceptance Criteria.

The Bank manages credit risk by placing limits on the amount of risk accepted in relation to individual customers and groups, and to geographic and economic segments. Such risks are monitored on a regular basis and are subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product, economic sector and by country are reviewed at least annually by the Board Risk Committee.

CR3: Credit risk mitigation techniques - overview

		31 December 2022						
		a	b	c	d	e	f	g
AED '000s		Exposures unsecured: carrying amount	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1	Customer Financing	77,324,702	31,963,544	968,512	753,256	753,256	-	-
2	Sukuk	17,771,434	-	-	-	-	-	-
3	Total	**95,096,136**	**31,963,544**	**968,512**	**753,256**	**753,256**	**-**	**-**
4	Of which defaulted	9,106,383	-					

CRD: Qualitative disclosures on Bank's use of external credit ratings under the standardized approach for Credit Risk

a) Names of the external credit assessment institutions (ECAIs) and export credit agencies (ECAs) used by the Bank, and the reasons for any changes over the reporting period.

The Bank use Central Bank approved ECAIs and ECAs without any changes over the reporting period.

b) The asset classes for which each ECAI or ECA is used.

Externally rated Corporate, Banks and Securities Firms.

c) A description of the process used to transfer the issuer to issue credit ratings onto comparable assets in the Banking book (see paragraphs 99–101 of the Basel framework).

Not Applicable.

d) The alignment of the alphanumerical scale of each agency used with risk buckets (except where the relevant supervisor publishes a standard mapping with which the Bank has to comply).

The Bank master rating scale is mapped to external rating agency alphanumerical scale such as Investment grades (1-4) are mapped to (AAA to BBB-), Sub-investment grades (5-7) mapped to (BB+ to CCC-) and default grades (8-10).

Also refer to "Risk Management- Credit risk" Note 42.2 of the audited consolidated financial statements as of 31 December 2022.

CR4: Standardised approach – credit risk exposure and Credit Risk Mitigation (CRM) effects

AED '000s		31 December 2022					
		a	b	c	d	e	f
		Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	Asset classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Sovereigns and their central banks	34,423,202	2,199,558	34,420,164	784,228	7,402,154	21%
2	Public Sector Entities	17,863,277	92,872	17,863,277	57,703	13,392,263	75%
3	Multilateral development banks	114,392	-	114,392	-	22,878	20%
4	Banks	11,214,354	1,407,348	11,214,354	1,163,493	6,807,765	55%
5	Securities firms	-	-	-	-	-	
6	Corporates	22,939,082	6,703,878	22,939,082	3,458,572	24,300,766	92%
7	Regulatory retail portfolios	33,070,476	576,359	33,070,476	300,036	24,600,390	74%
8	Secured by residential property	17,427,898	169,473	17,427,898	84,737	7,029,939	40%
9	Secured by commercial real estate	7,707,088	18,521	7,707,088	9,261	7,687,990	100%
11	Past-due financing	4,406,124	549,572	4,406,123	549,572	5,877,500	119%
12	Higher-risk categories	127,093	-	127,093	-	190,640	150%
13	Other assets	11,684,019	-	11,684,019	-	9,739,317	83%
10	Equity Investment in Funds (EIF)	2,030	-	2,030	-	25,375	1250%
14	CVA	-	-	-	-	450,910	
15	Total	**160,979,033**	**11,717,581**	**160,975,994**	**6,407,602**	**107,527,886**	**64%**

CR5: Standardised approach – exposures by asset classes and risk weights

	AED '000s	31 December 2022										
		a	b	c	d	e	f	g	h	i	j	k
	Asset classes/ Risk weight	**0%**	**20%**	**35%**	**50%**	**75%**	**85%**	**100%**	**150%**	**250%**	**1250%**	**Total credit exposures amount (post CCF and post-CRM)**
1	Sovereigns and their central banks	25,405,737	2,026,231	-	1,551,033	-	-	6,221,391	-	-	-	**35,204,392**
2	Public Sector Entities	28,513	2,595,431	-	4,847,719	-	-	10,449,318	-	-	-	**17,920,981**
3	Multilateral development banks	-	114,392	-	-	-	-	-	-	-	-	**114,392**
4	Banks	-	1,605,879	-	8,570,839	-	-	2,201,048	81	-	-	**12,377,847**
5	Securities firms	-	-	-	-	-	-	-	-	-	-	**-**
6	Corporates	204,876	-	-	3,688,087	-	319,785	22,184,905	-	-	-	**26,397,653**
7	Regulatory retail portfolios	968,584	-	-	-	31,206,153	-	1,195,775	-	-	-	**33,370,512**
8	Secured by residential property	22,895	-	15,868,897	-	580,071	-	1,040,772	-	-	-	**17,512,635**
9	Secured by commercial real estate	28,359	-	-	-	-	-	7,687,990	-	-	-	**7,716,349**
10	Equity Investment in Funds (EIF)	-	-	-	-	-	-	-	-	-	2,030	**2,030**
11	Past-due financing	30,160	-	-	-	-	-	3,021,607	1,903,929	-	-	**4,955,696**
12	Higher-risk categories	-	-	-	-	-	-	-	127,093	-	-	**127,093**
13	Other assets	3,569,590	-	-	-	-	-	6,626,903	606,399	881,126	-	**11,684,017**
14	Total	**30,258,714**	**6,341,933**	**15,868,897**	**18,657,678**	**31,786,224**	**319,785**	**60,629,709**	**2,637,502**	**881,126**	**2,030**	**167,383,596**

9. Counterparty Credit Risk

CCRA: Qualitative disclosure related to counterparty credit risk

Risk management objectives and policies related to counterparty credit risk, including:

Counterparty credit risk (CCR) represents the risk that a counterparty may default before settlement of the transaction. This may result in a loss because the Bank would have to replace the position in the market or revalue the position at the prevailing unfavorable market rates.

As it applies to the bank, Counterparty credit risk (CCR) arises from over-the-counter (OTC) and exchange-traded derivatives (ETDs), and long-settlement transactions including collateralized Murabaha facilities and other similar products and activities. The related credit risk exposures depend on the value of underlying market factors (e.g. profit rates, commodities price and foreign exchange rates), which can be volatile and uncertain in nature. The Bank enters into derivative contracts in the normal course of business principally for positioning purposes, as well as for risk management needs and/or on clients' behalf, including mitigation of profit rate, commodity, foreign currency, credit and other risks. The Bank may use several ways to mitigate, reduce or eliminate CCR such as netting agreements, margining agreements, early terminations agreements.

a) **The method used to assign operating limits defined in terms of internal capital for counterparty credit exposures and for CCP exposures;**
Counterparty Credit exposures are subject to the credit oversight, limit framework and approval process as outlined above. The Bank establish CCR limits as per the norms on exposure for both funded and non-funded products including derivatives. The limits are set as a percentage of the capital funds and are monitored. The utilization against specified limits is reported to the management and board risk committees (ERC & BRC) on a periodic basis.

For calculating the required capital for counterparty credit risk, the Bank uses the Standardised Approach.

b) **Policies relating to guarantees and other risk mitigants and assessments concerning counterparty credit risk, including exposures towards CCPs'**
Not Applicable.

c) **Policies with respect to wrong-way risk exposures**
Not Applicable.

d) **The impact in terms of the amount of collateral that the bank would be required to provide given a credit rating downgrade.**
Not Applicable.

CCR1: Analysis of counterparty credit risk (CCR) exposure by approach.

AED '000s		31 December 2022					
		a	b	c	d	e	f
		Replacement cost	Potential future exposure	EEPE	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
1	SA-CCR (for derivatives)	263,991	488,731		1.4	**1,053,810**	**450,910**
2				-	-	-	-
3	Simple Approach for credit risk mitigation (for SFTs)					-	-
4	Comprehensive Approach for credit risk mitigation (for SFTs)					-	-
5							
6	Total						**450,910**

CCR2: Credit valuation adjustment (CVA) capital charge

		31 December 2022	
AED '000s		a	b
		EAD post-CRM	RWA
1	All portfolios subject to the Standardised CVA capital charge*	-	-
2	All portfolios subject to the Simple alternative CVA capital charge	1,053,810	450,910

CCR3: Standardised approach - CCR exposures by regulatory portfolio and risk weights

	AED '000s	31 December 2022							
		a	b	c	d	e	f	g	h
	Regulatory Portfolio / Risk weight	**0%**	**20%**	**50%**	**75%**	**100%**	**150%**	**Others**	**Total credit exposures**
1	Sovereigns and their central banks	-	-	-	-	-	-	-	**-**
2	Public Sector Entities	-	-	-	-	22,534	-	-	**22,534**
3	Multilateral development banks	-	-	-	-		-	-	**-**
4	Banks	-	527,793	361,331	-	3,664	-	-	**892,788**
5	Securities firms	-	-	-	-	-	-	-	**-**
6	Corporates	-	-	-	-	138,488	-	-	**138,488**
7	Regulatory retail portfolios	-	-	-	-	-	-	-	**-**
8	Secured by residential property	-	-	-	-	-	-	-	**-**
9	Secured by commercial real estate	-	-	-	-	-	-	-	**-**
10	Equity Investment in Funds (EIF)	-	-	-	-	-	-	-	**-**
11	Past-due financing	-	-	-	-	-	-	-	**-**
12	Higher-risk categories	-	-	-	-	-	-	-	**-**
13	Other assets	-	-	-	-	-	-	-	**-**
14	Total	**-**	**527,793**	**361,331**	**-**	**164,686**	**-**	**-**	**1,053,810**

CCR5: Composition of collateral for CCR exposure

	AED '000s	31 December 2022					
		a	b	c	d	e	f
		Collateral used in derivative transactions				Collateral used in SFTs	
		Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
		Segregated	Unsegregated	Segregated	Unsegregated		
1	Cash - domestic currency	-	-	-	-	-	-
2	Cash - other currencies	-	-	-	-	-	-
3	Domestic sovereign debt	-	-	-	-	-	-
4	Government agency debt	-	-	-	-	-	-
5	Corporate sukuk	-	-	-	-	-	-
6	Equity securities	-	-	-	-	-	-
7	Other collateral	-	-	-	-	-	-
8	***Total***	**-**	**-**	**-**	**-**	**-**	**-**

CCR6: Credit derivative exposures - Not applicable

CCR8: Exposures to central counterparties - Not applicable

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

MRA: General qualitative disclosure requirements related to market risk

Banks must describe their risk management objectives and policies for market risk according to the framework below (the granularity of the information should support the provision of meaningful information to users):

a) **Strategies and processes of the Bank: this must include an explanation of management's strategic objectives in undertaking trading activities, as well as the processes implemented to identify, measure, monitor and control the Bank's market risks, including policies for hedging risk and strategies/processes for monitoring the continuing effectiveness of hedges**.

Market risk arises from changes in market rates such as profit rates, foreign exchange rates and equity prices, as well as in their correlation and implied volatilities. Market risk is inherent in the diverse financial instruments the Bank is exposed to including securities, foreign currencies, equities, and commodities. The Bank is exposed to various types of Market risks such as profit rate risk, currency risk, and equity price risk. Profit rate risk arises from the possibility that changes in profit rates will affect future profitability or the fair values of financial instruments. Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual stocks. The Bank is also exposed to these risks in its Asset & Liability Management (ALM) activities.

The Bank uses the Standardized Approach to calculate the regulatory capital requirements relating to Market risks. The scope and charges are applied to Trading book only which includes Sukuk positions, foreign currency positions, equity positions and structured products positions.

ADIB, being an Islamic bank, as part of its regular activities faces Market risks in its investment/trading portfolios, which arises from changes in its underlying risk factors, as well as Profit Rate Risk in Banking Book (PRRBB), which arises on account of mismatches in maturity / re-pricing profile of assets and liabilities. It refers to the risk of changes in market value of assets and liabilities in the Banking book due to changes in the profit rate term structure.

The Bank's overall Market Risk strategy is to adopt a prudent and progressive risk-taking approach, which is expected to supplement its core banking activities profitability within a conservative risk appetite, while maintaining a reasonable liquidity buffer.

Although, as per the scope of Market risk as defined by BCBS, the Bank is also exposed to Foreign Exchange risk, but this is only in a limited way. All Foreign exchange exposures are taken by the Bank for client purposes and/or to facilitate Treasury management of its liquidity position with limited trading/proprietary positions. Besides, for these client-oriented foreign exchange positions limited overnight position limits are given which results in limited foreign exchange risk for the Bank. The major foreign exchange position for the Bank originates from USD which again is a pegged currency, therefore, the risk is minimal.

Additionally, the Bank holds minor proprietary positions in equity and principal-protected structured products.

Market risk is managed through a comprehensive governance framework approved by the Board and mandated to relevant management committees and assigned departments through clear roles and responsibilities. The framework relies on ensuring adequate systems are in place, maintaining appropriate limits, independent mark-to-market valuation, and frequent review of both; (1) the bank's investment portfolios with regard to its risk drivers, and (2) the bank's structural position with regard to profit rate risk and its impact on earnings as well as the economic value of its shareholders' equity. The policies and procedures and the trading limits are set to ensure the implementation of the Bank's market risk policy in day-to-day operations. These are reviewed periodically to ensure they remain in line with the Bank's general market risk policy and in line with the Bank's overall business strategy.

b) Structure and organization of the market risk management function: description of the market risk governance structure established to implement the strategies and processes of the Bank discussed in row (a) above.

Market Risk function is part of the Global Risk Management (GRM). It is independently accountable for providing risk oversight to ensure that the market risk profiles of trading and banking portfolios are maintained within the Bank's risk appetite.

The Market Risk function is responsible for provision of various risk-related analytics to the relevant management committees and thereafter the relevant Board committees.

It is also accountable for continuous monitoring of compliance to the approved Treasury Limits and communicates to Senior Management in case of any comments/exceptions.

c) Scope and nature of risk reporting and/or measurement systems.

The Market Risk function assess and monitor a set of approved risk metrics and limits on the Banks's investment portfolios and report to the Enterprise Risk Committee (ERC) on a regular basis. Similarly, it assess/monitor various risk limits on the Bank's structural balance sheet focused on liquidity risk and profit rate risk in the banking book and report to the Asset & Liability Committee (ALCO) on a regular basis.

Additionally, a regular update on status of compliance to approved framework and on current and upcoming trends is provided to the Board designated committees; Governance Risk Policy Committee (GRPC) & Approval Committee (AC).

The Bank uses appropriate models for the valuation and risk measurement of its positions and receives regular market information to regulate market risk.

MR1: Market risk under the standardised approach (SA)

AED '000s		31 December 2022 a
		RWA
1	General profit rate risk (General and Specific)	1,154,241
2	Equity risk (General and Specific)	27,691
3	Foreign exchange risk	752,834
4	Commodity risk	-
	Options	
5	Simplified approach	-
6	Delta-plus method	-
7		
8	Securitisation	-
9	**Total**	**1,934,765**

- As compared to last period, the overall Market risk decreased due to decrease in Foreig exchange risk and General profit rate risk mainly because of lower USD Profit Rate Swap position compared to last period.
- The Bank continues to follow the Standardized approach to compute Market Risk capital charge.

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

PRRBBA: PRRBB risk management objectives and policies

Qualitative disclosures

a) **A description of how the bank defines PRRBB for purposes of risk control and measurement**.

Profit Rate Risk in the Banking Book arises when changes in Profit rates affect the market value, the cashflows and earnings of assets and liabilities of ADIB.

The Group is exposed to profit rate risk as a result of mismatches or gaps in the scheduled maturities, repricing dates or reference rates of assets, liabilities and derivatives.

b) **A description of the bank's overall PRRBB management and mitigation strategies**.

The Group manages this risk through appropriate limits in place and frequent review of the bank's structural position with regard to profit rate risk and its impact on earnings as well as the economic value of its shareholders' equity.

The sensitivity of the bank's earnings and shareholders' equity is approved at the Board's level or its designate and mandated to relevant management bodies, including ALCO, Group Treasury and Group Risk Management.

c) **The periodicity of the calculation of the bank's PRRBB measures, and a description of the specific measures that the bank uses to gauge its sensitivity to PRRBB**.

Profit rate risk is measured using simulations, earnings sensitivity and economic value sensitivity analysis, stress testing and gap analysis, in addition to other treasury risk metrics.

Primarily, the level of profit rate risk within ADIB is measured from both an earnings sensitivity and an economic value sensitivity:

- Earning sensitivity involves analyzing the impact of changes in profit rates on net revenue for funds in the following 12 months period.

- Economic Value sensitivity involves analyzing the impact of changes in profit rates on expected cash flows on assets minus the expected cash flows on liabilities plus the net cash flows of off-balance items.

d) **A description of the profit rate shock and stress scenarios that the bank uses to estimate changes in the economic value of earnings.**

The bank uses various simulations in line with industry/regulatory common practices, and review the shocks and its impact on both earnings and shareholders' equity on a regular basis, in addition to custom built simulations reflecting management expectations with regard to the rate environment.

The risk measures are based however, on a parallel shift in profit rates, in line with industry best practices.

e) **Where significant modelling assumptions used in the bank's internal measurement systems (IMS) (ie the EVE metric generated by the bank for purposes other than disclosure, eg for internal assessment of capital adequacy) are different from the modelling assumptions prescribed for the disclosure Template IRRBB1, the bank should provide a description of those assumptions and their directional implications and explain its rationale for making those assumptions (eg historical data, published research, management judgment and analysis).**.

The bank uses a conservative approach while conducting its ICAAP exercise, whereby the assumptions used may differ from those parallel shocks assumptions used for the risk measure (earnings at risk or economic value of equity). Generally, the ICAAP used assumptions are more detrimental to the bank's overall earnings and shareholders' equity.

f) **A high-level description of how the bank hedges its PRRBB, as well as the associated accounting treatment.**

The bank where appropriate and needed may enter into profit rate swaps to manage its earnings and/or shareholders' equity sensitivity to profit rate risk. Under such circumstances, it will be using the appropriate hedge accounting treatment.

g) **The methodology used to estimate the prepayment rates of customer financing, and/or the early withdrawal rates for time deposits, and other significant assumptions.**

The bank uses historical behavioral analysis to estimate withdrawal rates on customers deposits.

Quantitative disclosures

AED '000s		Dec-22
1	**Avearge repricing maturity assigned to NMDs**	**3.83**
2	**Longest repricing maturity assigned to NMDs**	**6 years**

PRRBB1: Quantitative information on PRRBB

AED '000s	EVE		NII	
Period	**Dec-22**	**Dec-21**	**Dec-22**	**Dec-21**
Parallel up	8,002	878,273	487,105	561,112
Parallel down	(609,580)	193,027	(561,919)	(62,253)
Steepener	386,061	936,232		
Flattener	(634,008)	(442,422)		
Short rate up	(385,900)	(46,042)		
Short rate down	279,082	679,497		
Maximum	**386,061**	**936,232**		
Period	**Dec-22**		**Dec-21**	
Tier 1 Capital	19,234,805		18,255,332	

13. Operational Risk

ORA: General qualitative information on a bank's operational risk framework

a) Their policies, frameworks and guidelines for the management of operational risk.

Operational risk is the potential exposure of assets to financial, reputational or impacts resulting from inadequate or failed internal processes, people, systems, or external events. The Bank has developed and implemented an operational risk framework supported by a set of standards and operating procedures in accordance with Basel III guidelines. The Operational Risk Management Framework aims to actively manage Operational risk and set the standards of identification, assessment, monitoring, and response. The framework is built around and accounts for the risk impact on a spectrum of assets. Defined risk thresholds and authority matrices are set in line with the Operational risk appetite and lay at the base of decision making and management of the operational risk inherent to ADIB's existing and new offering and their supporting business processes.

The Operational risk management framework requires the use of specific tools including the proactive Risk Assessment of new initiatives, Risk reviews and Advisory, Risk & Control self-Assessment (RCSA), Control testing (CT), Key Risk Indicators (KRIs), Loss data management (LDM), Training & development, Monitoring & Reporting, Comparative Analysis as well as the management of Issues & Actions (I&A) identified from various sources and lines of defense. The framework also encompasses all the necessary elements of Quality assurance, Fraud Risk management and Investigations.

b) The structure and organisation of their operational risk management and control function.

The Operational Risk Management Function is structured in a way to ensure independency and availability of the necessary expertise. A central Group Operational Risk Management function (GORM) reporting to the Group Chief Risk Officer is responsible for setting the standards and providing all risk owners with the tools, systems, training and support which are necessary to manage the operational risk within their functional areas. Dedicated Operational Risk managers are also assigned within each Group and responsible to ensure that the Operational risk management tools and standards are well rooted within their areas of responsibilities. The Operational Risk Governance is ensured via a defined hierarchy of committees represented by the Board Committee "Governance & Risk Policy Committee" (GRPC), a Senior Management Committee "Control & Compliance Committee" (CCC). In addition to CCC sub-Committees created for dedicated purposes such as the "Business Risk & Control Committees" (BRCC) created within every Business & Functional Group, the Fraud Risk Management Committee (FRMC) and the Operational Risk Provisioning Committees (ORPC).

The definition of Operational risk is overarching several types of risk categories such Fraud Risk, Regulatory & Compliance risk, Conduct Risk, Sharia'a non-compliance Risk, Information Security Risk, Technology Risk, Legal Risk and Business Continuity Risk. To that extent several stakeholders work in constant collaboration to ensure that various operational risk aspects are maintained within the appetite and managed as per the highest standards. The Framework and supporting documents articulate the roles and responsibilities of all stakeholders (Individuals, departments & Committees) involved in the management of operational risk across the Group.

c) Their operational risk measurement system.

ADIB uses a centralized platform used by all lines of defense for the management and measurement of operational risk. The platform encompasses all the Operational risk categories, taxonomies and tools and allows for a Comparative analysis across the results and outcome of various tools. The measurement systems show positive trends year on year and adequate risk coverage ratios at individual and aggregate levels. This is emphasized by constant process enhancements, proactive risk assessments, control testing, issues identification and actions completion.

As for the Capital Adequacy Ratio, ADIB uses the Basic Indicator Approach (BIA) for the purpose of calculation of the Operation risk weighted assets.

d) The scope and main context of their reporting framework on operational risk to executive management and to the board of directors.

Operational Risk management reporting structure is governed by and follows a well-defined hierarchy involving the senior management and the Board represented by the BRCC, the CCC and the GRPC where the Operational Risk framework implementation, tools performance and results are monitored and reported. Results are escalated on a consolidated basis with the necessary breakdowns provided based on specific appetite thresholds set within the Operational Risk Management Framework

e) The risk mitigation and risk transfer used in the management of operational risk.

The Operational Risk Mitigation requirements is dictated by the level of Inherent risk exposure where all exposure deemed to be exceeding the approved risk are covered by the means of the relevant preventive , detective, corrective, directive or limiting controls which are manually and automatically operated such as dual controls, multi factors of authentications, data and system protection, encryption, segregation of duties, reconciliations, reviews, transactions limits, policies and procedures, busines continuity plans which are regularly assessed and tested in addition to a comprehensive insurance coverage and selected outsourcing used as risk transfer/sharing techniques. All residual exposure deemed to be exceeding the approved risk appetite are escalated and closely monitored based on predefined matrices. The day-to-day operational risk management is also characterized by a comprehensive system of internal control with multi-layers of defense bringing together a team of subject matter experts.

f) ADIB Fraud Risk Management function

ADIB Group Fraud Risk Management Program objective is to develop and establish the basis of fraud risk management and anti-fraud controls required for the deterrence, prevention, and detection of fraud against ADIB and its subsidiaries.

The Fraud Risk Management program applies to all ADIB Group departments, subsidiaries, international locations, and business units including all ADIB employees, shareholders, consultants, vendors, contractors, and/or any other parties maintaining a business relationship with ADIB. The Program prescribes the standards to be adhered to by each Business Unit. It also forms the base policy that must be referred to while drafting all policies and operating procedures within ADIB.

g) Fraud Investigation Function

The objective of the function is to provide ADIB Group with the capacity to investigate fraud incidents and provide the relevant facts findings and recommendations to form the basis of appropriate follow-up actions professionally and objectively. The Objective of FID is also to conduct proactive integrity reviews in areas of increased risk and provide lessons learned from reviews and investigations in order to improve the effectiveness and efficiency of ADIB Group's operations and activities.

Also refer to "Risk Management-Operational risk" Note 42.4.4 of the audited consolidated financial statements as of 31 December 2022.

14. Remuneration Policy

REMA: Remuneration Policy

Remuneration and Reward Guiding Principles and Structures

ADIB aims to attract and retain the best talent particularly during the challenging recent times of the pandemic. To achieve this, we have designed a remuneration framework that is within the risk appetite set by the Board to promote the right behaviours and responsible business conduct. Our remuneration schemes are designed to be fair, equitable and linked to mutual employee and Group performance.

Our rewards are based on the result of an annual performance appraisal system with input from line management and employees. The rewards structure also embeds effective risk management by balancing the interests of our customers, shareholders and other stakeholders including the Consumer Protection Standards of the CBUAE.

Total Reward – Key Components

Fixed Pay comprise of basic salary allowances based on market rates which are benchmarked for each role and are subject to review based on the achievement of SMART objectives and market movement. Fixed pay also includes other allowances in line with best practice and this is also benchmarked against ADIB peers.

A Variable Pay component is a discretionary pay which is performance-based dependent on individual, functional and overall ADIB performance. For Senior Management the variable pay, is paid out on a deferred basis with various claw-back clauses.

Retention Scheme and High Potential Emolument scheme is deployed in selected cases to retain key employees and also maintain a cadre of professional UAE Nationals with high potential and in line with CBUAE Emiratisation objectives.

The Nomination and Remuneration Committee (NRC) comprises of Chairman and 2 Directors which assists the Board in fulfilling its oversight responsibilities in respect of the following for the Group:

- Review the selection criteria and number of executive and employee positions required by ADIB; approve the overall manpower of ADIB based on reports submitted by the Group Chief Executive Officer, taking into consideration the advice of an independent and recognized consulting firm
- Review on an annual basis the policy for the remuneration, benefits, incentives and salaries of all ADIB employees, including Bank and non-Bank subsidiaries and affiliates, as submitted by the Group Chief Executive Officer, taking into consideration the advice of an independent and recognized consulting firm
- Identify and nominate, for approval of the Board, candidates for appointment to the Board
- Recommend on succession plans for Directors
- Input on renewal of the terms of office of non-executive Directors
- Assist with membership of Board committees, in consultation with the Board's Chairman and the Chairmen of such committees
- Guide on matters relating to the continuation in office of any Director at any time
- Recommend on appointments and re-appointments to the Boards of major subsidiaries and controlled affiliated companies
- Ensure the independence of the independent directors and any qualified subject matter expert appointed to a Board committee; and
- Regularly review the structure, size and composition (including the skills, knowledge and experience) required of the Board and make recommendations to the Board regarding any changes.

Senior Management & Material Risk Takers (MRTs)

Senior Management is the executive management of the bank, who is responsible and accountable to the Board for the sound and prudent day-to-day management of the Bank.

ADIB have considered the Group CEO and the heads of the revenue generator units / business lines as the Primary MRTs, on the basis that their compensation is risk-aligned given that they have the ability to control and influence certain risks that are materially significant to ADIB. The Bank aims to continually assess, in a systematic manner, key positions and associated delegation of authorities for classification as MRTs and shall confirm the outcome of this exercise in an annual assessment at the end of 2022.

REM1: Remuneration awarded during 2022

	AED '000s		a	b
	Remuneration Amount		Senior Management (including MRTs)	Material Risk-takers (MRTs) only
1	Fixed Remuneration	Number of employees	**13**	**5**
2		Total fixed remuneration (3 + 5 + 7)	**30,931**	**15,140**
3		Of which: cash-based	30,931	15,140
4		Of which: deferred	-	-
5		Of which: shares or other share-linked instruments	-	-
6		Of which: deferred	-	-
7		Of which: other forms	-	-
8		Of which: deferred	-	-
9	Variable Remuneration	Number of employees	**13**	**5**
10		Total variable remuneration (11 + 13 + 15)	**19,439**	**11,761**
11		Of which: cash-based	19,439	11,761
12		Of which: deferred	7,441	5,153
13		Of which: shares or other share-linked instruments	-	-
14		Of which: deferred	-	-
15		Of which: other forms	-	-
16		Of which: deferred	-	-
17	**Total Remuneration (2+10)**		**50,370**	**26,901**

REM2: Special Payments

Special Payments	Guranteed Bonuses		Sign on Awards		Severence Payments	
	Number of employees	Total amount	Number of employees	Total amount	Number of employees	Total amount
Senior Management (including MRTs)	-	-	-	-	-	-
Material Risk-takers (MRTs) only	-	-	-	-	-	-

REM3: Deferred remuneration

	a	b	c	d	e
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
Senior Management (including MRTs)					
Cash	11,500	-	-	-	7,441
Shares	-	-	-	-	-
Cash-linked instruments	-	-	-	-	-
Other	-	-	-	-	-
Material Risk-takers (MRTs) only					
Cash	4,869	-	-	-	5,153
Shares	-	-	-	-	-
Cash-linked instruments	-	-	-	-	-
Other					-